

HB 5040 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 2021 revenue forecast of 2019-21 biennium lottery resources is \$66,072,640 (or 5.9%) above the level assumed in the 2019-21 legislatively approved budget, which was based on the June 2020 lottery revenue forecast. The legislatively approved budget allocations, plus the allocations specified in the Oregon Constitution, total \$1,199,403,080, compared to the \$1,258,344,444 of total lottery resources projected for the biennium in the March 2021 revenue forecast. This results in a forecasted 2019-21 biennium EDF ending balance of \$58,941,364, an increase of \$42,242,236 (or 253%) over the ending balance projected after actions approved in the 2020 second special session, and equal to approximately 4.9% 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 2021 forecast of lottery revenues, the constitutionally dedicated distributions increased by the following amounts (or 5.9%) over the levels anticipated in the 2019-21 legislatively adopted budget:

- Education Stability Fund - \$11,893,075
- Parks and Natural Resources Fund - \$9,910,896
- Veterans' Services Fund - \$991,089

Lottery transfers established by the Oregon Constitution do not require an allocation by the Legislature; therefore, HB 5040 does not include provisions relating to them.

Program Allocation Changes

HB 5040 adjusts five existing allocations of lottery revenues from the Administrative Services Economic Development Fund (EDF). Allocations from the EDF for the 2019-21 biennium are collectively increased \$1,035,344 and include:

- Existing allocations to the Oregon Business Development Department increased by a total of \$766,821 for the cost of pension obligation bonds and employee compensation plan changes in the Operations (\$304,809), Business, innovation, and trade (\$394,767), and Infrastructure (\$67,245) divisions.
- 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 \$94,745. 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.

HB 5040 also adjusts two existing allocations of lottery revenues from the Veterans Services' Fund (VSF). Allocations from the VSF for the 2019-21 biennium are collectively increased \$281,693:

- 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.

Criminal Fine Account Allocation

HB 5040 increases one allocation from the Criminal Fine Account (CFA) by \$3,168,398, increasing total CFA allocations for the 2019-21 biennium to \$77,805,818. 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 \$5,429,829 (or 5.1%) less than the June 2020 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 \$24,262,802.

The following CFA allocation is increased:

- The allocation to the Department of Public Safety Standards and Training (DPSST) for Operations is increased by \$1,503,520 for two additional Basic Police Courses and one additional Basic Corrections-Local Course for the current biennium. DPSST's Operations allocation is also increased by \$1,664,878 for the cost of pension obligation bonds and employee compensation plan changes.

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 5040, but also include the impacts of changes in the lottery revenue forecast since the 2020 second special session. The fourth table summarizes Criminal Fine Account allocations in the 2019-21 legislatively approved budget.

PRELIMINARY

LOTTERY FUNDS CASH FLOW SUMMARY

	2019-21 Legislatively Approved Budget ¹	2019-21 Legislatively Approved Budget ²	HB 5040 Changes	Percent Change
ECONOMIC DEVELOPMENT FUND				
RESOURCES				
Beginning Balance	\$ 70,924,069	\$ 70,924,069	\$ -	0.0%
Lottery Funds Reversions under ORS 461.559	5,470,688	5,470,688	-	0.0%
REVENUES				
Transfers from Lottery				
Net Proceeds	1,113,877,047	1,179,949,687	66,072,640	5.9%
Administrative Actions	-	-	-	
Other Revenues				
Interest Earnings	2,000,000	2,000,000	-	0.0%
Other				
Total Revenue	1,115,877,047	1,181,949,687	66,072,640	5.9%
TOTAL RESOURCES	\$ 1,192,271,805	\$ 1,258,344,444	\$ 66,072,640	5.5%
DISTRIBUTIONS / ALLOCATIONS				
Distribution to Education Stability Fund	(200,497,869)	(212,390,944)	(11,893,075)	5.9%
Distribution to Parks and Natural Resources Fund	(167,081,557)	(176,992,453)	(9,910,896)	5.9%
Distribution for Veterans' Services Fund	(16,708,156)	(17,699,245)	(991,089)	5.9%
Distribution for Outdoor School Education Fund	(43,040,555)	(43,040,555)	-	0.0%
Distribution of Video Revenues to Counties	(50,231,366)	(50,231,366)	-	0.0%
Distribution for Public University Sports Programs	(14,099,809)	(14,099,809)	-	0.0%
Distribution for Gambling Addiction	(14,578,599)	(14,673,344)	(94,745)	0.6%
Distribution for County Fairs	(3,828,000)	(3,828,000)	-	0.0%
Distribution to the Employer Incentive Fund (PERS)	(3,300,871)	(3,300,871)	-	0.0%
Allocation to State School Fund	(330,467,530)	(330,467,530)	-	0.0%
Debt Service Allocations	(259,868,206)	(259,868,206)	-	0.0%
Other Agency Allocations	(71,870,158)	(72,810,757)	(940,599)	1.3%
TOTAL DISTRIBUTIONS / ALLOCATIONS	\$ (1,175,572,676)	\$ (1,199,403,080)	\$ (23,830,404)	2.0%
ENDING BALANCE	\$ 16,699,129	\$ 58,941,364	\$ 42,242,236	253.0%
EDUCATION STABILITY FUND (not including the Oregon Growth Account balances) ⁴				
RESOURCES				
Beginning Balance	\$ 619,668,197	\$ 619,668,197	\$ -	0.0%
Revenues				
Transfer from the Economic Development Fund	180,448,082	191,151,850	10,703,768	5.9%
Interest Earnings	17,412,188	19,779,770	2,367,582	13.6%
Oregon Growth Account Earnings Distributions	22,820,336	22,820,336	-	
Total Revenue	\$ 220,680,606	\$ 233,751,956	\$ 13,071,350	5.9%
TOTAL RESOURCES	\$ 840,348,803	\$ 853,420,153	13,071,350	1.6%
DISTRIBUTIONS				
Oregon Opportunity Grant Program	(39,561,229)	(41,928,811)	(2,367,582)	6.0%
Debt Service Allocations to Department of Education	(671,295)	(671,295)	-	0.0%
Education Stability Fund Withdrawal	(400,000,000)	(400,000,000)	-	
Treasury Account Fees				
TOTAL DISTRIBUTIONS	\$ (440,232,524)	\$ (442,600,106)	\$ (2,367,582)	0.5%
ENDING BALANCE	\$ 400,116,279	\$ 410,820,047	\$ 10,703,768	2.7%

1. 2019-21 Legislatively Approved Budget is based on the June 2020 forecast of 2019-21 resources and includes actions through the 2020 second special session.
2. The 2019-21 Legislatively Approved Budget is based on the March 2021 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	14,673,344	826,000	-	15,499,344	-
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	4,106,514	-	-	4,106,514	-
Business Development Department					
Operations	8,523,087	-	-	8,523,087	-
Business, Innovation, and Trade	50,409,007	3,838,718	-	54,247,725	-
Infrastructure	3,818,717	-	-	3,818,717	-
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	\$ 738,788,201	\$ 5,931,697	\$ -	\$ 744,719,898	\$ -
EDUCATION STABILITY FUND / OREGON EDUCATION FUND					
Higher Education Coordinating Commission					
Opportunity Grants	\$ 41,928,811	\$ 8,801,414	\$ -	\$ 40,000,000	\$ 10,730,225
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	\$ 442,600,106	\$ 8,822,989	\$ -	\$ 440,692,870	\$ 10,730,225

VETERANS' SERVICES FUND

	2019-21 Legislatively Approved ¹	2019-21 Legislatively Approved ²	HB 5040 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	16,708,156	17,699,245	991,089
Interest Earnings	100,000	100,000	-
TOTAL RESOURCES	\$ 23,038,575	\$ 24,029,664	\$ 991,089
ALLOCATIONS			
Department of Veterans' Affairs			\$ -
Veterans' Services Program	\$ (10,525,837)	\$ (10,797,300)	\$ (271,463)
County Veteran Service Officers	(6,808,184)	(6,808,184)	-
National Service Organizations	(453,486)	(453,486)	-
Veterans' Affordable Housing	(1,000,000)	(1,000,000)	-
Total ODVA Allocations	\$ (18,787,507)	\$ (19,058,970)	\$ (271,463)
Bureau of Labor and Industries			
Reintegration Program (HB 2202, 2019)	(250,000)	(260,230)	(10,230)
Criminal Justice Commission			
Veterans' Specialty Courts	(555,000)	(555,000)	-
Oregon Health Authority			
Veterans' Behavioral Health	(2,500,000)	(2,500,000)	-
TOTAL ALLOCATIONS	\$ (22,092,507)	\$ (22,374,200)	\$ (281,693)
VSF ENDING BALANCE	\$ 946,068	\$ 1,655,464	\$ 709,396

CRIMINAL FINE ACCOUNT ALLOCATIONS

	2019-21 Legislatively Adopted Budget	2019-21 Legislatively Approved Budget	2019-21 Legislatively Approved Budget	Percent Change
Criminal Fine Account Revenues	\$ 128,566,192	\$ 107,498,449	\$ 102,068,620	-5.1%
Criminal Fine Account Allocations:				
Department of Public Safety Standards and Training				
Operations	\$ 31,999,031	\$ 29,817,371	\$ 32,985,769	10.6%
Public Safety Memorial Fund	279,495	279,495	279,495	0.0%
Subtotal:	\$ 32,278,526	\$ 30,096,866	\$ 33,265,264	10.5%
Department of Justice				
Child Abuse Multidisciplinary Intervention (CAMI)	\$ 9,824,565	\$ 9,824,565	\$ 9,824,565	0.0%
Regional Assessment Centers	846,968	846,968	846,968	0.0%
Criminal Injuries Compensation Account (CICA)	8,755,862	8,755,862	8,755,862	0.0%
Child Abuse Medical Assessments	716,912	716,912	716,912	0.0%
Subtotal:	\$ 20,144,307	\$ 20,144,307	\$ 20,144,307	0.0%
Department of Human Services				
Domestic Violence Fund	\$ 2,224,675	\$ 2,224,675	\$ 2,224,675	0.0%
Sexual Assault Victims Fund	533,332	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)	1,300,000	1,300,000	1,300,000	0.0%
Intoxicated Driver Program	4,323,000	4,323,000	4,323,000	0.0%
Subtotal:	\$ 5,997,708	\$ 5,997,708	\$ 5,997,708	0.0%
Oregon Judicial Department				
State court security and emergency preparedness	\$ 3,784,490	\$ 3,784,490	\$ 3,784,490	0.0%
County court facilities security	2,931,528	2,931,528	2,931,528	0.0%
State Court Technology Fund	3,887,500	3,887,500	3,887,500	0.0%
Subtotal:	\$ 10,603,518	\$ 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	\$ 4,585,442	\$ 4,585,442	\$ 4,585,442	0.0%
Department of Revenue				
Administrative Expenses	\$ 100,000	\$ 100,000	\$ 100,000	0.0%
Total Allocations:	\$ 76,819,080	\$ 74,637,420	\$ 77,805,818	4.2%
Transfer to the General Fund:	\$ 51,747,112	\$ 32,861,029	\$ 24,262,802	-26.2%

P R E L I M I N A R Y