

SB 5703 BUDGET REPORT and MEASURE SUMMARY

Joint Committee On Ways and Means

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Various Agencies - Lottery Allocations

2021-23

Department of Public Safety Standards and Training - Criminal Fine Account Allocation

2021-23

Oregon Health Authority - Oregon Marijuana Account Allocation

2021-23

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 2022 revenue forecast of 2021-23 biennium lottery resources is \$90.8 million (or 5.3%) above the level assumed in the 2021-23 legislatively adopted budget, including reversions to the EDF (\$5.3 million) and Veterans' Services Fund (\$1.1 million). The legislatively approved budget EDF allocations, plus the allocations specified in the Oregon Constitution, total \$1,785.5 million, compared to the \$1,815.5 million of total lottery resources projected for the biennium in the March 2022 revenue forecast. This results in a forecasted 2021-23 biennium EDF ending balance of \$30 million, which is equal to approximately 1.7% 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 2022 forecast of lottery revenues, the constitutionally dedicated distributions are increased by the following amounts (or 5.1%) over the levels anticipated in the 2021-23 legislatively adopted budget:

- Education Stability Fund - \$15.2 million
- Parks and Natural Resources Fund - \$12.7 million
- Veterans' Services Fund - \$1.3 million

Lottery transfers established by the Oregon Constitution do not require an allocation by the Legislature; therefore, SB 5703 does not include provisions relating to them.

Program Allocation Changes

SB 5703 adjusts eight existing allocations of lottery revenues from the Administrative Services Economic Development Fund (EDF). Allocations from the EDF for the 2021-23 biennium are collectively increased \$60.6 million and include:

- Existing allocations to the Oregon Business Development Department are increased by a total of \$1.4 million, including:
 - The allocation for Operations is increased by \$361,926 for the cost of pension obligation bonds and employee compensation plan changes.
 - The allocation for Business, Innovation, and Trade (BIT) is increased by \$949,584. The increase includes \$308,109 for the cost of pension obligation bonds and employee compensation plan changes and \$641,475 for additional BIT positions to accommodate workload.
 - The allocation for Infrastructure is increased by \$97,624 for the cost of pension obligation bonds and employee compensation plan changes.
- The allocation to the State School Fund is increased by \$61 million.
- The allocation to the Office of the Governor is increased by \$108,408 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 \$28,016. 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.
- The allocation to the Public Employee Retirement System (PERS) Employer Incentive Fund (EIF) is increased by \$2.7 million. 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 2021-23 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 \$4.6 million 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 5202 for payments on outstanding lottery revenue bonds issued for the Department of Administrative Services, Oregon Business Development Department, and Oregon Department of Transportation.

SB 5703 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 2021-23 biennium are collectively increased \$1.2 million and include:

- The allocation to the Department of Veterans' Affairs for the Veterans' Services Program is increased by \$235,016 for the cost of pension obligation bonds and employee compensation plan changes.
- The allocation to the Bureau of Labor and Industries for veteran's outreach is increased by \$9,393 for the cost of pension obligation bonds and employee compensation plan changes.
- An allocation of \$1 million is approved for the OHA Veterans Dental Program created in HB 4095 (2021) to provide oral health care to eligible veterans residing in Oregon.

Criminal Fine Account Allocation

SB 5703 adjusts one allocation from the Criminal Fine Account (CFA) by \$1.2 million, increasing total CFA allocations for the 2021-23 biennium to \$93.1 million. Since unallocated CFA revenue is transferred to the General Fund, an increase in CFA allocations decreases 2021-23 General Fund revenue by the same amount. Total CFA revenue forecasted for the 2021-23 biennium is \$650,000 more than the 2021 close-of-session forecast. The combined impact of the increased CFA allocation and increase in forecasted revenue results in a projected CFA transfer to the General Fund of \$27 million.

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 \$1.2 million for the cost of pension obligation bonds and employee compensation plan changes.

Oregon Marijuana Account Allocation

Net revenues from state marijuana taxes, after payment of administrative and enforcement expenses, are deposited into the Oregon Marijuana Account (OMA). The first \$11.25 million of quarterly OMA revenues are distributed cities and counties (20%), the State School Fund (40%), the Mental Health Alcoholism and Drug Services Account (20%), the State Police Account (15%), and alcohol and drug abuse prevention, early intervention and treatment services (5%). OMA revenues in excess of \$11.25 million per quarter are transferred to the Drug Treatment and Recovery Services Fund in OHA.

The March 2022 forecast of marijuana revenues totals \$340.5 million for the 2021-23 biennium and represents a \$1.2 million increase over the 2021 close-of-session forecast. SB 5703 makes a corresponding increase of \$1.2 million to the Drug Treatment and Recovery Services Fund allocation.

However, as actual revenues may vary, the associated distributions may also vary – in some cases requiring related expenditure limitation and allocation adjustments.

Summary Tables

The first three tables summarize Lottery Funds cash flows and allocations in the 2021-23 legislatively approved budget. The figures in these tables are not restricted solely to the impacts of SB 5703, but also include the impacts of changes in the lottery revenue forecast since the close of the 2021 session. The fourth table summarizes Criminal Fine Account allocations and the final table reflects Oregon Marijuana Account allocations in the 2021-23 legislatively approved budget.

PRELIMINARY

LOTTERY FUNDS CASH FLOW SUMMARY

	2019-21 Legislatively Approved Budget	2021-23 Legislatively Adopted Budget ¹	2021-23 Legislatively Approved Budget ²	SB 5703 and Revenue Adjustments
ECONOMIC DEVELOPMENT FUND				
RESOURCES				
Beginning Balance	3 \$ 70,924,069	\$ 72,369,513	\$ 72,369,513	\$ -
Lottery Funds Reversions under ORS 461.559	5,470,688	-	5,258,580	5,258,580
REVENUES				
Transfers from Lottery				
Net Proceeds	1,201,719,818	1,651,460,725	1,735,906,280	84,445,555
Administrative Actions	-	-	-	-
Other Revenues				
Interest Earnings	2,000,000	2,000,000	2,000,000	-
Other	-	-	-	-
Total Revenue	1,203,719,818	1,653,460,725	1,737,906,280	84,445,555
TOTAL RESOURCES	\$ 1,280,114,575	\$ 1,725,830,238	\$ 1,815,534,373	\$ 89,704,135
DISTRIBUTIONS / ALLOCATIONS				
Distribution to Education Stability Fund	(216,315,255)	(297,262,930)	(312,463,130)	(15,200,200)
Distribution to Parks and Natural Resources Fund	(180,257,973)	(247,719,109)	(260,385,942)	(12,666,833)
Distribution for Veterans' Services Fund	(18,025,797)	(24,771,911)	(26,038,594)	(1,266,683)
Distribution for Outdoor School Fund	(43,040,555)	(49,418,728)	(49,418,728)	-
Distribution of Video Revenues to Counties	(50,231,366)	(54,209,527)	(54,209,527)	-
Distribution for Sports Programs	(14,099,809)	(16,514,607)	(16,514,607)	-
Distribution for Gambling Addiction	(14,673,344)	(16,514,510)	(16,542,526)	(28,016)
Distribution for County Fairs	(3,828,000)	(3,828,000)	(3,828,000)	-
Distribution to PERS Employer Incentive Fund	(4,126,470)	(12,665,769)	(15,335,236)	(2,669,467)
Allocation to State School Fund	(330,467,530)	(589,526,746)	(650,508,965)	(60,982,219)
Debt Service Allocations	(259,868,206)	(278,511,961)	(273,885,133)	4,626,828
Other Agency Allocations	(72,810,757)	(104,886,440)	(106,403,985)	(1,517,545)
TOTAL DISTRIBUTIONS / ALLOCATIONS	\$ (1,207,745,062)	\$ (1,695,830,238)	\$ (1,785,534,373)	\$ (89,704,135)
ENDING BALANCE	\$ 72,369,513	\$ 30,000,000	\$ 30,000,000	\$ 0
EDUCATION STABILITY FUND				
(not including the Oregon Growth Account balances)				
RESOURCES				
Beginning Balance	4 \$ 619,668,197	\$ 414,351,706	\$ 414,351,706	\$ -
Revenues				
Transfer from the Economic Development Fund	5 194,683,729	267,536,637	281,216,817	13,680,180
Interest Earnings	20,012,469	5,606,574	11,447,738	5,841,164
Oregon Growth Account Earnings Distributions	22,820,336	-	11,705,102	11,705,102
Total Revenue	\$ 237,516,534	\$ 273,143,211	\$ 304,369,657	\$ 31,226,446
TOTAL RESOURCES	\$ 857,184,731	\$ 687,494,917	\$ 718,721,363	\$ 31,226,446
DISTRIBUTIONS				
Oregon Opportunity Grant Program	(42,161,510)	(5,606,574)	(23,152,840)	(17,546,266)
Debt Service Allocations to Department of Education	(671,295)	-	-	-
Education Stability Fund Withdrawal	(400,000,000)	-	-	-
Treasury Account Fees	(220)	-	-	-
TOTAL DISTRIBUTIONS	\$ (442,833,025)	\$ (5,606,574)	\$ (23,152,840)	\$ (17,546,266)
ENDING BALANCE	\$ 414,351,706	\$ 681,888,343	\$ 695,568,523	\$ 13,680,180

1. The 2021-23 Legislatively Adopted Budget is based on the May 2021 forecast of 2021-23 resources.
2. The 2021-23 Legislatively Approved Budget is based on the March 2022 forecast of 2021-23 resources.
3. 2021-23 beginning balance is equal to 2019-21 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.

2021-23 LOTTERY FUNDS ALLOCATIONS AND EXPENDITURES

	New Lottery Funds Allocation	Beginning Lottery Balance	Interest and Other Earnings	2021-23 LAB Expenditure Limitation	Ending Lottery Balance
ECONOMIC DEVELOPMENT FUND					
DEBT SERVICE COMMITMENTS					
Higher Education Coordinating Commission Outstanding bonds	44,051,736	67,453	-	44,119,189	-
Business Development Department Outstanding and Proposed bonds	42,898,843	87,032	-	42,985,875	-
Housing and Community Services Department Outstanding and Proposed bonds	25,180,556	44,174	-	25,224,730	-
Department of Transportation Outstanding and Proposed bonds	120,987,582	156,837	-	121,144,419	-
Department of Administrative Services Outstanding and Proposed bonds	22,949,527	25,828	-	22,975,355	-
State Forestry Department Outstanding Bonds	2,560,320	3,890	-	2,564,210	-
Department of Energy Outstanding Bonds	3,017,225	5,345	-	3,022,570	-
State Parks and Recreation Department Outstanding and Proposed bonds	3,325,195	1,657	-	3,326,852	-
Water Resources Department Outstanding and Proposed bonds	8,414,965	1,084,545	-	9,499,510	-
Department of Veterans' Affairs Proposed bonds	499,184	-	-	499,184	-
OTHER ALLOCATIONS					
Higher Education Coordinating Commission Collegiate Athletics	16,514,607	-	-	16,514,607	-
Outdoor Schools	49,418,728	-	-	49,418,728	-
Oregon Health Authority Gambling Addiction Treatment	16,542,526	-	-	16,542,526	-
Department of Administrative Services Distribution to County Fairs	3,828,000	-	-	3,828,000	-
Public Employees Retirement System Employer Incentive Fund	15,335,236	4,126,470	-	19,461,706	-
Department of Education State School Fund	650,508,965	-	-	650,508,965	-
Office of the Governor Regional Solutions	4,661,117	-	-	4,661,117	-
Business Development Department Operations	11,300,053	-	-	11,300,053	-
Business, Innovation, and Trade Infrastructure	84,540,852	3,988,000	-	88,528,852	-
Infrastructure	4,482,133	283,034	-	4,765,167	-
Film and Video	1,419,830	-	-	1,419,830	-
TOTAL ECONOMIC DEVELOPMENT FUND	1,132,437,180	9,874,265	-	1,142,311,445	-
EDUCATION STABILITY FUND / OREGON EDUCATION FUND					
Higher Education Coordinating Commission Opportunity Grants	23,152,840	13,674,716	-	29,820,982	7,006,574
TOTAL EDUCATION STABILITY/OREGON EDUCATION FUND	23,152,840	13,674,716	-	29,820,982	7,006,574

VETERANS' SERVICES FUND

	2019-21	2021-23	2021-23	SB 5703 and
	Legislatively Approved	Legislatively Adopted	Legislatively Approved	Revenue Adjustments
RESOURCES / REVENUES				
VSF Beginning Balance	\$ 5,040,932	\$ 1,982,016	\$ 1,982,016	\$ -
Lottery Funds Reversions under ORS 406.141	1,189,487		1,133,202	1,133,202
Lottery Revenue	18,025,797	24,771,911	26,038,594	1,266,683
Interest Earnings	100,000			
TOTAL RESOURCES	\$ 24,356,216	\$ 26,753,927	\$ 29,153,812	\$ 2,399,885
ALLOCATIONS				
Department of Veterans' Affairs				
Veterans' Services Program	\$ (10,797,300)	\$ (12,628,046)	\$ (12,863,062)	\$ (235,016)
County Veteran Service Officers	(6,808,184)	(7,474,669)	(7,474,669)	-
National Service Organizations	(453,486)	(497,880)	(497,880)	-
Veterans' Affordable Housing	(1,000,000)	-	-	-
Total ODVA Allocations	\$ (19,058,970)	\$ (20,600,595)	\$ (20,835,611)	\$ (235,016)
Bureau of Labor and Industries				
Veterans' Outreach	(260,230)	(261,416)	(270,809)	(9,393)
Criminal Justice Commission				
Veterans' Specialty Courts	(555,000)	(578,865)	(578,865)	-
Oregon Health Authority				
Veterans' Behavioral Health	(2,500,000)	(2,127,476)	(2,127,476)	-
Veterans Dental Program			(1,000,000)	(1,000,000)
TOTAL ALLOCATIONS	\$ (22,374,200)	\$ (23,568,352)	\$ (24,812,761)	\$ (1,244,409)
VSF ENDING BALANCE	\$ 1,982,016	\$ 3,185,575	\$ 4,341,051	\$ 1,155,476

1. The 2021-23 Legislatively Adopted Budget is based on the May 2021 forecast of 2021-23 lottery resources.
2. The 2021-23 Legislatively Approved Budget is based on the March 2022 forecast of 2021-23 Lottery resources.

CRIMINAL FINE ACCOUNT ALLOCATIONS

	2019-21 Legislatively Adopted Budget	2021-23 Legislatively Adopted Budget	2021-23 Legislatively Approved Budget	Percent Change
Criminal Fine Account Revenues	\$ 100,288,233	\$ 119,176,729	\$ 119,826,729	0.5%
Criminal Fine Account Allocations:				
<i>Department of Public Safety Standards and Training</i>				
Operations	\$ 32,985,769	\$ 43,257,427	\$ 44,416,940	2.7%
Public Safety Memorial Fund	279,495	279,677	279,677	0.0%
Subtotal:	\$ 33,265,264	\$ 43,537,104	\$ 44,696,617	2.7%
<i>Department of Justice</i>				
Child Abuse Multidisciplinary Intervention (CAMI)	\$ 9,824,565	\$ 11,694,249	\$ 11,694,249	0.0%
Regional Assessment Centers	846,968	883,388	\$ 883,388	0.0%
Criminal Injuries Compensation Account (CICA)	8,755,862	9,846,982	\$ 9,846,982	0.0%
Child Abuse Medical Assessments	716,912	747,739	747,739	0.0%
Subtotal:	\$ 20,144,307	\$ 23,172,358	\$ 23,172,358	0.0%
<i>Department of Human Services</i>				
Domestic Violence Fund	\$ 2,224,675	\$ 2,320,336	\$ 2,320,336	0.0%
Sexual Assault Victims Fund	533,332	556,265	556,265	0.0%
Subtotal:	\$ 2,758,007	\$ 2,876,601	\$ 2,876,601	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 (LEMMA)	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%
<i>Oregon Judicial Department</i>				
State court security and emergency preparedness	\$ 3,784,490	\$ 4,147,778	\$ 4,147,778	0.0%
County court facilities security	2,931,528	3,057,584	\$ 3,057,584	0.0%
State Court Technology Fund	3,887,500	3,887,500	3,887,500	0.0%
Subtotal:	\$ 10,603,518	\$ 11,092,862	\$ 11,092,862	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	\$ 4,585,442	\$ 4,846,812	\$ 4,846,812	0.0%
<i>Department of Revenue</i>				
Administrative Expenses	\$ 100,000	\$ 100,000	\$ 100,000	0.0%
Total Allocations:	\$ 77,805,818	\$ 91,975,017	\$ 93,134,530	1.3%
Transfer to the General Fund:	\$ 22,482,415	\$ 27,201,712	\$ 26,692,199	-1.9%

PRELIMINARY

2021-23 Oregon Marijuana Account

	<u>2019-21 Legislatively Approved Budget</u>	<u>2021-23 Legislatively Adopted Budget</u>	<u>2021-23 Legislatively Approved Budget</u>	<u>SB 5703 Adjustments</u>
Cities	22,651,200	9,000,000	9,000,000	0
Counties	22,651,200	9,000,000	9,000,000	0
Subtotal Local	45,302,400	18,000,000	18,000,000	0
Drug Treatment and Recovery Services Fund	65,219,800	249,360,000	250,527,400	1,167,400
State School Fund	103,764,900	36,000,000	36,000,000	0
Mental Health Alcoholism & Drug Services Account	51,882,500	18,000,000	18,000,000	0
State Police Account	38,911,800	13,500,000	13,500,000	0
Drug and alcohol abuse prevention and treatment	12,970,600	4,500,000	4,500,000	0
Subtotal State	272,749,600	321,360,000	322,527,400	1,167,400
Total	318,052,000	339,360,000	340,527,400	1,167,400