

Revenue Outlook

Revenue Summary

Spring marks tax season, and with it brings a wealth of data regarding the reconciliation of tax year 2025¹. This has historically had significant impact on the revenue forecasts released in the second quarter each year. Errors in projecting the magnitude of payments and refunds, particularly the net result of those values, will change the estimation of the strength of the base year in the forecast. This can “level shift” the entire forecast profile and cause up to a billion or more dollars’ worth of adjustment to the forecast based on historical performance. For this Q2 forecast, the current biennium’s adjustments are relatively small once tax law changes are excluded. While the tax season’s tracking did come in somewhat soft, this is presently viewed as a timing issue as opposed to a forecast error.

Table R.1

2025-27 General Fund Forecast Summary

(Millions)	2025 COS Forecast	March 2026 Forecast	June 2026 Forecast	Change from Prior Forecast	Change from COS Forecast
Structural Revenues					
Personal Income Tax	\$30,247.1	\$29,966.7	\$30,119.8	\$153.1	-\$127.3
Corporate Income Tax	\$3,430.5	\$3,442.2	\$3,587.8	\$145.6	\$157.3
All Other Revenues	\$2,082.2	\$2,152.9	\$2,205.5	\$52.5	\$123.3
Gross GF Revenues	\$35,759.8	\$35,561.8	\$35,913.1	\$351.2	\$153.3
Offsets, Transfers, and Actions ¹	-\$206.9	-\$214.9	-\$221.2	-\$6.2	-\$14.2
Beginning Balance	\$2,243.1	\$2,165.8	\$2,165.8	\$0.0	-\$77.2
Net Available Resources	\$37,795.9	\$37,512.7	\$37,857.7	\$345.0	\$61.8
Appropriations	\$37,323.1	\$37,314.8	\$37,513.1	\$198.3	\$190.0
Ending Balance	\$472.8	\$197.9	\$344.6	\$146.7	-\$128.2
Confidence Intervals					
67% Confidence	+/- 2.7%		\$969.7	\$34.94B to \$36.88B	
95% Confidence	+/- 5.4%		\$1,939.4	\$33.97B to \$37.85B	

¹ Reflects personal and corporate tax transfers, Rainy Day Fund transfer, and Dept of Ag transfer

In addition, January through April data provide the first glimpse of tax year 2026. Relative to the Q1 forecast, revenues have tracked light. This is again viewed as much a timing issue as structural

¹ For Corporate Income and Activity Tax programs, where fiscal years are an issue, earlier tax years are continuing to resolve, as well.

difference. Estimated payments for the personal income tax program, for example, were delayed due to the timing of reupping the Pass-through Entity-Elective Tax program. Payments are expected to catch up in the second quarter. All told, these issues are expected to resolve within the biennium, with only a minor drag caused by higher oil prices and a softer economic growth profile than previously expected. Timing issues are discussed in depth beginning on page 27.

Table R.1 presents the forecast for the current biennium by displaying revenues, appropriations, and the expected balance at biennium’s end. General Fund revenues have increased \$351 million from the prior forecast, driven primarily by tax law changes and fund sweeps enacted in the 2026 legislative session. Spending levels also increased, by \$198 million to \$37.5 billion for the biennium. This elevates the projected ending balance to \$345 million.

While non-Corporate revenues have increased \$206 million since the last forecast, these revenue streams are still \$660 million away from the personal income tax kicker threshold. This is due to the impact of federal House Resolution 1, which dampened expected revenues relative to the Close-of-Session forecast. Corporate Income Taxes have passed the relevant kicker threshold, with \$157 million now projected for dedicated education spending in the following biennium.

Aside from income tax revenues, all other revenues are essentially flat once one-time factors are excluded. The 2026 legislature enacted two fund sweeps totaling \$52.7 million. The remaining sources exhibit offsetting increases and decreases.

2025-27 General Fund Revenues

The General Fund forecast contains many moving parts. The change from the prior forecast can be delineated between tracking for the most recent months since the previous forecast was published, updates to the remaining months of the biennium related to the economic revisions and timing shifts, and the impact of law changes enacted by the 2026 legislature. The following table presents these changes in detail:

(millions)	Recent Tracking (Feb-April)	Economic/Forecast Change	2026 Actions	Total Change
Personal Income Tax	-\$240	\$189	\$205	\$153
Corporate Income Tax	-\$68	\$97	\$111	\$139
Other Revenues		\$0	\$53	\$53
Total General Fund	-\$308	\$286	\$368	\$345

As noted above, timing issues pervade the tracking of the prior forecast, which fell short of the prior forecast by \$308 million. These issues are explained in detail as follows:

- I. Withholding receipts are affected by calendar issues such as number of business days and Friday paydays occurring in each month. There is only one five-payday month (March) in the first five months of 2026, while there are three more over the remaining seven months. Last year transpired in similar fashion, with growth starting off slow and finishing strong. The Personal Income Tax model assumes an average pattern for every year in the forecast horizon, and thus overestimated withholding in the months since the last forecast. The difference in revenues will likely be realized as the year unfolds.
- II. The Pass-through Entity-Elective Tax program, which allows taxpayers to make estimated payments at the S-Corp entity level to avoid the federal state and local tax deduction cap, was not signed into law for tax year 2026 until March 31st. Thus, many taxpayers did not make a first quarter estimated payment resulting in a significant tracking error. OEA's revenue advisors indicate that these taxpayers will catch up on their second quarterly payment, which is due in June.
- III. The tax year 2025 filing season, which drew to a close for the most part in late April, fell somewhat short of expectations relative to the Q1 forecast. As noted above, however, OEA's income tax models distribute tax year totals for receipts (withholding, estimated payments, return payments, and refunds) to monthly values according to an average tax year pattern. This is due to the fact that an average pattern is used to translate every tax year in the forecast horizon uniformly. An issue arises when a specific tax year plays out differently due to factors such as a kicker credit. Kicker credits increase refund values, which incentive taxpayers to file earlier in the tax year than would otherwise be the case. Once this timing difference is accounted for, the recent tracking negative is virtually offset in the updated forecast.

Changes made during the 2026 legislative session are described in more detail in the Personal, Corporate, and Other Revenue sections below. The sum of these changes increase the forecast \$368 million. Excluding these changes, the General Fund forecast is revised down a modest \$24 million. However, recent tracking accounts for far more than this net amount of error². Therefore, the residual forecast adjustment for the remainder of the biennium is a positive \$286 million. The shift of tax dollars into future months due to timing effects is significant. While a softer economic outlook in the near term induces a modest drag on Personal Income taxes, this impact is also offset by compositional aspects of taxable income discussed below and enhanced expectations regarding corporate earnings and profits going forward.

² Other revenue streams are not all projected monthly. Therefore, tracking is not available for the Other category.

Personal Income Tax

The personal income tax forecast for the current biennium has increased \$153 million from the prior forecast. However, Senate Bill 1507 and House Bill 4084, which altered Oregon's connection to provisions of federal House Resolution 1 and amended certain tax credits, increased the forecast \$205 million. As exhibited in Table B.8 in the appendix, actual revenues fell short of the prior forecast by \$240 million for the intervening months. As described above, much of this miss is related to timing differences between model assumptions and actual receipts patterns.

The change to the forecast for the remainder of the biennium can be broken down into three factors:

1. Increases in expected revenues as timing differences shift dollars from recent months to the remainder of the biennium.
2. Softer economic conditions in 2026 brought on by geopolitical factors and energy price changes.
3. A shift in the composition of taxable income from wages to market-driven sources such as dividends, capital gains, and IRAs. Given that the latter types of income are earned disproportionately at the upper end of the income scale, this shift increases the overall effective tax rate and boost revenues relative to prior forecasts.

While the bulk of the 2025 tax season has transpired, the extension filing season into Fall 2026 remains. Taxpayers who filed for an extension are required to file their tax return and settle their account by October 15th. This results in a mini-reconciliation season, or an echo, to what just took place in the Spring. As such, potential error for tax year 2025 can still occur, albeit likely smaller than for the main filing season. In addition, once most tax returns are received and processed, OEA will receive its final dataset for 2025 characterizing income and tax liability. Given that receipts are virtually known, the consequence of this dataset is more about informing the nature of that income. For example, recent initial data suggests that wage income growth is significantly weaker than previously expected while market-driven components like dividends, capital gains, and IRAs are responsible for far more of the receipts growth than was factored into the Q1 forecast. These compositional revelations have significant ramifications for the future of the forecast. For one, associated revenues should be higher given the distributional differences discussed previously. Secondly, these income sources are more volatile than wage income, introducing more uncertainty into the future of the forecast.

Corporate Income Tax

While the tax reconciliation season that takes place after the Q1 forecast does much to shed light on the previous tax year for personal income taxes, it provides significantly less for corporate income taxes. This is due to corporations being able to operate on non-calendar fiscal years,

which means many businesses have yet to close out tax year 2025. In addition, the Department of Revenue (DOR) had significantly more corporate tax refunds left to review when compared to the same time last year, and it is unclear when this issue will be fully resolved. These two factors present a cloudy picture of the near-term outlook and resulted in a forecast with only modest structural change to the 2025-27 biennium.

Tracking shows that revenues are currently \$68 million below the Q1 forecast, with the primary cause being final payments. This, however, is related to prior tax years and may not be indicative of future performance. Estimated payments fell short, but this is caused by the slower refund processing noted above. Historically, over 90% of refunds are applied forward as estimated payments. Refunds tracked down proportionally to estimated payments, largely cancelling each other out in the aggregate revenue picture.

While tracking has been down, the national outlook for corporate profits has been revised upward significantly beginning in 2026. Some contributing factors likely include market earnings continuing to reach all-time highs and sustained inflation increasing prices. While the national forecast for corporate profits plays an essential role in the model, it must be tempered as an increase in national corporate profits forecast does not necessarily indicate an equivalent boost to Oregon profits. Between negative tracking and the upward revision to corporate profits, the biennial forecast is marked up structurally by \$29 million.

The structural change does not include the legislative actions from the 2026 short session, which constitute most of the forecast change for corporate income taxes. Senate Bill 1507 disconnected Oregon from multiple provisions, of which two impact corporate income taxes: Bonus Depreciation and the Jobs Tax Credit. Disconnecting from these two provisions increases expected revenue in the current biennium by \$111 million, with further increases to revenue in the biennia that follows. Accounting for tracking, other forecast changes, and 2026 legislative actions, the corporate income tax forecast is increasing a total of \$139 million for the 2025-27 biennium.

All Other Revenue

The latest forecast for non-income tax revenues is virtually unchanged from the prior edition as minor positive and negative adjustments offset one another. The most significant positive revisions include Insurance Taxes, Secretary of State filing fees, and Securities Fees collected by the Department of Consumer and Business Services. In addition, roughly \$9.8 million in reversions, unspent funds deposited back to the General Fund by state agencies, have been added to the forecast. Finally, Senate Bill 1601 (2026) directs the transfer of \$52.7 million from the State Information Technology Operating Fund and the Oregon Infrastructure Finance Fund to the General Fund. Offsetting those additions are negative revisions to Liquor Apportionment, Estate Taxes, and Interest Earnings.

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 four 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 still significant.

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.

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	30,119.8	35.9%	35,988.3	19.5%	40,651.3	13.0%	45,548.2	12.0%	51,129.4	12.3%
Corporate Income Taxes	3,587.8	13.9%	3,828.2	6.7%	4,116.3	7.5%	4,417.7	7.3%	4,809.4	8.9%
All Others	2,205.5	-4.2%	2,238.0	1.5%	2,524.7	12.8%	2,892.0	14.5%	3,340.3	15.5%
Gross General Fund	35,913.1	30.0%	42,054.5	17.1%	47,292.3	12.5%	52,857.9	11.8%	59,279.1	12.1%
Offsets and Transfers	(221.2)		(233.1)		(214.0)		(199.8)		(205.6)	
Net Revenue	35,691.9	30.3%	41,821.4	17.2%	47,078.2	12.6%	52,658.1	11.9%	59,073.5	12.2%

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 at the outset. 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 \$24.8 million for the three-month period ending April 30th, 2026. Refunds are getting caught up after some processing issues caused delays in prior quarters. The strength in other payments, mostly associated with a tax return, is indicative of a somewhat stronger 2025 tax year than previously understood. As such, the forecast for revenues in 2025-27 is revised upward \$23.7 million to \$3.1 billion. The 2026 legislature reduced allocations from the Fund for Student Success by \$18.2 million. In addition, the projected State School Fund offset due to the reductions in income taxes discussed above has been revised downward \$23.5 million. The projected ending balance in the Fund for Student Success now stands at \$180.2 million, \$80.2 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

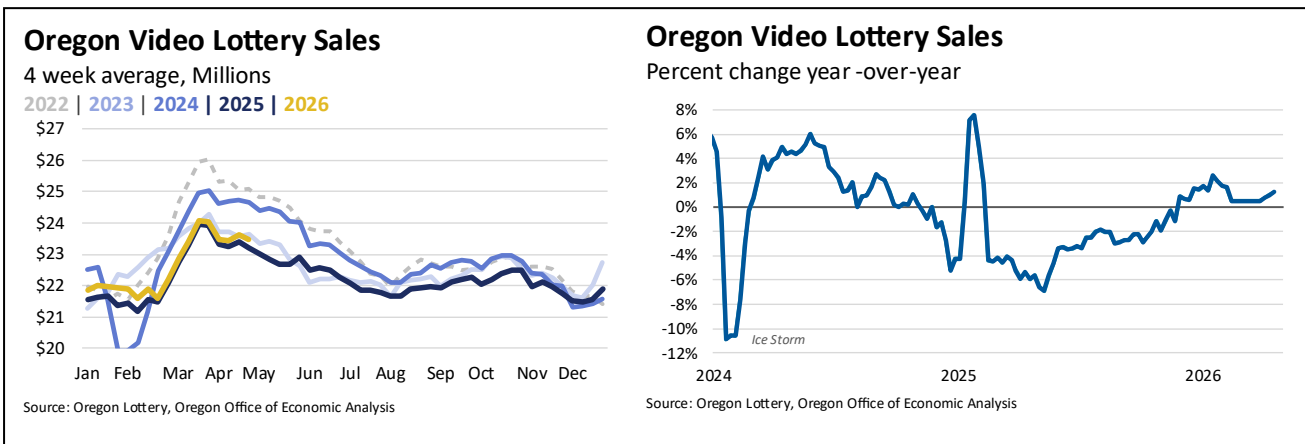
The Q2 2026 lottery forecast reflects a continued upward revision in overall resources compared to the Q1 2026 outlook, with gains again driven primarily by video lottery and sports betting. Total resources for 2025-27 have increased by \$26.4 million, slightly below the Q1 growth, but still reflecting solid near-term performance. Improvements also extend throughout the forecast horizon, with increases of \$30.9 million in 2027-29, \$31.7 million in 2029-31, \$32.3 million in 2031-33, and \$34.9 million in 2033-35. While the upward trend is broad-based, traditional lottery shows renewed weakness in future biennia even as it posts modest gains in the current biennium.

Video lottery remains the largest driver of the improved outlook. The Q1 forecast adds \$19.7 million to 2025-27 resources, with even larger upward revisions in later biennia: \$28.9 million in 2027-29, \$30.6 million in 2029-31, \$32.6 million in 2031-33, and \$36.6 million in 2033-35. The continued rollout of Sierra terminals appears to be supporting stabilization following the earlier period of steep declines.

Traditional lottery results show a more mixed pattern. The 2025-27 forecast improves by \$4.3 million, but the longer-term outlook continues to soften, with reductions of \$2.6 million in 2027-29, \$3.8 million in 2029-31, \$5.3 million in 2031-33, and \$7.1 million in 2033-35.

Sports betting continues to outperform expectations, with upward adjustments of \$2.4 million in 2025-27 and sustained gains in all future biennia.

Video Lottery



The Q2 forecast indicates ongoing stabilization in video lottery following the significant declines through mid-2025. Upward revisions are broad-based, adding nearly \$20 million to expected 2025-27 resources and increasing progressively across the forecast horizon. This improvement reflects the continued deployment of Sierra terminals, which has enhanced profitability and appears to be accelerating the stabilization process.

Traditional Lottery

Traditional lottery continues to benefit in the short term from elevated jackpot activity, resulting in a \$4.3 million upward revision for 2025-27. However, the longer-term outlook has weakened further compared to last quarter.

Reductions range from \$2.6 million in 2027-29 to more than \$7 million by 2033-35. These declines are primarily tied to regulatory changes restricting courier services from facilitating out-of-state ticket purchases, which disproportionately affects multi-state jackpot games such as Powerball and Mega Millions. While higher-priced Scratch-It products continue to show promise, they are unable to fully offset the expected losses in jackpot driven sales over the longer term.

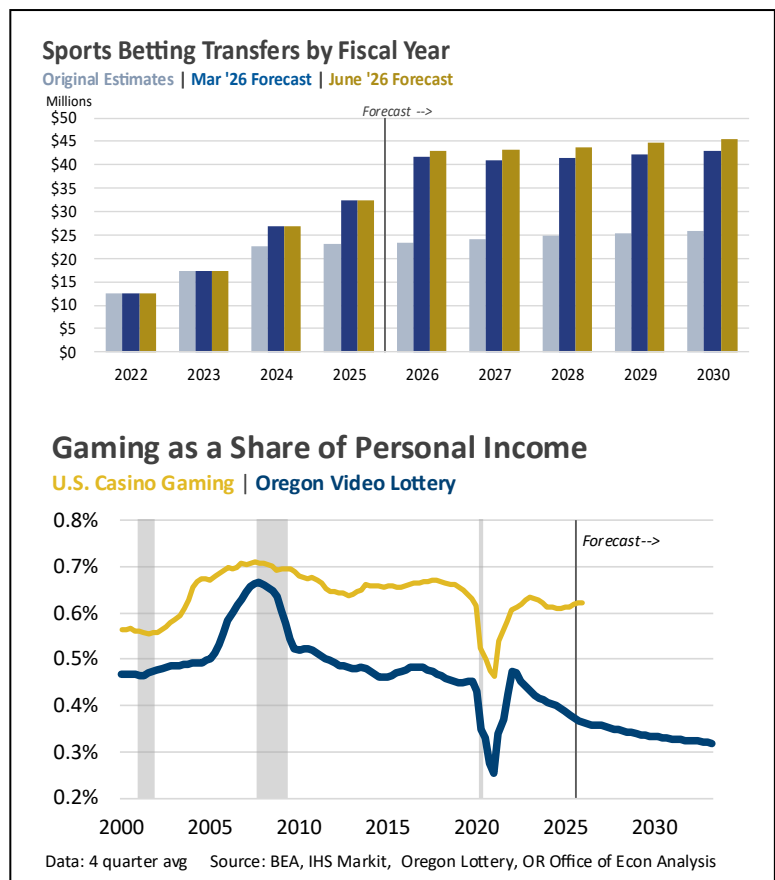
Sports Betting

Sports betting continues to exceed expectations, adding \$2.4 million to the 2025-27 forecast and showing consistent upward adjustments across all future biennia. The pattern emerging in the Q2 forecast confirms earlier indications that sports betting is exhibiting less seasonality than originally assumed. Players engage steadily across overlapping sports calendars, suggesting that Oregon's sports-betting market has matured into a stable, year-round revenue source.

Longer-Term Outlook

The Q2 forecast reinforces the gradual improvement seen since last fall. Video lottery remains the strongest component of the lottery portfolio, benefiting from structural improvements tied to terminal upgrades and a modest firming in consumer behavior. Sports betting continues to develop into a stable contributor with consistently positive revisions.

Traditional lottery, however, faces a more challenging environment. The regulatory changes affecting multi-state games, combined with broader shifts in entertainment preferences and



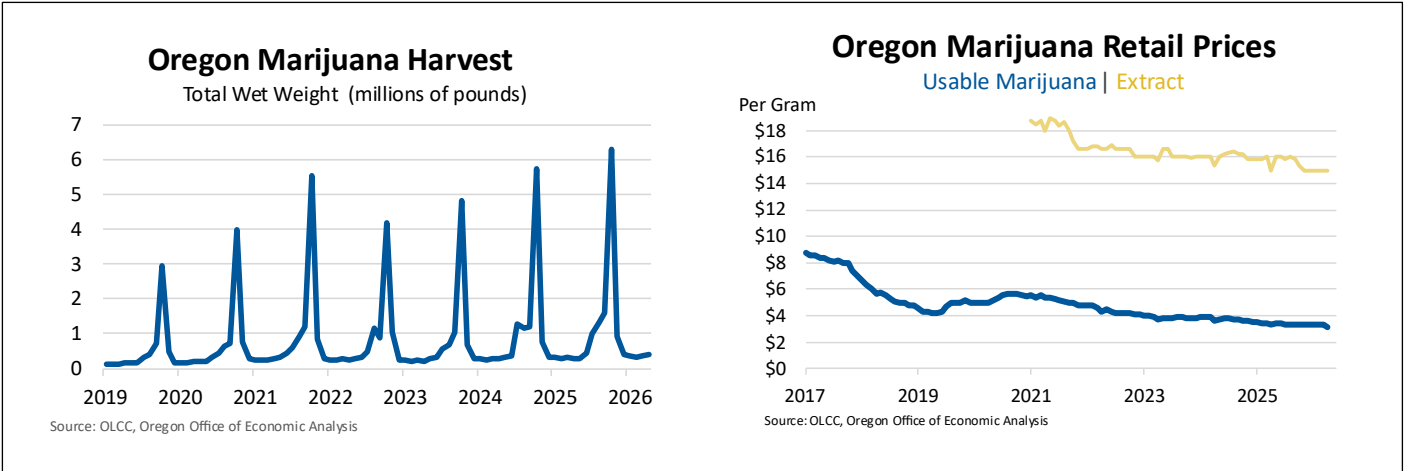
pressures on discretionary spending, weigh on the long-term outlook. While near-term activity remains strong, the Q2 projections underscore continued softening in future biennia.

Overall, the Q2 2026 forecast presents a more favorable environment than the Q1 outlook but still reflects mixed performance across lottery segments and uncertainty in the longer horizon.

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

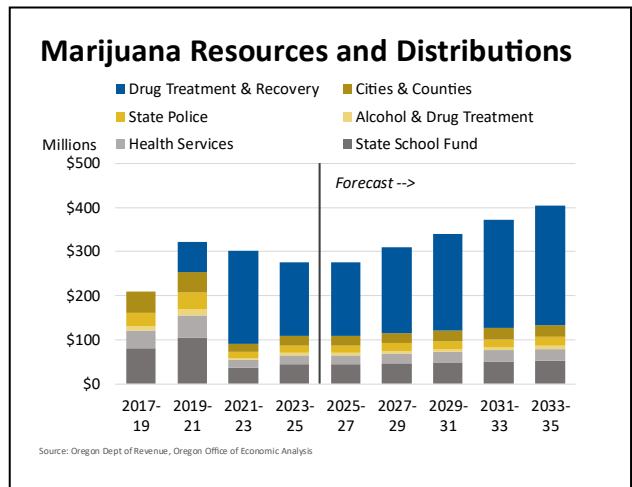
Recreational Marijuana Forecast

The Q2 marijuana forecast shows a larger downward revision compared to the Q1 outlook. For the 2025-27 biennium, resources are reduced by \$9.9 million, and the declines deepen in the out-biennia. The 2027-29 forecast is lowered by \$16.1 million, with further reductions of \$17.6 million in 2029-31, \$19.1 million in 2031-33, and \$20.7 million in 2033-35. These downward revisions reflect a weaker revenue environment than previously anticipated and signal continued pressure on the industry across the forecast horizon.



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 \$3.17 per gram as of early 2026, 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.

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 Q2 forecast reflects a more challenging outlook with reduced growth projections due to persistent low prices, plateauing consumption, 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 nearly three 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, this 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						Jun-26
	Biennium					2033-35
	2023-25	2025-27	2027-29	2029-31	2031-33	
No. of Session	28,000	42,000	49,000	50,000	50,000	50,000
Avg Product Price	\$40	\$42	\$44	\$45	\$47	\$49
Total Sales	\$1,130,000	\$1,766,000	\$2,143,000	\$2,275,000	\$2,367,000	\$2,462,000
Taxes	\$169,000	\$265,000	\$321,000	\$341,000	\$355,000	\$369,000

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).

Table R.4

		General Fund Revenue* Scenarios				
(millions)		2025-27	2027-29	2029-31	2031-33	2033-35
Boom (3%)	Revenues	\$40,493.8	\$45,029.1	\$50,657.8	\$56,838.0	\$63,942.8
	Growth	22.4%	11.2%	12.5%	12.2%	12.5%
Optimistic (13%)	Revenues	\$39,063.7	\$43,790.5	\$49,176.7	\$55,028.7	\$61,852.3
	Growth	18.1%	12.1%	12.3%	11.9%	12.4%
Baseline (62%)	Revenues	\$37,633.7	\$42,054.5	\$47,292.3	\$52,857.9	\$59,279.1
	Growth	13.7%	11.7%	12.5%	11.8%	12.1%
Pessimistic (20%)	Revenues	\$35,752.0	\$40,650.0	\$45,446.7	\$50,718.5	\$56,906.2
	Growth	8.1%	13.7%	11.8%	11.6%	12.2%
Severe (2%)	Revenues	\$33,870.3	\$37,765.4	\$44,072.2	\$49,360.9	\$55,333.5
	Growth	2.4%	11.5%	16.7%	12.0%	12.1%

* Adjusted for kicker credits.

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

Boom: +\$2.9B

Optimistic: +\$1.4B

Baseline: \$37.5B

Pessimistic: -\$1.9B

Severe: -\$3.8B

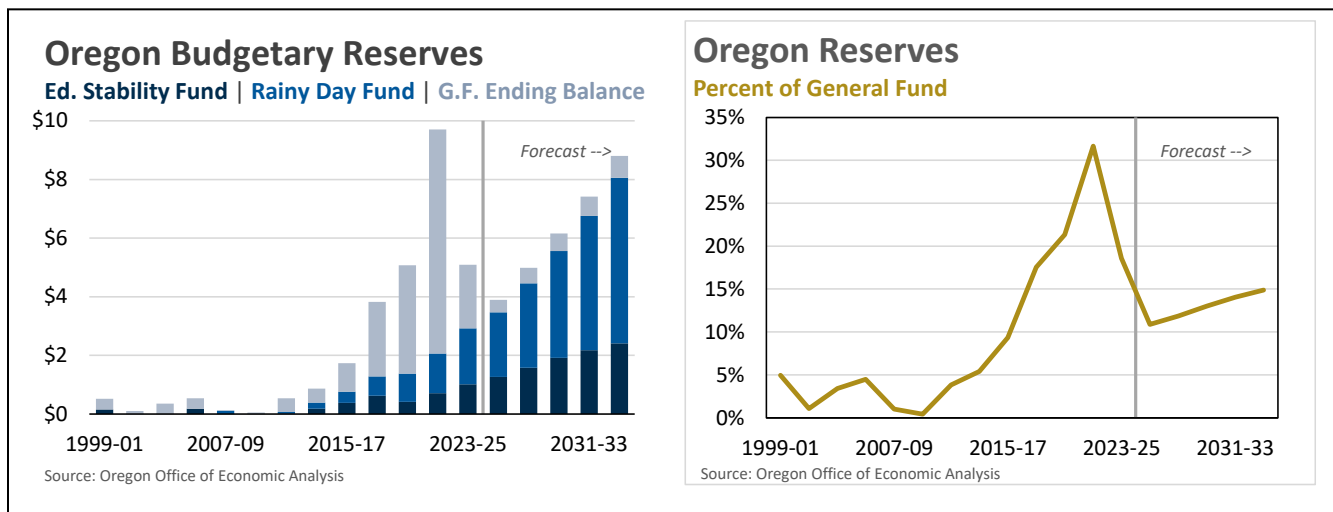
The first deviations are +3.8/-5.0% removed and are the traditional “optimistic” and “pessimistic” scenarios presented in past publications. The magnitudes of the deviations are diminishing as the biennium progresses and baseline conditions continue to manifest. This leaves less time for the impact of 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 \$1.4 billion, while the latter produces a \$1.9 billion deficit.

The second pair of scenarios (“Boom” and “Severe”) are +7.6/-10.0% removed from the baseline. The boom scenario has had 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 \$2.9 billion, while the severe recession costs the General Fund \$3.8 billion in 2025-27.

Budgetary Reserves

The state currently administers two general reserve accounts, the Oregon Rainy Day Fund³ (ORDF) and the Education Stability Fund⁴ (ESF). The current projection for the balance of the Education Stability Fund at the end of 2025-27 is \$1,270.8 million, while the balance in the Rainy Day Fund is expected to equal \$2,197.6 million. The total balance of \$3,468.4 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 figures below.



As noted above, the current probability of an economic downturn is estimated at 22%. In the last 50 years, the worst decline in General Fund revenues relative to the Close-of-Session forecast was 15.6% during the 2001-03 biennium, which was associated with the tech industry boom-bust.

³ 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.

⁴ 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.

The graphics above present the projected balances in the Oregon Rainy Day Fund and the Education Stability Fund under the baseline economic scenario. Total available reserves under this scenario would amount to 9.7% of General Fund revenues. It is quite likely 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](#)⁵

⁵ <https://www.oregonlegislature.gov/lfo/Documents/2025-2%20LAB%20Summary%202025-27.pdf>