

**77th OREGON LEGISLATIVE ASSEMBLY – 2014 Session
BUDGET REPORT AND MEASURE SUMMARY**

MEASURE: SB 5701-A

JOINT COMMITTEE ON WAYS AND MEANS

Carrier – House: Rep. Smith

Carrier – Senate: Sen. Johnson

Action: Do Pass as Amended and as Printed A-Engrossed

Vote: 26 – 0 – 0

House

Yeas: Barker, Buckley, Frederick, Freeman, Hanna, Huffman, Jenson, Komp, McLane, Nathanson, Read, Richardson, Smith, Tomei, Williamson

Nays:

Exc:

Senate

Yeas: Bates, Devlin, Edwards, Girod, Hansell, Johnson, Monroe, Steiner Hayward, Thomsen, Whitsett, Winters

Nays:

Exc:

Prepared By: Janet Savarro, Department of Administrative Services

Reviewed By: Steve Bender, Legislative Fiscal Office

Meeting Date: March 6, 2014

Agency

Various Agencies – Lottery and Criminal Fine Account
Allocation Changes

Biennium

2013-15

Revenue Summary

The Oregon Lottery collects revenues from traditional and video lottery gaming. It pays player prizes and its operating expenses out of these revenues and then transfers the balance (net profits) to the Administrative Services Economic Development Fund (EDF). The Department of Administrative Services then distributes funds from the EDF in adherence with constitutional and statutory funding priorities, including specific Legislative allocations.

The March 2014 revenue forecast of 2013-15 biennium lottery resources is \$6,421,394 (or 0.6%) below the level of revenues assumed in the 2013-15 legislatively adopted budget, and \$10,697,667 above the approved allocations in the 2013-15 legislatively adopted budget. The legislatively approved budget allocations, including the allocations specified in the constitution, and in statutory allocations approved in the 2013 and 2014 sessions, total \$1,042,422,873, compared to the \$1,053,052,830 of total lottery resources projected for the biennium in the March 2014 revenue forecast. The forecasted 2013-15 biennium EDF ending balance is \$10,629,957, a reduction of \$4,370,043 (or 29.1%) from the ending balance in the 2013 session legislatively adopted budget.

Summary of Subcommittee Action

Allocation of Lottery Revenue

Two allocations are specified in the constitution. The Education Stability Fund receives 18 percent of net lottery proceeds and the Parks and Natural Resources Fund receives 15 percent of net lottery proceeds. The lottery funds transferred to these two Funds change in direct proportion to revenue changes. The March 2014 lottery revenue forecast translates into a \$1,155,851 reduction in revenue to the Education Stability Fund, and a \$963,210 reduction in revenue to the Parks and Natural Resources Fund, from the levels anticipated in the 2013-15 legislatively adopted budget. Each change is equivalent to a 0.6% reduction.

Program Allocation Changes

Senate Bill 5701 adjusts two existing allocations of lottery revenues from the Administrative Services Economic Development Fund, and establishes one new allocation, as follows:

- The allocation established to the Department of Administrative Services for payment of the debt service costs on lottery revenue bonds is reduced by \$1,379,000. The existing allocation exceeds the allocation amount needed to pay 2013-15 biennium debt service costs by this amount. The allocation level remaining after the reduction, combined with other revenues available for that purpose, fully funds debt service costs on all outstanding lottery revenue bonds. The reduction is composed of allocation reductions for debt services expenses budgeted to the following agencies and systems of the following amounts: a) Department of Education - \$543,000, b) Oregon University System - \$105,000, c) Oregon Business Development Department - \$565,000; d) Department of Transportation - \$87,000, and e) Department of Administrative Services - \$79,000.

- The allocation established to the Problem Gambling Treatment Fund is increased by \$46,710. The increased allocation is provided to address the costs of compensation plan changes as they affect employees paid by Lottery Funds in the Oregon Health Authority's (OHA) Problem Gambling Service Program in the Addiction and Mental Health Division. House Bill 5201 increases the OHA gambling addiction treatment and prevention Lottery Funds expenditure limitation by the same amount, for expenditure of the allocated funds.
- A new \$1,150,000 allocation to the Oregon Business Development Department is established for support of the Oregon Manufacturing Extension Partnership and for port property redevelopment. This allocation to the agency's Business, Innovation, and Trade Division is established to provide \$750,000 of additional support to the Oregon Manufacturing Extension Partnership, and \$400,000 to the Port of Port Orford for redevelopment of the Cannery Building owned by the Port. House Bill 5201 establishes a Lottery Funds expenditure limitation for the Department of the same amount, for expenditure of the allocated funds.

Allocation of Criminal Fine Account Funds

The Committee approved a \$41,347 increase in the allocation of Criminal Fine Account (CFA) revenues to the State Court Facilities and Security Account in the Oregon Judicial Department. The increased allocation is provided to address the costs of compensation plan changes as they affect employees supported by CFA funds in the Department's Security and Emergency Preparedness Office. House Bill 5201 increases the Judicial Department State Court Facilities and Security Account Other Funds expenditure limitation by the same amount, for expenditure of the allocated funds. This allocation increase from the CFA decreases 2013-15 biennium revenue to the General Fund by the same amount.

Summary Tables

The attached tables summarize Lottery Funds allocations and cash flows in the 2013-15 legislatively approved budget. The figures in these tables not restricted to the impacts of SB 5701, but also include the impact of a \$250,000 allocation from the EDF to the Oregon Business Development Department for a Dislocated Worker Training Program established in SB 1527, and the impacts of changes in the Lottery Revenue forecast since the close of the 2013 session.

Administrative Services Economic Development Fund (Lottery Funds) 2013-15 Biennium

	2013 Session 2013-15 Lottery Allocations	March 2014 Lottery Revenue Forecast	Debt Service Allocation Adjustments	2013-15 Program Allocation Adjustments	2014 Session Lottery Allocation Adjustments	2014 Session Lottery Allocation Adjustments	Revised 2013-15 Lottery Allocations
<u>Lottery Resources</u>							
Beginning Balance	3,491,087	3,491,087					3,491,087
Other Revenues	1,400,000	1,400,000					1,400,000
Net Lottery Proceeds	1,054,583,137	1,048,161,743					1,048,161,743
Total Lottery Resources	1,059,474,224	1,053,052,830	-	-	-	-	1,053,052,830
<u>Transfers and Allocations</u>							
<u>Dedicated Transfers</u>							
Ed Stability Fund 18%	189,824,965	188,669,114					188,669,114
Parks & Natural Resources 15%	158,187,471	157,224,261					157,224,261
County Video Lottery	33,849,166	33,849,166			-	-	33,849,166
OUS Sports Lottery Account	8,000,000	8,000,000			-	-	8,000,000
Gambling Addiction Treatment	10,545,832	10,545,832		46,710	46,710	46,710	10,592,542
County Fairs Distribution	3,669,380	3,669,380			-	-	3,669,380
Total Dedicated Transfers	404,076,814	401,957,753	-	46,710	46,710	46,710	402,004,463
<u>Program Allocations</u>							
Business Development Dept. - Shared services	7,819,653	7,819,653			-	-	7,819,653
Business Development Dept. - BIT	54,432,117	54,432,117		1,400,000	1,400,000	1,400,000	55,832,117
Business Development Dept. - Film & Video	1,130,544	1,130,544			-	-	1,130,544
Oregon Growth Fund	1,900,000	1,900,000			-	-	1,900,000
Forestry - Eastern Oregon Forest Collaboration	2,885,000	2,885,000			-	-	2,885,000
Dept. of Education - State School Fund	327,374,109	327,374,109			-	-	327,374,109
Governor's Office - Econ. Revitalization Team	3,261,204	3,261,204			-	-	3,261,204
Total Program Allocations	398,802,627	398,802,627	-	1,400,000	1,400,000	1,400,000	400,202,627
<u>Debt Service</u>							
Department of Education	41,488,406	41,488,406	(543,000)		(543,000)	(543,000)	40,945,406
Oregon University System	25,550,980	25,550,980	(105,000)		(105,000)	(105,000)	25,445,980
Oregon Business Development Department	47,857,951	47,857,951	(565,000)		(565,000)	(565,000)	47,292,951
Housing and Community Services Dept.	9,411,695	9,411,695			-	-	9,411,695
Department of Transportation	93,841,992	93,841,992	(87,000)		(87,000)	(87,000)	93,754,992
Department of Administrative Services	8,808,024	8,808,024	(79,000)		(79,000)	(79,000)	8,729,024
Community Colleges & Workforce Development	9,380,970	9,380,970			-	-	9,380,970
Department of Forestry	2,519,440	2,519,440			-	-	2,519,440
Department of Energy	2,162,153	2,162,153			-	-	2,162,153
Water Resources Department	573,172	573,172			-	-	573,172
Total Debt Service Allocations	241,594,783	241,594,783	(1,379,000)	-	(1,379,000)	(1,379,000)	240,215,783
Total Resources	1,059,474,224	1,053,052,830	-	-	-	-	1,053,052,830
Total Transfers and Allocations	1,044,474,224	1,042,355,163	(1,379,000)	1,446,710	67,710	67,710	1,042,422,873
Ending Balance	15,000,000	10,697,667					10,629,957

LOTTERY FUNDS CASH FLOW SUMMARY

	2013-15 Legislatively Adopted Budget ¹	2013-15 Legislatively Approved Budget ²	2014 Session Changes
ECONOMIC DEVELOPMENT FUND			
RESOURCES			
Beginning Balance	\$3,491,087	\$3,491,087	\$0
REVENUES			
Transfers from Lottery			
Net Proceeds	1,054,583,137	1,048,161,743	(6,421,394)
Administrative Savings			
Other Revenues	1,400,000	1,400,000	0
Total Revenue	1,055,983,137	1,049,561,743	(6,421,394)
TOTAL RESOURCES	1,059,474,224	1,053,052,830	(6,421,394)
DISTRIBUTIONS / ALLOCATIONS			
Allocation of Video Lottery Revenues to Counties	(33,849,166)	(33,849,166)	0
Allocation to OUS for Sports Lottery Account	(8,000,000)	(8,000,000)	0
Distribution to the Education Stability Fund	(189,824,965)	(188,669,114)	1,155,851
Distribution to the Parks and Natural Resources Fund	(158,187,471)	(157,224,261)	963,210
Allocation to the Problem Gambling Treatment Fund	(10,545,832)	(10,592,542)	(46,710)
Allocation to the State School Fund	(327,374,109)	(327,374,109)	0
Debt Service Allocations	(241,594,783)	(240,215,783)	1,379,000
Other Agency Allocations	(75,097,898)	(76,497,898)	(1,400,000)
TOTAL DISTRIBUTIONS / ALLOCATIONS	(1,044,474,224)	(1,042,422,873)	2,051,351
ENDING BALANCE	\$15,000,000	\$10,629,957	(\$4,370,043)
EDUCATION STABILITY FUND			
(not including Oregon Growth Account)			
RESOURCES			
Beginning Balance	7,584,467	7,402,401	(182,066)
Revenues			
Transfer from the Economic Development Fund	170,842,469	169,544,396	(1,298,073)
Interest Earnings	984,890	1,033,934	49,044
Total Revenue	171,827,358	170,578,330	(1,249,028)
TOTAL RESOURCES	179,411,825	177,980,731	(1,431,094)
DISTRIBUTIONS			
Oregon Education Fund - Lottery Bond Debt Service	(738,668)	(775,451)	(36,783)
Oregon Student Access Commission - Opportunity Grants	(246,222)	(258,484)	(12,262)
State School Fund	0	0	0
TOTAL DISTRIBUTIONS	(984,890)	(1,033,934)	(49,044)
ENDING BALANCE	\$178,426,935	\$176,946,797	(\$1,480,138)