Highlights from May 2020 Revenue Forecast

- Almost $2B GF shortfall from March projections for 19-21 biennium  
  - $3.5B GF for 21-23
- Total general and other funds revenue shortfall of $2.6B from March projections for 19-21  
  - $4.3B for 21-23
  - Includes $400M reduction in CAT projections for 19-21, $600M for 21-23; which would have been a main stabilizing force for K-12 funding
- Statutory and constitutionally protected ending fund balances will be marginally increasing from April projections  
  - $1.7B total ($800M ESF)
- Initial trajectory mirrors natural disaster but recovery will have initial rebound with slower growth; anticipated 5+ year until fully back to 2020 pre-covid levels  
  - Quicker, steeper loses but shorter recovery time than previous recessions
- Although Oregon has been historical dependent on income taxes and could have been more advantageous in this kind of downturn, diversification of Oregon’s revenue system to more sales based income could put Oregon in similar trajectory as other states.
- Oregon’s long term prognosis is fewer jobs, less income and smaller population

Key takeaways for OAHHS

- 5 year budget discussion with largest perceived deficits coming in 21-23, but the final year projected will lead into sunset of the provider tax programs and IGT programs.
- GF reductions coupled with CAT reductions create enormous pressure for K-12 budget. CAT reductions are 40% of expected revenue in 19-21 and assumption had been a funding stream would have been able to withstand a downturn. This modeling suggests a significant problem with its viability and stability in downturns. A tax fight is coming. This may also ignite another conversation about the kicker. We should start preparing for if and how we want to engage. $1.5B just went out to individuals. Good on one hand but not on another.
- All through presentation, OEA made it clear that their assumptions were grounded in a healthy recovery through the public health response but was also clear they are shooting in the dark. We need to continue to leverage this messaging during the conversations.