

SB 5703 BUDGET REPORT and MEASURE SUMMARY

Joint Committee On Ways and Means

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**Various Agencies – Lottery, Criminal Fine Account, and Oregon Marijuana Account Allocation Changes
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 then distributes funds from the EDF in adherence with constitutional and statutory funding priorities, including specific legislative allocations.

The March 2018 revenue forecast of 2017-19 biennium lottery resources is \$110,349,711 (or 8.3%) above the level assumed in the 2017-19 legislatively adopted budget, and \$91,422,454 above the allocations approved in the 2017-19 legislatively adopted budget. The legislatively approved budget allocations, plus the allocations specified in the Oregon Constitution, total \$1,422,274,731, compared to the \$1,442,274,731 of total lottery resources projected for the biennium in the March 2018 revenue forecast. This results in a forecasted 2017-19 biennium EDF ending balance of \$20,000,000, an increase of \$856,607 (or 4.5%) over the ending balance in the 2017 session legislatively adopted budget, and equal to approximately 1.4% of forecasted distributions and allocations.

Summary of Capital Construction Subcommittee Action

Allocation of Lottery Revenue

Three allocations are specified in the constitution. The Education Stability Fund receives 18 percent of net lottery proceeds, the Parks and Natural Resources Fund receives 15 percent of net lottery proceeds, and the Veterans' Services Fund receives 1.5 percent of net lottery proceeds. The lottery funds transferred to these three Funds change in direct proportion to revenue changes. The March 2018 lottery revenue forecast translates into a \$19,862,948 increase in revenue to the Education Stability Fund, a \$16,552,457 increase in revenue to the Parks and Natural Resources Fund, and a \$1,655,246 increase in revenue to the Veterans' Services Fund, over the levels anticipated in the 2017-19 legislatively adopted budget. Each change is equal to an 8.6% increase.

Program Allocation Changes

Senate Bill 5703 adjusts eight existing allocations of lottery revenues from the Administrative Services Economic Development Fund, and one existing allocation from the Veterans' Services Fund. The allocation adjustments in the bill increase total lottery allocations by \$71,765,228, and include:

- Existing allocations to the Oregon Business Development Department are increased by a total of \$1,100,571, including:
 - The allocation for operations is increased by \$148,313 to address the costs of compensation plan changes for employees.
 - The allocation for business, innovation and trade is increased by \$652,514. This total includes an increase of \$152,514 to address the costs of compensation plan changes for employees, and a \$500,000 increase for the Local Economic Opportunity Fund.
 - The allocation for the Infrastructure Finance Authority is increased by \$1,013,116. This total includes an increase of \$13,116 to address the costs of compensation plan changes for employees, a \$500,000 increase for City of Warrenton dock rebuilding, and a \$500,000 increase for development of the Port of Cascade Locks business park.
- The allocation established to the Office of the Governor is increased by \$34,849 to address the costs of compensation plan changes for employees in the Regional Solutions Program.
- The allocation for payment of debt service on lottery revenue bonds is decreased by \$1,429,444. House Bill 5201 substitutes available Other Funds resources equal to this amount, for the debt service costs due on bonds issued for Department of Transportation and Department of Administrative Services projects.
- The allocation established to the Problem Gambling Treatment Fund is increased by \$41,793. 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 for the State School Fund is increased by \$70,961,313. This reduces the EDF forecasted ending balance to \$20 million, which is \$856,607 above than the 2017 close of session forecasted ending balance. House Bill 5201 both increases State School Fund Lottery Funds expenditures and reduces the State School Fund General Fund appropriation, by \$70,961,313, resulting in no net change in total State School Fund support.
- The allocation from the Veterans' Services Fund to the Department of Veterans' Affairs for the veterans' services program is increased by \$342,774. This total includes an increase of \$206,243 to address the costs of compensation plan changes for employees, and a \$136,531 increase for services to veterans during incarceration and post-release established by House Bill 4038.

Allocation of Criminal Fine Account Funds

Senate Bill 5703 increases allocations from the Criminal Fine Account (CFA) by a total of \$3,758,407, thereby increasing total CFA allocations for the 2017-19 biennium to \$80,767,090. Because unallocated CFA revenue is transferred to the General Fund, these increases decrease 2017-19 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 \$63,208,546, approximately \$3.6 million less 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 \$3,731,494. This amount includes \$2,986,494 to increase the number of the Department's training classes, and \$745,350 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 \$26,913 to address the costs of compensation plan changes for employees supported by CFA funds in the Department's Security and Emergency Preparedness Office.

Allocation of Oregon Marijuana Account Funds

Senate Bill 5703 expands the allowable uses of the Oregon Marijuana Account moneys, allocated to the Mental Health Alcoholism and Drug Services Account, to also include mental health treatment and alcohol and drug abuse prevention, early intervention and treatment programs. Senate Bill 1555 makes a parallel modification to ORS 475B.759, the statute that governs the permissible uses of moneys in the Oregon Marijuana Account.

Summary Tables

The first three tables summarize Lottery Funds cash flows and allocations in the 2017-19 legislatively approved budget. The figures in these tables are not restricted solely to the impacts of Senate Bill 5703, but also include the impacts of changes in the Lottery revenue forecast since the close of the 2017 session. The fourth table summarize Criminal Fine Account allocations in the 2017-19 legislatively approved budget.

LOTTERY FUNDS CASH FLOW SUMMARY

	2017-19 Legislatively Adopted Budget ¹	2017-19 Legislatively Approved Budget ²	Senate Bill 5703 and Revenue Adjustments
ECONOMIC DEVELOPMENT FUND			
RESOURCES			
Beginning Balance	\$49,016,803	\$49,016,803	\$0
Lottery Funds Reversions under ORS 461.559	\$4,034,893	\$4,034,893	\$0
REVENUES			
Transfers from Lottery			
Net Proceeds	\$1,246,173,324	\$1,354,810,009	\$108,636,685
Administrative Actions	30,700,000	32,413,026	\$1,713,026
Other Revenues			
Interest Earnings	2,000,000	2,000,000	\$0
Other			
Total Revenue	1,282,908,217	1,393,257,928	110,349,711
TOTAL RESOURCES	1,331,925,020	1,442,274,731	110,349,711
DISTRIBUTIONS / ALLOCATIONS			
Distribution of Video Revenues to Counties	(\$41,285,992)	(\$41,285,992)	\$0
Distribution to Education Stability Fund	(\$229,837,198)	(\$249,700,146)	(\$19,862,948)
Distribution to Parks and Natural Resources Fund	(\$191,530,999)	(\$208,083,455)	(\$16,552,456)
Distribution for Outdoor School Fund	(24,000,000)	(24,000,000)	0
Distribution for Veterans' Services Fund	(\$19,153,100)	(\$20,808,346)	(\$1,655,246)
Distribution for Sports Programs	(8,240,000)	(8,240,000)	0
Distribution for Gambling Addiction	(12,457,116)	(12,498,909)	(41,793)
Distribution for County Fairs	(3,828,000)	(3,828,000)	0
Allocation to State School Fund	(464,758,594)	(535,719,907)	(70,961,313)
Debt Service Allocations	(247,787,311)	(246,357,867)	1,429,444
Other Agency Allocations	(69,903,317)	(71,752,109)	(1,848,792)
TOTAL DISTRIBUTIONS / ALLOCATIONS	(1,312,781,627)	(1,422,274,731)	(109,493,104)
ENDING BALANCE	\$19,143,393	\$20,000,000	\$856,607
EDUCATION STABILITY FUND (not including OGA or ORTDF)			
RESOURCES			
Beginning Balance	\$383,759,105	\$384,170,765	\$411,660
Revenues			
Transfer from the Economic Development Fund	\$206,853,478	\$224,730,132	\$17,876,654
Interest Earnings	\$22,455,743	\$21,575,846	(\$879,897)
Total Revenue	229,309,221	246,305,978	16,996,757
TOTAL RESOURCES	613,068,326	630,476,743	17,408,417
DISTRIBUTIONS			
Oregon Opportunity Grant Program	(21,808,752)	(26,113,584)	(4,304,832)
Debt Service Allocations to Department of Education	(646,991)	(646,991)	0
TOTAL DISTRIBUTIONS	(22,455,743)	(26,760,575)	(4,304,832)
ENDING BALANCE	\$590,612,583	\$608,900,897	\$18,288,314

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

2. The 2017-19 Legislatively Approved Budget is based on the March 2018 forecast of 2017-19 lottery resources.

2017-19 LOTTERY FUNDS ALLOCATIONS AND EXPENDITURES

	New Lottery Funds Allocation	Beginning Lottery Balance	Interest and Other Earnings	2017-19 LAB Expenditure Limitation	Ending Lottery Balance
ECONOMIC DEVELOPMENT FUND					
DEBT SERVICE COMMITMENTS					
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	113,386,171	210,621	0	113,596,792	0
Department of Administrative Services					
Outstanding bonds	15,846,907	26,788	0	15,873,695	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
OTHER ALLOCATIONS					
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	12,498,909	0	0	12,498,909	0
Department of Education					
State School Fund	535,719,907	0	0	535,719,907	0
Department of Administrative Services					
Distribution to County Fairs	3,828,000	0	0	3,828,000	0
Office of the Governor					
Regional Solutions	3,723,949	0	0	3,723,949	0
Business Development Department					
Operations	7,242,756	0	0	7,242,756	0
Business, Innovation, and Trade	57,016,079	3,875,000	0	57,016,079	3,875,000
Infrastructure Finance Authority	2,561,780	250,000	0	2,561,780	250,000
Film and Video	1,207,545	0	0	1,207,545	0
TOTAL ECONOMIC DEVELOPMENT FUND	\$902,396,792	\$7,483,993	\$0	\$905,755,785	\$4,125,000
EDUCATION STABILITY FUND / OREGON EDUCATION FUND					
Higher Education Coordinating Commission					
Opportunity Grants	26,113,584	0	0	20,746,268	5,367,316
Department of Education					
Education Bonds Outstanding	646,991	4,234	0	651,225	0
TOTAL EDUCATION STABILITY/OREGON EDUCATION FUND	\$26,760,575	\$4,234	\$0	\$21,397,493	\$5,367,316
VETERANS' SERVICES FUND					
Department of Veterans' Affairs					
Veterans' Services Program	8,176,492	0	0	8,176,492	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	1,500,000	0
TOTAL VETERANS' SERVICES FUND	\$16,698,799	\$0	\$0	\$16,698,799	\$0

Veterans' Services Fund

	2017-19 Legislatively Approved
VSF Beginning Balance	\$0
Lottery Revenue	\$20,808,346
Lottery Resources	\$20,808,346
Allocations to ODVA	
Veterans' Services Program	\$8,176,492
County Veteran Service Officers	\$6,904,151
National Service Organizations	\$118,156
Total ODVA Allocations	\$15,198,799
Allocations to HCSD	
Housing Assistance to Veterans	\$1,500,000
Total Allocations	\$16,698,799
VSF Ending Balance	\$4,109,547

CRIMINAL FINE ACCOUNT ALLOCATIONS

	2015-17 Legislatively Approved Budget	2017-19 Legislatively Adopted Budget	2017-19 Legislatively Approved Budget	Percent Change
Criminal Fine Account Revenues	\$ 118,930,777	\$ 143,803,894	\$ 143,975,636	0.1%
Criminal Fine Account Allocations:				
<i>Department of Public Safety Standards and Training</i>				
Operations	\$ 31,080,778	\$ 32,584,757	\$ 36,316,251	11.5%
Public Safety Memorial Fund	128,420	200,030	200,030	0.0%
Subtotal:	\$ 31,209,198	\$ 32,784,787	\$ 36,516,281	11.4%
<i>Department of Justice</i>				
Child Abuse Multidisciplinary Intervention (CAMI)	\$ 10,311,579	\$ 10,679,854	\$ 10,679,854	0.0%
Regional Assessment Centers	787,663	815,961	815,961	0.0%
Criminal Injuries Compensation Account (CICA)	8,775,830	9,095,393	9,095,393	0.0%
Child Abuse Medical Assessments	666,107	690,667	690,667	0.0%
Subtotal:	\$ 20,541,179	\$ 21,281,875	\$ 21,281,875	0.0%
<i>Department of Human Services</i>				
Domestic Violence Fund	\$ 2,224,675	\$ 2,239,608	\$ 2,239,608	0.0%
Sexual Assault Victims Fund	533,332	518,399	518,399	0.0%
Subtotal:	\$ 2,758,007	\$ 2,758,007	\$ 2,758,007	0.0%
<i>Oregon Health Authority</i>				
Emergency Medical Services & Trauma Services	\$ 331,824	\$ 331,824	\$ 331,824	0.0%
Alcohol & Drug Abuse Prevention	42,884	42,884	42,884	0.0%
Law Enforcement Medical Liability Account (LEMLA)	1,339,000	1,354,360	1,354,360	0.0%
Intoxicated Driver Program	4,323,000	4,323,000	4,323,000	0.0%
Subtotal:	\$ 6,036,708	\$ 6,052,068	\$ 6,052,068	0.0%
<i>Oregon Judicial Department</i>				
State court security and emergency preparedness	\$ 3,446,002	\$ 3,588,745	\$ 3,615,658	0.7%
County court facilities security	4,148,922	2,824,208	2,824,208	0.0%
Capital improvements for courthouses and other state court facilities	3,500,000	-	-	0.0%
State Court Technology Fund		3,110,000	3,110,000	0.0%
Subtotal:	\$ 11,094,924	\$ 9,522,953	\$ 9,549,866	0.3%
<i>Oregon State Police</i>				
Driving Under the Influence Enforcement	\$ 253,000	\$ 351,572	\$ 351,572	0.0%
<i>Department of Corrections</i>				
County correction programs and facilities, and alcohol and drug programs	\$ 4,391,472	\$ 4,257,421	\$ 4,257,421	0.0%
Total Allocations:	\$ 76,306,988	\$ 77,008,683	\$ 80,767,090	4.9%
Transfer to the General Fund:	\$ 42,623,789	\$ 66,795,211	\$ 63,208,546	-5.4%