

**74<sup>th</sup> OREGON LEGISLATIVE ASSEMBLY – 2008 Special Session**  
**STAFF MEASURE SUMMARY**  
**HOUSE REVENUE COMMITTEE**

**MEASURE: HB 3620**  
**CARRIER: Rep. Read**

**REVENUE: No Revenue Impact**

**FISCAL: No Fiscal Impact**

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<b>Action:</b>	Do pass
<b>Vote:</b>	5-0-4
<b>Yeas:</b>	Barnhart, Bentz, Berger, Gelser, Read,
<b>Nays:</b>	
<b>Exc.:</b>	Bruun, Olson, Rosenbaum, Witt
<b>Prepared By:</b>	Steve Meyer, Economist
<b>Meeting Dates:</b>	2/7

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**WHAT THE BILL DOES:** Directs the Oregon Growth Account Board to report to the Legislature and appropriate committees on the performance of the Oregon Growth Account. Requires long-term estimates of finances and recommendations about the appropriate account size, use of earnings and account management. Declares an emergency and takes effect on passage. Repeals legislation January 2, 2010.

**ISSUES DISCUSSED:**

Examination of Growth Account policy issues prior to 2009 session  
Use of a rainy day fund for economic development  
Liquidity of investments when needed  
Appropriate size of the Growth Account  
Examples of OGA investments

**EFFECT OF COMMITTEE AMENDMENTS:**

None.

**BACKGROUND:** In 1995 the voters approved a constitutional amendment to the lottery law allocating 15% of net lottery proceeds for financing public education. The 1995 Legislature created the Education Endowment Fund for this dedicated lottery revenue. Within the Endowment Fund, the Legislature established the Oregon Growth Account and deposited 10% of the Endowment Fund proceeds into the Oregon Growth Account. Growth Account funds are to be used to earn returns for the Stability Fund from investments (seed money or venture capital) in emerging growth businesses in key industries in Oregon.

In 2002 voters approved a constitutional amendment to convert the Education Endowment Fund into the Education Stability Fund. Lottery earnings flowing into the fund were increased from 15% to 18% and a cap was established at 5% of prior biennium General Fund revenue. When the cap is reached, the Lottery dedication is dropped to 15% and additional revenue flows into a school capital sub-account. The Oregon Growth Account was retained within the Education Stability Fund as a sub-account with 10% of fund revenue going into the Growth Account. Lottery revenue has increased significantly since the Education Stability Fund was established in 2002. The expansion of video poker into line games in 2005-07 lead to a 38% increase in Lottery revenue for the biennium. Overall Education Stability Fund revenue and Oregon Growth Account revenue have increased significantly as a result.

The Oregon Growth Account has a balance of about \$60 million with \$11 million in uncommitted cash. The Oregon Growth Account Board governs investments and contracts with investment management companies. These contracts typically require investments for a number of years. Declared earnings are transferred to the Oregon Commercialized Research Fund for use by the Oregon Innovation Council to make loans and grants to emerging businesses.

**2/8/2008 5:17:03 PM**

*This summary has not been adopted or officially endorsed by action of the committee.*