FISCAL IMPACT OF PROPOSED LEGISLATION **Measure: HB 2261**

82nd Oregon Legislative Assembly – 2023 Regular Session
Legislative Fiscal Office
Only Impacts on Original or Engrossed Versions are Considered Official

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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:
Counties, Department of Administrative Services, Oregon Lottery Commission

Summary of Fiscal Impact:
Costs related to the measure may require budgetary action - See analysis.

Analysis:
HB 2261 requires that starting July 1, 2024, the Department of Administrative Services (DAS) must transfer an amount equal to 2.5% of the net forecasted receipts from video lottery games allocated to the Administrative Services Economic Development Fund (EDF) to counties for economic development activities each biennium. The Oregon Lottery Commission is to determine and inform DAS of the amount of net actual receipts from video lottery games allocated to the EDF during the eighth fiscal quarter of each biennium, and to inform DAS on the amount that each county would have received had the transfer to counties been based on the net actual receipts instead of net forecasted receipts. If the amount from actual receipts is greater than the forecasted receipts, DAS is to disburse the difference to the county in the first quarter of the subsequent biennium. If the amount from actual receipts is less than the forecasted receipts, DAS is to decrease one or more future disbursals to the county until the amount of the difference has been deducted. The measure takes effect on the 91st day after adjournment sine die of the 2023 regular session.

DAS distributes the EDF in adherence with constitutional and statutory funding priorities, as well as specific legislative allocations. 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), the county economic development programs (2.5% of net video lottery receipts), gambling addiction treatment programs (1%), public university sports programs and academic scholarships (1%), and county fair programs (1%, up to a maximum of $1.53 million annually adjusted for inflation). Net proceeds from sports betting games are dedicated to match qualifying employer payments to the Public Employees Retirement System Employer Incentive Fund.

ORS 461.547 requires that 2.5% of net proceeds of video lottery gaming be distributed to counties for economic development. Beginning with the 2005-07 biennium, 50% of the operating costs for the Economic Revitalization Team established under ORS 284.555 have 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 2021-23 biennium, rather than the percentage allocation described in statute. The fixed dollar amount allocated for the 2021-23 biennium totaled $54,209,527, which is equal to 2.5% of the amount of video lottery proceeds forecasted in the May 2021 revenue forecast, minus one-half of the allocation to the Regional Solutions Program.

There is no fiscal impact for DAS, Oregon Lottery Commission, or counties regarding the implementation of this measure. However, the measure changes the state's current lottery revenue allocation and budgeting process. 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.

This measure warrants a subsequent referral to the Joint Committee on Ways and Means for consideration of its impact on lottery allocations.