

## **State Economist treads lightly when giving negative March 2010 Economic & Revenue Forecast.**

Early in the March 2010 Forecast he implies hope for better employment in late 2010:

“Oregon faces these same uncertainties as it moves through the early stages of recovery. The forecast has a "jobless" recovery where employment rises slowly starting in the second quarter of 2010, going through a soft growth period into 2011.” [underlining added.]

Further down on page 2 of the Forecast, the calming effect of , “soft growth period into 2011” is shaken by the implied declaration that Oregon’s unemployment rate for 2010 will increase by 1 percent:

“The year average for 2010 is an employment decline of 1.0 percent.”

Yet, the Forecast also states:

“OEA (Office of Economic Analysis) forecasts a decline of 0.5 percent in total employment in the first quarter of 2010. The second quarter of 2010 will turn positive with growth of 1.9 percent followed by slower positive growth for the second half of the year. Stronger sustained job growth does not start until 2011.”

So, is Oregon’s unemployment going to increase or decrease in 2010? From the March Forecast, it is difficult to tell. Let’s consider the current unemployment data. The November 2009 Oregon unemployment rate was 10.7%. In December it was 11%.<sup>1</sup> Now we are told with subtlety to expect a 1% increase in the annual unemployment rate in 2010. Then we are told there will be a decline in unemployment for three out of four quarters in 2010. All I can rely on are the facts: (1.) There are 227,000 Oregonians currently receiving unemployment benefits. (2.) Oregon paid \$2.8 Billion in benefits in 2009. (3.) The cost to provide unemployment benefits to 227,000 workers is more than \$68 Million each and every week.<sup>2</sup>

## **The State Economist continues to tread lightly when referring to the economic consequences of the Measure 66 and 67 Tax Increases.**

“Another uncertainty facing the Oregon economy is the impacts from the two tax measures which were passed on January 26. Studies on both sides of the issue from respectable sources derived very different conclusions. Given the uncertain nature of the impact of these two tax measures, we will not incorporate possible impacts into the Oregon economic forecast. We will be monitoring closely to see if any changes are warranted in future forecasts.”

### **Revenue Forecast:**

“The forecast for General Fund revenues for 2009-11 is \$13,210.3 million. This represents a decrease of \$182.8 million from the December 2009 forecast. The forecast for the 2009-11 biennium is now \$365.4 below the Close of Session forecast. On net, nearly all of the decrease for the March forecast is associated with lower expectations for personal income taxes, particularly in

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<sup>1</sup> See: <http://www.qualityinfo.org/olmsj/ArticleReader?itemid=00006878>

<sup>2</sup> See: [http://www.oregon.gov/EMPLOY/COMM/news/january\\_2010\\_unemployment\\_situation.shtml](http://www.oregon.gov/EMPLOY/COMM/news/january_2010_unemployment_situation.shtml)

the remainder of the current fiscal year. In spite of increased expectations for corporate income taxes, the remainder of the changes to the forecast were offset by increases in the expectations for the amount of income tax credits to be claimed under the Business Energy Tax Credit (BETC) program. The expected ending balance is now a negative \$106.3 million. Total available resources amount to \$13,194.6 million.”

“Projected lottery earnings will total \$1,071.7 million, a decrease of \$9.5 million from the prior forecast. The typical seasonal behavior of video lottery receipts (e.g., receipts in the winter months tend to be higher than in the summer) has not been seen in the current cycle, as January receipts closely resembled those seen last July. Including the beginning balance and other earnings, total available resources equal \$1,073.8 million. After adjusting for programs that receive a strict percentage of lottery transfers, the current forecast for the ending balance in the Economic Development Fund is a negative \$33.6 million.”

To see the full March 2010 -- Oregon Economic and Revenue Forecast, go to:

<http://www.oregon.gov/DAS/OEA/docs/economic/presst0310.pdf>

There has been much discussion about Oregon being in a “**Jobless Recovery.**” To understand what is meant by that term, go to: <http://www.qualityinfo.org/olmisj/ArticleReader?itemid=00006880>