

HB 5221 BUDGET REPORT and MEASURE SUMMARY

Joint Committee On The Second Special Session of 2020

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Various Agencies – Lottery Allocations
2019-21

Department of Public Safety Standards and Training – Criminal Fine Account Allocation
2019-21

PRELIMINARY

Summary of Revenue Changes

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

The DAS Office of Economic Analysis June 2020 revenue forecast of 2019-21 biennium lottery resources is \$338,642,516 (or 22.1%) below the level assumed in the 2019-21 legislatively adopted budget. The closure of restaurants, bars, and taverns on March 17, 2020 in response to the COVID-19 pandemic and subsequent inactivation of video lottery terminals significantly impacted lottery revenues. Total lottery revenues projected for the 2019-21 biennium decreased \$345,967,071 (or 23.7%) from the close-of-session forecast, while other lottery resources in the EDF increased \$7,324,554 due to actual reversions and interest earnings. The legislatively approved budget allocations, plus the allocations specified in the Oregon Constitution, total \$1,172,271,805, compared to the \$1,192,271,805 of total lottery resources projected for the biennium in the June 2020 revenue forecast. This results in a forecasted 2019-21 biennium EDF ending balance of \$20,000,000, equal to the ending balance in projected in the 2019 session, and approximately 1.7% of forecasted distributions and allocations.

Summary of Joint Committee on the Second Special Session of 2020 Action

Lottery Revenue Allocation

The Oregon Constitution specifies that the Education Stability Fund receives 18% of net lottery proceeds, the Parks and Natural Resources Fund receives 15% of net lottery proceeds, and the Veterans' Services Fund receives 1.5% of net lottery proceeds. The amounts transferred to these three Funds change in direct proportion to revenue changes. Based on the June 2020 forecast of lottery revenues, the constitutionally dedicated distributions decreased by the following amounts (or 23.7%) over the levels anticipated in the 2019-21 legislatively adopted budget:

- Education Stability Fund - \$62,274,072
- Parks and Natural Resources Fund - \$51,895,061
- Veterans' Services Fund - \$5,189,506

Lottery transfers established by the Oregon Constitution do not require an allocation by the Legislature; therefore, HB 5221 does not include provisions relating to them.

Program Allocation Changes

HB 5221 adjusts 10 existing allocations of lottery revenues from the Administrative Services Economic Development Fund (EDF). Allocations from the EDF for the 2019-21 biennium are collectively decreased \$219,283,877 and include:

- Existing allocations to the Oregon Business Development Department are decreased by a total of \$13,531,482, including:
 - The allocation for Operations is decreased by \$555,548 for personal services reductions achieved through vacancy savings.
 - The allocation for Business, Innovation, and Trade is decreased by \$7,950,934, including \$7,700,934 for reductions to Oregon InC, Oregon Metals Initiative, Oregon Manufacturing Innovation Center, Small Business Innovation Research Grants, and Export Promotion programs, as well as a reduced Lottery Funds support for Regional Development Officer positions. A \$250,000 reduction is also included to remove the amount allocated for Lottery Funds expenditure limitation included in HB 2020 (2019), which did not pass or become part of the 2019-21 legislatively adopted budget.
 - The allocation for Infrastructure is decreased by \$1,600,000 to eliminate the grant for the Port of Port Orford Cannery Redevelopment Project.
 - The allocation for the Infrastructure Tide Gates and Culverts Program is decreased by \$3,000,000.
 - The allocation to the Office of Film and Video is decreased by \$106,250.
 - The allocation for Arts and Cultural Trust is decreased by \$318,750 for reductions in arts project grants.
- The allocation to the State School Fund is decreased by \$199,679,327.
- The allocation established to the Problem Gambling Treatment Fund is decreased by \$14,472 for reductions in services and supplies expenditures.
- The allocation to the Outdoor School Education Fund is decreased by \$2,265,292.
- The allocation for payment of debt service on lottery revenue bonds is decreased by \$3,793,304 to reflect available Other Funds resources generated through excess bond proceeds, reserve funds, and interest earnings that can be applied to debt service. Lottery Funds debt service is decreased and Other Funds debt service is increased in SB 5723 for payments on outstanding lottery revenue bonds

issued for the Department of Administrative Services, Housing and Community Services Department, Oregon Business Development Department, Water Resources Department, and Oregon Department of Transportation.

- During the 2019 session, the Legislature dedicated an amount equal to the net proceeds of sports betting games to the Public Employees Retirement System (PERS) Employer Incentive Fund (EIF) to provide a 25% match on qualifying employer lump-sum payments to the EIF (SB 1049). However, the statutory dedication of sports betting net proceeds is repealed in HB 4304 and no allocation to the PERS EIF is established in this bill. To-date, transfers of lottery revenues have not included any net proceeds from sports betting games and no amounts have been allocated to the EIF.

HB 5221 also adjusts three existing allocations of lottery revenues from the Veterans Services' Fund (VSF). Allocations from the VSF for the 2019-21 biennium are collectively decreased \$1,772,340 and include:

- The allocation to the Department of Veterans' Affairs for the Veterans' Services Program is decreased by \$1,390,147 for vacancy savings, decreased services and supplies expenditures, reduced Veterans' Services and Campus Veteran Resource Center Grants, and a reduction in uncommitted Tribal Veteran Offices funding.
- The allocation to the Department of Veterans' Affairs for County Veteran Service Officers is decreased by \$358,325.
- The allocation to the Department of Veterans' Affairs for National Service Organizations is decreased by \$23,868.

Criminal Fine Account Allocation

HB 5221 decreases one allocation from the Criminal Fine Account (CFA) by \$2,181,660 reducing total CFA allocations for the 2019-21 biennium to \$74,637,420. Since unallocated CFA revenue is transferred to the General Fund, a decrease in CFA allocations increases 2019-21 General Fund revenue by the same amount. Additionally, total CFA revenue forecasted for the 2019-21 biennium is \$21,067,743 (or 16.4%) less than the 2019 close-of-session forecast. The combined impact of the decreased CFA allocation and decrease in forecasted revenue results in a projected CFA transfer to the General Fund of \$32,861,029.

The following CFA allocation is decreased:

- The allocation to the Department of Public Safety Standards and Training for Operations is decreased by \$2,181,660.

Summary Tables

The first three tables summarize Lottery Funds cash flows and allocations in the 2019-21 legislatively approved budget. The figures in these tables are not restricted solely to the impacts of HB 5221, but also include the impacts of changes in the lottery revenue forecast since the close of the 2019 session. The fourth table summarizes Criminal Fine Account allocations in the 2019-21 legislatively approved budget.

PRELIMINARY

LOTTERY FUNDS CASH FLOW SUMMARY

	2017-19 Legislatively Approved Budget	2019-21 Legislatively Adopted Budget ¹	2019-21 Legislatively Approved Budget ²	Adjustments
ECONOMIC DEVELOPMENT FUND				
RESOURCES				
Beginning Balance	\$ 49,016,803	\$ 65,339,501	\$ 70,924,069	\$ 5,584,568
Lottery Funds Reversions under ORS 461.559	4,174,452	3,730,702	5,470,688	1,739,986
REVENUES				
Transfers from Lottery				
Net Proceeds	1,408,416,655	1,459,844,118	1,113,877,047	(345,967,071)
Administrative Actions	47,813,925	-	-	-
Other Revenues				
Interest Earnings	2,000,000	2,000,000	2,000,000	-
Other	-	-	-	-
Total Revenue	1,458,230,580	1,461,844,118	1,115,877,047	(345,967,071)
TOTAL RESOURCES	\$ 1,511,421,835	\$ 1,530,914,321	\$ 1,192,271,805	\$ (338,642,516)
DISTRIBUTIONS / ALLOCATIONS				
Distribution to Education Stability Fund	(262,121,504)	(262,771,941)	(200,497,869)	62,274,072
Distribution to Parks and Natural Resources Fund	(218,434,587)	(218,976,618)	(167,081,557)	51,895,061
Distribution for Veterans' Services Fund	(21,843,459)	(21,897,662)	(16,708,156)	5,189,506
Distribution for Outdoor School Education Fund	(24,000,000)	(45,305,847)	(43,040,555)	2,265,292
Distribution of Video Revenues to Counties	(41,285,992)	(50,231,366)	(50,231,366)	-
Distribution for Public University Sports Programs	(8,240,000)	(14,099,809)	(14,099,809)	-
Distribution for Gambling Addiction	(12,498,909)	(14,593,071)	(14,578,599)	14,472
Distribution for County Fairs	(3,828,000)	(3,828,000)	(3,828,000)	-
Allocation to State School Fund	(535,719,907)	(530,146,857)	(330,467,530)	199,679,327
Debt Service Allocations	(246,357,867)	(263,661,510)	(259,868,206)	3,793,304
Other Agency Allocations	(71,752,109)	(85,401,640)	(71,870,158)	13,531,482
TOTAL DISTRIBUTIONS / ALLOCATIONS	\$ (1,446,082,334)	\$ (1,510,914,321)	\$ (1,172,271,805)	\$ 338,642,516
ENDING BALANCE	\$ 65,339,501	\$ 20,000,000	\$ 20,000,000	\$ (0)
EDUCATION STABILITY FUND				
(not including the Oregon Growth Account balances) ⁴				
RESOURCES				
Beginning Balance	\$ 383,759,084	\$ 619,668,197	\$ 619,668,197	\$ -
Revenues				
Transfer from the Economic Development Fund	235,909,354	236,494,747	180,448,082	(56,046,665)
Interest Earnings	22,366,297	40,012,241	17,412,188	(22,600,053)
Oregon Growth Account Earnings Distributions	5,184,729	-	22,820,336	22,820,336
Total Revenue	\$ 263,460,380	\$ 276,506,988	\$ 220,680,606	\$ (55,826,382)
TOTAL RESOURCES	\$ 647,219,464	\$ 896,175,185	\$ 840,348,803	(55,826,382)
DISTRIBUTIONS				
Oregon Opportunity Grant Program	(26,904,035)	(39,340,946)	(39,561,229)	(220,283)
Debt Service Allocations to Department of Education	(646,991)	(671,295)	(671,295)	-
Education Stability Fund Withdrawal	-	-	(400,000,000)	(400,000,000)
Treasury Account Fees	(241)	-	-	-
TOTAL DISTRIBUTIONS	\$ (27,551,267)	\$ (40,012,241)	\$ (440,232,524)	\$ (400,220,283)
ENDING BALANCE	\$ 619,668,197	\$ 856,162,944	\$ 400,116,279	\$ (456,046,665)

1. The 2019-21 Legislatively Adopted Budget is based on the May 2019 forecast of 2019-21 resources with the adjustments shown for lottery reversions and administrative actions.

2. The 2019-21 Legislatively Approved Budget is based on the June 2020 forecast of 2019-21 lottery resources.

3. The 2019-21 legislatively approved beginning balance has been adjusted to reflect actual EDF balance at July 1, 2019.

4. Oregon Growth Account distributions and transfers to the Oregon Education Fund and Oregon Opportunity Grant Program are included.

5. Only includes transfers to the main Education Stability Fund account, and not the 10% transferred to the Oregon Growth Account.

2019-21 LOTTERY FUNDS ALLOCATIONS AND EXPENDITURES

	New Lottery Funds Allocation	Beginning Lottery Balance	Interest and Other Earnings	2019-21 LAB Expenditure Limitation	Ending Lottery Balance
ECONOMIC DEVELOPMENT FUND					
DEBT SERVICE COMMITMENTS					
Higher Education Coordinating Commission					
Outstanding bonds	\$ 44,727,472	\$ 294,965	\$ -	\$ 45,022,437	\$ -
Business Development Department					
Outstanding bonds	45,522,921	241,700	-	45,764,621	-
Housing and Community Services Department					
Outstanding bonds	21,675,934	76,300	-	21,752,234	-
Department of Transportation					
Outstanding bonds	114,136,725	534,636	-	114,671,361	-
Department of Administrative Services					
Outstanding bonds	18,426,190	70,789	-	18,496,979	-
State Forestry Department					
Outstanding Bonds	2,530,271	13,180	-	2,543,451	-
Department of Energy					
Outstanding Bonds	3,006,469	16,896	-	3,023,365	-
State Parks and Recreation Department					
Outstanding Bonds	2,292,182	5,361	-	2,297,543	-
Water Resources Department					
Outstanding Bonds	7,550,042	13,152	-	7,563,194	-
OTHER ALLOCATIONS					
Higher Education Coordinating Commission					
Collegiate Athletics	14,099,809	-	-	14,099,809	-
Outdoor Schools	43,040,555	-	-	43,040,555	-
Oregon Health Authority					
Gambling Addiction Treatment	14,578,599	826,000	-	15,404,599	-
Department of Education					
State School Fund	330,467,530	-	-	330,467,530	-
Department of Administrative Services					
Distribution to County Fairs	3,828,000	-	-	3,828,000	-
Office of the Governor					
Regional Solutions	3,932,736	-	-	3,932,736	-
Business Development Department					
Operations	8,218,278	-	-	8,218,278	-
Business, Innovation, and Trade	50,014,240	3,838,718	-	53,852,958	-
Infrastructure	3,751,472	-	-	3,751,472	-
Infrastructure - Tide Gates and Culverts Program	3,000,000	-	-	3,000,000	-
Film and Video	1,147,182	-	-	1,147,182	-
Arts and Cultural Trust	1,806,250	-	-	1,806,250	-
TOTAL ECONOMIC DEVELOPMENT FUND	\$ 737,752,857	\$ 5,931,697	\$ -	\$ 743,684,554	\$ -
EDUCATION STABILITY FUND / OREGON EDUCATION FUND					
Higher Education Coordinating Commission					
Opportunity Grants	\$ 39,561,229	\$ 8,801,414	\$ -	\$ 40,000,000	\$ 8,362,643
Department of Education					
Education Bonds Outstanding	671,295	21,575	-	692,870	-
State School Fund	400,000,000	-	-	400,000,000	-
TOTAL EDUCATION STABILITY/OREGON EDUCATION FUND	\$ 440,232,524	\$ 8,822,989	\$ -	\$ 440,692,870	\$ 8,362,643

VETERANS' SERVICES FUND

	2017-19	2019-21	2019-21	
	Legislatively Approved	Legislatively Adopted¹	Legislatively Approved²	Adjustments
RESOURCES / REVENUES				
VSF Beginning Balance ³	\$ -	\$ 5,040,932	\$ 5,040,932	\$ -
Lottery Funds Reversions under ORS 406.141	-	-	1,189,487	1,189,487
Lottery Revenue	21,843,459	21,897,662	16,708,156	(5,189,506)
Interest Earnings	97,822	-	100,000	100,000
TOTAL RESOURCES	\$ 21,941,281	\$ 26,938,594	\$ 23,038,575	\$ (3,900,019)
ALLOCATIONS				\$ -
Department of Veterans' Affairs				
Veterans' Services Program	\$ (8,378,042)	\$ (11,915,984)	\$ (10,525,837)	\$ 1,390,147
County Veteran Service Officers	(6,904,151)	(7,166,509)	(6,808,184)	358,325
National Service Organizations	(118,156)	(477,354)	(453,486)	23,868
Veterans' Affordable Housing	-	(1,000,000)	(1,000,000)	-
Total ODVA Allocations	\$ (15,400,349)	\$ (20,559,847)	\$ (18,787,507)	\$ 1,772,340
Bureau of Labor and Industries				
Reintegration Program (HB 2202, 2019)	-	(250,000)	(250,000)	-
Criminal Justice Commission				
Veterans' Specialty Courts	-	(555,000)	(555,000)	-
Housing and Community Services				
Housing Assistance to Veterans	(1,500,000)	-	-	-
Oregon Health Authority				
Veterans' Behavioral Health	-	(2,500,000)	(2,500,000)	-
TOTAL ALLOCATIONS	\$ (16,900,349)	\$ (23,864,847)	\$ (22,092,507)	\$ 1,772,340
VSF ENDING BALANCE	\$ 5,040,932	\$ 3,073,747	\$ 946,068	\$ (2,127,679)

1. The 2019-21 Legislatively Adopted Budget is based on the May 2019 forecast of 2019-21 lottery resources.
2. The 2019 -21 Legislatively Approved Budget is based on the June 2020 forecast of 2019-21 lottery resources with the adjustments shown for lottery reversion
3. 2019-21 VSF beginning balance has been updated to reflect interest accrued in the 2017-19 biennium.

CRIMINAL FINE ACCOUNT ALLOCATIONS

	2017-19 Legislatively Approved Budget	2019-21 Legislatively Adopted Budget	2019-21 Legislatively Approved Budget	Percent Change
Criminal Fine Account Revenues	\$ 143,975,636	\$ 128,566,192	\$ 107,498,449	-16.4%
Criminal Fine Account Allocations:				
Department of Public Safety Standards and Training				
Operations	\$ 36,316,251	\$ 31,999,031	\$ 29,817,371	-6.8%
Public Safety Memorial Fund	200,030	\$ 279,495	279,495	0.0%
Subtotal:	\$ 36,516,281	\$ 32,278,526	\$ 30,096,866	-6.8%
Department of Justice				
Child Abuse Multidisciplinary Intervention (CAMI)	\$ 10,679,854	\$ 9,824,565	\$ 9,824,565	0.0%
Regional Assessment Centers	815,961	\$ 846,968	\$ 846,968	0.0%
Criminal Injuries Compensation Account (CICA)	9,095,393	\$ 8,755,862	\$ 8,755,862	0.0%
Child Abuse Medical Assessments	690,667	\$ 716,912	\$ 716,912	0.0%
Subtotal:	\$ 21,281,875	\$ 20,144,307	\$ 20,144,307	0.0%
Department of Human Services				
Domestic Violence Fund	\$ 2,239,608	\$ 2,224,675	\$ 2,224,675	0.0%
Sexual Assault Victims Fund	518,399	\$ 533,332	533,332	0.0%
Subtotal:	\$ 2,758,007	\$ 2,758,007	\$ 2,758,007	0.0%
Oregon Health Authority				
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)	1,354,360	\$ 1,300,000	1,300,000	0.0%
Intoxicated Driver Program	4,323,000	\$ 4,323,000	4,323,000	0.0%
Subtotal:	\$ 6,052,068	\$ 5,997,708	\$ 5,997,708	0.0%
Oregon Judicial Department				
State court security and emergency preparedness	\$ 3,615,658	\$ 3,784,490	\$ 3,784,490	0.0%
County court facilities security	2,824,208	\$ 2,931,528	\$ 2,931,528	0.0%
Capital improvements for courthouses and other state court facilities	-	\$ -	\$ -	0.0%
State Court Technology Fund	3,110,000	\$ 3,887,500	\$ 3,887,500	0.0%
Subtotal:	\$ 9,549,866	\$ 10,603,518	\$ 10,603,518	0.0%
Oregon State Police				
Driving Under the Influence Enforcement	\$ 351,572	\$ 351,572	\$ 351,572	0.0%
Department of Corrections				
County correction programs and facilities, and alcohol and drug programs	\$ 4,257,421	\$ 4,585,442	\$ 4,585,442	0.0%
Department of Revenue				
Administrative Expenses	\$ -	\$ 100,000	\$ 100,000	0.0%
Total Allocations:	\$ 80,767,090	\$ 76,819,080	\$ 74,637,420	-2.8%
Transfer to the General Fund:	\$ 63,208,546	\$ 51,747,112	\$ 32,861,029	-36.5%

PRELIMINARY