



HOUSE OF REPRESENTATIVES

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HB (TBD): Revenue Forecast Modernization Act

Objective	Reduce the frequency and size of kicker rebates by bringing greater accuracy and predictability to the state's revenue forecasting process.
Problem	<p>Put in statute in 1979, Oregon's kicker law was only amended into the state constitution in 2000. It requires the state economist to predict revenues two years in advance. Any variance above 2% of actual revenues two years later has to be returned to the voters. Importantly:</p> <ul style="list-style-type: none">• In 14 of the last 22 biennia, including every single biennium in the last decade, there has been a kicker ranging in size from \$60 million (1993) to \$5.6 billion (2022).• Generally, two thirds of these rebates flow to the top 20% of income tax filers and the top 1% receives nearly a full fifth of the dollars.• Despite the state's entire budget and most programs depending upon the regular revenue forecasts, the legislature has never provided further guidance on how they are to be conducted and no governor has ever issued a formal executive order to that effect.
Solution	<p>Instead of returning one single number in the revenue forecast, HB 3659 requires both an "optimistic" and a "pessimistic" number. The same data vendors with whom the state contracts for the current forecasting methodology already offer datasets like this, the state just doesn't use them. The kicker rebate will be tied to the optimistic revenue number, which is less likely to be exceeded by actual revenues than under the current system. The state can then budget ongoing and programmatic expenses according to the pessimistic number, which means critical functions of state government are less likely to face cuts than under the current methodology. The delta between the optimistic and the pessimistic estimate can be used for one-time or short-term costs like payments on the PERS unfunded actuarial liability, capital construction, debt service, and disaster response.</p> <p>Alongside the bill draft, LC returned a memo stating, "... I think that an approach such as this is possibly the best option for making the estimates more accurate without the changes being invalidated by the courts."</p>