

ADOPT A LONG-TERM FISCAL PLAN AIMED AT ACHIEVING KEY PRIORITIES FOR OREGON

The Opportunity and Why It's Important

When it comes to long-term fiscal planning, Oregon flies blind. While policymakers keep a close eye on the ten-year outlook for General Fund revenue, expenditure forecasts don't go beyond the upcoming biennium. As a result, the Legislature lurches from biennium to biennium with limited understanding of long-term implications. We don't understand the relationships between revenue and spending trends and aren't able to forecast the benefits of actions and investments that could increase revenues or reduce costs in the long term. The state budget is a powerful tool for meeting state objectives. We need to put it to better use.

Current Status

It is particularly important to create a long-term plan now. Oregon is entering an extended period of slow growth in traditional-aged school and college attendees, as well as high growth in elderly populations. Spending on 5- to 24-year-olds has long dominated the General Fund. However, as growth in that population slows, lawmakers should be thinking strategically about how to invest in a new era. Aging Baby Boomers will demand some of the resources, but their needs are disproportionately addressed by the federal government. The bottom line: most budget observers recognize Oregon's fiscal future will be very different than its fiscal past but have only a vague understanding of *how different*.

Recommendations

- **Consolidate caseload forecasting capabilities in the Office of Economic Analysis (OEA).** State Government's technical forecasting work is uncoordinated and scattered all over the executive branch. OEA produces revenue, demographic, and corrections' forecasts while health, human service, and education agencies maintain their own estimates. Some forecasts are widely shared while others require a public records request to access. Forecasting work should be consolidated under the state economist and released twice-annually.
- **Produce a 10-year General Fund budget outlook, projecting revenues and expenditures, in advance of long sessions.** Each biennium, the OEA should produce a budget report modeled on the U.S. Congressional Budget Office's *Budget and Economic Outlook* and should make underlying data easily available to the public.