

**HB 5203 BUDGET REPORT and MEASURE SUMMARY**

**Joint Committee On Ways and Means**

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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 March 2020 revenue forecast of 2019-21 biennium lottery resources is \$25,448,604 (or 1.7%) above the level assumed in the 2019-21 legislatively adopted budget and includes the addition of \$8,252,178 of net proceeds from sports betting games. The legislatively approved budget allocations, plus the allocations specified in the Oregon Constitution, total \$1,531,865,799, compared to the \$1,556,362,925 of total lottery resources projected for the biennium in the March 2020 revenue forecast. This results in a forecasted 2019-21 biennium EDF ending balance of \$24,497,126, an increase of \$4,497,126 (or 22.5%) over the ending balance in projected in the 2019 session, and equal to approximately 1.6% of forecasted distributions and allocations.

## **Summary of Capital Construction Subcommittee 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 March 2020 forecast of lottery revenues, the constitutionally dedicated distributions are increased by the following amounts (or 1.7%) over the levels anticipated in the 2019-21 legislatively adopted budget:

- Education Stability Fund - \$4,580,749
- Parks and Natural Resources Fund - \$3,817,290
- Veterans' Services Fund - \$381,729

Lottery transfers established by the Oregon Constitution do not require an allocation by the Legislature; therefore, HB 5203 does not include provisions relating to them.

### **Program Allocation Changes**

HB 5203 adjusts seven existing allocations and establishes one new allocation of lottery revenues from the Administrative Services Economic Development Fund (EDF). Allocations from the EDF for the 2019-21 biennium are collectively increased \$12,171,710 and include:

- Existing allocations to the Oregon Business Development Department are increased by a total of \$9,186,821, including:
  - The allocation for Operations is increased by \$304,809 for the cost of pension obligation bonds and employee compensation plan changes.
  - The allocation for Business, Innovation, and Trade is increased by \$6,764,767, net of a \$250,000 reduction 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 increase includes \$394,767 for the cost of pension obligation bonds and employee compensation plan changes; \$5,000,000 to support the 2021 World Athletic Championships in Eugene; \$1,500,000 for the Strategic Reserve Fund to support business clean-up and restoration necessitated by flooding in Eastern Oregon; and \$120,000 for deposit in the Agricultural Cooperative Member Low-Interest Loan Fund established by SB 1502.
  - The allocation for Infrastructure is increased by \$1,867,245. The increase includes \$67,245 for the cost of pension obligation bonds and employee compensation plan changes and \$1,800,000 for deposit in the Special Public Works Fund (SPWF) to reimburse loans made from SPWF to the City of Pendleton for levee repairs.
  - The allocation to Arts and Cultural Trust is increased by \$250,000 for a grant to expand the Broadway Rose Theatre in Tigard.
- The allocation to the Office of the Governor is increased by \$173,778 for the cost of pension obligation bonds and compensation plan changes for Regional Solutions employees.
- The allocation established to the Problem Gambling Treatment Fund is increased by \$94,721. The increased allocation is provided to address the cost of pension obligation bonds and 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.
- An allocation of \$5,405,177 is established for the Public Employee Retirement System (PERS) Employer Incentive Fund (EIF). SB 1049 (2019) dedicated an amount equal to the net proceeds of sports betting games to the EIF to provide a 25% match on qualifying employer lump-sum payments to the EIF. The amount allocated represents the 2019-21 forecast of net lottery proceeds from sport betting games less the 34.5% constitutionally dedicated to the Education Stability Fund, Parks and Natural Resources Fund, and Veterans' Services Fund.
- The allocation for payment of debt service on lottery revenue bonds is decreased by \$2,688,787 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 HB 5204 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.

HB 5203 also adjusts two existing allocations and establishes one new allocation of lottery revenues from the Veterans Services' Fund (VSF). Allocations from the VSF for the 2019-21 biennium are collectively increased \$672,995 and include:

- The allocation to the Department of Veterans' Affairs for the Veterans' Services Program is increased by \$271,463 for the cost of pension obligation bonds and employee compensation plan changes.
- The allocation to the Bureau of Labor and Industries for the Reintegration Program created in HB 2202 (2019) is increased by \$10,230 for the cost of pension obligation bonds and employee compensation plan changes.
- An allocation of \$391,302 is established to the Long Term Care Ombudsman for the Oregon Public Guardian and Conservator program to add staff that will exclusively serve veterans.

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

HB 5203 increases one allocation from the Criminal Fine Account (CFA) by \$2,700,921, increasing total CFA allocations for the 2019-21 biennium to \$79,520,001. Since unallocated CFA revenue is transferred to the General Fund, an increase in CFA allocations decreases 2019-21 General Fund revenue by the same amount. Additionally, total CFA revenue forecasted for the 2019-21 biennium is \$5,819,401 less than the 2019 close-of-session forecast. The combined impact of the increased CFA allocation and decrease in forecasted revenue results in a projected CFA transfer to the General Fund of \$43,226,790.

The following CFA allocation is increased:

- The allocation to the Department of Public Safety Standards and Training for Criminal Justice Training and Standards Operations is increased by \$2,700,921 for additional basic police classes to meet demand during the 2019-21 biennium and a custodian position to maintain spaces at the Public Safety Academy.

#### **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 5203, 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.

**LOTTERY FUNDS CASH FLOW SUMMARY**

	<b>2017-19 Legislatively Approved Budget</b>	<b>2019-21 Legislatively Adopted Budget<sup>1</sup></b>	<b>2019-21 Legislatively Approved Budget<sup>2</sup></b>	<b>HB 5203 and Revenue Adjustments</b>
<b>ECONOMIC DEVELOPMENT FUND</b>				
<b>RESOURCES</b>				
Beginning Balance	\$ 49,016,803	\$ 65,339,501	\$ 65,339,501	\$ -
Lottery Funds Reversions under ORS 461.559	4,174,452	3,730,702	3,730,702	-
<b>REVENUES</b>				
Transfers from Lottery				
Net Proceeds	1,408,416,655	1,459,844,118	1,485,292,722	25,448,604
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	1,487,292,722	25,448,604
<b>TOTAL RESOURCES</b>	<b>\$ 1,511,421,835</b>	<b>\$ 1,530,914,321</b>	<b>\$ 1,556,362,925</b>	<b>\$ 25,448,604</b>
<b>DISTRIBUTIONS / ALLOCATIONS</b>				
Distribution to Education Stability Fund	(262,121,504)	(262,771,941)	(267,352,690)	(4,580,749)
Distribution to Parks and Natural Resources Fund	(218,434,587)	(218,976,618)	(222,793,908)	(3,817,290)
Distribution for Veterans' Services Fund	(21,843,459)	(21,897,662)	(22,279,391)	(381,729)
Distribution for Outdoor School Fund	(24,000,000)	(45,305,847)	(45,305,847)	-
Distribution of Video Revenues to Counties	(41,285,992)	(50,231,366)	(50,231,366)	-
Distribution for Sports Programs	(8,240,000)	(14,099,809)	(14,099,809)	-
Distribution for Gambling Addiction	(12,498,909)	(14,593,071)	(14,687,792)	(94,721)
Distribution for County Fairs	(3,828,000)	(3,828,000)	(3,828,000)	-
Distribution to the Employer Incentive Fund (PERS)	-	-	(5,405,177)	(5,405,177)
Allocation to State School Fund	(535,719,907)	(530,146,857)	(530,146,857)	-
Debt Service Allocations	(246,357,867)	(263,661,510)	(260,972,723)	2,688,787
Other Agency Allocations	(71,752,109)	(85,401,640)	(94,762,239)	(9,360,599)
<b>TOTAL DISTRIBUTIONS / ALLOCATIONS</b>	<b>\$ (1,446,082,334)</b>	<b>\$ (1,510,914,321)</b>	<b>\$ (1,531,865,799)</b>	<b>\$ (20,951,478)</b>
<b>ENDING BALANCE</b>	<b>\$ 65,339,501</b>	<b>\$ 20,000,000</b>	<b>\$ 24,497,126</b>	<b>\$ 4,497,126</b>
<b>EDUCATION STABILITY FUND</b>				
<i>(not including the Oregon Growth Account balances)</i>				
<b>RESOURCES</b>				
Beginning Balance	\$ 383,759,084	\$ 619,668,197	\$ 619,668,197	\$ -
Revenues				
Transfer from the Economic Development Fund	235,909,354	236,494,747	240,617,421	4,122,674
Interest Earnings	22,366,297	40,012,241	32,301,956	(7,710,285)
Oregon Growth Account Earnings Distributions	5,184,729	-	22,820,336	22,820,336
Total Revenue	\$ 263,460,380	\$ 276,506,988	\$ 295,739,713	\$ 19,232,725
<b>TOTAL RESOURCES</b>	<b>\$ 647,219,464</b>	<b>\$ 896,175,185</b>	<b>\$ 915,407,910</b>	<b>\$ 19,232,725</b>
<b>DISTRIBUTIONS</b>				
Oregon Opportunity Grant Program	(26,904,035)	(39,340,946)	(54,450,997)	(15,110,051)
Debt Service Allocations to Department of Education	(646,991)	(671,295)	(671,295)	-
Treasury Account Fees	(241)			
<b>TOTAL DISTRIBUTIONS</b>	<b>\$ (27,551,267)</b>	<b>\$ (40,012,241)</b>	<b>\$ (55,122,292)</b>	<b>\$ (15,110,051)</b>
<b>ENDING BALANCE</b>	<b>\$ 619,668,197</b>	<b>\$ 856,162,944</b>	<b>\$ 860,285,618</b>	<b>\$ 4,122,674</b>

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 March 2020 forecast of 2019-21 lottery resources.  
3. 2019-21 beginning balance is equal to 2017-19 ending balance.  
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
<b>ECONOMIC DEVELOPMENT FUND</b>					
<b>DEBT SERVICE COMMITMENTS</b>					
Higher Education Coordinating Commission					
Outstanding bonds	\$ 44,727,472	\$ 294,965	\$ -	\$ 45,022,437	\$ -
Business Development Department					
Outstanding bonds	46,201,242	241,700	-	46,442,942	-
Housing and Community Services Department					
Outstanding bonds	21,675,934	76,300	-	21,752,234	-
Department of Transportation					
Outstanding bonds	114,418,345	534,636	-	114,952,981	-
Department of Administrative Services					
Outstanding bonds	18,570,766	70,789	-	18,641,555	-
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	-
<b>OTHER ALLOCATIONS</b>					
Higher Education Coordinating Commission					
Collegiate Athletics	14,099,809	-	-	14,099,809	-
Outdoor Schools	45,305,847	-	-	45,305,847	-
Oregon Health Authority					
Gambling Addiction Treatment	14,687,792	826,000	-	15,513,792	-
Department of Education					
State School Fund	530,146,857	-	-	530,146,857	-
Department of Administrative Services					
Distribution to County Fairs	3,828,000	-	-	3,828,000	-
Public Employees Retirement System					
Employer Incentive Fund	5,405,177	-	-	5,405,177	-
Office of the Governor					
Regional Solutions	4,106,514	-	-	4,106,514	-
Business Development Department					
Operations	9,078,635	-	-	9,078,635	-
Business, Innovation, and Trade	64,729,941	3,838,718	-	68,568,659	-
Infrastructure	7,218,717	-	-	7,218,717	-
Infrastructure - Tide Gates and Culverts Program	6,000,000	-	-	6,000,000	-
Film and Video	1,253,432	-	-	1,253,432	-
Arts and Cultural Trust	2,375,000	-	-	2,375,000	-
<b>TOTAL ECONOMIC DEVELOPMENT FUND</b>	<b>\$ 969,208,444</b>	<b>\$ 5,931,697</b>	<b>\$ -</b>	<b>\$ 975,140,141</b>	<b>\$ -</b>
<b>EDUCATION STABILITY FUND / OREGON EDUCATION FUND</b>					
Higher Education Coordinating Commission					
Opportunity Grants	54,450,997	8,801,414	-	40,000,000	23,252,411
Department of Education					
Education Bonds Outstanding	671,295	21,575	-	692,870	-
<b>TOTAL EDUCATION STABILITY/OREGON EDUCATION FUND</b>	<b>\$ 55,122,292</b>	<b>\$ 8,822,989</b>	<b>\$ -</b>	<b>\$ 40,692,870</b>	<b>\$ 23,252,411</b>

**VETERANS' SERVICES FUND**

	<b>2017-19</b>	<b>2019-21</b>	<b>2019-21</b>	<b>HB 5203 and</b>
	<b>Legislatively Approved</b>	<b>Legislatively Adopted<sup>1</sup></b>	<b>Legislatively Approved<sup>2</sup></b>	<b>Revenue Adjustments</b>
<b>RESOURCES / REVENUES</b>				
VSF Beginning Balance	\$ -	\$ 4,943,110	\$ 4,943,110	\$ -
Lottery Revenue	21,843,459	21,897,662	22,279,391	381,729
<b>TOTAL RESOURCES</b>	<b>\$ 21,843,459</b>	<b>\$ 26,840,772</b>	<b>\$ 27,222,501</b>	<b>\$ 381,729</b>
<b>ALLOCATIONS</b>				\$ -
Department of Veterans' Affairs				
Veterans' Services Program	\$ (8,378,042)	\$ (11,915,984)	\$ (12,187,447)	\$ (271,463)
County Veteran Service Officers	(6,904,151)	(7,166,509)	(7,166,509)	-
National Service Organizations	(118,156)	(477,354)	(477,354)	-
Veterans' Affordable Housing	-	(1,000,000)	(1,000,000)	-
Total ODVA Allocations	\$ (15,400,349)	\$ (20,559,847)	\$ (20,831,310)	\$ (271,463)
Bureau of Labor and Industries				
Reintegration Program (HB 2202)	-	(250,000)	(260,230)	(10,230)
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)	-
Long Term Care Ombudsman				
Oregon Public Guardian and Conservator	-	-	(391,302)	(391,302)
<b>TOTAL ALLOCATIONS</b>	<b>\$ (16,900,349)</b>	<b>\$ (23,864,847)</b>	<b>\$ (24,537,842)</b>	<b>\$ (672,995)</b>
<b>VSF ENDING BALANCE</b>	<b>\$ 4,943,110</b>	<b>\$ 2,975,925</b>	<b>\$ 2,684,659</b>	<b>\$ (291,266)</b>

1. The 2019-21 Legislatively Adopted Budget is based on the May 2019 forecast of 2019-21 resources.  
2. The 2019 -21 Legislatively Approved Budget is based on the March 2020 forecast of 2019-21 lottery resources.

**CRIMINAL FINE ACCOUNT ALLOCATIONS**

	<b>2017-19 Legislatively Approved Budget</b>	<b>2019-21 Legislatively Adopted Budget</b>	<b>2019-21 Legislatively Approved Budget</b>	<b>Percent Change</b>
<b>Criminal Fine Account Revenues</b>	\$ 143,975,646	\$ 128,566,192	\$ 122,746,791	-4.5%
<b>Criminal Fine Account Allocations:</b>				
<i>Department of Public Safety Standards and Training</i>				
Operations	\$ 36,316,251	\$ 31,999,031	\$ 34,699,952	8.4%
Public Safety Memorial Fund	200,030	279,495	279,495	0.0%
Subtotal:	\$ 36,516,281	\$ 32,278,526	\$ 34,979,447	8.4%
<i>Department of Justice</i>				
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%
<i>Department of Human Services</i>				
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%
<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)	1,354,360	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%
<i>Oregon Judicial Department</i>				
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%
<i>Oregon State Police</i>				
Driving Under the Influence Enforcement	\$ 351,572	\$ 351,572	\$ 351,572	0.0%
<i>Department of Corrections</i>				
County correction programs and facilities, and alcohol and drug programs	\$ 4,257,421	\$ 4,585,442	\$ 4,585,442	0.0%
<i>Department of Revenue</i>				
Administrative Expenses	\$ -	\$ 100,000	\$ 100,000	0.0%
<b>Total Allocations:</b>	\$ 80,767,090	\$ 76,819,080	\$ 79,520,001	3.5%
<b>Transfer to the General Fund:</b>	\$ 63,208,556	\$ 51,747,112	\$ 43,226,790	-16.5%

PRELIMINARY