

**THEODORE R. KULONGOSKI**  
Governor



## *ANSWERING THE OREGON CHALLENGE*

### **FISCAL RESPONSIBILITY**

**Problem:** Historically, Oregon has been widely criticized by financial experts for not saving general fund dollars to protect critical programs in the event of a sizable economic downturn. In partnership with the Legislature, the Governor forged a new tradition by successfully delivering Oregon's first general purpose Rainy Day Fund in the 2007 session.

One-time monies to the tune of \$319 million from the 2007 Corporate Kicker were allocated to this general purpose Rainy Day Fund. While agreement was also reached to allocate from the ending balance up to 1% of each biennium's General Fund expenditures into the Rainy Day Fund as well, the availability of these dollars fluctuates depending upon legislative spending and the status of the economy.

The current Rainy Day Fund, combined with the Education Stability Fund, is expected to have \$800 million by the end of the current biennium, which is short of the 10-12% of the General Fund goal economists generally recommend a state have in savings to protect credit ratings and ensure protection for its citizens during a recession.

To achieve long-term fiscal stability, Oregon must have an ongoing revenue source dedicated to this general purpose Rainy Day Fund.

**Solution:** The Governor believes in order meet the goal of 10-12% reserves, the state needs a dedicated funding source for the Rainy Day Fund. The Governor has asked his Council of Economic Advisors and the State Economist to identify the optimal percentage of General Fund savings for Oregon.

- Dedicated Funding Source: A dedicated funding source would ensure the state continues to save during both good and bad economic times – even if the reserve fund is tapped – so there is always savings for a rainy day.
- Restructure the Corporate Minimum: The Governor proposes to increase this \$10 minimum to a sliding scale between \$25 and \$5,000 based on the amount of sales a C-Corporation had in Oregon to be dedicated to the Rainy Day Fund.