

POLITICS

# Oregon lawmakers have \$500 million less to spend, as economic uncertainty reigns



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**The final revenue forecast before the Oregon Legislature passes a two-year budget comes with bad news for many spending bills.**



Oregon State Capitol building, May 18, 2021. The capitol was completed in 1938 and is topped with a gilded bronze statue of



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As they prepare to pass a new two-year budget, Oregon lawmakers have been bracing for news of what disruptive federal policies will mean for the state's tax revenues.

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They got their answer Wednesday.

In a pivotal forecast, state economists said they expect Oregon will have around \$500 million less to spend in the 2025-27 budget cycle than anticipated just three months ago.

That outlook — the final number lawmakers will use to ink a budget — could doom many spending bills that have been on ice in the Capitol awaiting their fates. But under a framework that top budget writers released in March, it likely won't be enough to force meaningful cuts at state agencies.

The revised forecast is a reflection of a national economy that is grappling with uncertainty because of ongoing trade tensions, and is now growing [far more slowly](#) than many economists had anticipated. That impacts corporate and business income taxes that are leading drivers of the state's general fund budget.

Oregon Chief Economist Carl Riccadonna told reporters that tariffs, federal job cuts and immigration issues “are levers that are pushing the growth forecast” downward, noting economic growth is now pegged at 0.8% for the year, rather than 2%.

“The economy's a bit like a jumbo jet and when it slows down to a certain speed, it starts to lose altitude,” Riccadonna said in a presentation to lawmakers Wednesday. The slow growth is likely to increase the state's unemployment rate, he said.

Oregon is expecting \$162 million less in the current budget cycle than previously anticipated, and \$334 million less over the next two years.

Taxpayers can also expect a smaller “kicker” tax refund as a result. The rebate — triggered when actual revenues come in at least 2% higher than what lawmakers budgeted for — has been revised to \$1.64 billion, a \$87.5 million decrease.

The most immediate impact of Wednesday’s report is on the state’s budget. In March, the Legislature’s top budget writers [unveiled a framework](#) that laid out what spending priorities the state might be able to fund under the previous revenue outlook released in February.

[That document](#) included some cuts. But top Democrats said that if the state paid for most ongoing services — including a record \$11.4 billion for K-12 schools — and set aside roughly \$550 million for reserves, lawmakers would still have \$987 million left over “to support key investments.”

Potential investments included three items Gov. Tina Kotek has pressed for: more than \$800 million to bolster housing and homelessness, \$246 million for the state’s behavioral health system, and \$200 million for education.

With the new forecast, the scope of those investments may be reduced. The overall forecast predicts lawmakers will have \$39.3 billion in general fund and lottery money to spend, compared to \$40.1 billion expected three months ago. Some of that difference comes from [spending bills](#) the Legislature passed earlier this year.

Even with the reductions, the state is expected to have billions more to spend in the next two-year budget than it did for the current one.



FILE - Oregon Chief Economist Carl Riccadonna said Wednesday, May 14, 2025, that tariffs, federal job cuts and immigration issues “are levers that are pushing the growth forecast” downward

*Courtesy Oregon Department of Administrative Services*

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The budget framework also does not include a massive tax proposal Democrats are floating to pay for roads and bridges, a plan expected to take final form in coming days.

## Parties trade blame

The numbers unveiled Wednesday come with immense uncertainty.

Lawmakers are wary that the national economy will slip into a recession, which could dim future revenue projections and force the Legislature into belt tightening. And Oregon, like other states, is waiting to see whether congressional Republicans will push through [proposed cuts to Medicaid](#). That could drastically reduce federal money the state uses to provide health care to low-income people.

“If they’re going to make cuts to Medicaid, that is the biggest impact on not only our state budgets, but on Oregonians and their lives.” House Speaker Julie Fahey, D-Eugene, said on Monday. “States are not set up to backfill those resources. Every state, not just Oregon, will be hurt significantly by those cuts.”

Riccadonna told reporters that federal tariff policies that change by the day would play a big role in whether the outlook gets better or worse. Oregon is highly trade dependent, and so more impacted than many other states by trade wars.

Riccadonna put the risk of a recession in the next 12 months at around 25%. He noted to lawmakers Wednesday that chaos surrounding on-again, off-again tariff announcements appeared to be abating.

“Of course this can change in a tweet or in a moment,” he said, “but where we are is not really consistent with the economy on the precipice of recession.”

The chief economist said Oregon’s economy has so far not seen a rush in unemployment claims due to federal layoffs ordered by the U.S. Department of Government Efficiency, or DOGE.

“In aggregate we’re, shall I say, pleasantly surprised that there hasn’t been a more material consequence,” Riccadonna said. “It looks very much like a typical year for the state of Oregon.”

Democrats wasted no time Wednesday tearing into the Trump administration for the

“Reckless federal actions have consequences, and we are seeing the harm appearing in Oregon’s economy,” Senate Majority Leader Kayse Jama, D-Portland, said in a statement. “President Trump’s tariffs slow international trade and that has extra impact on an export-heavy economy like Oregon’s.”

Gov. Tina Kotek said in a release she is “committed to working diligently with the Legislature from now through the end of the session to make hard budget choices.”

Republicans, meanwhile, blamed Democratic policies for the state’s slowing economy — a stance that was at odds with the picture presented by state economists, which focused on federal actions.

“It’s no surprise that Democrats who’ve spent years passing policies that weaken our economy are quick to blame anyone but themselves,” Senate Minority Leader Daniel Bonham, R-The Dalles, said in a release. “It’s time to stop blaming D.C. and start fixing what Democrats broke here at home.”

House Republican Leader Christine Drazan noted that, despite the new revisions, the state is expecting healthy revenue growth.

“This increase could have been greater if it weren’t for Oregon’s highest in the nation taxes, aggressive regulatory environment, and public policy choices that harmed our economic engine,” Drazan said in a statement. “If we want to see our state budgets grow, we shouldn’t raise taxes, we should cut them.”

*This story may be updated.*

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