

**SB 5545 BUDGET REPORT and MEASURE SUMMARY**

**Joint Committee On Ways and Means**

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**Various Agencies – Lottery Allocations**

**2021-23**

**Oregon Health Authority – Oregon Marijuana Account Allocation**

**2021-23**

**Department of Education – Fund for Student Success Allocations**

**2021-23**

PRELIMINARY

## **Summary of Revenue Changes**

SB 5545 decreases the amount of net lottery revenue allocated from the Administrative Services Economic Development Fund to reflect the adjusted level of debt service payments required in the 2021-23 biennium for various agencies. The measure decreases the amount of marijuana tax revenue transferred from the Oregon Marijuana Account to the Drug Treatment and Recovery Services Fund in the Oregon Health Authority. This adjustment corresponds to the level of revenue available in the 2021-23 biennium for the Drug Treatment and Recovery Services Fund based on the March 2023 state economic and revenue forecast published by the Department of Administrative Services (DAS) Office of Economic Analysis (OEA). The measure also allocates revenue from the Fund for Student Success to the Student Investment Account, Statewide Education Initiatives Account, and Early Learning Account. These allocations are based on the March 2023 OEA forecast and estimated beginning balances in the accounts.

## **Summary of Capital Construction Subcommittee Action**

### **Lottery Revenue Allocation**

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) on a quarterly basis to the Administrative Services Economic Development Fund (EDF) for allowable public purposes specified in the Oregon Constitution. From each quarterly transfer, the Department of Administrative Services distributes net lottery proceeds in accordance with specific dedications required under Oregon's Constitution and statute, and for debt service payments on bonds secured by net lottery revenues and other allowable priorities determined by the Legislature.

SB 5545 reduces the lottery allocation from the EDF by approximately \$2.5 million for debt service payments on outstanding lottery revenue bonds. This revision reflects decreases to Lottery Funds debt service in HB 5045 for multiple agencies and adjusts the total lottery debt service allocation established in 2021-23 to \$271.4 million. Additionally, the March 2023 state revenue forecast reflects an increase in lottery revenues available for the constitutionally dedicated distributions to the Education Stability Fund, Parks and Natural Resources Fund, and Veterans' Services Fund. SB 5545 does not include corresponding adjustments because lottery revenue transfers established by the Oregon Constitution do not require an allocation by the Legislature. The lottery cash flow table below summarizes the changes in forecasted lottery revenues dedicated for each constitutional distribution.

### **Oregon Marijuana Account Revenue Allocation**

The Department of Revenue (DOR) deposits Marijuana tax revenue into the Oregon Marijuana Account (OMA) after accounting for its related operational expenses and refunds or credits arising from erroneous overpayments. DOR distributes revenue from the OMA on a quarterly basis for specific purposes defined in statute, including the Drug Treatment and Recovery Services Fund; State School Fund; mental health treatment and drug abuse prevention, early intervention and treatment; State Police; and cities and counties. Statutory limits on the amount of OMA revenue transfers remain in place through the 2021-23 biennium for all distributions except the Drug Treatment and Recovery Services Fund. SB

5545 reduces the revenue allocation to the Drug Treatment and Recovery Services Fund from approximately \$250.5 million to \$210 million. This adjustment is based on the change from the March 2022 state revenue forecast, which was the last time the Legislature revised this revenue allocation, to the March 2023 forecast.

### **Fund for Student Success Revenue Allocation**

The Department of Revenue collects Corporate Activity Tax revenues, pays its collection expenses from these revenues, and transfers the balance to the Fund for Student Success established in ORS 327.001. Corporate Activity Tax revenues are projected to be \$2.45 billion in the 2021-23 biennium based on the March 2023 state revenue forecast. After making deposits into the High Cost Disability Account established in ORS 327.348 and State School Fund established in ORS 327.008<sup>1</sup>, and after retaining a reserve for cash flow and to mitigate revenue fluctuations, the Department of Education transfers the balance of revenues in the Fund for Student Success into three statutorily defined education accounts according to the following statutory distribution percentages:

- At least 50% to the Student Investment Account established in ORS 327.175
- Up to 30% to the Statewide Education Initiatives Account established in ORS 327.250
- At least 20% to the Early Learning Account established in ORS 327.269.

Consistent with the March 2023 revenue forecast and the estimated beginning balances in each account, SB 5545 makes the following allocations from the Fund for Student Success for expenditures already budgeted in the Department of Education’s legislatively approved budget:

- \$891,938,410 to the Student Investment Account
- \$382,929,904 to the Statewide Education Initiatives Account
- \$397,567,727 to the Early Learning Account

### **Summary Tables**

The tables below 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 5545, but also include the impacts of changes in the lottery revenue forecast since the 2022 session. The subsequent tables summarize Oregon Marijuana Account and Fund for Student Success allocations in the 2021-23 legislatively approved budget. Similar to the Lottery Funds cash flow summary, the table for the Fund for Student Success also summarizes cash flow and the impacts of changes to forecasted revenue that are separate from the allocations made in SB 5545.

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<sup>1</sup> HB 3427 (2019) reduced personal income tax rates by 0.25% in the lowest three of the four personal income tax brackets. As personal income taxes are deposited in the General Fund for any lawful expense or obligation of the state, this provision of the measure had the effect of reducing resources available for state-funded programs, including K-12 education. The measure addressed the reduction of General Fund resources available to K-12 education by requiring a transfer from the Fund for Student Success into the State School Fund of the difference between personal income taxes generated at the former rate and personal income taxes generated at the reduced rate.

## LOTTERY FUNDS CASH FLOW SUMMARY

	2021-23 Legislatively Adopted Budget	2021-23 Legislatively Approved Budget (March 2022) <sup>1</sup>	2021-23 Legislatively Approved Budget (March 2023) <sup>2</sup>	SB 5545 and Revenue Adjustments
<b>ECONOMIC DEVELOPMENT FUND</b>				
<b>RESOURCES</b>				
Beginning Balance <sup>3</sup>	\$ 72,369,513	\$ 72,369,513	\$ 72,369,513	\$ -
Lottery Funds Reversions under ORS 461.559	-	5,258,580	5,258,580	-
<b>REVENUES</b>				
Transfers from Lottery				
Net Proceeds	1,651,460,725	1,735,906,280	1,818,357,833	82,451,553
Administrative Actions	-	-	-	-
Other Revenues				
Interest Earnings	2,000,000	2,000,000	2,000,000	-
Other	-	-	-	-
Total Revenue	1,653,460,725	1,737,906,280	1,820,357,833	82,451,553
<b>TOTAL RESOURCES</b>	<b>\$ 1,725,830,238</b>	<b>\$ 1,815,534,373</b>	<b>\$ 1,897,985,926</b>	<b>\$ 82,451,553</b>
<b>DISTRIBUTIONS / ALLOCATIONS</b>				
Distribution to Education Stability Fund	(297,262,930)	(312,463,130)	(326,772,187)	(14,309,057)
Distribution to Parks and Natural Resources Fund	(247,719,109)	(260,385,942)	(272,753,675)	(12,367,733)
Distribution for Veterans' Services Fund	(24,771,911)	(26,038,594)	(27,275,367)	(1,236,773)
Distribution for Outdoor School Fund	(49,418,728)	(49,418,728)	(49,418,728)	-
Distribution of Video Revenues to Counties	(54,209,527)	(54,209,527)	(54,209,527)	-
Distribution for Sports Programs	(16,514,607)	(16,514,607)	(16,514,607)	-
Distribution for Gambling Addiction	(16,514,510)	(16,542,526)	(16,542,526)	-
Distribution for County Fairs	(3,828,000)	(3,828,000)	(3,828,000)	-
Distribution to PERS Employer Incentive Fund	(12,665,769)	(15,335,236)	(15,335,236)	-
Allocation to State School Fund	(589,526,746)	(650,508,965)	(650,508,965)	-
Debt Service Allocations	(278,511,961)	(273,885,133)	(271,357,713)	2,527,420
Other Agency Allocations	(104,886,440)	(106,403,985)	(106,403,985)	-
<b>TOTAL DISTRIBUTIONS / ALLOCATIONS</b>	<b>\$ (1,695,830,238)</b>	<b>\$ (1,785,534,373)</b>	<b>\$ (1,810,920,516)</b>	<b>\$ (25,386,143)</b>
<b>ENDING BALANCE</b>	<b>\$ 30,000,000</b>	<b>\$ 30,000,000</b>	<b>\$ 87,065,410</b>	<b>\$ 57,065,410</b>

## LOTTERY FUNDS CASH FLOW SUMMARY (continued)

	2021-23 Legislatively Adopted Budget	2021-23 Legislatively Approved Budget (March 2022) <sup>1</sup>	2021-23 Legislatively Approved Budget (March 2023) <sup>2</sup>	SB 5545 and Revenue Adjustments
<b>EDUCATION STABILITY FUND</b> (not including the Oregon Growth Account balances) <sup>4</sup>				
<b>RESOURCES</b>				
Beginning Balance	\$ 414,351,706	\$ 414,351,706	\$ 414,351,706	\$ -
Revenues				
Transfer from the Economic Development Fund <sup>5</sup>	267,536,637	281,216,817	294,094,968	13,680,180
Interest Earnings	5,606,574	11,447,738	24,104,143	5,841,164
Oregon Growth Account Earnings Distributions	-	11,705,102	11,705,102	11,705,102
Total Revenue	\$ 273,143,211	\$ 304,369,657	\$ 329,904,213	\$ 31,226,446
<b>TOTAL RESOURCES</b>	<b>\$ 687,494,917</b>	<b>\$ 718,721,363</b>	<b>\$ 744,255,919</b>	<b>\$ 31,226,446</b>
<b>DISTRIBUTIONS</b>				
Oregon Opportunity Grant Program	(5,606,574)	(23,152,840)	(35,809,245)	(17,546,266)
Debt Service Allocations to Department of Education	-	-	-	-
Education Stability Fund Withdrawal	-	-	-	-
Treasury Account Fees	-	-	-	-
<b>TOTAL DISTRIBUTIONS</b>	<b>\$ (5,606,574)</b>	<b>\$ (23,152,840)</b>	<b>\$ (35,809,245)</b>	<b>\$ (17,546,266)</b>
<b>ENDING BALANCE</b>	<b>\$ 681,888,343</b>	<b>\$ 695,568,523</b>	<b>\$ 708,446,674</b>	<b>\$ 13,680,180</b>

1. The 2021-23 Legislatively Approved Budget is based on the March 2022 forecast of 2021-23 resources.

2. The 2021-23 Legislatively Approved Budget is based on the March 2023 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**

	<b>New Lottery Funds Allocation</b>	<b>Beginning Lottery Balance</b>	<b>Interest and Other Earnings</b>	<b>2021-23 LAB Expenditure Limitation</b>	<b>Ending Lottery Balance</b>
<b>ECONOMIC DEVELOPMENT FUND</b>					
<b>DEBT SERVICE COMMITMENTS</b>					
Higher Education Coordinating Commission Outstanding bonds	44,051,736	67,453	-	44,119,189	-
Business Development Department Outstanding and Proposed bonds	42,726,203	87,032	-	42,813,235	-
Housing and Community Services Department Outstanding and Proposed bonds	25,173,636	44,174	-	25,217,810	-
Department of Transportation Outstanding and Proposed bonds	120,825,742	156,837	-	120,982,579	-
Department of Administrative Services Outstanding and Proposed bonds	22,749,347	25,828	-	22,775,175	-
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	3,118,855	1,657	-	3,120,512	-
Water Resources Department Outstanding and Proposed bonds	6,884,395	1,084,545	-	7,968,940	-
Department of Veterans' Affairs Proposed bonds	250,254	-	-	250,254	-
<b>OTHER ALLOCATIONS</b>					
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	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	-
<b>TOTAL ECONOMIC DEVELOPMENT FUND</b>	<b>1,129,909,760</b>	<b>9,874,265</b>	<b>-</b>	<b>1,139,784,025</b>	<b>-</b>
<b>EDUCATION STABILITY FUND /</b>					
<b>OREGON EDUCATION FUND</b>					
Higher Education Coordinating Commission Opportunity Grants	35,809,245	13,674,716	-	29,820,982	19,662,979
<b>TOTAL EDUCATION STABILITY/OREGON EDUCATION FUND</b>	<b>35,809,245</b>	<b>13,674,716</b>	<b>-</b>	<b>29,820,982</b>	<b>19,662,979</b>

## 2021-23 Oregon Marijuana Account

	2021-23 Legislatively Adopted Budget	2021-23 Legislatively Approved Budget (March 2022)	2021-23 Legislatively Approved Budget (March 2023)	SB 5545 Adjustments
Cities	9,000,000	9,000,000	9,000,000	0
Counties	9,000,000	9,000,000	9,000,000	0
<b>Subtotal Local</b>	<b>18,000,000</b>	<b>18,000,000</b>	<b>18,000,000</b>	<b>0</b>
Drug Treatment and Recovery Services Fund	249,360,000	250,527,400	209,967,400	(40,560,000)
State School Fund	36,000,000	36,000,000	36,000,000	0
Mental Health Alcoholism & Drug Services Account	18,000,000	18,000,000	18,000,000	0
State Police Account	13,500,000	13,500,000	13,500,000	0
Drug and alcohol abuse prevention and treatment	4,500,000	4,500,000	4,500,000	0
<b>Subtotal State</b>	<b>321,360,000</b>	<b>322,527,400</b>	<b>281,967,400</b>	<b>(40,560,000)</b>
<b>Total</b>	<b>339,360,000</b>	<b>340,527,400</b>	<b>299,967,400</b>	<b>(40,560,000)</b>

PRELIMINARY

## FUND FOR STUDENT SUCCESS CASH FLOW SUMMARY

	2021-23 Legislatively Adopted Budget (May 2021) <sup>1</sup>	2021-23 Legislatively Approved Budget (Mar. 2023) <sup>2</sup>	SB 5545 and Revenue Adjustments
<b>FUND FOR STUDENT SUCCESS</b>			
<b>RESOURCES</b>			
Beginning Balance <sup>3</sup>	\$ 168,800,354	\$ 200,557,016	31,756,662
<b>REVENUES</b>			
Transfers from Department of Revenue			
Net Proceeds	2,368,296,601	2,451,027,104	82,730,503
Administrative Actions	(19,200,000)	(19,200,000)	-
Retain as a reserve/cash flow - ORS 327.001(4)(b)	(150,000,000)	(150,000,000)	-
Total Revenue	2,199,096,601	2,281,827,104	82,730,503
<b>TOTAL RESOURCES</b>	<b>\$ 2,367,896,955</b>	<b>\$ 2,482,384,121</b>	<b>\$ 114,487,166</b>
<b>TRANSFERS / ALLOCATIONS</b>			
Transfer to the High Cost Disabilities Account - ORS 327.001(4)(a)(A)	(40,000,000)	(40,000,000)	-
Transfer to the State School Fund - ORS 327.001(4)(a)(B)	(653,125,000)	(675,058,383)	(21,933,383)
Allocation to the Student Investment Account	(892,064,145)	(891,938,410)	125,735
Allocation to the Statewide Education Initiatives Account	(320,331,547)	(382,929,904)	(62,598,357)
Allocation to the Early Learning Account	(401,465,393)	(397,567,727)	3,897,666
<b>TOTAL DISTRIBUTIONS / ALLOCATIONS</b>	<b>\$ (2,306,986,085)</b>	<b>\$ (2,387,494,424)</b>	<b>\$ (80,508,339)</b>
<b>ENDING BALANCE</b>	<b>\$ 60,910,870</b>	<b>\$ 94,889,697</b>	<b>\$ 33,978,827</b>

1. The 2021-23 Legislatively Adopted Budget is based on the May 2021 close of session forecast of 2021-23 resources.

2. The 2021-23 Legislatively Approved Budget is based on the March 2023 forecast of 2021-23 resources.

3. 2021-23 beginning balance is equal to 2019-21 ending balance.

PRELIMINARY



**FUND FOR STUDENT SUCCESS CASH FLOW SUMMARY (continued)**

	<b>2021-23 Legislatively Adopted Budget (May 2021) <sup>1</sup></b>	<b>2021-23 Legislatively Approved Budget (Mar. 2023) <sup>2</sup></b>	<b>SB 5545 and Revenue Adjustments</b>
<b>STUDENT INVESTMENT ACCOUNT - ORS 327.175</b>			
<b>RESOURCES</b>			
Beginning Balance	\$ -	\$ 338,563	338,563
Revenues			-
Allocation from the Fund for Student Success	892,276,973	891,938,410	(338,563)
Total Revenue	\$ 892,276,973	\$ 892,276,973	-
<b>TOTAL RESOURCES</b>	<b>\$ 892,276,973</b>	<b>\$ 892,276,973</b>	<b>-</b>
<b>EXPENDITURES</b>			
Grants to education programs	(892,276,973)	(892,276,973)	-
<b>TOTAL STUDENT INVESTMENT ACCOUNT</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>ENDING BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>STATEWIDE EDUCATION INITIATIVES ACCOUNT - ORS 327.250</b>			
<b>RESOURCES</b>			
Beginning Balance	\$ -	\$ 16,389,726	16,389,726
Revenues			-
Allocation from the Fund for Student Success	332,901,420	382,929,904	50,028,484
Total Revenue	\$ 332,901,420	\$ 399,319,630	66,418,210
<b>TOTAL RESOURCES</b>	<b>\$ 332,901,420</b>	<b>\$ 399,319,630</b>	<b>66,418,210</b>
<b>EXPENDITURES</b>			
Grants to education programs	(332,901,420)	(386,819,630)	(53,918,210)
<b>TOTAL STATEWIDE EDUCATION INITIATIVES ACCOUNT</b>	<b>\$ -</b>	<b>\$ 12,500,000</b>	<b>\$ 12,500,000</b>
<b>ENDING BALANCE <sup>4</sup></b>	<b>\$ -</b>	<b>\$ 12,500,000</b>	<b>\$ 12,500,000</b>
<b>EARLY LEARNING ACCOUNT - ORS 327.269</b>			
<b>RESOURCES</b>			
Beginning Balance	\$ -	\$ 38,657,724	38,657,724
Revenues			-
Allocation from the Fund for Student Success	436,106,683	397,567,727	(38,538,956)
Total Revenue	\$ 436,106,683	\$ 436,225,451	118,768
<b>TOTAL RESOURCES</b>	<b>\$ 436,106,683</b>	<b>\$ 436,225,451</b>	<b>118,768</b>
<b>EXPENDITURES</b>			
Grants to education programs	(436,106,683)	(436,225,451)	(118,768)
<b>TOTAL EARLY LEARNING ACCOUNT</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>ENDING BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

4. The Statewide Education Initiatives Account ending balance is for deposit into the School Stabilization Subaccount for Wildfire-impacted School Districts (HB 4026, 2022).