

FISCAL IMPACT OF PROPOSED LEGISLATION**Measure: HB 3173**81st Oregon Legislative Assembly – 2021 Regular Session
Legislative Fiscal Office***Only Impacts on Original or Engrossed
Versions are Considered Official***

Prepared by: Kim To
Reviewed by: Matt Stayner, Laurie Byerly, Amanda Beitel, Paul Siebert
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Measure Description:

Removes requirement that amount of net proceeds from Oregon State Lottery allocated to County Fair Account not exceed \$1.53 million annually.

Government Unit(s) Affected:

Oregon Business Development Department (OBDD), Lottery Fund

Summary of Fiscal Impact:

Costs related to the measure may require budgetary action - See analysis.

Analysis:

HB 3173 provides a onetime appropriation of General Fund in the amount of \$250,000 to the Oregon Business Development Department (OBDD) to retain a consultant to develop a master plan for county fairground capital construction. The master plan must be completed and OBDD must report to the legislature by 2022 legislative session. In addition, the measure removes the requirement that the amount of net proceeds from the Oregon State Lottery allocated to the County Fair Account not exceed \$1.53 million annually, adjusted biennially based on the inflation factor determined by the Consumer Price Index for all Urban Consumers for All Items with the Consumer Price Index for All Urban Consumers, West Region (All Items).

Oregon Business Development Department (OBDD)

With passage of this measure, OBDD would use existing staff and resources to administer the contract to develop a master plan for county fairground capital construction and to report to the Legislative Assembly. Although the measure appropriates \$250,000 General Fund for this purpose, the final contract cost would be subject to the results of the public procurement process.

Lottery Fund, Department of Administrative Services, Oregon State Lottery

Although the administrative costs of removing the requirement that the amount of net proceeds from the Oregon State Lottery allocated to the County Fair Account not exceed \$1.53 million annually is minimal, the measure could have an impact on the state's funding priorities, as well as specific legislative allocations.

Under current practice, the Oregon 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 net proceeds) to the Administrative Services Economic Development Fund (EDF). The Oregon Constitution includes dedicated transfers to the Education Stability Fund (18%), Parks and Natural Resources Fund (15%), and Veterans' Services Fund (1.5%). Statutory dedications include outdoor school education programs (4%, up to a maximum of \$5.5 million per quarter adjusted for inflation), county economic development programs (2.5% of net video lottery receipts), gambling addiction treatment programs (1%), public university sports programs and academic scholarships (1%), county fair programs (1%, up to a maximum of \$1.53 million annually adjusted for inflation), and the Public Employees Retirement System Employer Incentive Fund (net proceeds of sports betting games).

Allocations of net lottery revenues for statutory percentage transfers and legislative dedications from the EDF are approved as fixed amounts each session in a lottery allocation bill. DAS may only distribute amounts from the EDF that are approved by the Legislature. Any amount to be distributed to county fair programs would need to be included in the legislatively approved lottery allocation from the EDF to DAS for distribution. Any increase in the distribution to county fair programs reduces the amount of net lottery revenues available in the subsequent biennium for other purposes. Based on the Office of Economic Analysis March 2021 forecast of lottery revenues, 1% of net lottery proceeds equals \$15.6 million in the 2021-23 biennium, an increase of \$11.8 million over the current statutory dedication to the County Fair Account.

The measure warrants a subsequent referral to the Joint Committee on Ways and Means.