

**FISCAL IMPACT OF PROPOSED LEGISLATION**

81st Oregon Legislative Assembly – 2021 Regular Session  
Legislative Fiscal Office

**Measure: HB 2173 - 1**

*Only Impacts on Original or Engrossed  
Versions are Considered Official*

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**Measure Description:**

Provides that counties may authorize Department of Administrative Services to deduct from lottery revenues dedicated to county economic development purposes up to 50% of the funding necessary to support the salaries and benefits of regional solutions coordinators.

**Government Unit(s) Affected:**

Counties, Department of Administrative Services (DAS), Oregon State Lottery

**Summary of Fiscal Impact:**

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

**Analysis:**

HB 2173 with the -1 amendment makes the allocation of lottery funds contingent upon county authorization. The measure specifies that counties may authorize the Department of Administrative Services (DAS) to deduct from lottery revenues dedicated to county economic development purposes up to 50% of the funding necessary to support the salaries and benefits of regional solutions coordinators. The measure is silent on when this authorization occurs, whether this is a biennial authorization or onetime.

The measure would have a fiscal 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).

Oregon statute requires that 2.5% of net proceeds of video lottery gaming be distributed to the counties for economic development activities. Beginning with the 2005-07 biennium, 50% of the operating costs for the Economic Revitalization Team (ERT) established under ORS 284.555 have also been funded from this source. Beginning with the 2013-15 biennium, 50% of the new funding for Regional Solutions Program positions located in the Governor's Office have also been funded from this source. The Legislative Assembly approved a fixed dollar amount for county economic development during the 2019-21 biennium, rather than the percentage allocation described in statute. The fixed dollar amount allocated for the 2019-21 biennium totaled \$50,231,366 which is equal to 2.5% of the amount of video lottery proceeds forecasted in the May 2019 revenue forecast, minus one-half of the allocation to the Regional Solutions Program. 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.

Passage of this measure would change the current budget allocation process by allowing counties to authorize the deduction for 50% of the Regional Solutions Program costs from the statutory county economic development allocation of net video lottery revenues. The cost of operating the Regional Solutions Program is currently funded with Lottery Funds split evenly between the allocation to counties and discretionary lottery resources. As part of adopting a balanced budget, net lottery revenues are allocated within the constitutional, statutory, and legislatively approved dedications to support expenditures within the statewide budget. This measure makes the use of specified lottery revenues for state expenditures dependent on county authorization. It is unclear how or when this authorization would be obtained as part of the budget development process.

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