

# Legislators wary of optimistic revenue forecast

By Claire Withycombe  
Capital Bureau

Oregon is expected to have about \$99 million more in net general and lottery fund resources than state economists projected a few months ago.

The state's quarterly revenue forecast, presented to lawmakers Friday morning, is a key development of the short February session.

Lawmakers are working to ensure the state's current two-year budget is on track and to deal with the implications of recent sweeping changes to the federal tax code.

The net increase of about \$99 million in available money is due to higher than expected beginning fund balances, personal income tax collections and lottery revenues. However, corporate tax collections are projected to be lower than expected in late November, when the last quarterly forecast was released.

State economists are still trying to pin down the impact of the federal tax reforms passed in late December.

In response to the federal Tax Cuts and Jobs Act, some

state lawmakers are pressing on with efforts to change Oregon's tax code to mitigate the projected negative revenue effects. A bill passed last week by the Oregon Senate would allow Oregon to tax overseas profits that companies are expected to bring back to the U.S. through a provision in the tax bill called repatriation. It has been referred to the House Revenue Committee for consideration.

## 'Future is uncertain'

Gov. Kate Brown said that the forecast was "good news" for the state, but warned that the state needed to demonstrate fiscal discipline and was critical of a second tax bill before the Legislature.

The bill would change how certain types of businesses are taxed. It was sent back to the Senate Finance and Revenue committee by Senate President Peter Courtney, D-Salem, on Thursday.

Senate Republican Leader Jackie Winters said the forecast was evidence that it isn't necessary for lawmakers to pass new revenue measures in



File photo

**Good news Friday of nearly \$100 million more in state resources met with skepticism as Oregon lawmakers wrestle with potential budget impact of federal tax changes.**

the ongoing short session.

"This revenue forecast shows that Oregon's economy continues to prosper, eliminating the need for any new revenue package during this 35-day short session," Winters said. "Providing tax relief for small business and taxpaying Oregonians, while growing Oregon's economy, is our priority."

State Rep. Greg Smith, R-Heppner, the longtime vice chairman of the Joint Committee on Ways and Means — the bicameral budget-writ-

"One of those conversations has to occur," Smith said. "Because being at \$100 million up, it's going to be very easy for us to be \$2 billion down in the near future."

Senate Majority Leader Ginny Burdick, D-Portland, called the new numbers "good news," but said she didn't believe it would last.

"I continue to have concerns about how the federal tax changes will affect our state's revenues over time," Burdick said in a statement. "We should chart our own course by detaching from the federal tax code in key areas. That will protect the middle class and low-income Oregonians."

## Budget gap still there

Oregon's budget leans heavily on income taxes, a source of chagrin for state lawmakers who claim that it makes for unstable budgets and dramatic deficits in recessionary periods.

Some lawmakers have also voiced concerns about the state's property tax system, altered by a series of ballot measures in the 1990s. State

economist Mark McMullen concurred, saying that structural revenue issues weren't going anywhere.

"That budget gap is still there, it's real," McMullen said. "This report changes that not at all."

And although most economic indicators are pointing in the right direction, McMullen said, there's a higher risk of a recession than there was a year ago.

The state has worked to build its reserves since the last economic recession. But the size of the structural budget deficit in future budget cycles is larger than the state's reserve funds, said State Rep. Phil Barnhart, D-Eugene.

House Majority Leader Jennifer Williamson, D-Portland, also alluded to longer-term budget concerns in a post-forecast statement.

"The bad news is, Oregon continues to struggle with the long-term, structural imbalance between our existing revenue streams and the rising cost of funding schools, health care, public safety and other critical services for our growing state," Williamson said.

## LEGISLATIVE BRIEFCASE

### Carbon sequestration proposed as 'cap-and-trade' alternative

Oregon's forestry and environmental regulators would study "sequestering" carbon as a possible alternative to penalizing emissions under a bill before the House Agriculture Committee.

Lawmakers are currently debating a controversial and prominent "cap-and-trade" proposal under which companies that exceed a ceiling on carbon emissions could buy credits from those that fall below it.

Timber companies and several lawmakers are advocating for a less publicized carbon-related bill that would require the Department of Environmental Quality and Department of Forestry to evaluate using "natural ecosystems" to absorb and store carbon while promoting economic development, as well as using tax incentives for companies to reduce carbon emissions.

Under House Bill 4109, the study would also examine "regional approaches" to reduce carbon emissions "other than adopting or participating in

a greenhouse cap-and-trade system."

Oregon's annual wildfires emit more carbon monoxide, nitrous oxide, fine particulates and volatile organic compounds than industrial sources or vehicles, said Rep. David Brock Smith, R-Port Orford, the bill's chief sponsor.

Supporters of HB 4109 argue it would encourage discussions about thinning over-stocked federal lands that are prone to catastrophic forest fires.

### Ballot referral making health care a 'right' passes House

The Oregon House of Representatives voted along party lines last week to ask voters to amend the Constitution to make access to cost-effective and affordable health care the right of all state residents.

The proposal now heads to the Senate and if passed, would stand on the November general election ballot. All 35 Democrats in the House voted for the measure, while the 25 Republicans opposed it.

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