

**HB 3188 – Economic Development Revenue Share  
OVERSIGHT**

MEASURE: HB 3188  
EXHIBIT: 0  
HOUSE REVENUE COMMITTEE  
DATE: 8/28/2016 PAGES: 1  
SUBMITTED BY: REP. MITT WAND

**Background:** Lottery revenues are dedicated, by constitutional amendment, to specific uses. The original use for lottery revenues (in the original ballot measure) was economic development. That original use remains in the Oregon Constitution. In recent years, the State has accomplished this purpose by sending the economic development portion of lottery revenues to the counties (“Shared Economic Development Revenue”).

**Problem:** Not all counties use the Shared Economic Development Revenue exclusively for economic development, and there is little or no ability to track how they are used. In at least one county, the Shared Economic Development Revenues are simply added to the County’s General Fund, and accordingly are used for any and all county purposes. There is little or no ability for the public, or the State, to determine how these funds are used because they are not segregated in any meaningful way, and there is no requirement that any County account for their use.

**Solution:** HB 3188 addresses this in several ways:

1. Counties receiving Shared Economic Development Revenue will be required to segregate those funds in their budgets as a separate “fund.” This is an accounting technique common to counties and local governments, and it is an effective means of segregating how certain revenues are spent. It promotes transparency, and allows the public – and others – to clearly see in the budget how the revenues are used.
2. Use of Shared Economic Development Revenues will be limited to “economic development” purposes as defined under ORS 461.540, which is a very broad definition including services or financial assistance to: (1) businesses (non-profit or otherwise) located or to be located in Oregon; (2) business or industry associations to expand, promote or prevent the decline of businesses; and (3) facilities, physical environments or development projects as defined in ORS 285B.410 (includes transportation infrastructure).
3. Counties will be required to report annually to the Lottery Commission summarizing the Shared Economic Development Revenue received, how it was spent, and the activities of any employee hired with the funds.
4. Counties will be required to use the funds for an economic development employee to administer the funds.

**Attached Amendments:**

1. The Lottery has weighed in, suggesting that the report be sent to the Department of Administrative Services to be placed on the Transparency in Government website. I urge the committee to adopt this amendment because it will not incur a substantial burden on DAS, and it fully reflects the intention of the reporting requirement which is to provide transparency to the public.
2. Some of the counties have objected that their portion of the Shared Economic Development Revenue is insufficient to hire an employee to administer the funds. The intention was NOT to require hiring a new employee but rather to make certain that allowable uses of the funds include a reasonable staff allocation (if necessary) to administer use of the funds. Suggestion is to remove section 2(a)(B), and create a new section stating that the revenue “may” be used to pay a reasonable portion of an employee or employees’ salary who administers use of the funds and who prepares the report.