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Measure Description:
Provides that fixed percentage of certain forecasted video lottery revenues be transferred to counties for economic development.

Government Unit(s) Affected:
Department of Administrative Services (DAS), Oregon State Lottery

Summary of Fiscal Impact:
Costs related to the measure are indeterminate at this time - See explanatory analysis.

Analysis:
HB 2267 directs the Department of Administrative Services (DAS) to transfer a fixed percentage (2.5%) of net forecasted lottery revenues to counties for economic development. This measure also requires that after the last quarterly transfer of net lottery revenues in a biennium, the Oregon State Lottery Commission (Lottery) provide DAS the amount of actual net video lottery receipts transferred to the Administrative Service Economic Development Fund (EDF) during that biennium. In addition, the Lottery will inform DAS of the difference between forecasted and actual net video lottery gaming proceeds. If actual receipts are greater than forecasted receipts, DAS is required to disburse the difference to each county in the first quarter of the subsequent biennium. If actual receipts are less than forecasted receipts, DAS is required to decrease one or more future transfers to the counties by the difference.

Although the administrative costs of this measure to the Department of Administrative Services and the Oregon State Lottery 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).

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. Any difference between forecasted and actual net video lottery receipts required to be distributed to the counties under the provisions of this measure would need to be included in the legislatively approved lottery allocation from the EDF to DAS for distribution to counties. Increasing the distribution to counties to include both the 2.5% of forecasted net video lottery receipts for the upcoming biennium and the difference between forecasted and actual receipts from the prior biennium reduces the amount of net lottery revenues available in the subsequent biennium for other purposes. Additionally, the cost of operating the Regional Solutions Program is currently split evenly between the counties and the state. Any reduction in the allocation to the counties for Regional Solutions would now be considered a difference between forecasted and actual net video lottery receipts that would be required to be distributed to the counties in the subsequent biennium.

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