



Friday Forum

2/26/2021

**Construction
Update**

**Accessory
Dwelling Units**

**Revenue Picture
Gets Brighter
in Latest Forecast**

OHBA Week in Review

Construction Update

While most big-ticket construction bills were originally scheduled for hearings last week in House and Senate Business & Labor Committees, the ice storm quickly derailed that. This week, the second public hearing on the prevailing wage survey ([HB 2419](#)) will be held on Monday, while [SB 576](#), which would increase the apprentice utilization requirement on public improvement projects will be heard on Tuesday.

Senate Debates Accessory Dwelling Units

On Tuesday, the Senate Committee on Housing and Development discussed [SB 391](#), which would authorize counties to allow the owner of a lot within a rural residential zone to construct one accessory dwelling unit. This bill will be amended and discussed again at a future date that is yet to be determined, but there appears to be strong support for the bill.

(Click icon to play video)



Revenue Picture Gets Brighter in Latest Forecast

The warnings of massive revenue loss for Oregon caused by the COVID-19 pandemic haven't come to pass and may be avoided entirely, according to the [quarterly economic forecast](#) released Wednesday.

In fact, state economists offered reasons for optimism during a House Revenue Committee hearing as the state climbs out of the health crisis.

In 2020 the economic forecast predicted a budget hole as large as \$2 billion for the biennium, but the latest report shows state revenue will come in \$642.7 million above previous expectations. Mark McMullen, Oregon's state economist, said the two biggest factors have been the "helicopter drop" of federal aid and the steady increase of both business income and asset markets.

A few notes from the report:

- The forecast includes the assumption of a third federal stimulus package in the coming months. Federal funds have stabilized the economy through the past year and helped drive total personal income higher than before the pandemic despite 160,000 fewer jobs in the state.
- Oregon's economy is expected to return to full employment by early 2023, 6-9 months sooner than previously expected.
- The 2020 tax season is just beginning, and the May forecast will include much more specific data about personal and business tax revenue. It will also determine whether the personal and/or business kickers will come into play. Currently, taxpayers are on the path to

get a \$570.5 million kicker in 2022, a sharp turn from the previous forecast.

- Other revenue sources, including lottery funds, remain modest and will likely stay that way through the 2021-23 budget cycle. If these resources remain roughly unchanged for a third consecutive budget cycle, revenue will not be sufficient to keep up with the need for and cost of public services and will pose difficulty for state budget writers.
- The reserve fund remains healthy. The Rainy-Day Fund is expected to increase from \$885 million in December 2020 to \$946 million at the end of the biennium in July.

Turning Off the Rebuild Clock

Shortly after the devastating fires last summer, OHBA recommended to policymakers that homeowners affected by the fires will need statutory change just to get back to where they were before the fires. Certain land-use laws provide relief only if you rebuild within a year. A year will not provide enough time for 4,000 homeowners to return to their communities. Several bills were heard on these issues this week with more hearings scheduled soon.

(Click icon to play video)



License Fees Returning to Normal Price

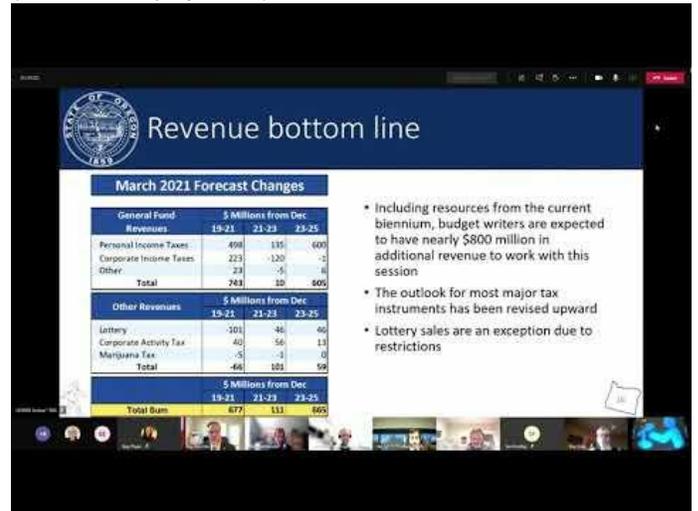
The Contractors Board (CCB) will restore license fees to the “normal” amount after temporarily reducing the fees several years back. For those that must renew after July 2021, the fee will return to \$325.

Agency Rule Making May Get New Scrutiny

OHBA works with many interest groups and legislators to ensure transparency and accountability when agencies adopt rules regarding building codes, land-use, and environmental laws. Understanding the cumulative impact of rules on small businesses is important to ensure a balanced approach. We anticipate hearings on ways to improve agency rule making over the next two weeks.

March 2021 Economic and Revenue Outlook Continued

(Click icon to play video)



Revenue bottom line

March 2021 Forecast Changes			
	\$ Millions from Dec		
	19-21	21-23	23-25
General Fund			
Revenues			
Personal Income Taxes	490	135	600
Corporate Income Taxes	223	120	-2
Other	23	-5	8
Total	743	100	600
Other Revenues			
Lottery	-101	-46	46
Corporate Activity Tax	40	56	13
Marijuana Tax	-5	-1	0
Total	-66	101	59
5 Millions from Dec			
Total Biom	677	111	665

- Including resources from the current biennium, budget writers are expected to have nearly \$800 million in additional revenue to work with this session
- The outlook for most major tax instruments has been revised upward
- Lottery sales are an exception due to restrictions