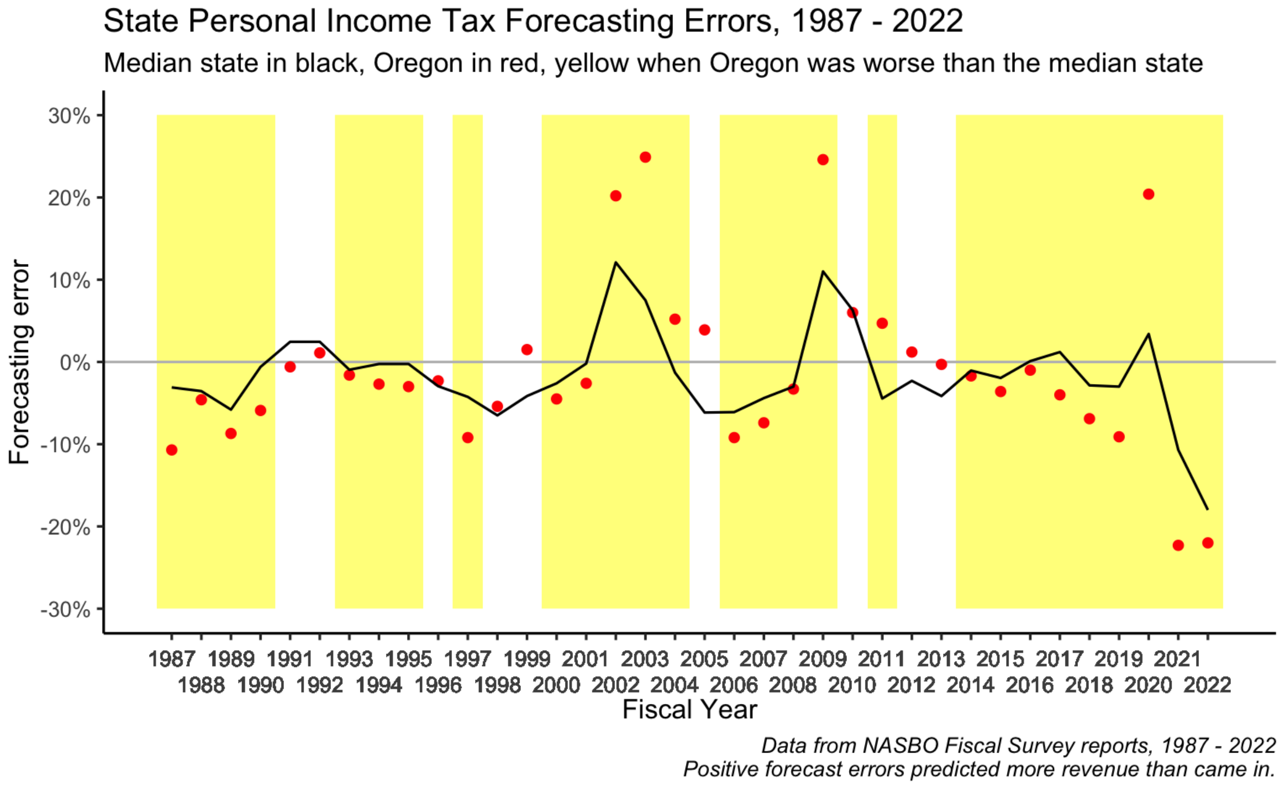
Oregon's inaccurate revenue forecasting costs $ billions needed for critical public services



- Oregon law requires legislators pass a balanced budget, with expenditures equal to expected revenues.[1] The official revenue forecast is produced by the Department of Administrative Services Office of Economic Analysis.[2] Oregon relies on personal income taxes for General Fund revenue more than any other state,[3] so the income tax forecast is especially important.
- Over the past 36 years of forecasting, Oregon's personal income tax revenue forecasts were less accurate than the median states' 75% of the time.[4] Oregon's forecast has been worse than the median state every year since 2014.
- Underestimating income taxes by more than 2% triggers Oregon's unique kicker law, which rebates personal income taxes back to taxpayers; the corporate income tax kicker goes to K-12 education since voters approved Measure 85 in 2012.

---

[1] Oregon Blue Book, Government Finance: State Government

[2] Office of Economic Analysis, https://www.oregon.gov/das/OEA/Pages/forecastecorev.aspx

[3] National Association of State Budget Officers, 2022 State Expenditure Report, Table 56: Revenue Sources in the General Fund. In FY22 personal income taxes made up about 84% of Oregon's general fund. Virginia was in second place, with personal income taxes accounting for 71% of general fund revenue.

[4] National Association of State Budget Officers, Fall Fiscal Survey reports, 1987 – 2022.

- Each of the last five biennial forecasts underestimated income tax revenue, causing both the personal and corporate tax kickers to kick.[5] The personal income tax kicker for 2021-23, the fifth in a row, will be the largest yet: an expected $5.5 billion.[6] That will bring the total cost of recent personal income tax kickers to $10 billion, not adjusted for inflation.
- The personal income tax kicker makes Oregon's tax system more regressive, as a large share goes to the taxpayers with the highest incomes. The Top 1% of filers will split over $1 billion in kicker rebates from the inaccurate 2021-23 forecast; some individuals' kicker rebates will top $1 million.[7] Thanks to Oregon's inaccurate forecasts, billions of dollars that should have gone to housing, health care, social services, education, and infrastructure were instead returned to Oregon's wealthiest residents.
- Forecast errors should be expected, but consistently underestimating revenue is evidence of systematic biases and inaccurate assumptions. Oregon's inaccurate, consistently low forecasts deprive legislators of the opportunity to allocate tax revenues to critical public services. This has a real impact on the legislative and budget process and ultimately harms Oregonians and the services they rely on from the state.

[5] Oregon Legislative Revenue Office, 2022 Public Finance Basic Facts
[6] Office of Economic Analysis, May 2023 Economic and Revenue Forecast
[7] Based on Office of Economic Analysis, May 2023 Economic and Revenue Forecast and 2020 Personal Income Tax return data from Oregon Department of Revenue