

**78th OREGON LEGISLATIVE ASSEMBLY – 2016 Session
PRELIMINARY BUDGET REPORT AND MEASURE SUMMARY**

MEASURE: HB 5201-A

JOINT COMMITTEE ON WAYS AND MEANS

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Agency

Various Agencies – Lottery and Criminal Fine Account
Allocation Changes

Biennium

2015-17

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 2016 revenue forecast of 2015-17 biennium lottery resources is \$58,589,482 (or 5.1%) above the level of revenues assumed in the 2015-17 legislatively adopted budget, and \$40,332,940 above the allocations approved in the 2015-17 legislatively adopted budget. The legislatively approved budget allocations, including the allocations specified in the constitution, and by statutory allocations approved in the 2015 and 2016 sessions, total \$1,199,503,739, compared to the \$1,214,503,739 of total lottery resources projected for the biennium in the March 2016 revenue forecast. The forecasted 2015-17 biennium EDF ending balance is \$15,000,000, a reduction of \$1,000,000 (or 6.3%) from the ending balance in the 2015 session legislatively adopted budget.

Summary of Capital Construction 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 2016 lottery revenue forecast translates into a \$9,958,114 increase in revenue to the Education Stability Fund, and an \$8,298,428 increase in revenue to the Parks and Natural Resources Fund, over the levels anticipated in the 2015-17 legislatively adopted budget. Each change is equivalent to a 4.9% increase.

Program Allocation Changes

House Bill 5201 adjusts seven existing allocations of lottery revenues from the Administrative Services Economic Development Fund, and establishes one new allocation. The allocation adjustments in the bill increase total lottery allocations by \$41,332,940, and include:

- A new \$400,000 allocation to the Oregon Business Development Department is established for support of redevelopment of the Port of Port Orford Cannery Building. Senate Bill 5701 establishes a Lottery Funds expenditure limitation for the Department of the same amount, for expenditure of the allocated funds. This allocation was included in the 2013-15 biennium budget, but the funds were not distributed and so reverted back to the EDF. The new allocation extends support for this project by one biennium.
- Existing allocations to the Oregon Business Development Department were increased by a total of \$1,100,571, including:
 - The allocation for shared services is increased by \$185,866 to address the costs of compensation plan changes for employees.

- The allocation for business, innovation and trade is increased by \$534,709. This total includes an increase of \$334,709 to address the costs of compensation plan changes for employees, and a \$200,000 increase for the Oregon Wave Energy Trust.
- The allocation for the Infrastructure Finance Authority is increased by \$379,996. This total includes an increase of \$19,482 to address the costs of compensation plan changes for employees, a \$260,514 increase to expand administrative support for the Seismic Rehabilitation Grant Program, and a \$100,000 increase to conduct a Willamette Valley Intermodal Hub Feasibility Study.
- The allocation established to the Office of the Governor is increased by \$150,633 to address the costs of compensation plan changes for employees in the Regional Solutions Program.
- The allocation established to the Problem Gambling Treatment Fund is increased by \$56,209. The increased allocation is provided to address the costs of compensation plan changes for employees paid by Lottery Funds in the Oregon Health Authority's (OHA) Problem Gambling Service Program in the Addiction and Mental Health Division.
- The allocation established to the State Forestry Department is increased by \$72,136 to address the costs of compensation plan changes for employees dedicated to federal forest restoration.
- The allocation established for the State School Fund is increased by \$39,553,391. This reduces the EDF forecasted ending balance to \$15 million, \$1 million less than the 2015 close of session forecasted ending balance. Senate Bill 5701 increases State School Fund Lottery Funds expenditures, and reduces the State School Fund General Fund appropriation, by \$39,553,391, resulting in no net change in total State School Fund support.

Allocation of Criminal Fine Account Funds

The Subcommittee approved allocation increases from the Criminal Fine Account (CFA) of \$3,853,875, thereby increasing total CFA allocations for the 2015-17 biennium to \$76,306,988. Because unallocated CFA revenue is transferred to the General Fund, these increases decrease 2015-17 biennium General Fund revenue by the same amount. Including the impact of the CFA allocations contained in this bill, the CFA transfer to the General Fund is forecast to total \$61,617,982, approximately \$1.2 million higher than in the close-of-session forecast. The CFA allocation increases include:

- The allocation to the Department of Public Safety Standards and Training for operations is increased by \$3,830,195. This amount includes \$2,790,195 for a one-time increase to the Department's number of training classes, and \$1,040,000 to address the costs of compensation plan changes for employees.
- The allocation to the State Court Facilities and Security Account in the Oregon Judicial Department for state court security and emergency preparedness is increased by \$23,680 to address the costs of compensation plan changes for employees supported by CFA funds in the Department's Security and Emergency Preparedness Office.

Summary Tables

The first two tables summarize Lottery Funds cash flows and allocations in the 2015-17 legislatively approved budget. The figures in these tables are not restricted to the impacts of House Bill 5201, but also include the impacts of changes in the Lottery revenue forecast since the close of the 2015 session. The third table summarize Criminal Fine Account allocations in the 2015-17 legislatively approved budget.

LOTTERY FUNDS CASH FLOW SUMMARY

	2015-17 Legislatively Adopted Budget ¹	2015-17 Legislatively Approved Budget ²	HB 5201 and Other Adjustments	Percent Change
ECONOMIC DEVELOPMENT FUND				
RESOURCES				
Beginning Balance	\$19,318,494	\$20,499,857	\$1,181,363	6.1%
Lottery Funds Reversions under ORS 461.559	5,339,361	7,424,627	2,085,266	39.1%
REVENUES				
Transfers from Lottery				
Net Proceeds	1,129,256,402	1,184,579,256	55,322,854	4.9%
Administrative Savings	0	0	0	0.0%
Other Revenues				
Interest Earnings	2,000,000	2,000,000	0	0.0%
Total Revenues	1,131,256,402	1,186,579,256	55,322,854	4.9%
TOTAL RESOURCES	1,155,914,257	1,214,503,739	58,589,482	5.1%
DISTRIBUTIONS / ALLOCATIONS				
Distribution of Video Revenues to Counties	(39,083,827)	(39,083,827)	0	0.0%
Distribution to the Education Stability Fund	(203,266,152)	(213,224,266)	(9,958,114)	4.9%
Distribution to the Parks and Natural Resources Fund	(169,388,460)	(177,686,888)	(8,298,428)	4.9%
Distribution to HECC for Collegiate Athletics and Scholarships	(8,240,000)	(8,240,000)	0	0.0%
Distribution to OHA for Gambling Addiction Treatment Programs	(11,292,544)	(11,348,753)	(56,209)	0.5%
Distribution for County Fairs	(3,864,000)	(3,864,000)	0	0.0%
Allocation to the State School Fund	(408,150,516)	(447,703,907)	(39,553,391)	9.7%
Debt Service Allocations	(225,477,038)	(225,477,038)	0	0.0%
Other Agency Allocations	(71,151,720)	(72,875,060)	(1,723,340)	2.4%
TOTAL DISTRIBUTIONS / ALLOCATIONS	(1,139,914,257)	(1,199,503,739)	(59,589,482)	5.2%
ENDING BALANCE	\$16,000,000	\$15,000,000	(\$1,000,000)	-6.3%
EDUCATION STABILITY FUND				
(not including OGA or ORTDF)				
RESOURCES				
Beginning Balance	\$179,301,809	\$179,379,997	\$78,188	0.0%
Revenues				
Transfer from the Economic Development Fund 4	182,939,537	191,901,839	8,962,302	4.9%
Transfer from the Oregon Growth Account	0	4,330,740	4,330,740	N/A
Interest Earnings	10,289,094	5,556,265	(4,732,829)	-46.0%
Total Revenue	193,228,631	201,788,844	8,560,213	4.4%
TOTAL RESOURCES	372,530,440	381,168,841	8,638,401	2.3%
DISTRIBUTIONS				
Interest Distributions	(10,289,094)	(5,556,265)	4,732,829	-46.0%
TOTAL DISTRIBUTIONS	(10,289,094)	(5,556,265)	4,732,829	-46.0%
ENDING BALANCE	\$362,241,346	\$375,612,576	\$13,371,230	3.7%

1. The 2015-17 Legislatively Adopted Budget is based on the May 2015 forecast of 2015-17 resources, adjusted to include Lottery Funds reversions under ORS 461.559.

2. The 2015-17 Legislatively Approved Budget is based on the February 2016 forecast of 2015-17 resources.

3. 2015-17 Beginning Balance is equal to 2013-15 Ending Balance.

4. 2015-17 Beginning Balance includes 75 percent of the earnings to pay debt service on Education Lottery Bonds. The Higher Education Coordinating Commission receives the remaining 25 percent, plus any other earnings not needed for debt service, for the Opportunity Grant program.

5. Only includes transfers to the Main ESF account and not the 10% transferred to the Oregon Growth Account.

2015-17 LOTTERY FUNDS ALLOCATIONS AND EXPENDITURES

	New Lottery Funds Allocation	Beginning Lottery Balance	Interest and Other Earnings / (Reversions)	2015-17 LAB Expenditure Limitation	Ending Lottery Balance
ECONOMIC DEVELOPMENT FUND					
DEBT SERVICE COMMITMENTS					
Department of Education					
Outstanding bonds	805,621	35,911	0	841,532	0
Higher Education Coordinating Commission					
Outstanding bonds	41,762,610	587,166	0	42,349,776	0
Business Development Dept.					
Outstanding bonds	45,040,696	73,510	0	45,114,206	0
Housing and Community Services Dept.					
Outstanding bonds	11,659,434	17,035	0	11,676,469	0
Department of Transportation					
Outstanding bonds	107,020,978	463,162	0	107,484,140	0
Department of Administrative Services					
Outstanding bonds	11,233,581	1,543,515	0	12,777,096	0
Forestry Department					
Outstanding Bonds	2,468,492	13,468	0	2,481,960	0
Department of Energy					
Outstanding Bonds	2,977,259	3,237	0	2,980,496	0
Water Resources Department					
Outstanding Bonds	2,508,367	3,115	0	2,511,482	0
OTHER ALLOCATIONS					
Higher Education Coordinating Commission					
Collegiate Athletics and Scholarships	8,240,000	0	0	8,240,000	0
Oregon Health Authority					
Gambling Addiction Treatment	11,348,753	0	0	11,348,753	0
Department of Education					
State School Fund	447,703,907	0	0	447,703,907	0
Department of Administrative Services					
Distribution to County Fairs	3,864,000	0	0	3,864,000	0
Office of the Governor					
Regional Solutions	4,209,051	370,386	(370,386)	4,209,051	0
Business Development Department					
Shared Services	7,223,270	618,235	(618,235)	7,223,270	0
Business, Innovation, and Trade	51,400,966	10,494,061	(6,436,006)	55,982,881	(523,860)
Infrastructure Financing Authority	3,805,177	0	0	3,805,177	0
Film and Video	1,164,460	82,006	0	1,164,460	82,006
Forestry Department					
Federal Forest Restoration	5,072,136	0	0	5,072,136	0
TOTAL ECONOMIC DEVELOPMENT FUND	\$769,508,758	\$14,304,807	(\$7,424,627)	\$776,830,792	(\$441,854)
EDUCATION STABILITY FUND / OREGON EDUCATION FUND					
Higher Education Coordinating Commission					
Opportunity Grants	5,499,769	1,917,771	0	11,816,379	(4,398,839)
Department of Education					
Education Bonds Outstanding	56,496	536,899	0	593,395	0
TOTAL EDUCATION STABILITY/OREGON EDUCATION FUND	\$5,556,265	\$2,454,670	\$0	\$12,409,774	(\$4,398,839)
	New Lottery Funds Allocation	Beginning Lottery Balance	Interest and Other Earnings	Adopted Budget Expenditure Limitation	Ending Lottery Balance
PARKS & NATURAL RESOURCES FUND					
Oregon Watershed Enhancement Board					
Capital and Operations	65,821,328	539,601	561,000	62,482,687	4,439,242
Department of Agriculture					
Capital and Operations	6,491,591	0	0	6,491,591	0
Department of Environmental Quality					
Capital and Operations	4,078,325	5,852	0	4,084,177	0
Department of Fish and Wildlife					
Capital and Operations	4,917,581	0	0	4,917,581	0
State Police					
Capital and Operations	7,534,619	475,446	0	8,010,065	0
State Parks and Recreation Dept.					
Capital and Operations	87,161,088	13,583,106	163,176	81,234,945	19,672,425
Debt Service	1,682,356	0	0	1,682,356	0
TOTAL PARKS & NATURAL RESOURCES FUND	\$177,686,888	\$14,604,005	\$724,176	\$168,903,402	\$24,111,667
GRAND TOTAL	\$952,751,911	\$31,363,482	(\$6,700,451)	\$958,143,968	\$19,270,974

CRIMINAL FINE ACCOUNT ALLOCATIONS

	2015-17 Legislatively Adopted Budget	2015-17 Legislatively Approved Budget	HB 5201 Adjustments	Percent Change
2015-17 Biennium Criminal Fine Account Revenues	\$ 132,872,418	\$ 137,924,970	\$ -	3.8%
2015-17 Biennium Criminal Fine Account Allocations:				
<i>Department of Public Safety Standards and Training</i>				
Operations	\$ 27,250,583	\$ 31,080,778	\$ 3,830,195	14.1%
Public Safety Memorial Fund	128,420	128,420	-	0.0%
Subtotal:	<u>\$ 27,379,003</u>	<u>\$ 31,209,198</u>	<u>\$ 3,830,195</u>	<u>14.0%</u>
<i>Department of Justice</i>				
Child Abuse Multidisciplinary Intervention (CAMI)	\$ 10,311,579	\$ 10,311,579	\$ -	0.0%
Regional Assessment Centers	787,663	787,663	-	0.0%
Criminal Injuries Compensation Account (CICA)	8,775,830	8,775,830	-	0.0%
Child Abuse Medical Assessments	666,107	666,107	-	0.0%
Subtotal:	<u>\$ 20,541,179</u>	<u>\$ 20,541,179</u>	<u>\$ -</u>	<u>0.0%</u>
<i>Department of Human Services</i>				
Domestic Violence Fund	\$ 2,224,675	\$ 2,224,675	\$ -	0.0%
Sexual Assault Victims Fund	533,332	533,332	-	0.0%
Subtotal:	<u>\$ 2,758,007</u>	<u>\$ 2,758,007</u>	<u>\$ -</u>	<u>0.0%</u>
<i>Oregon Health Authority</i>				
Emergency Medical Services & Trauma Services	\$ 331,824	\$ 331,824	\$ -	0.0%
Alcohol & Drug Abuse Prevention	42,884	42,884	-	0.0%
Law Enforcement Medical Liability Account (LEMLA)	1,339,000	1,339,000	-	0.0%
Intoxicated Driver Program	4,323,000	4,323,000	-	0.0%
Subtotal:	<u>\$ 6,036,708</u>	<u>\$ 6,036,708</u>	<u>\$ -</u>	<u>0.0%</u>
<i>Oregon Judicial Department</i>				
State court security and emergency preparedness	\$ 3,422,322	\$ 3,446,002	\$ 23,680	0.7%
County court facilities security	4,148,922	4,148,922	-	0.0%
Capital improvements for courthouses and other state court facilities	3,500,000	3,500,000	-	0.0%
Subtotal:	<u>\$ 11,071,244</u>	<u>\$ 11,094,924</u>	<u>\$ 23,680</u>	<u>0.2%</u>
<i>Oregon State Police</i>				
Driving Under the Influence Enforcement	<u>\$ 253,000</u>	<u>\$ 253,000</u>	<u>\$ -</u>	<u>0.0%</u>
<i>Department of Corrections</i>				
County correction programs and facilities, and alcohol and drug programs	<u>\$ 4,391,472</u>	<u>\$ 4,391,472</u>	<u>\$ -</u>	<u>0.0%</u>
<i>Governor's Office</i>				
Arrest & Return for Extradition	<u>\$ 22,500</u>	<u>\$ 22,500</u>	<u>\$ -</u>	<u>0.0%</u>
Total Allocations:	<u>\$ 72,453,113</u>	<u>\$ 76,306,988</u>	<u>\$ 3,853,875</u>	<u>5.3%</u>
Transfer to the General Fund:	<u>\$ 60,419,305</u>	<u>\$ 61,617,982</u>	<u>\$ 1,198,677</u>	<u>2.0%</u>