

**76th OREGON LEGISLATIVE ASSEMBLY – 2011 Regular Session
BUDGET REPORT AND MEASURE SUMMARY**

MEASURE: HB 5052-A

JOINT COMMITTEE ON WAYS AND MEANS

**Carrier – House: Rep. Buckley
Carrier – Senate: Sen. Nelson**

Action: Do Pass as Amended and as Printed A-Engrossed

Vote: 25 – 0 – 0

House – Yeas: Beyer, Buckley, Cowan, Freeman, Garrard, Komp, Kotek, McLane, Nathanson, Nolan, Richardson, G. Smith, Thatcher, Whisnant
– Nays:
– Exc:

Senate – Yeas: Bates, Devlin, Edwards, Girod, Johnson, Monroe, Nelson, Thomsen, Verger, Whitsett, Winters
– Nays:
– Exc:

Prepared By: Steve Bender, Legislative Fiscal Office

Meeting Date: February 24, 2011

Agency

Various Agencies – Lottery Allocation Changes

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Biennium

2009-11

Summary of Revenue Changes

The Oregon State 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 2011 revenue forecast for available lottery funds in the current biennium is \$8,989,110 greater than the lottery funds allocations in the 2009-11 Legislatively Approved Budget. (The Legislatively Approved Budget allocations total \$1,078,198,701 compared to the March 2011 forecast of lottery revenues of \$1,087,187,811.)

Summary of Capital Construction Subcommittee Action

The Subcommittee reallocated lottery revenues that had been allocated to pay debt service costs but that are not needed for this purpose, plus the projected ending balance in the EDF, to the State School Fund to support the 2009-11 biennium budget rebalance.

Two lottery allocations are specified in the Oregon constitution and are therefore not specifically addressed in this bill. 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 allocations for these funds change in direct proportion to revenue changes. The March 2011 revenue forecast translates into \$2,381,402 more for the Education Stability Fund and \$1,984,501 more for the Parks and Natural Resources Fund than the amounts forecast when the Legislature last rebalanced the lottery budget during the 2010 special session.

The bill reallocates lottery funds for a number of programs that are not specified in the constitution. Lottery allocations for debt service payments on lottery revenue bonds are reduced to the amounts necessary to finance debt service costs. In a number of cases, current allocation amounts exceed what is necessary to fund debt service payments, either because bond issues were delayed, interest rates were lower than budgeted for, or interest earnings on bond proceeds are available to reduce the allocations needed. The Subcommittee reduced debt service allocations by \$8,770,719 in total. The Subcommittee transferred the projected ending balance in the EDF, plus available debt service savings, to the State School Fund, increasing the lottery allocation to the State School Fund by \$18,610,922. This increase is used to reduce the General Fund increase needed in House Bill 5050 to support the State School Fund at the level in the 2009-11 biennium rebalanced budget.

The Subcommittee also adjusted several formula-determined allocations based on the amount of revenue available to these allocations in the March 2011 revenue forecast:

- Video Lottery distributions to counties are reduced by \$983,393
- The distribution to the Oregon Health Authority for problem gambling addiction programs is increased by \$132,300

With the lottery fund allocation adjustments contained in this bill, the projected ending balance in the EDF is zero. Additionally, the Subcommittee transferred \$323,068 of lottery revenues from the Department of Community Colleges and Workforce Development to the

Department of Administrative Services, to correct the allocation of funds between the two agencies, as needed, to finance debt service costs budgeted to each agency.

Details on the allocation adjustments are included in the attached table.

HB 5052 - A

Administrative Services Economic Development Fund (Lottery Funds) Allocation: 2009-11 Biennium

		February 2011 Current Law	HB 5052 Allocation Adjustments	Revised Amounts
Citations				
<u>Lottery Resources</u>				
Beginning Balance		1,352,767		1,352,767
Interest Income		925,000		925,000
Administrative Savings		29,304,808		29,304,808
Disappropriations & Reversions				-
Net Lottery Proceeds		1,055,605,236		1,055,605,236
Total Lottery Resources		1,087,187,811	-	1,087,187,811
<u>Transfers and Allocations</u>				
<u>Dedicated Transfers</u>				
Ed Stability Fund 18%		195,283,808		195,283,808
Parks & Natural Resources 15%		162,736,506		162,736,506
County Video Lottery 2.5% (less \$5 million)	ORS 461.547 & sec. 36, ch. 885 OL 2009	30,816,723	(1,019,550)	29,797,173
Gov ERT Allocation from Counties	Net in: sec. 16, ch. 905, Oregon Laws 2009	(1,023,139)	36,157	(986,982)
OUS Sports Lottery Account 1% to \$9,665,082	sec. 15, ch. 905, Oregon Laws 2009	9,665,082		9,665,082
Gambling Addiction Treatment 1% - \$2,120,912	sec. 6, ch. 905, Oregon Laws 2009	8,595,800	132,300	8,728,100
County Fairs Distribution	sec. 11, ch. 905, Oregon Laws 2009	2,807,758		2,807,758
County Fairs - Administration (to ODA)	sec. 10, ch. 905, Oregon Laws 2009	20,445		20,445
Total Dedicated Transfers		408,902,983	(851,093)	408,051,890
<u>Program Allocations</u>				
Business Development Dept. - Shared services	sec. 3(1), ch. 905, Oregon Laws 2009	6,312,128		6,312,128
Business Development Dept. - BIT	sec. 3(2), ch. 905, Oregon Laws 2009	23,418,391		23,418,391
Business Development Dept. - Film & Video	sec. 3(3), ch. 905, Oregon Laws 2009	1,251,703		1,251,703
Dept. of Education - State School Fund	sec. 4, ch. 905, Oregon Laws 2009	409,811,243	18,610,922	428,422,165
Governor's Office - Econ. Revitalization Team	sec. 14, ch. 905, Oregon Laws 2009	1,973,963		1,973,963
DAS - Oregon School Facilities Task Force	sec. 10, ch. 905, Oregon Laws 2009	1,352,767		1,352,767
Total Program Allocations		444,120,195	18,610,922	462,731,117
<u>Debt Service</u>				
Business Development Dept. - Old bonds	sec. 3(4), ch. 905, Oregon Laws 2009	68,813,104	(494,467)	68,318,637
Business Development Dept. - New bonds	sec. 3(5), ch. 905, Oregon Laws 2009	-		-
Dept. of Transportation - Old bonds	sec. 5, ch. 905, Oregon Laws 2009	79,916,398	(509,170)	79,407,228
Dept. of Transportation - New bonds	sec. 5a, ch. 905, Oregon Laws 2009	5,005,778	(5,005,778)	-
Department of Education	sec. 7, ch. 905, Oregon Laws 2009	34,445,022	(90,912)	34,354,110
Housing & Community Services - Old bonds	sec. 9, ch. 905, Oregon Laws 2009	7,294,062	(115,571)	7,178,491
Housing & Community Services - New bonds	sec. 9a, ch. 905, Oregon Laws 2009	1,318,637	(199,382)	1,119,255
DAS - OPB bonds	sec. 12, ch. 905, Oregon Laws 2009	1,830,791	(39,070)	1,791,721
Oregon University System - Old bonds	sec. 13, ch. 905, Oregon Laws 2009	10,400,250	(159,098)	10,241,152
DAS - Go Oregon! COPS debt service	Newly established in HB 5052		323,068	323,068
CCWD - Old bonds	sec. 13a, ch. 905, Oregon Laws 2009		(323,068)	(323,068)
CCWD - Old bonds	sec. 13a, ch. 905, Oregon Laws 2009	7,837,626	25,563	7,863,189
CCWD - New bonds	sec. 13b, ch. 905, Oregon Laws 2009	1,018,279	(299,555)	718,724
Water Resources Dept. - New bonds	sec. 17, ch. 905, Oregon Laws 2009	354,912	(7,302)	347,610
State Forestry Dept. - Gilchrist Forest	sec. 17a, ch. 905, Oregon Laws 2009	1,374,137	(3,954)	1,370,183
State Department of Energy - New bonds	sec. 17b, ch. 905, Oregon Laws 2009	590,348	(73,761)	516,587
DAS - Pass-through bonds - New bonds	sec. 17c, ch. 905, Oregon Laws 2009	4,976,179	(1,798,262)	3,177,917
Cumulative Debt Service Allocations		225,175,523	(8,770,719)	216,404,804
<u>Total Resources</u>				
Total Resources		1,087,187,811		1,087,187,811
<u>Total Transfers and Allocations</u>				
Total Transfers and Allocations		1,078,198,701		1,087,187,811
<u>Ending Balance</u>				
Ending Balance		8,989,110		-