

## Revenue Outlook

### Revenue Summary

As 2025 segues into 2026, the most significant adjustment to the General Fund forecast concerns the interpretation of recent strength in corporate income tax receipts. Preliminary indications alluded to these receipts being one-time in nature. However, subsequent information has persuaded this office to treat the increase as persistent. In addition, improved economic indicators like output and profits necessitate incremental upgrades to the corporate revenue outlook. A mild reduction in the personal income tax outlook offsets improvements to other sources of revenue such as estate and insurance taxes. All told, the revenue forecast is revised up moderately relative to prior expectations.

Table R.1 presents the forecast for the current biennium by displaying revenues, appropriations and the expected balance at biennium's end. Overall, General Fund revenues have increased by \$120.9 million from the prior forecast. This is almost entirely due to a significant adjustment to Corporate Income tax as all other sources combined are nominally changed. The decline in Personal Income Tax, while sizeable in budgetary terms, amounts to one-tenth of one percent in relative terms. Compared to the Close-of-Session forecast, the General Fund outlook is still down by \$197.9 million.

**Table R.1**

#### 2025-27 General Fund Forecast Summary

(Millions)	2025 COS Forecast	December 2025 Forecast	March 2026 Forecast	Change from Prior Forecast	Change from COS Forecast
<b>Structural Revenues</b>					
Personal Income Tax	\$30,247.1	\$30,009.7	\$29,966.7	-\$43.0	-\$280.4
Corporate Income Tax	\$3,430.5	\$3,330.7	\$3,442.2	\$111.5	\$11.7
All Other Revenues	\$2,082.2	\$2,100.5	\$2,152.9	\$52.4	\$70.8
<b>Gross GF Revenues</b>	<b>\$35,759.8</b>	<b>\$35,441.0</b>	<b>\$35,561.8</b>	<b>\$120.9</b>	<b>-\$197.9</b>
Offsets, Transfers, and Actions <sup>1</sup>	-\$206.9	-\$199.7	-\$214.9	-\$15.3	-\$8.0
Beginning Balance	\$2,243.1	\$2,018.7	\$2,165.8	\$147.1	-\$77.2
<b>Net Available Resources</b>	<b>\$37,795.9</b>	<b>\$37,260.0</b>	<b>\$37,512.7</b>	<b>\$252.7</b>	<b>-\$283.2</b>
Appropriations	\$37,323.1	\$37,323.1	\$37,314.8	-\$8.3	-\$8.3
<b>Ending Balance</b>	<b>\$472.8</b>	<b>-\$63.1</b>	<b>\$197.9</b>	<b>\$261.1</b>	<b>-\$274.9</b>
<b>Confidence Intervals</b>					
67% Confidence	+/- 3.0%		\$1,072.4	\$34.49B to \$36.64B	
95% Confidence	+/- 6.0%		\$2,144.7	\$33.42B to \$37.71B	

<sup>1</sup> Reflects personal and corporate tax transfers, Rainy Day Fund transfer, and Dept of Ag transfer

The beginning balance is now known as agency spending for 2023-25 has come to a close. Spending came in lower than original projections, raising the beginning balance \$147.1 million compared to the prior forecast. Combining beginning balance and revenue changes, total available resources have increased \$252.7 million to a total of \$37.5 billion. The projected ending balance is now in the positive range at \$197.9 million.

For non-General Fund revenues, revisions are generally positive. Lottery earnings increased by \$33.8 million, due both to the recent Powerball jackpot spike and improving Video lottery sales. The Corporate Activity Tax is raised \$17.9 million as recent activity related to prior tax years has beaten expectations. Marijuana taxes have been revised down \$3.4 million reflecting a slight softening in sales in recent months.

## **2025-27 General Fund Revenues**

As noted in the prior quarterly forecast, income tax forecasting is an evolutionary process whereby estimates of a tax year are developed based on prospective payment behavior (withholding and estimated payments) and those estimates are refined as reconciliation occurs during tax filing season. For personal income taxes, this process takes approximately two years whereas, due to fiscal year bases, corporate tax is a three-year process. Thus, tax years 2023 and 2024 are just coming into focus as of this publication and the results are quite mixed: we now know that personal income tax liability was considerably lower than previously thought while corporate income tax liability is appearing somewhat stronger.

In addition, the passage of House Resolution 1 (H.R. 1) - with its significant impact to personal and corporate tax liabilities beginning with tax year 2025 - creates uncertainty regarding the interpretation of current prospective payment patterns. To the extent that taxpayers are adjusting estimated payments (and to a lesser degree withholding) to account for reduced liability owing to H.R. 1, the forecast needs to pull that impact forward rather than realize the full impact during reconciliation. Errors in attributing impact could result in significant forecast error going forward. All relevant factors considered, the net adjustment to the General Fund forecast equals \$120.9 million. The General Fund revenue forecast is still \$197.9 million below the Close-of-Session forecast.

### *Personal Income Tax*

With the availability of a complete tax return dataset, tax year 2024 was weaker than previously thought. Wage and salary income was particularly weak, although this was likely a post-kicker effect following the very large 2023 kicker credit. While more recent data regarding tax year 2025 prospective payments are available, the level of 2024 liability still has an impact on the profile of the forecast. As such, the forecast for the current biennium has been lowered by \$43.0 million.

The greatest uncertainty for the 2025-27 revenue forecast regards the upcoming personal income tax filing season. With the array of shocks to the system (H.R. 1, the kicker credit, government shutdown, and tariffs), the relationship between the prospective dollars that taxpayers paid in for tax year 2025 (withholding and estimated payments) and reconciliation (payments and refunds associated with tax

returns) is more uncertain than in a normal year. The Q1 forecast assumes given levels of payments and refunds, however, differing outcomes are quite possible. The impact to our understanding of tax year 2025 would extend to projections for future years, as well. For a discussion of alternate scenarios, see page 28.

Table B.8 presents the performance of the previous forecast for the three-month period since its publication (November through January). Personal Income Taxes fell short of the forecast by \$148.8 million. Much of this error was due to timing effects, both related to paydays impacting withholding in November and January and H.R. 1 effecting estimated payments in the fourth quarter of tax year 2025. The deviations in other payments and refunds, predominantly associated with tax year 2024, are consistent with the tax return data narrative discussed above.

### *Corporate Income Tax*

Since the previous forecast, OEA has received data on Corporate Income Tax receipts and refunds collected and distributed through the end of the calendar year (2025 Q4), as well as partial data for the month of January. These data showed that while the forecast tracked well as a whole, down \$13.8 million, estimated payments and refunds were both significantly weaker than expected. Estimated payments are expected to fall short by approximately \$142.0 million, but this is counterbalanced by \$158.2 million in refunds not expected to be issued. This drop in refunds can largely be attributed to the slowed processing of returns since October, according to the Department of Revenue. The estimated payment error is related to the slower distribution of refunds, as a significant portion of refunds are applied forward as estimated payments. Payments are also assumed to be down as firms adjust in real time to the new tax landscape established by H.R. 1, where they now have lowered liability.

OEA saw a significant bump in receipts prior to the previous forecast that was, at the time, believed to be one-time monies associated with previous tax years. Since then, new information on tax liability in the past years has led us to understand that tax liability for future years will also be upshifted. This change is responsible for most of the changes in the biennial forecast, as well as the outer years. In addition, the forecast by S&P for national corporate profits has increased, especially in the short term, and many national forecasters expect an improved economic outlook in 2026. This expectation of continuing payments combined with an improved outlook for national corporate profits and the economy has led the forecast for the current biennium to be raised by \$111.5 million.

### *All Other Revenue*

General Fund revenues from non-income tax sources are increased by \$52.4 million. Significant upward revisions occurred in Estate Taxes, Interest Earnings and to a lesser degree Insurance Taxes. Strong receipts in recent months were responsible for the upgrades. Only Securities Fees and Miscellaneous revenues showed modest declines.

## House Resolution 1 (2025)

House Resolution 1 was signed into law on July 4, 2025. H.R. 1 included a broad range of personal and business provisions, many of which affect the calculation of Federal Taxable Income (FTI). Oregon is one of five states that is tied to this definition of FTI, and therefore automatically connected to those provisions and the revenue effects they cause. The impacts of H.R. 1 on General Fund revenue are estimated by the Legislative Revenue Office (LRO) and incorporated into the forecast by OEA. Those estimates have not changed since the last forecast produced as there is no clear and discernable information to base changes on. The total impact in the current biennium will be an \$888 million dollar reduction to revenue. The table below details some of the major provisions and their separate effects. The largest contributors are a *deduction for qualified overtime compensation* (-\$221 million) and *bonus depreciation* (-\$351 million). Further details on specific provisions can be found in the LRO publication released on August 27, 2025.

For this forecast, the R&E expenditures provision remains of particular interest despite having a smaller impact. While many of the personal provisions only affect tax year 2025 and beyond, the R&E provision is retroactive to 2022. Since firms can claim expenses from prior tax years, it is hypothesized that there will be continued volatility in corporate estimated payments in the near term as firms rectify past overpayments. OEA will continue to monitor the revenue landscape in partnership with the LRO and update the estimated impacts as the picture comes into clarity.

**Table R.2: Impacts of H.R. 1 Estimated by the Legislative Revenue Office**

Provision Type	Policy	2025-27 Preliminary GF Revenue Impact (\$ MM)
<b>Personal Provisions</b>	Overtime Deduction	(\$221)
	SALT Limitation	(\$84)
	Tips Deduction	(\$78)
	Car Loan Interest Deduction	(\$68)
<b>Business Provisions</b>	Bonus Depreciation and Expensing	(\$351)
	R&E Expenditures	(\$166)
	Business Interest Deduction	(\$26)
<b>Other Personal &amp; Business Provisions</b>	Various Policies Increasing Revenue	\$95
	Various Policies Decreasing Revenue	(\$77)
<b>Indirect Impacts (Federal Tax Subtraction)</b>		\$87
<b>Total</b>		(\$888)

## Extended General Fund Outlook

Table R.3 exhibits the long-run forecast for General Fund revenues through the 2033-35 biennium. The 2025-27 legislatively adopted budget is now being executed by agencies. The Office of Economic Analysis will release five more forecast updates and a final accounting for the current biennium's revenue picture. As such, the potential for the revenue figures presented here to fluctuate for any number of administrative and exogenous reasons is quite large.

Note that the large percentage changes between biennia are due to kicker credits affecting personal income tax collections. Beyond 2027-29, when these considerations are no longer in effect, growth reflects underlying economic assumptions characterized elsewhere in this document. Forecast error increases the further out one gets into the future.

Table R.3										March 2026
<b>General Fund Revenue Forecast Summary</b>										
<i>Millions of Dollars, Current Law</i>										
Revenue Source	2025-27 Biennium	% Chg	2027-29 Biennium	% Chg	2029-31 Biennium	% Chg	2031-33 Biennium	% Chg	2033-35 Biennium	% Chg
Personal Income Taxes	29,966.7	35.2%	35,766.9	19.4%	40,455.5	13.1%	45,287.1	11.9%	50,910.9	12.4%
Corporate Income Taxes	3,442.2	9.2%	3,694.1	7.3%	3,983.8	7.8%	4,344.1	9.0%	4,758.3	9.5%
All Others	2,152.9	-6.5%	2,226.9	3.4%	2,508.3	12.6%	2,869.6	14.4%	3,316.2	15.6%
Gross General Fund	35,561.8	28.7%	41,687.9	17.2%	46,947.6	12.6%	52,500.9	11.8%	58,985.3	12.4%
Offsets and Transfers	(214.9)		(227.4)		(208.4)		(196.7)		(203.4)	
Net Revenue	35,346.9	29.1%	41,460.5	17.3%	46,739.2	12.7%	52,304.2	11.9%	58,781.9	12.4%

## Corporate Activity Tax

Oregon's new corporate activity tax (CAT) went into effect January 2020. Revenues from this tax on business receipts are dedicated to education through the Fund for Student Success. The tax was designed to generate approximately \$1 billion per year in new state resources, or \$2 billion per biennium. These figures include both CAT revenues and the impact of the reduction in personal income tax rates, which reduce state revenues, leaving a net revenue change of approximately \$1 billion per year.

Net corporate activity receipts exceeded the prior forecast by \$34.9 million for the three-month period ending January 31, 2026. The refund and estimated payment errors are the product of processing issues, and as such are expected to normalize over the next few months. The strength in other payments, mostly associated with a tax return, is indicative of a stronger 2024 tax year than previously understood. As such, the forecast for revenues in 2025-27 is revised upward \$17.9 million. The projected ending balance in the Fund for Student Success now stands at \$114.7 million, \$14.6 million above the Close-of-Session level.

*Table B.12 in Appendix B summarizes the 10-year forecast and the allocation of resources, while Table B.13 presents a more detailed quarterly breakdown of the forecast. The personal income tax reductions are built into the General Fund forecasts shown in Tables B.1 and B.2.*

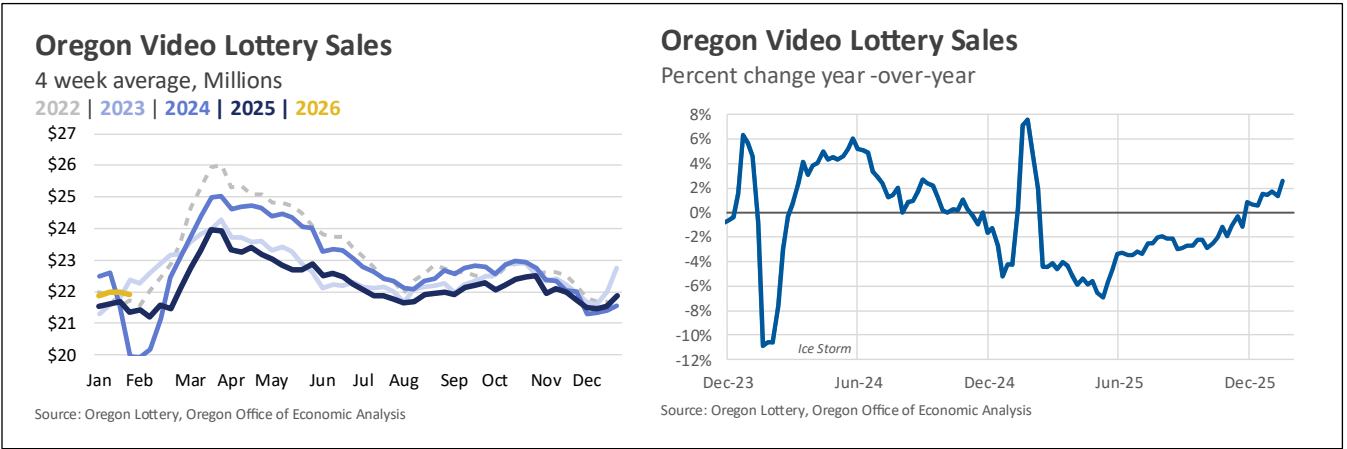
# Lottery Forecast

The March 2026 lottery forecast represents a broad upward revision compared to the December 2025 outlook, increasing total resources by \$33.8 million in 2025-27 and by \$20.9 to \$27.1 million per biennium thereafter. This improvement is driven primarily by video lottery and sports betting, while traditional lottery shows gains in the current biennium but modest declines in later years.

Video lottery resources have been revised upward significantly. For 2025-27, the forecast is \$1,539.2 million, an increase of \$15.0 million from December. The upward trend continues with \$18.1 million higher in 2027-29, \$19.9 million in 2029-31, and \$21.9 million in 2031-33. Since the Fall of 2025, Lottery has been replacing older video terminals with the newer Sierra models, which are more profitable. These adjustments suggest video lottery may be stabilizing sooner than expected after the sharp deterioration seen in earlier quarters.

Traditional lottery resources have improved for the current biennium, with projections raised by \$11.9 million in 2025-27. However, the outlook for future biennia has softened, with projections lowered by \$1.2 million in 2027-29 and approximately \$1.4 to \$1.5 million in the 2029-31 and 2031-33, respectively. Sports betting forecasts show continued growth, with revenues exceeding prior expectations.

## Video Lottery



Video lottery sales appear to be stabilizing after the significant declines observed through mid-2025. While major metropolitan counties including Multnomah, Clackamas, Washington and Marion had been experiencing approximately 4% year-over-year decreases, recent data suggests the decline is possibly starting to reverse. The forecast has been adjusted upward to reflect potential stabilization in consumer behavior in the near term, and the transition to Sierra terminals is expected to further support profitability and stabilize revenues.

## Traditional Lottery

Traditional lottery has performed well recently due to higher than average jackpot levels, but resources are still revised downward slightly for future biennia. The downward revision is partly attributed to rule changes prohibiting lottery courier services from facilitating ticket purchases beyond Oregon's borders, which is expected to particularly impact Powerball and Mega Millions sales. While the introduction of higher-value price points continues to show promise in Scratch-It games, the regulatory changes affecting multi-state jackpot games have weighed on overall traditional lottery performance.

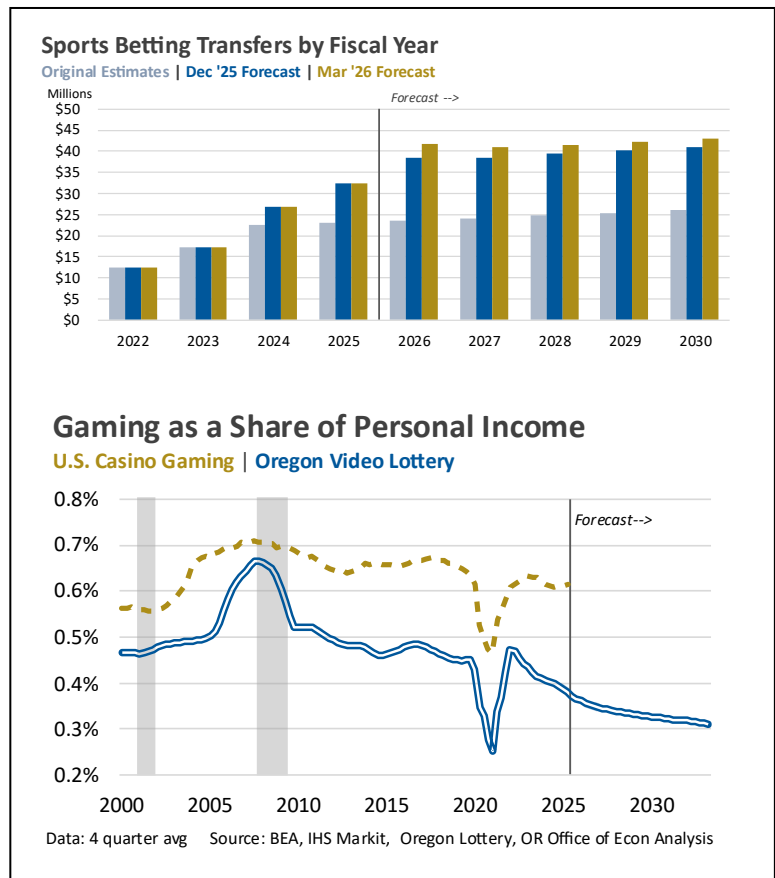
## Sports Betting

The sports betting forecast remains positive, with revenues meeting or exceeding forecast expectations. Sports betting continues to exhibit less seasonality than initially anticipated, with steady revenue flow due to players engaging in diverse events across staggered sports seasons. This pattern suggests that sports betting is maturing in Oregon as player preferences diversify – contributing to stable, year-round revenue.

## Longer-Term Outlook

The significant downward revisions in prior forecasts have moderated, with video lottery showing signs of stabilization supported by the transition to Sierra terminals. However, traditional lottery's weakening performance suggests that the overall lottery landscape continues to face headwinds from changing entertainment preferences, economic pressures on discretionary spending and generational shifts in gaming habits. While video lottery may be finding a new baseline, the mixed signals across lottery segments indicate continued uncertainty in the longer-term outlook.

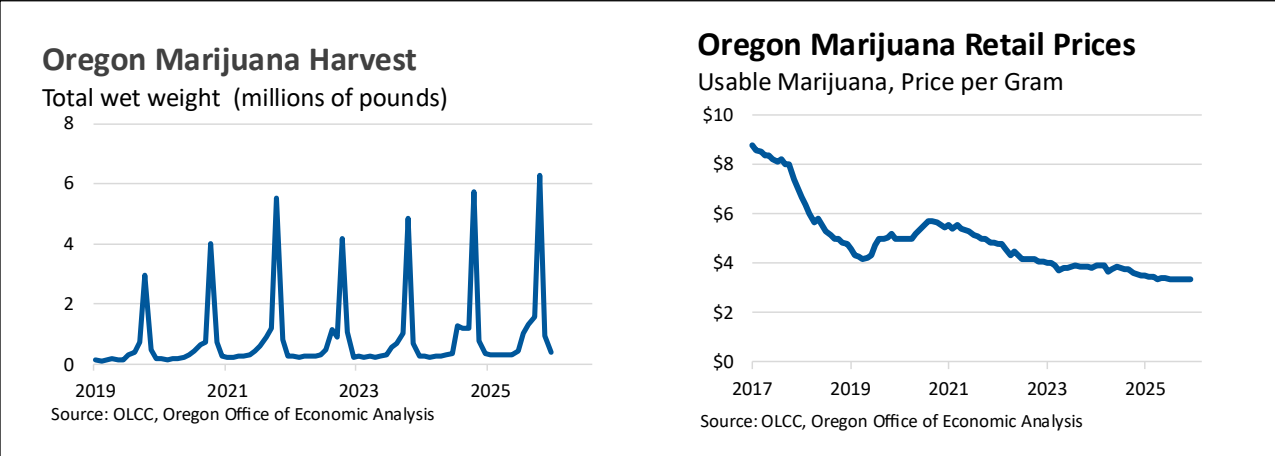
*The full extended outlook for lottery earnings can be found in Table B.9 in Appendix B.*





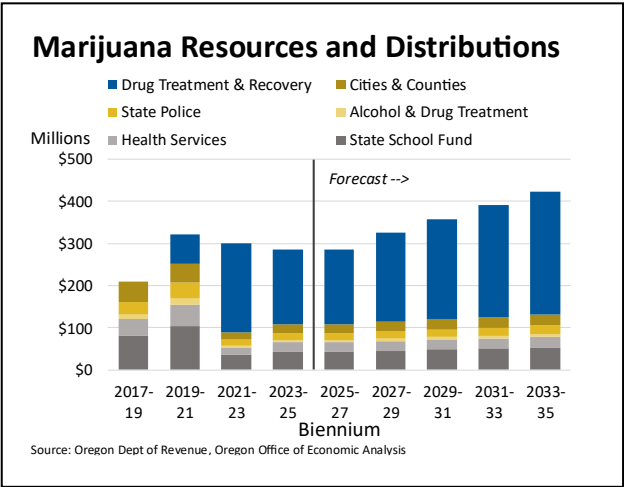
# Recreational Marijuana Forecast

The March marijuana forecast has been revised down slightly from the December outlook. In the current 2025-27 biennium, resources are lowered by \$3.4 million (-1.2%), and the 2027-29 forecast is reduced by \$1.2 million (-0.4%). The outlook for outer biennia shows continued reductions of approximately \$1.3 to \$1.6 million, representing decreases of about 0.4%.



Last October saw another record-breaking harvest of over 6 million pounds, which continues to impact the market with abundant supply contributing to persistently low prices. Retail prices have declined to approximately \$3.33 per gram as of late 2025, down from over \$8 per gram in early 2017, and are expected to remain at these depressed levels. These reduced price levels create ongoing challenges for profitability in this sector. The industry continues to face increasing input costs, particularly labor, which are squeezing profit margins. Additionally, consumption appears to have plateaued, creating difficult conditions for businesses while intoxicating hemp-derived products continue to emerge as competitive substitutes.

Marijuana remains classified as a Schedule I drug, preventing business owners from accessing traditional banking services and disallowing common business tax deductions. In December 2025, a presidential executive order directed the Attorney General to expedite the process or rescheduling marijuana to Schedule III. If finalized, the shift to Schedule III would relax restrictions and could improve access to banking and tax deductions for the industry — though the rulemaking process is ongoing.



Oregon does not currently tax medical marijuana; however, this exemption is set to expire at the end of 2027. Although this exemption could be extended by the Legislature, the current forecast assumes medical marijuana will be taxed per current law. Overall, while marijuana tax collections are expected to increase over time, the March forecast reflects a more challenging outlook with reduced growth projections due to persistent low prices, plateauing consumption, increased competition, and ongoing regulatory constraints.

## Psilocybin Forecast

Ballot Measure 109 (2020) legalized psilocybin, including a 15% retail sales tax on the psilocybin products used. This sales tax does not apply to the overall cost of a session, which can be hundreds or thousands of dollars. Most of the overall cost goes to cover operational expenses for the service center and the facilitator's time and expertise.

The industry has been growing and has now been operating legally for more than two years. The current forecast remains a work in progress; however, it is now based on the first two and a half years of data, as opposed to pure assumptions. Even so, expectations are that the industry is still in its ramp-up period. The number of businesses, facilitators and customers are expected to grow in the years ahead. As more data becomes available, our office will adjust its outlook accordingly.

The average product price reported is approximately \$40, however there is a wide range of values around that average. The average price is in line with previous conversations OEA has had with multiple service centers in Oregon in recent years. And while not a low price, the cost of the product is relatively small compared to the overall cost of a session.

For now, the revenue forecast is tied to a multiyear ramp up period of stronger growth based on the patterns seen in Oregon for recreational marijuana and sports betting. After the ramp up, growth is expected to slow down to something closer to growth in the population, which is a proxy for the user base until better information is available.

Oregon Psilocybin Retail Sales Tax Revenue						
	Mar-26					
	Biennium					
	2023-25	2025-27	2027-29	2029-31	2031-33	2033-35
No. of Session	28,000	48,000	55,000	59,000	63,000	67,000
Avg Product Price	\$40	\$42	\$44	\$45	\$47	\$49
Total Sales	\$1,130,000	\$2,018,000	\$2,406,000	\$2,685,000	\$2,983,000	\$3,300,000
Taxes	\$169,000	\$303,000	\$361,000	\$403,000	\$447,000	\$495,000

Note: Detailed entries may not add to totals due to rounding.

Lastly, it is important to note that the sales tax applies only to the purchase price of the psilocybin product itself. As such, service centers may charge customers the traditional retail price that includes a markup over wholesale costs largely relating to production, testing and distribution costs. Service centers may choose to sell the products at cost. And while they are not supposed to do this, they may charge customers a minimal product cost that is below their own cost. The potential benefit of doing so would be to increase revenues and profits for service centers and facilitators as less of the overall session price would be sent to pay taxes. To date, these data indicate this last possibility is not happening, or at least not enough to notice in industrywide information. However, as with all other sales taxes, revenue is driven by both the number of transactions and the price per transaction.

## Revenue Alternative Scenarios

Given the degree of uncertainty present at the release of this forecast, the Office of Economic Analysis has engaged in extensive analysis of historical forecast outcomes and revenue performance to produce a range of scenarios that could manifest throughout the forecast horizon. The four alternatives to the baseline (two upside and two downside) equate to approximately one and two standard deviations in either direction. The table below presents the five scenarios along with the probabilities that each is likely to occur (e.g., the baseline outlook has a 62% probability of occurring).

General Fund Revenue* Scenarios						
(millions)		2025-27	2027-29	2029-31	2031-33	2033-35
<b>Boom (3%)</b>	Revenues	\$39,930.0	\$44,202.5	\$49,772.0	\$55,844.2	\$62,824.7
	Growth	20.2%	10.7%	12.6%	12.2%	12.5%
<b>Optimistic (15%)</b>	Revenues	\$38,451.1	\$43,065.2	\$48,405.3	\$54,165.6	\$60,882.1
	Growth	15.7%	12.0%	12.4%	11.9%	12.4%
<b>Baseline (62%)</b>	Revenues	\$36,972.2	\$41,687.9	\$46,947.6	\$52,500.9	\$58,985.3
	Growth	11.3%	12.8%	12.6%	11.8%	12.4%
<b>Pessimistic (18%)</b>	Revenues	\$35,123.6	\$39,970.7	\$44,687.2	\$49,870.9	\$55,955.2
	Growth	2.8%	13.8%	11.8%	11.6%	12.2%
<b>Severe (2%)</b>	Revenues	\$33,275.0	\$37,600.7	\$43,804.9	\$49,061.5	\$54,997.9
	Growth	0.2%	13.0%	16.5%	12.0%	12.1%

\* Adjusted for kicker credits.

Potential Variation from Baseline Forecast  
March 2026 General Fund: 2025-27

Boom: +\$3.0B

Optimistic: +\$1.5B

Baseline: \$37.0B

Pessimistic: -\$1.9B

Severe: -\$3.7B

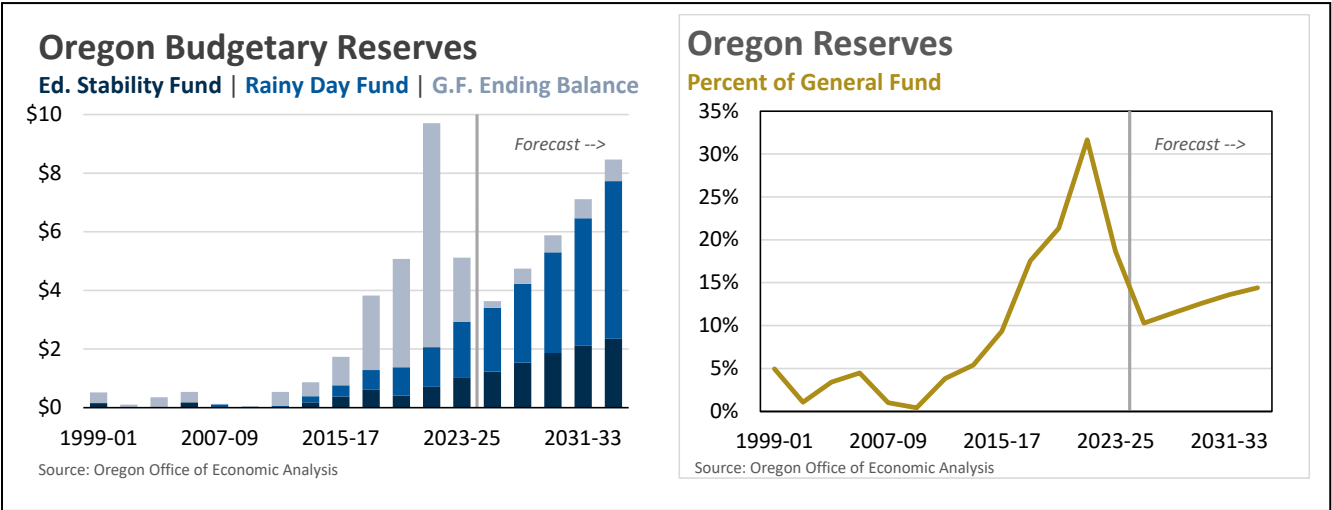
The first deviations are +4.0/-5.0% removed and are the traditional “optimistic” and “pessimistic” scenarios presented in past publications. The magnitudes of the deviations are diminishing as the biennium progresses and baseline conditions continue to manifest. This leaves less time for the impact of the alternative paths to be realized. It should be noted that the two scenarios are not symmetric. On the positive side, the optimistic scenario coincides with improved demographic and economic factors that are assumed to persist well into the future. The pessimistic scenario corresponds to a mild to moderate recession lasting two to three quarters followed by a healthy rebound in economic activity. The former outcome results in a boost to the General Fund of \$1.5 billion, while the latter produces a \$1.9 billion deficit.

The second pair of scenarios (“Boom” and “Severe”) are +8.0/-10.0% removed from the baseline. The boom scenario has a few historical precedents in the last 50 years. These outlier biennia are generally followed by somewhat slower growth in the following biennium. The severe downside scenario mimics the Great Recession of 2008 in terms of both the deviation from the close-of-session forecast and the long-term impact on revenues. The boom results in a revenue gain of \$3.0 billion, while the severe recession costs the General Fund \$3.7 billion in 2025-27.

It should be noted that the probability of recession, be it mild or more severe, is greater than the likelihood of the more optimistic outcomes. Inflation continues to pose a challenge for policy makers. However, the slower-than-average growth exhibited by the baseline scenario does raise one upside possibility: should either optimistic outcome prevail, then it is almost assured that revenues will exceed the personal kicker threshold for a seventh consecutive biennium.

**Budgetary Reserves**

The state currently administers two general reserve accounts, the Oregon Rainy Day Fund<sup>1</sup> (ORDF) and the Education Stability Fund<sup>2</sup> (ESF). The current projection for the balance of the Education Stability Fund at the end of 2025-27 is \$1,229.5 million, while the balance in the Rainy Day Fund is expected to equal \$2,183 million. The total balance of \$3,412.4 million would be 9.7% of the current General Fund forecast. It should be noted that Senate Bill 960 canceled the transfer of the lesser of 1% of the prior biennium’s appropriation level or ending balance, which would have occurred early in 2026. House Bill 3920 diverted 20% of the interest earnings due to the Rainy Day Fund to other accounts. These legislative actions are reflected in the display.



As noted above, the current probability of an economic downturn is estimated at 20%. In the last 50 years, the worst decline in General Fund revenues relative to the Close-of-Session forecast was 15.3% during the 2001-03 biennium, which was associated with the tech industry boom-bust. The table above presents the projected balances in the Oregon Rainy Day Fund and the Education Stability Fund. Total available reserves under this scenario would amount to 9.7% of General Fund revenues. It is quite likely

<sup>1</sup> The ORDF is funded from ending balances each biennium, up to 1% of appropriations. The Legislature can deposit additional funds, as it did in first populating the ORDF with surplus corporate income tax revenues from the 2005-07 biennium. The ORDF also retains interest earnings. Withdrawals from the ORDF require one of three triggers, including a decline in employment, a projected budgetary shortfall, or declaration of a state of emergency, plus a simple majority vote of the Legislature. Withdrawals are capped at two-thirds of the balance as of the beginning of the biennium in question. Fund balances are capped at 7.5% of General Fund revenues in the prior biennium.

<sup>2</sup> The ESF gained its current reserve structure and mechanics via constitutional amendment in 2002. The ESF receives 18% of lottery earnings, deposited on a quarterly basis – 10% of which are deposited in the Oregon Growth sub-account. The ESF does not retain interest earnings. The ESF has similar triggers as the ORDF but does not have the two-thirds cap on withdrawals. The ESF balance is capped at 5% of General Fund revenues collected in the prior biennium.

that Oregon's reserves are adequate to weather a potential downturn given that a mild to moderate recession is the most likely pessimistic scenario.

*B.10 in Appendix B provides more details for Oregon's budgetary reserves.*

## **Tax Law Assumptions**

The revenue forecast is tied to current state law. After each legislative session, OEA incorporates adjustments to the revenue forecast produced by the Legislative Revenue Office. As each year passes and the effects of law become evident in the data, adjustments are phased out. However, many tax laws have sunsets, or end dates, built into them. These demarcations must be maintained such that the impact of extending the laws can be newly incorporated in turn.

Complication arises when considering the effects of federal law on Oregon revenues. Due to the assumptions built into these national forecasts and how national data enter the revenue models, it would be logistically difficult to maintain a current federal law revenue forecast. In addition, federal laws often have imminent sunsets and are frequently extended. Adhering to a current federal law forecast would result in large and unnecessary annual revisions. For this reason, the revenue forecast assumes the most reasonable outcome for federal law.

For a detailed treatment of the components of the 2025 Legislatively Enacted Budget, see:

Legislative Fiscal Office's [2025-27 Budget Summary](#)<sup>3</sup>

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<sup>3</sup> <https://www.oregonlegislature.gov/lfo/Documents/2025-2%20LAB%20Summary%202025-27.pdf>