

Oregon's Economic and Revenue Forecast



March 2024

Economic Outlook

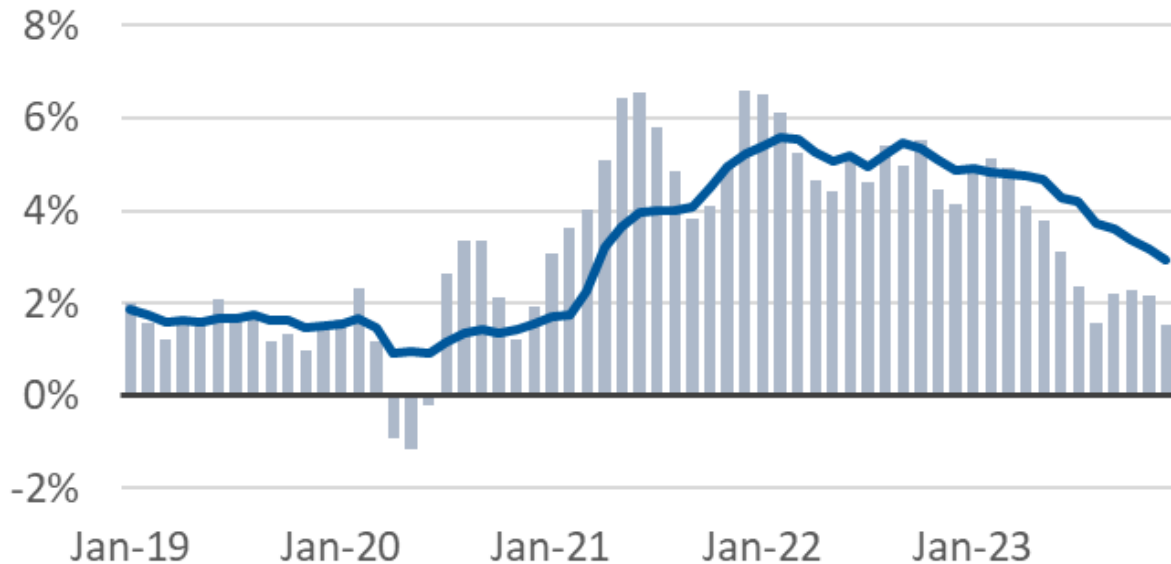


As inflation slows, real growth strengthens



Inflation Near Fed's Target

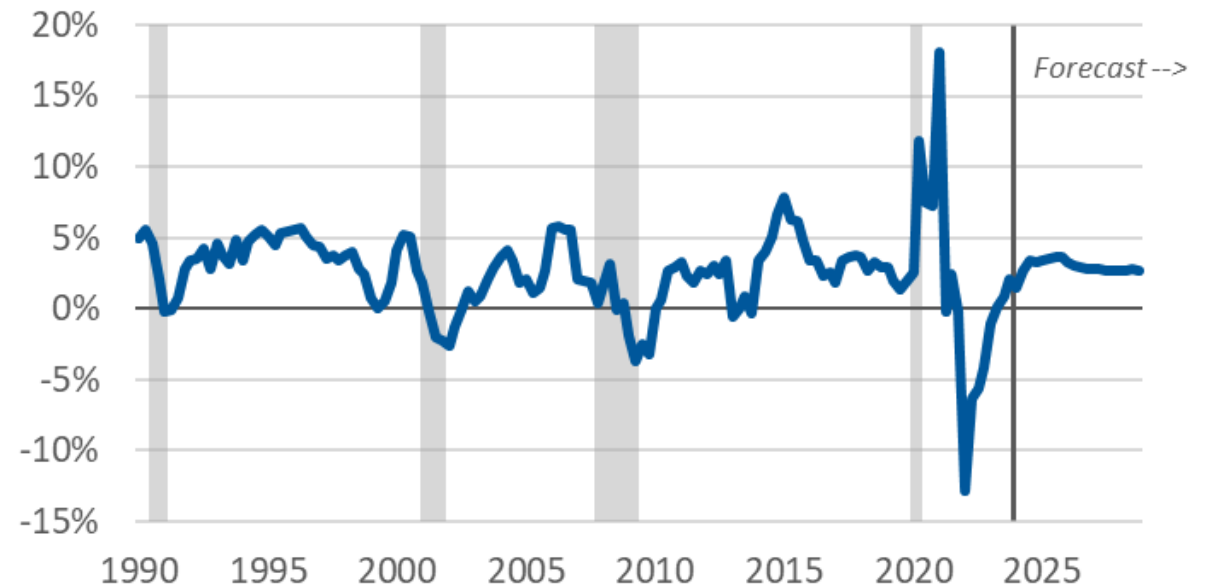
PCE Price Index excluding Food and Energy (Core PCE)
Percent change, **Year-over-Year** and **3 Month (annualized rate)**



Latest: December 2023 | Source: BLS, Oregon Office of Economic Analysis

Real Oregon Income Growing Again

Year-over-Year percent change in inflation-adjusted personal income



Inflation is West Region CPI All Items | Latest: 2023q4 | Source: BEA, BLS, Oregon Office of Economic Analysis

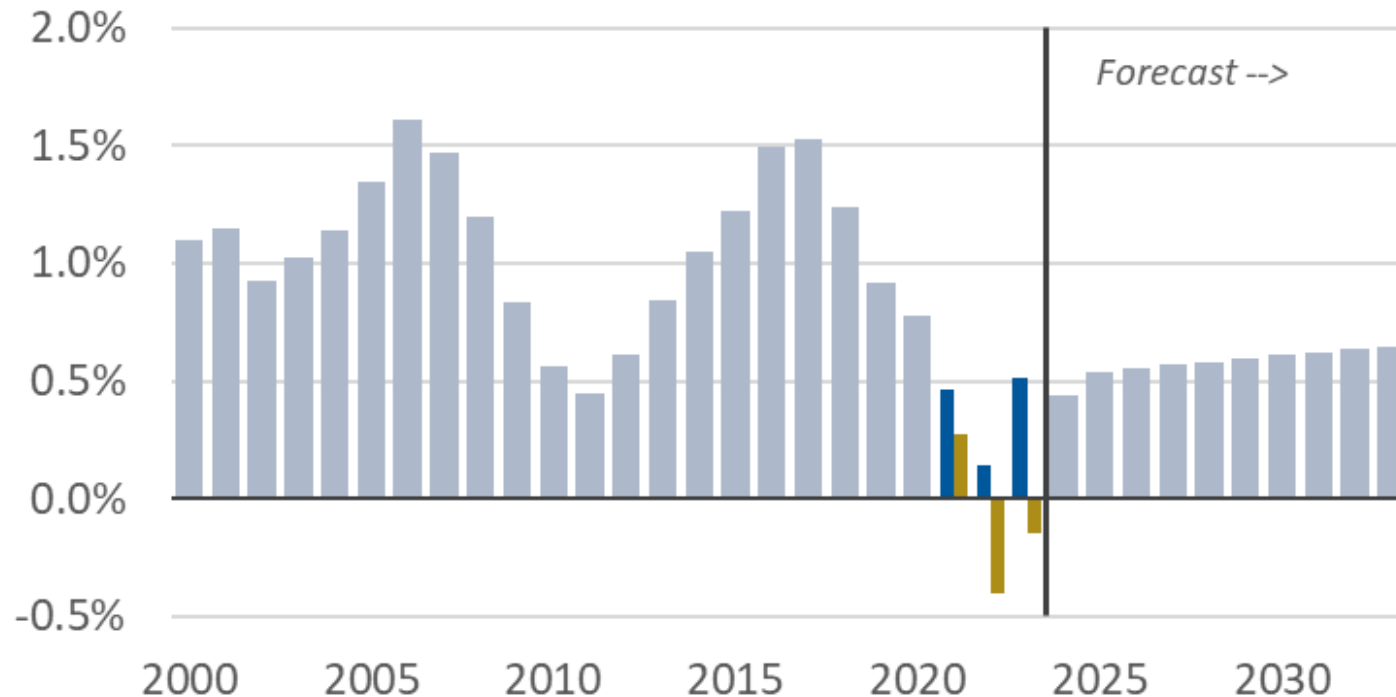
Population growth slowly returns



Oregon Population Growth

Annual change in total state population

OEA History and Forecast, **Portland State Estimates**, **Census Estimates**



Latest: 2023 | Source: Census, Portland State Population Research Center, Oregon Office of Economic Analysis

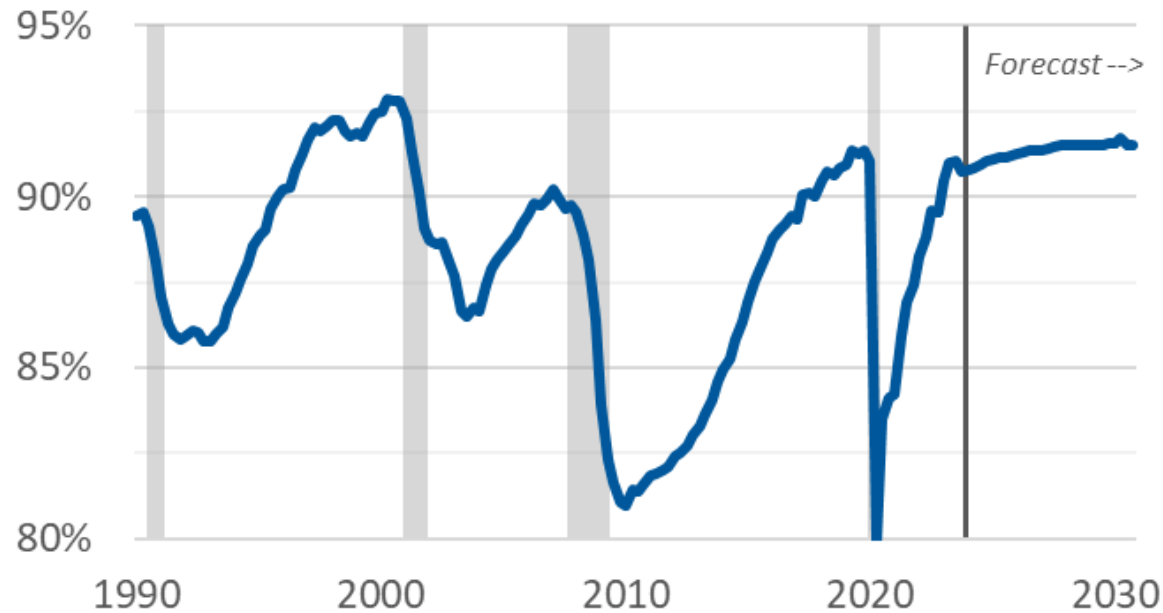
- 2023 population estimates once again differed with PSU increasing, and Census decreasing
 - 2023 Census county estimates available in March
- Population forecast is lowered from 0.7% to 0.6% average annual growth through 2033
- Migration is the primary reason Oregon grows faster than the U.S. It allows local businesses to hire and expand at a faster rate.
- Updated Population Data
 - Deaths continue to outnumber births
 - Surrendered driver licenses at Oregon DMVs continues to match levels seen last decade
 - New data from the Cleveland Fed based on credit reports, shows the Portland metro population may be stabilizing, even as the urban core continues to lose residents

Labor market is cyclically strong, and structurally tight



Oregon at or near full employment

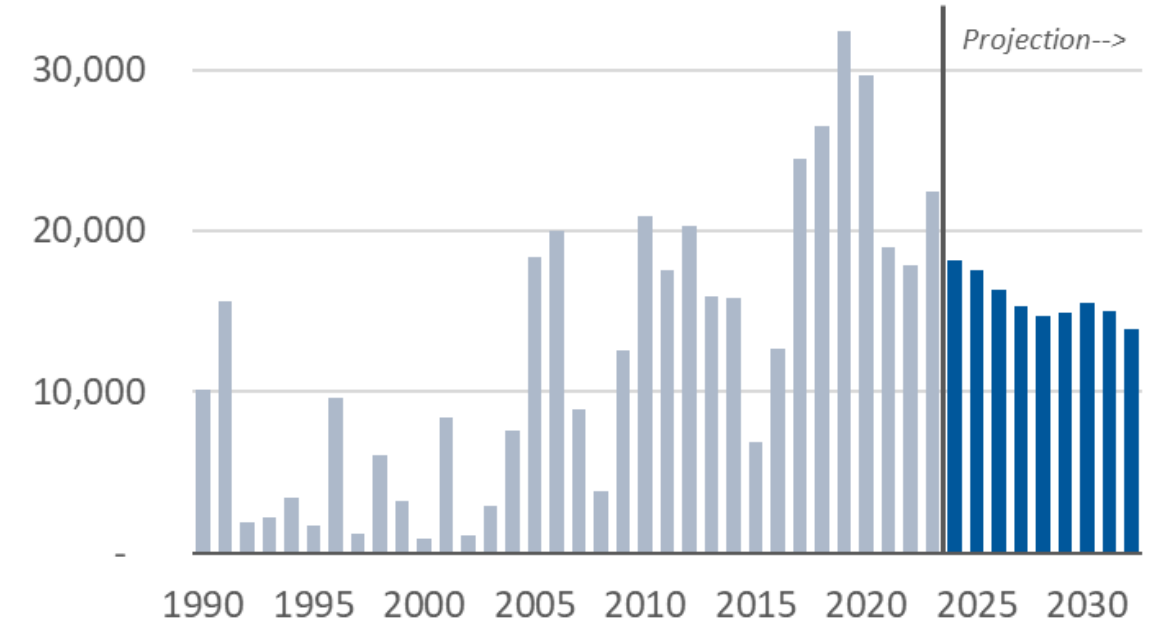
Payroll employment as a share of potential labor force



Latest Data: 2023q4 | Source: Oregon Office of Economic Analysis

Oregon Retirements

Annual change in Oregonians 60+ years old not in the labor force



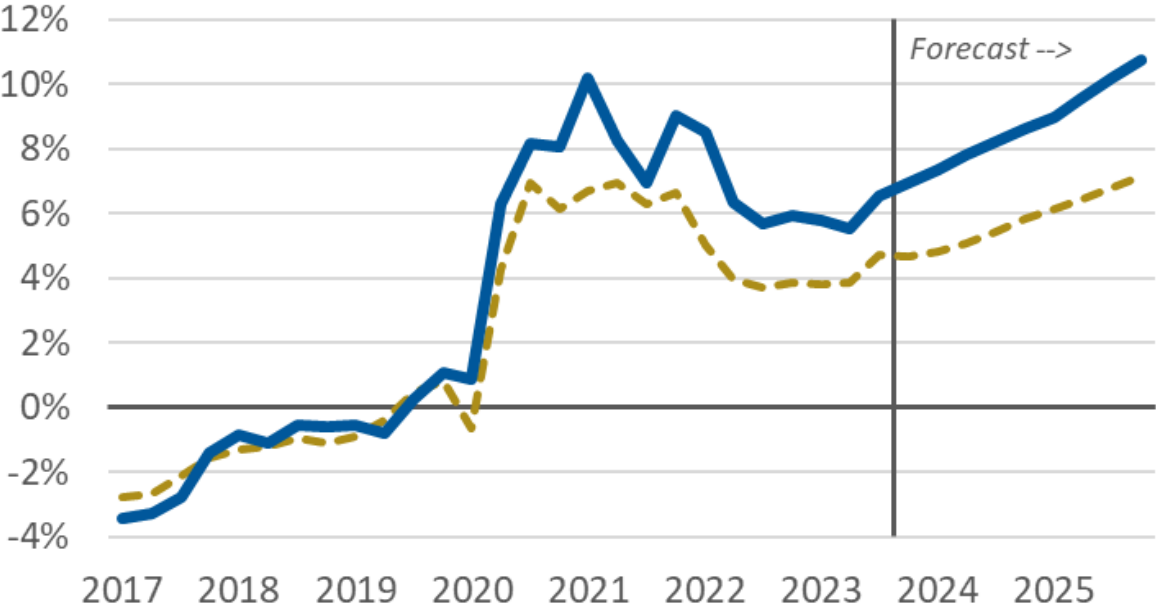
Latest Data: 2023 | Source: IPUMS-CPS, Oregon Office of Economic Analysis

Capital investment drives growth



Real GDP per Worker

Percent change since 2019 in **U.S.** and **Oregon**



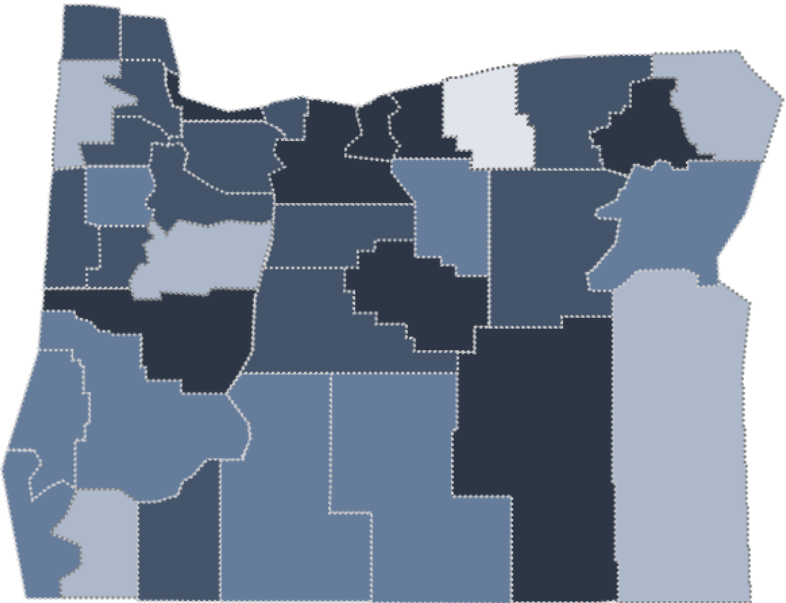
Latest Actual: 2023q3 | Source: BEA, BLS, S&P, Oregon Office of Economic Analysis

County Productivity

Percent change in real GDP per worker 2019-2022

National Quintile

- Top (> 9%)
- Fourth (4 to 9%)
- Middle (1 to 4%)
- Second (-4 to 1%)
- Bottom (< -4%)



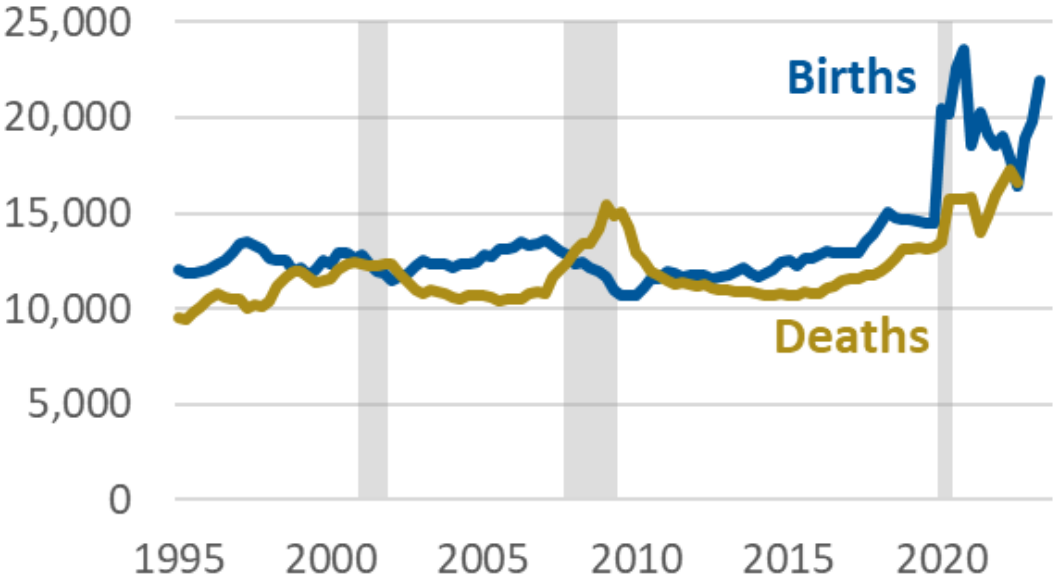
Source: BEA, Oregon Office of Economic Analysis

Start-up boom continues



Oregon Economic Dynamism

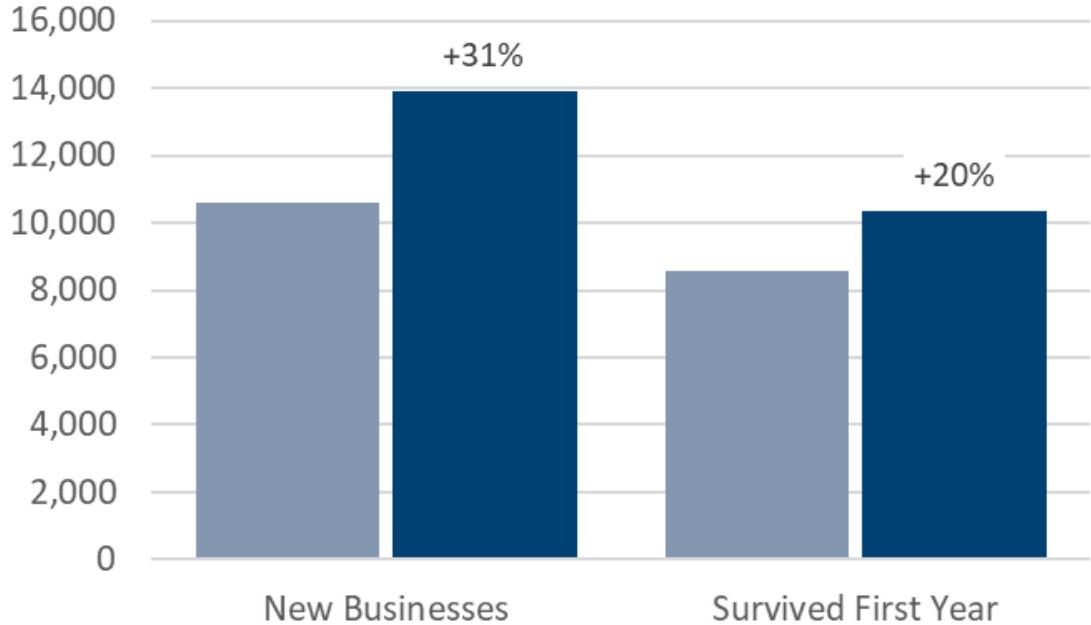
Number of establishments



Data: 4 qtr sum | Latest: Births 2023q2, Deaths 2022q3
Source: BLS, Oregon Office of Economic Analysis

Oregon New Business Survival

2017-2019 Average | 2022



Source: BLS, Oregon Office of Economic Analysis

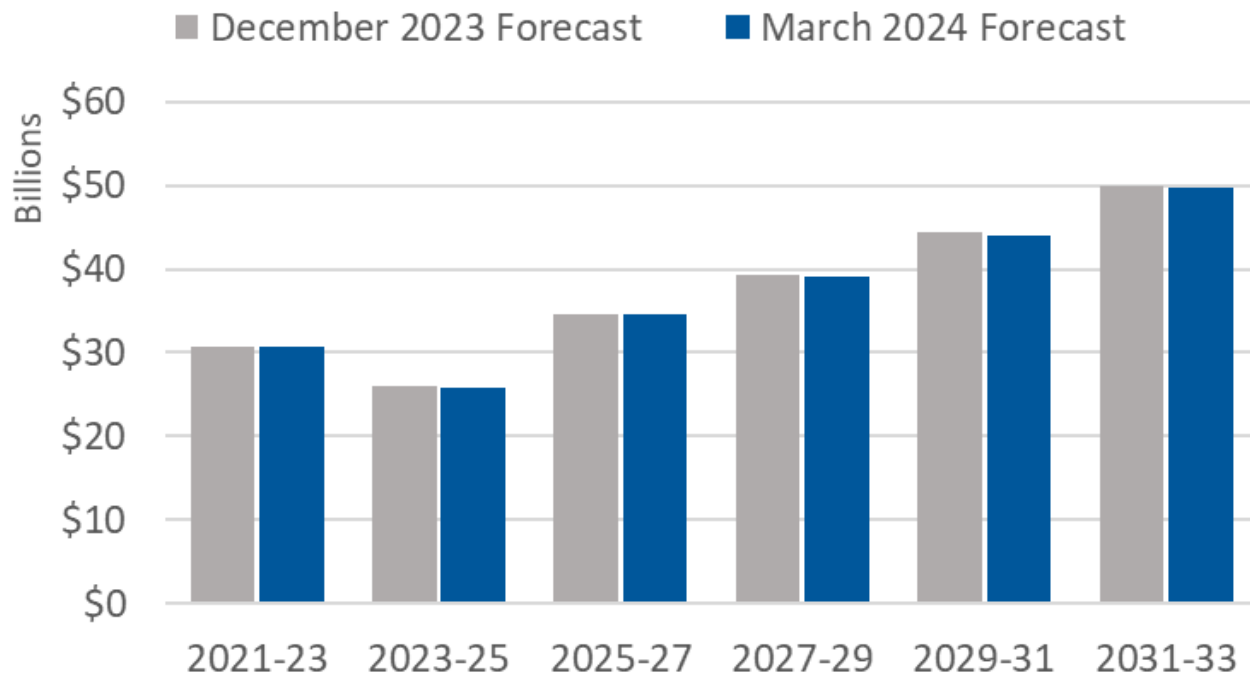
Revenue Outlook



Revenue growth expected to return to trend in 2025-27



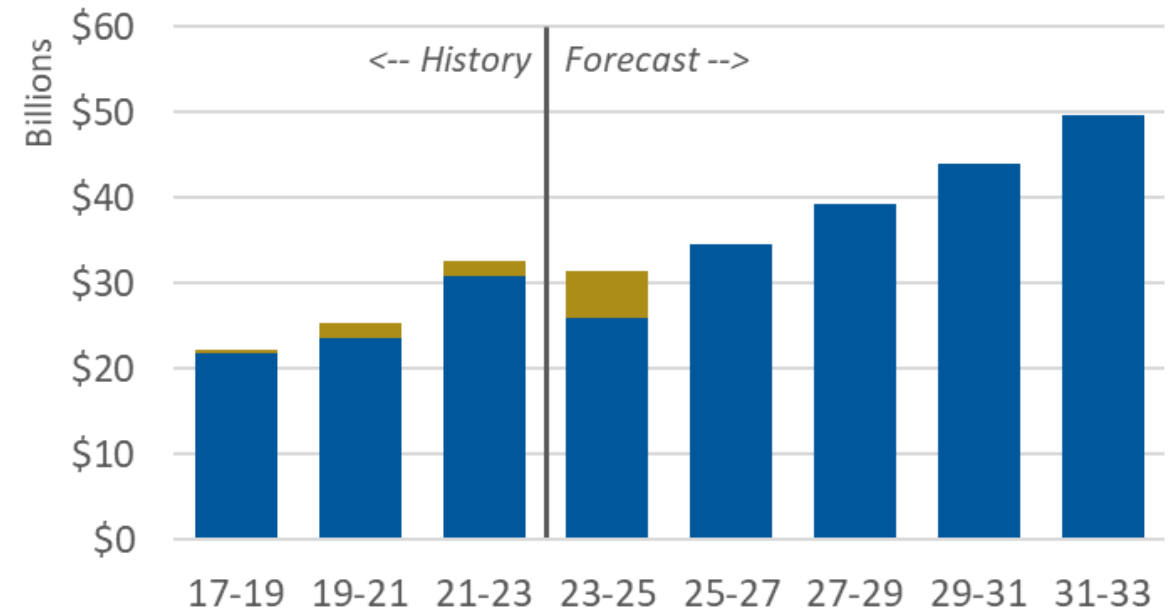
Oregon General Fund Forecast



Source: Oregon Office of Economic Analysis

Oregon General Fund Forecast

Current Revenue Forecast | Last Biennium's Kicker Being Paid Out



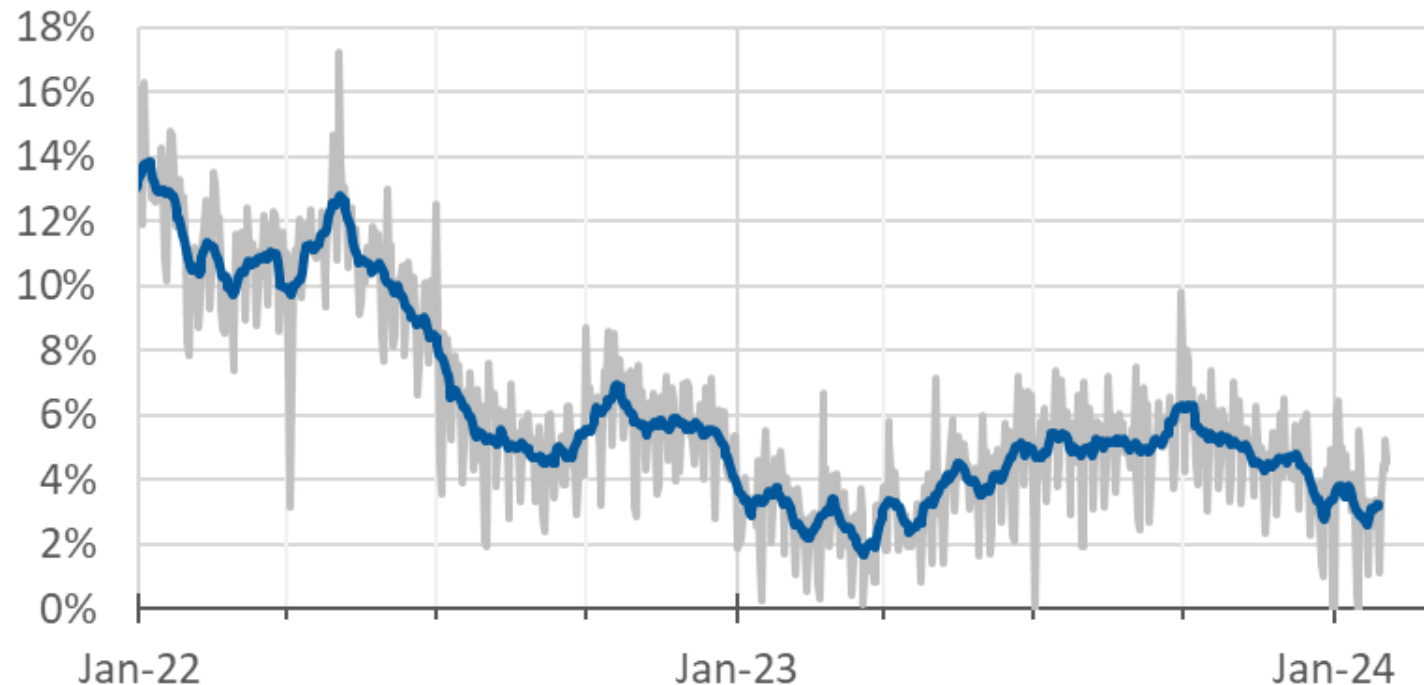
Source: Oregon Office of Economic Analysis

Evidence of labor market cooling in income tax withholdings



Oregon Withholding

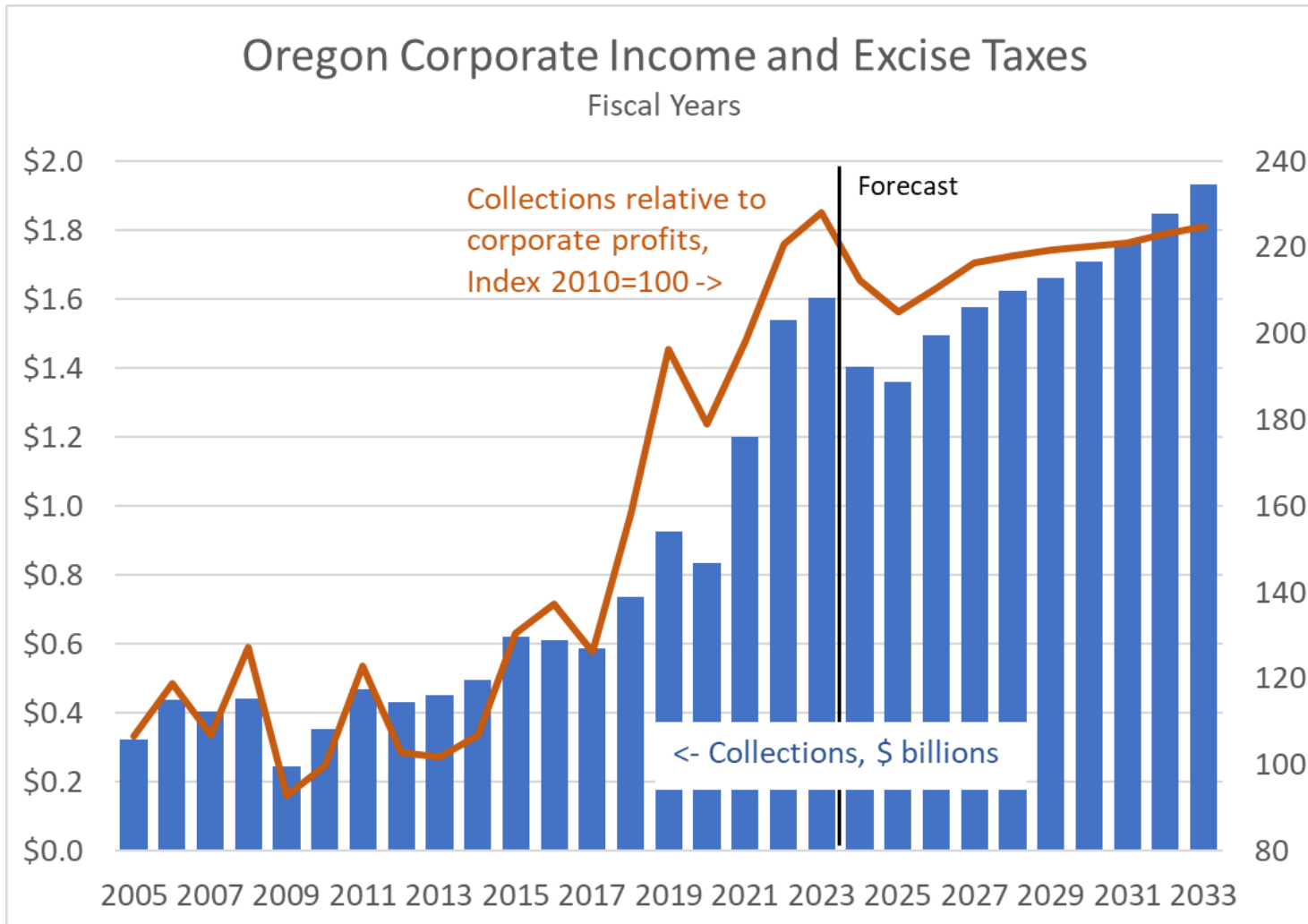
90 Day Rolling Sum of Collections: Year-over-Year Change | [Moving Average](#)



Latest Data: Feb 2, 2024 | Source: Oregon Dept. of Revenue, Oregon Office of Economic Analysis

- Growth in withholdings of personal income taxes have slowed in recent months, consistent with a softening labor market
- Typically, growth rates of 2% to 3% are only seen when Oregon is coming out of, or heading into, a recession
- The outlook for job gains going forward has been revised downward given recently weak population estimates, putting downward pressure on income tax collections
- In the current biennium, the weaker outlook for labor-related tax collections is offset by the surprising performance of the stock market and other investments during 2023

A new normal for Corporate Income and Excise Taxes



- After another strong year collections in FY2023, traditional corporate income and excise taxes have nearly tripled over the past 5 years
- Growth in collections has far outstripped underlying growth in corporate profits
- Given the timing of major tax reforms in 2017 (Federal TCJA, Oregon SB28) it is likely that the corporate tax base has become permanently larger
- The number of corporate filers has been rising in recent years after eroding as a share of overall businesses for decades

Corporate Liability



Total Oregon C-Corporate Net Tax (\$Thousands)

Taxable Income Category	2016	2017	2018	2019	2020	2021
Up to \$1 million	\$ 107.1	\$ 109.9	\$ 121.1	\$ 125.8	\$ 126.1	\$ 142.2
\$1 million to \$5 million	\$ 103.8	\$ 103.9	\$ 127.3	\$ 121.9	\$ 143.2	\$ 179.1
Over \$5 million	\$ 329.7	\$ 394.3	\$ 554.1	\$ 587.4	\$ 762.2	\$ 919.9
Total	\$ 540.6	\$ 608.1	\$ 802.4	\$ 835.1	\$ 1,031.5	\$1,241.2

Percent of Oregon C-Corporate Net Tax

Taxable Income Category	2016	2017	2018	2019	2020	2021
Up to \$1 million	19.8%	18.1%	15.1%	15.1%	12.2%	11.5%
\$1 million to \$5 million	19.2%	17.1%	15.9%	14.6%	13.9%	14.4%
Over \$5 million	61.0%	64.8%	69.1%	70.3%	73.9%	74.1%

Total Number of Oregon C-Corporate Tax Returns

Taxable Income Category	2016	2017	2018	2019	2020	2021
Up to \$1 million	29,135	29,482	30,213	30,967	31,735	34,060
\$1 million to \$5 million	685	690	827	803	939	1,130
Over \$5 million	290	317	372	390	467	550
Total	30,110	30,489	31,412	32,160	33,141	35,740

Percent of Oregon C-Corporate Tax Returns

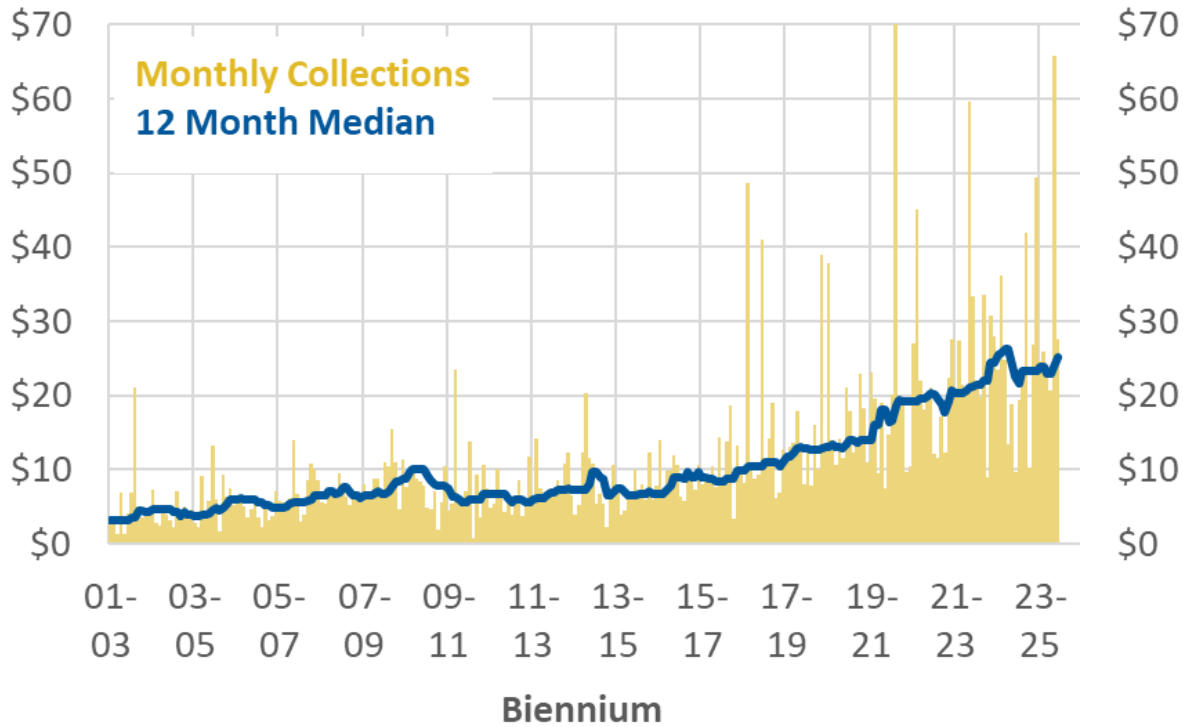
Taxable Income Category	2016	2017	2018	2019	2020	2021
Up to \$1 million	96.8%	96.7%	96.2%	96.3%	95.8%	95.3%
\$1 million to \$5 million	2.3%	2.3%	2.6%	2.5%	2.8%	3.2%
Over \$5 million	1.0%	1.0%	1.2%	1.2%	1.4%	1.5%

- Corporate liability estimates are now available for tax year 2021
- Tax liability for Tax Year 2021 grew by \$210 million (20%), with about 75% of that coming from taxpayers that have over \$5 million in taxable income, largely from an increase in the number in that group.
- Most of this growth came from multi-state corporations
- From 2020 to 2021, the industries with the largest growth were holding companies (up about \$64 million), Manufacturing (\$47 million), and Retail/Wholesale (\$57 million together)

Estate tax outlook raised



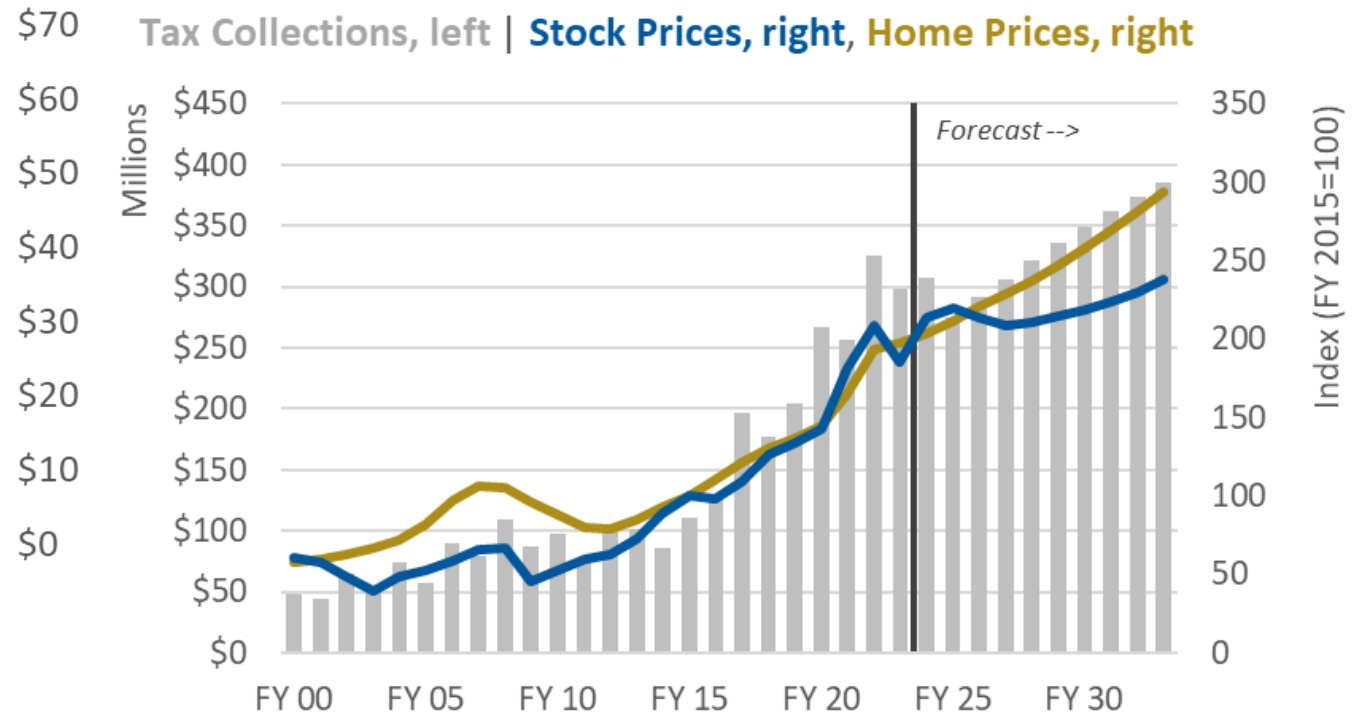
Monthly Oregon Estate Tax Collections (\$ millions)



Latest Data: December 2023 | Source: Oregon Dept. of Revenue, Oregon Office of Economic Analysis

Oregon Estate Taxes

Tax Collections, left | Stock Prices, right, Home Prices, right



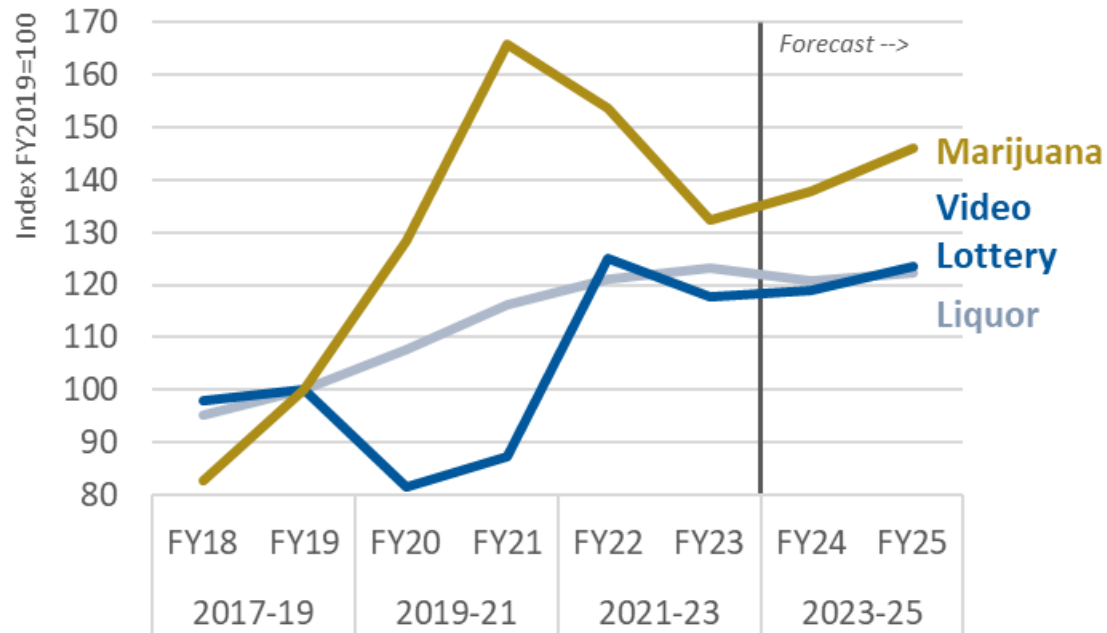
Latest Data: FY 2023 | Source: Oregon DOR, Oregon Office of Economic Analysis

Oregon Vice Slowdown



Oregon Vice Revenues

Fiscal year sales per Oregonian 21 years and older, Index FY2019=100



Latest Actual: FY2023 | Source: OLCC, Oregon Lottery, Oregon Office of Economic Analysis

2023-25 Vice Revenues (\$ millions)

		Close of Session	March 2024	Change
Lottery	Total Resources	\$1,919.4	\$1,935.6	\$16.2
Tobacco	Total Resources	\$827.0	\$770.9	(\$56.0)
	<i>General Fund</i>	<i>\$104.4</i>	<i>\$96.6</i>	<i>(\$7.9)</i>
	<i>Mental Health</i>	<i>\$29.4</i>	<i>\$27.2</i>	<i>(\$2.2)</i>
Liquor	Total Resources	\$705.7	\$573.5	(\$132.3)
	<i>General Fund</i>	<i>\$401.8</i>	<i>\$326.7</i>	<i>(\$75.2)</i>
	<i>Mental Health</i>	<i>\$20.7</i>	<i>\$20.3</i>	<i>(\$0.4)</i>
Marijuana	Total Resources	\$298.5	\$292.7	(\$5.8)
	<i>Drug Treatment</i>	<i>\$196.6</i>	<i>\$190.8</i>	<i>(\$5.8)</i>

Note: Tobacco includes cigarette, other tobacco products, and inhalant delivery

2023-25 Forecast Changes



2023-25 General Fund Forecast Summary

(Millions)	2023 COS Forecast	December 2023 Forecast	March 2024 Forecast	Change from Prior Forecast	Change from COS Forecast
Structural Revenues					
Personal Income Tax	\$21,019.7	\$21,164.6	\$21,180.1	\$15.5	\$160.4
Corporate Income Tax	\$2,228.9	\$2,647.2	\$2,762.1	\$114.9	\$533.1
All Other Revenues	\$2,011.3	\$2,007.3	\$1,953.1	-\$54.3	-\$58.2
Gross GF Revenues	\$25,259.9	\$25,819.1	\$25,895.2	\$76.1	\$635.3
Offsets, Transfers, and Actions ¹	-\$437.0	-\$483.9	-\$447.8	\$36.1	-\$10.8
Beginning Balance	\$7,493.5	\$7,636.2	\$8,082.5	\$446.3	\$589.0
Net Available Resources	\$32,316.4	\$32,971.4	\$33,529.9	\$558.5	\$1,213.5
Appropriations	\$31,873.6	\$31,873.6	\$31,873.6	\$0.0	\$0.0
Ending Balance	\$442.8	\$1,097.8	\$1,656.3	\$558.5	\$1,213.5
Confidence Intervals					
67% Confidence	+/- 6.7%		\$1,739.9	\$24.16B to \$27.64B	
95% Confidence	+/- 13.4%		\$3,479.8	\$22.42B to \$29.38B	

¹ Reflects personal and corporate tax transfers, Rainy Day Fund transfer, and Dept of Ag transfer

- Expected General Fund Revenues have increased by \$76 million relative to the December forecast, largely due to corporate tax collections
- Available resources are increased due to accountants closing the books on 2021-23
 - Reversions increase 2023-25 beginning balance, and (slightly) lower the Rainy Day Fund transfer, plus Dept of Ag transfer
- Potential Federal tax legislation is not incorporated into this forecast
- Revenue uncertainty remains high as there are still two income tax filing seasons to go for the biennium

General Fund Bottom Line



General Fund Revenue Forecast Changes

\$ millions, change from December 2023 to March 2024

	2023-25	2025-27	2027-29	2029-31	2031-33
Personal Income Tax	\$15	-\$111	-\$174	-\$554	-\$276
Corporate Excise Tax	\$125	\$219	\$181	\$149	\$116
Other General Fund	-\$54	-\$36	-\$19	-\$35	-\$79
Net GF Revenue Total	\$86	\$72	-\$12	-\$440	-\$239
2021-23 closure: Reversions, ORDF, Dept of Ag transfer	+\$473				
Available Resources	\$558	\$72	-\$12	-\$440	-\$239

- Most General Fund revenues have tracked the forecast well in recent months, with traditional corporate taxes and estate taxes having outstripped expectations
- The outlook for OLCC revenues has been revised downward by a large amount
- Unspent 2021-23 appropriations increase available resources significantly

Other Revenues Bottom Line



Other Forecast Changes

\$ millions, change from December 2023 to March 2024 in available resources

	2023-25	2025-27	2027-29	2029-31	2031-33
Lottery	-\$1	\$8	\$35	\$36	\$46
Corporate Activity Tax	\$24	\$67	\$115	\$129	\$143
Marijuana	-\$7	-\$6	-\$6	-\$7	-\$9
Sum	\$16	\$69	\$144	\$158	\$180

- Oregon's consumption-based revenues are tracking the forecast closely in recent months
- Lottery is unchanged in 2023-25 as reversions, and stronger traditional and sports betting sales offset weaker video sales
- CAT is raised in part due to recent collections showing the impact of the shift from calendar to business fiscal year filing
- Marijuana is lowered in keeping with recent collections, weak prices, and large harvest

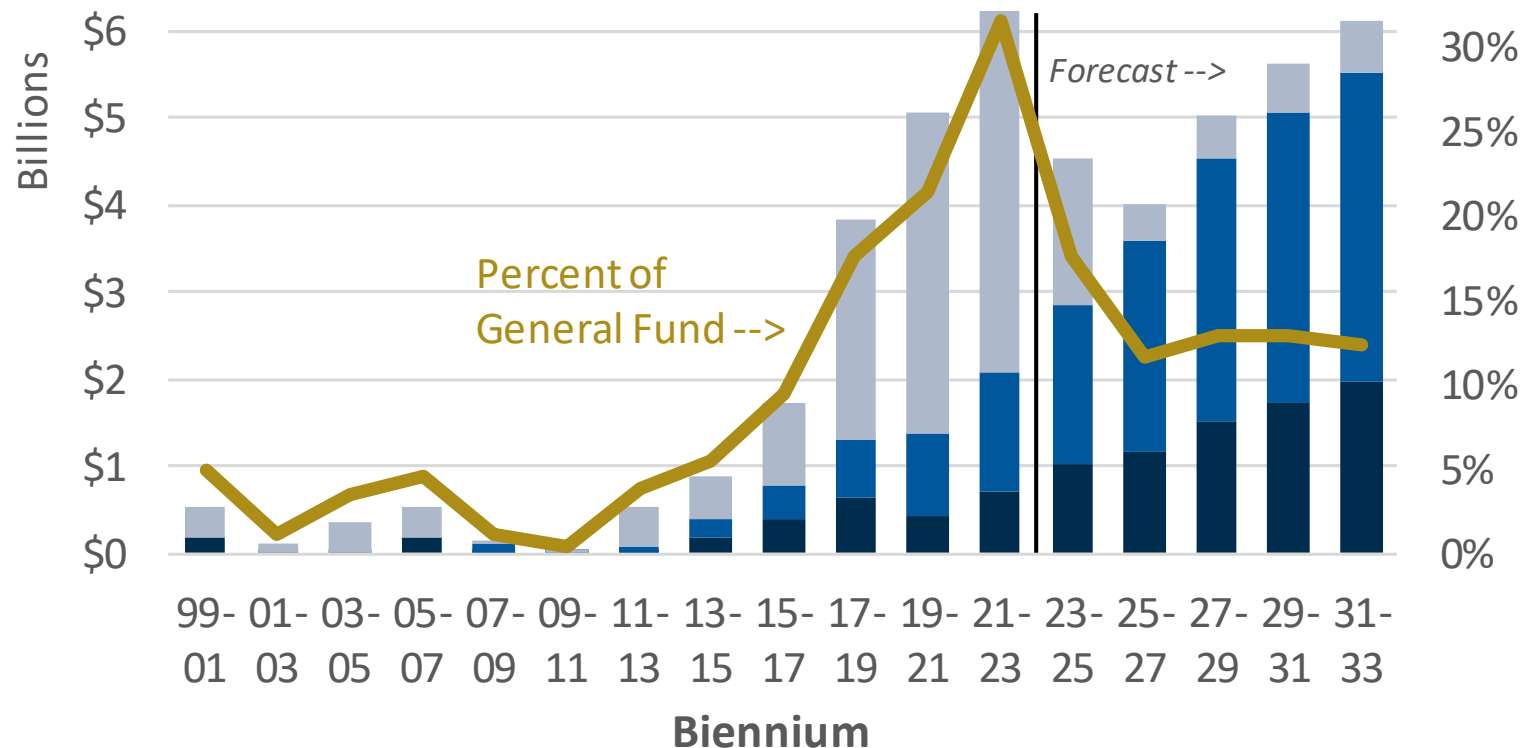
Sizable reserves remain

ESF expected to hit its statutory cap in FY27, ORDF in FY30



Oregon Budgetary Reserves

Education Stability Fund | Rainy Day Fund | General Fund Ending Balance



Effective Reserves (\$ millions)

	<i>Current Jan-24</i>	<i>End of 2023-25</i>
ESF	\$790	\$1,007
RDF	\$1,386	\$1,859
Reserves	\$2,175	\$2,867
Ending Balance	\$1,656	\$1,656
Total	\$3,832	\$4,523
% of GF	14.9%	17.6%

Source: Oregon Office of Economic Analysis

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