

**SB 5529 BUDGET REPORT and MEASURE SUMMARY**

**Joint Committee On Ways and Means**

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**Various Agencies – Lottery Allocations**

**2017-19**

**Various Agencies – Criminal Fine Account Allocations**

**2017-19**

**Various Agencies – Oregon Marijuana Account Allocations**

**2017-19**

PRELIMINARY

## **Summary of Revenue Changes**

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 (DAS) then distributes funds from the EDF in adherence with constitutional and statutory funding priorities, including specific Legislative allocations. The amounts outlined in this bill are based on the Lottery revenue forecast from the DAS Office of Economic Analysis as of May 2017, adjusted for projections of reversions of unspent Lottery Funds allocations transferred to the EDF under ORS 461.559, and for anticipated administrative actions by the Oregon Lottery to transfer an additional \$20,000,000 of funds exceeding those maintained for contingency purposes to the EDF, in the 2017-19 biennium. ORS 461.559 requires certain Lottery Funds allocations unspent at the end of a biennium to be reverted to the EDF. Total reversions under this provision, which are projected equal \$4,034,893 in the 2017-19 biennium, were not included in the DAS Office of Economic Analysis Lottery Funds forecast, but the amounts in this bill include those reversions in total available resources. As actual amounts vary, the allocations or distributions set forth within may also vary – in some cases requiring related expenditure limitation adjustments.

The Oregon Lottery transfers Lottery Funds to the Administrative Services EDF on a quarterly basis. From each quarterly transfer, a number of dedicated distributions are required by the Oregon Constitution or are provided for in Oregon Revised Statutes (ORS), including:

- The Oregon Constitution requires that 18 percent of net proceeds be distributed to the Education Stability Fund.
- The Oregon Constitution requires that 15 percent of net proceeds be distributed to the Parks and Natural Resources Fund.
- The Oregon Constitution requires that 1.5 percent of net proceeds be distributed to the Veterans' Services Fund.
- Oregon statutes require that 4 percent of net proceeds, but no more than \$5.5 million per quarter adjusted for inflation, be distributed to the Outdoor School Education Fund.
- Oregon statute requires that 2.5 percent of net proceeds of video lottery gaming be distributed to the counties for economic development projects. Beginning with the 2005-07 biennium, 50 percent of the operating costs for the Economic Revitalization Team (ERT) established by ORS 284.555 are also funded from this source. Beginning with the 2013-15 biennium, 50 percent of the new funding for Regional Solutions Program positions are also funded from this source.
- Oregon statute requires that one percent of net profits be distributed to the Sports Lottery Account for sports programs at state institutions of higher education and for scholarships.
- Oregon statute requires that one percent of net proceeds be transferred to the Oregon Health Authority for Gambling Addiction prevention and treatment programs.

- Oregon statute requires that one percent of the net proceeds, not to exceed \$1.53 million annually, be transferred to the County Fair account. The maximum amount is adjusted each biennium pursuant to certain changes in the Consumer Price Index.
- Oregon statute requires that annual debt service payments for outstanding lottery bonds be satisfied before allocating for other purposes. During the 2017-19 biennium, debt service requirements will comprise approximately 19 percent of the total distributions from the EDF.

Finally, the Legislature makes other allocations from the EDF within authorized public purposes. These purposes include job creation, economic development and public education. Currently, the bulk of allocations are made to the Department of Education for the State School Fund and to the Oregon Business Development Department for various program expenditures.

Debt service allocations are paid annually. Interest earned on the EDF remains within the fund itself. If at the end of any quarter funds remain undistributed, they will remain in the EDF for allocation in future quarters. If in any quarter revenue in the EDF is insufficient to pay for quarterly distribution of allocations, DAS will first fund debt service obligations. Remaining revenues will be distributed in a prorated manner.

## **Summary of Capital Construction Subcommittee Action**

### **Allocation of Lottery Revenue**

Senate Bill 5529 allocates lottery revenue from the EDF and the Veterans' Services Fund. The amounts outlined in this bill are based on the Lottery revenue forecast from the DAS Office of Economic Analysis as of May 2017, adjusted for projections of reversions of unspent Lottery Funds allocations transferred to the EDF under ORS 461.559, and for Oregon Lottery administrative actions. The attached tables display the Lottery Funds allocated by the Subcommittee from the EDF and Veterans' Services Fund. All Lottery Funds allocations approved from these funds for the 2017-19 biennium are included in Senate Bill 5529. The 2017-19 allocations are summarized below.

- A total of \$247.8 million Lottery Funds is allocated for debt service for outstanding bonds. These funds are allocated to the DAS since the DAS Capital Investment Section manages debt service for the state. DAS will transfer the necessary funding to the Higher Education Coordinating Commission, Oregon Business Development Department, Housing and Community Services Department, Department of Transportation, Department of Forestry, Department of Energy, State Parks and Recreation Department and the Water Resources Department for the payment of debt on existing lottery bonds. No allocations are included to pay debt service for lottery revenue bonds issued in the 2017-19 biennium.
- The State School Fund is allocated \$464.8 million Lottery Funds.
- A total of \$66.2 million Lottery Funds is allocated for the programs of the Oregon Business Development Department. This total excludes amounts allocated for debt service payments on Lottery revenue bonds, but includes \$7.1 million for Operations; \$56.4 million in for Business, Innovation and Trade; \$1.5 million for the Infrastructure Finance Authority, and \$1.2 million for the Film and Video Office.

- The Office of the Governor is allocated \$3.7 million Lottery Funds for the Regional Solutions Program. Half of this funding will come from a reduction in the video lottery proceeds that are distributed to counties for economic development.
- The Department of Veterans' Services is allocated \$14.9 million Lottery Funds from the Veterans' Services Fund. This total includes \$7.8 million for Veterans' Services Program, \$6.9 million for county veterans' service officers, and \$118,156 for national service organizations.
- The Housing and Community Services Department is allocated \$1.5 million of Lottery Funds from the Veterans' Services Fund for housing assistance to veterans.

#### Education Stability Fund

A constitutional amendment approved by Oregon voters in 1997, and amended in 2002, requires that 18 percent of net lottery proceeds be transferred to the Education Stability Fund. Interest earnings on this fund are continuously appropriated for the benefit of education programs. These earnings are split 75 percent to the Oregon Education Fund, which is currently used to help pay debt service on lottery bonds that were previously issued for the Department of Education, and 25 percent to the Oregon Student Access Commission for Opportunity Grants.

Ten percent of the amount deposited in the Education Stability Fund is deposited into the Oregon Growth Account within the Fund. All declared earnings from this account are continuously appropriated to the Oregon Education Fund and the Oregon Student Assistance Commission. The transfers and distributions relating to the Education Stability Fund as described here are established by the Oregon Constitution and by other statutes – therefore Senate Bill 5529 does not include provisions relating to them.

#### Parks and Natural Resources Fund

Ballot Measure 76, approved by Oregon voters in 2010, requires 15 percent of net lottery proceeds to be transferred to the Parks and Natural Resources Fund. This fund is continuously appropriated for the benefit of parks and recreation and for native species protection and restoration. This transfer is established by the Oregon Constitution. Senate Bill 5529, therefore, does not include provisions relating to it.

#### Veterans' Services Fund

Ballot Measure 96, approved by Oregon voters in 2016, requires 1.5 percent of net lottery proceeds to be transferred to the Veterans' Services Fund. This fund is continuously appropriated for the benefit of veterans. This transfer is established by the Oregon Constitution. Senate Bill 5529, therefore, does not include a provision to transfer lottery proceeds into the Veterans' Services Fund. The bill does, however, include allocations from the Veterans' Services Fund to support programs benefitting veterans at the Department of Veterans' Affairs and the Department of Housing and Community Services.

#### Outdoor School Education Fund

Ballot Measure 99, approved by Oregon voters in 2016, requires 4 percent of net proceeds, but no more than \$5.5 million per quarter adjusted for inflation, be distributed to the Outdoor School Education Fund. The Fund supports the Outdoor School program and is managed by the Oregon

State University Extension Service. Instead of the percentage allocation described in statute, the Subcommittee approved a fixed allocation of \$24,000,000 for the 2017-19 biennium

#### County Economic Development

ORS 461.547 requires that 2.5 percent of net proceeds of video lottery gaming be distributed to the counties for economic development projects. Beginning with the 2005-07 biennium, 50 percent of the operating costs for the Economic Revitalization Team (ERT) established by ORS 284.555 have also been funded from this source.

The Subcommittee approved allocating a fixed dollar amount for county economic development during the 2017-19 biennium, rather than the percentage allocation described in statute. The fixed dollar amount is \$41,285,992, which is equal to 2.5 percent of the amount of video lottery proceeds forecasted in the May 2017 revenue forecast, minus one-half of the allocation to the Office of the Governor for the Regional Solutions Program.

#### Gambling Addiction Prevention and Treatment

The 1999 Legislature statutorily dedicated one percent of net lottery proceeds to be transferred to the Oregon Health Authority to fund gambling addiction programs in the state.

Instead of the percentage allocation described in statute, the Subcommittee approved a fixed allocation of \$12,457,116 for the 2017-19 biennium.

#### Sports Lottery Account

Beginning in 2007, one percent of net lottery proceeds are dedicated for distribution to public universities to offset the costs of intercollegiate athletic programs and for academic scholarships.

Instead of the percentage allocation described in statute, the Subcommittee approved a fixed allocation of \$8,240,000 for the 2017-19 biennium.

#### County Fairs

The 2001 Legislature statutorily dedicated one percent of net lottery proceeds, with certain limitations, for distribution to county fair programs throughout the state. This amount is adjusted by inflation each biennium.

Instead of the percentage allocation described in statute, the Subcommittee approved a fixed allocation of \$3,828,000 for the 2017-19 biennium.

#### Lottery Funds Expenditure Limitation

Lottery Funds expenditure limitation related to these allocations is generally contained within the respective agency budget bills and in House Bill 5006.

### **Allocation of Criminal Fine Account**

ORS 137.300 establishes the Criminal Fine Account (CFA), and identifies program priorities for account moneys, but does not specify a funding level for the programs. A portion of the crime and violation fine payments collected by state and local courts are transferred into the account. The Expenditure limitations for programs receiving CFA allocations are established in the separate appropriation bills for the various receiving agencies. Any CFA revenues remaining after the specific program allocations are made are deposited into the General Fund.

The revenue forecast for the CFA for the 2017-19 biennium totals \$143.8 million. This amount is equal to the amount in the revenue forecast from the DAS Office of Economic Analysis as of May 2017, adjusted for the CFA revenue impacts of HB 2409 and HB 2797.

The Subcommittee approved allocations to agencies totaling \$77 million, leaving \$66.8 million to be deposited into General Fund. Those revenues are included in the General Fund expenditures authorized in the 2017-19 Legislatively Adopted Budget. The specific allocation amounts authorized in this bill are listed in the table of this budget report.

### **Allocation of Oregon Marijuana Account**

Revenues from the state Marijuana taxes are deposited into the Oregon Marijuana Account. The Department of Revenue transfers 10 percent of Account funds to cities, and 10 percent to counties, by formulas established in statute. The remaining 80 percent of moneys in the Oregon Marijuana Account is allocated to state programs in this bill.

Oregon statutes dedicate the remaining 80 percent of moneys to be distributed as follows:

- 40 percent to the State School Fund
- 20 percent to the Mental Health Alcoholism and Drug Services Account
- 15 percent to the State Police Account
- 5 percent to alcohol and drug abuse prevention, early intervention and treatment services.

The revenue forecast for the Oregon Marijuana Account for the 2017-19 biennium totals \$202.5 million. This amount is equal to the amount in the revenue forecast from the DAS Office of Economic Analysis as of May 2017, adjusted for the Oregon Marijuana Account revenue impact of SB 1057. The Department of Revenue will distribute \$40.5 million to cities and counties.

The remaining \$162 million are allocated as directed under statute:

- \$81.0 million to the State School Fund
- \$40.5 million to the Mental Health Alcoholism and Drug Services Account
- \$30.4 million to the State Police Account.
- \$10.1 million to alcohol and drug abuse prevention, early intervention and treatment services.

## LOTTERY FUNDS CASH FLOW SUMMARY

	2015-17 Legislatively Approved Budget <sup>1</sup>	2017-19 Legislatively Adopted Budget <sup>2</sup>
<b>ECONOMIC DEVELOPMENT FUND</b>		
RESOURCES		
Beginning Balance	\$20,499,857	\$49,016,803
Lottery Funds Reversions under ORS 461.559		\$4,034,893
REVENUES		
Transfers from Lottery		
Net Proceeds	\$1,235,350,601	\$1,246,173,324
Administrative Actions	0	20,000,000
Other Revenues		
Interest Earnings	9,424,627	2,000,000
Other		
Total Revenue	1,244,775,228	1,268,173,324
TOTAL RESOURCES	1,265,275,085	1,317,190,127
DISTRIBUTIONS / ALLOCATIONS		
Distribution of Video Revenues to Counties	(39,083,827)	(\$41,285,992)
Distribution to Education Stability Fund	(222,363,108)	(\$224,311,198)
Distribution to Parks and Natural Resources Fund	(185,302,590)	(\$186,925,999)
Distribution for Outdoor School Fund	0	(24,000,000)
Distribution for Veterans' Services Fund	0	(\$18,692,600)
Distribution for Sports Programs	(8,240,000)	(8,240,000)
Distribution for Gambling Addiction	(11,348,753)	(12,457,116)
Distribution for County Fairs	(3,864,000)	(3,828,000)
Allocation to State School Fund	(447,703,907)	(464,758,594)
Debt Service Allocations	(225,477,038)	(247,787,311)
Other Agency Allocations	(72,875,060)	(69,903,317)
<b>TOTAL DISTRIBUTIONS / ALLOCATIONS</b>	<b>(1,215,100,899)</b>	<b>(1,302,190,127)</b>
<b>ENDING BALANCE</b>	<b>\$49,016,803</b>	<b>\$15,000,000</b>
<b>EDUCATION STABILITY FUND</b>		
(not including OGA or ORTDF)		
RESOURCES		
Beginning Balance	\$179,379,997	\$383,759,105
Revenues		
Transfer from the Economic Development Fund	\$204,379,108	\$201,880,078
Interest Earnings	\$5,327,115	\$22,455,743
Total Revenue	209,706,223	224,335,821
TOTAL RESOURCES	389,086,220	608,094,926
DISTRIBUTIONS		
Interest Distributions	(\$5,327,115)	(21,808,752)
Debt Service Allocations	0	(646,991)
<b>TOTAL DISTRIBUTIONS</b>	<b>(5,327,115)</b>	<b>(22,455,743)</b>
<b>ENDING BALANCE</b>	<b>\$383,759,105</b>	<b>\$585,639,183</b>

1. The 2015-17 Legislatively Approved Budget is based on the May 2017 forecast of 2015-17 resources.

2. The 2017-19 Legislatively Adopted Budget is based on the May 2017 forecast of 2017-19 resources with the adjustments shown for lottery reversions and administrative actions.

3. 2017-19 beginning balance is equal to 2015-17 ending balance.

4. Only transfers to the Main Education Stability fund account, and not the 10% transferred to the Oregon Growth Account.

**2017-19 LOTTERY FUNDS ALLOCATIONS AND EXPENDITURES**

	<b>New Lottery Funds Allocation</b>	<b>Beginning Lottery Balance</b>	<b>Interest and Other Earnings</b>	<b>2017-19 LAB Expenditure Limitation</b>	<b>Ending Lottery Balance</b>
<b>ECONOMIC DEVELOPMENT FUND</b>					
<b>DEBT SERVICE COMMITMENTS</b>					
Higher Education Coordinating Commission					
Outstanding bonds	43,490,902	89,912	0	43,580,814	0
Business Development Dept.					
Outstanding bonds	46,776,651	2,984,601	0	49,761,252	0
Housing and Community Services Dept.					
Outstanding bonds	15,978,252	29,030	0	16,007,282	0
Department of Transportation					
Outstanding bonds	114,394,343	210,621	0	114,604,964	0
Department of Administrative Services					
Outstanding bonds	16,268,179	26,788	0	16,294,967	0
Forestry Department					
Outstanding Bonds	2,596,014	4,987	0	2,601,001	0
Department of Energy					
Outstanding Bonds	3,015,546	8,084	0	3,023,630	0
State Parks and Recreation Dept.					
Outstanding Bonds	1,318,425	0	0	1,318,425	0
Water Resources Department					
Outstanding Bonds	3,948,999	4,970	0	3,953,969	0
<b>OTHER ALLOCATIONS</b>					
Higher Education Coordinating Commission					
Collegiate Athletics	8,240,000	0	0	8,240,000	0
Outdoor Schools	24,000,000	0	0	24,000,000	0
Oregon Health Authority					
Gambling Addiction Treatment	12,457,116	0	0	12,457,116	0
Department of Education					
State School Fund	464,758,594	0	0	464,758,594	0
Department of Administrative Services					
Distribution to County Fairs	3,828,000	0	0	3,828,000	0
Office of the Governor					
Regional Solutions	3,689,100	0	0	3,689,100	0
Business Development Department					
Operations	7,094,443	0	0	7,094,443	0
Business, Innovation, and Trade	56,363,565	3,875,000	0	56,363,565	3,875,000
Infrastructure Financing Authority	1,548,664	250,000	0	1,548,664	250,000
Film and Video	1,207,545	0	0	1,207,545	0
<b>TOTAL ECONOMIC DEVELOPMENT FUND</b>	<b>\$830,974,338</b>	<b>\$7,483,993</b>	<b>\$0</b>	<b>\$834,333,331</b>	<b>\$4,125,000</b>
<b>EDUCATION STABILITY FUND / OREGON EDUCATION FUND</b>					
Higher Education Coordinating Commission					
Opportunity Grants	21,808,752	0	0	20,746,268	1,062,484
Department of Education					
Education Bonds Outstanding	646,991	4,234	0	651,225	0
<b>TOTAL EDUCATION STABILITY/OREGON EDUCATION FUND</b>	<b>\$22,455,743</b>	<b>\$4,234</b>	<b>\$0</b>	<b>\$21,397,493</b>	<b>\$1,062,484</b>
<b>VETERANS' SERVICES FUND</b>					
Department of Veterans' Affairs					
Veterans' Services Program	7,833,718	0	0	7,833,718	0
County Veterans' Service Officers	6,904,151	0	0	6,904,151	0
National Service Organizations	118,156	0	0	118,156	0
Department of Housing and Community Services					
Housing Assistance to Veterans	1,500,000	0	0	350,000	1,150,000
<b>TOTAL VETERANS' SERVICES FUND</b>	<b>\$16,356,025</b>	<b>\$0</b>	<b>\$0</b>	<b>\$15,206,025</b>	<b>\$1,150,000</b>



**Veterans' Services Fund**

	2017-19 Legislatively Adopted
VSF Beginning Balance	\$0
Lottery Revenue	\$18,692,600
Lottery Resources	\$18,692,600
Allocations to ODVA	
Veterans' Services Program	\$7,833,718
County Veteran Service Officers	\$6,904,151
National Service Organizations	\$118,156
Total ODVA Allocations	\$14,856,025
Allocations to HCSD	
Housing Assistance to Veterans	\$1,500,000
Total Allocations	\$16,356,025
VSF Ending Balance	\$2,336,575

**CRIMINAL FINE ACCOUNT ALLOCATIONS**

	<b>2015-17 Legislatively Approved Budget</b>	<b>2017-19 Current Service Level</b>	<b>Percent Change</b>	<b>2017-19 Legislatively Adopted Budget</b>	<b>Percent Change</b>
<b>Criminal Fine Account Revenues</b>	<b>\$ 122,859,199</b>	<b>\$ 132,433,894</b>	<b>7.8%</b>	<b>\$ 143,803,894</b>	<b>17.0%</b>
<b>Criminal Fine Account Allocations:</b>					
<i>Department of Public Safety Standards and Training</i>					
Operations	\$ 31,080,778	\$ 34,549,738	11.2%	\$ 32,584,757	4.8%
Public Safety Memorial Fund	128,420	200,030	55.8%	200,030	55.8%
Subtotal:	\$ 31,209,198	\$ 34,749,768	11.3%	\$ 32,784,787	5.0%
<i>Department of Justice</i>					
Child Abuse Multidisciplinary Intervention (CAMI)	\$ 10,311,579	\$ 10,690,929	3.7%	\$ 10,679,854	3.6%
Regional Assessment Centers	787,663	816,807	3.7%	815,961	3.6%
Criminal Injuries Compensation Account (CICA)	8,775,830	9,100,536	3.7%	9,095,393	3.6%
Child Abuse Medical Assessments	666,107	690,752	3.7%	690,667	3.7%
Subtotal:	\$ 20,541,179	\$ 21,299,024	3.7%	\$ 21,281,875	3.6%
<i>Department of Human Services</i>					
Domestic Violence Fund	\$ 2,224,675	\$ 2,239,608	0.7%	\$ 2,239,608	0.7%
Sexual Assault Victims Fund	533,332	518,399	-2.8%	518,399	-2.8%
Subtotal:	\$ 2,758,007	\$ 2,758,007	0.0%	\$ 2,758,007	0.0%
<i>Oregon Health Authority</i>					
Emergency Medical Services & Trauma Services	\$ 331,824	\$ 331,824	0.0%	\$ 331,824	0.0%
Alcohol & Drug Abuse Prevention	42,884	42,884	0.0%	42,884	0.0%
Law Enforcement Medical Liability Account (LEMLA)	1,339,000	1,354,360	1.1%	1,354,360	1.1%
Intoxicated Driver Program	4,323,000	4,323,000	0.0%	4,323,000	0.0%
Subtotal:	\$ 6,036,708	\$ 6,052,068	0.3%	\$ 6,052,068	0.3%
<i>Oregon Judicial Department</i>					
State court security and emergency preparedness	\$ 3,446,002	\$ 3,588,745	4.1%	\$ 3,588,745	4.1%
County court facilities security	4,148,922	3,161,732	-23.8%	2,824,208	-31.9%
Capital improvements for courthouses and other state court facilities	3,500,000	-	-100.0%	-	-100.0%
State Court Technology Fund	-	-	0.0%	3,110,000	N/A
Subtotal:	\$ 11,094,924	\$ 6,750,477	-39.2%	\$ 9,522,953	-14.2%
<i>Oregon State Police</i>					
Driving Under the Influence Enforcement	\$ 253,000	\$ 351,572	39.0%	\$ 351,572	39.0%
<i>Department of Corrections</i>					
County correction programs and facilities, and alcohol and drug programs	\$ 4,391,472	\$ 4,257,421	-3.1%	\$ 4,257,421	-3.1%
<i>Governor's Office</i>					
Arrest & Return for Extradition	\$ 22,500	\$ 22,500	0.0%	\$ -	-100.0%
<b>Total Allocations:</b>	<b>\$ 76,306,988</b>	<b>\$ 76,240,837</b>	<b>-0.1%</b>	<b>\$ 77,008,683</b>	<b>0.9%</b>
<b>Transfer to the General Fund:</b>	<b>\$ 46,552,211</b>	<b>\$ 56,193,057</b>	<b>20.7%</b>	<b>\$ 66,795,211</b>	<b>43.5%</b>

**Oregon Marijuana Account (includes 2015-17 Carry Forward)**

	<b>HB 3470</b>	<b>2017-19 Biennium</b>
	<b><u>Distn</u></b>	<b><u>Oregon Marijuana Account</u></b>
Cities	10%	20,246,800
Counties	10%	20,246,800
<b>Subtotal Local</b>		<b><u>\$40,493,600</u></b>
State School Fund	40%	80,987,200
Mental Health Alcoholism & Drug Services Account	20%	40,493,600
Drug and alcohol abuse prevention and treatment	5%	10,123,400
State Police Account	15%	30,370,200
<b>Subtotal State</b>		<b><u>\$161,974,400</u></b>
<b>Total</b>	<b>100%</b>	<b><u><u>\$202,468,000</u></u></b>