

**76th OREGON LEGISLATIVE ASSEMBLY – 2012 Session
BUDGET REPORT AND MEASURE SUMMARY**

MEASURE: SB 5702-A

JOINT COMMITTEE ON WAYS AND MEANS

**Carrier – House: Rep. Cowan
Carrier – Senate: Sen. Verger**

Action: Do Pass as Amended and as Printed A-Engrossed

Vote: 24 – 0 – 1

House – Yeas: Beyer, Buckley, Cowan, Freeman, Garrard, Komp, McLane, Nathanson, Nolan, Read, Richardson, G. Smith, Thatcher, Whisnant
– Nays:
– Exc:

Senate – Yeas: Bates, Devlin, Girod, Johnson, Monroe, Nelson, Thomsen, Verger, Whitsett, Winters
– Nays:
– Exc: Edwards

Prepared By: Steve Bender, Legislative Fiscal Office

Meeting Date: March 5, 2012

<u>Agency</u>	<u>Budget Page</u>	<u>LFO Analysis Page</u>	<u>Biennium</u>
Various Agencies – Lottery and Criminal Fine and Assessment Account Allocation Changes	---	---	2011-13

Summary of Revenue Changes

The Oregon Lottery collects revenues from traditional and video lottery gaming. It pays player prizes and its operating expenses out of these revenues and then transfers the balance (net profits) to the Administrative Services Economic Development Fund (EDF). The Department of Administrative Services then distributes funds from the EDF in adherence with constitutional and statutory funding priorities, including specific Legislative allocations.

The March 2012 revenue forecast for available lottery funds in this biennium is \$35,583,512 below the level of revenues assumed in the 2011 Legislatively Adopted Budget, and \$3,681,388 above the approved allocations in the 2011 Legislatively Adopted Budget. The Legislatively Adopted Budget allocations, including the allocations specified in the constitution and not included in this bill, total \$1,091,736,711, compared to the \$1,095,418,099 of total lottery resources projected for the biennium in the March 2012 revenue forecast.

Summary of Committee Action

Allocation of Lottery Revenue

Two allocations are specified in the constitution. The Education Stability Fund receives 18 percent of net lottery proceeds and the Parks and Natural Resources Fund receives 15 percent of net lottery proceeds. The lottery funds transferred to these two Funds change in direct proportion to revenue changes. The March 2012 lottery revenue forecast translates into a \$6,405,019 reduction in revenue to the Education Stability Fund, and a \$5,337,516 reduction to the Parks and Natural Resources Fund, each equivalent to a 3.2% reduction from the levels anticipated in the 2011-13 Legislatively Adopted Budget.

The Committee approved net lottery allocation increases totaling \$3,681,388. Senate Bill 5701 contains Lottery Funds expenditure limitation adjustments for most of the lottery allocation adjustments in this bill. The lottery allocation adjustments include increases totaling \$7,800,212 to pay debt service costs for lottery revenues bonds, and reductions totaling \$3,494,895 to various programs. The debt service allocation increases are necessary to restore the 3.5% lottery allocation reductions approved in the 2011-13 legislatively adopted budget to finance a statewide supplemental ending balance. Although the restorations are less than the \$9.6 million in those 3.5% reductions, they provide sufficient funding for full payment of debt service costs.

Program Allocation Changes

The Committee reduced the lottery allocation to the State School Fund by \$2,979,570. This reduction is backfilled with an equal amount of General Fund in Senate Bill 5701.

Senate Bill 5702 also includes the following lottery allocation reductions:

- Oregon Business Development Department – decreases the allocation for Shared Services operations by \$139,171.

- Oregon Business Development Department – decreases the allocation for Business, innovation, and trade by \$293,896.
- Oregon Business Development Department – decreases the allocation for the Oregon Film and Video Office by \$81,315.
- Office of the Governor – decreases the allocation to the Office of the Governor by \$943 as a technical correction to the allocation amount approved in the 2011 session.
- Oregon University System – decreases the allocation to the Sports Lottery Account by \$232,960.
- Oregon Health Authority – decreases the allocation to the Problem Gambling Treatment Fund by \$390,969.

Debt Service Allocation Changes

The lottery allocation to pay debt service on lottery bonds issued prior to the start of the 2011-13 biennium is increased by \$8,046,216. In the 2011 session, the Legislature reduced the debt service allocation for existing lottery bonds by 3.5% to provide a statewide supplemental ending balance. The debt service allocation increase provides the level of Lottery Funds needed to pay all 2011-13 biennium debt service costs on these bonds.

The lottery allocation to pay debt service on new lottery bonds issued in the 2011-13 biennium is decreased by \$246,004. The allocation for debt service for new Housing and Community Services Department lottery bonds is reduced by \$312,164 (eliminated). Because the 2012 session budget reconciliation delays issuance of the Housing and Community Services Department lottery bonds until Spring 2013, there will be no debt service costs associated with these bonds in the 2011-13 biennium. The debt service allocation for all other new lottery bonds approved in the 2011 session is increased by \$66,160 to restore the 3.5% allocation reduction approved in the 2011 session for the statewide supplemental ending balance. This debt service allocation increase provides the level of Lottery Funds that is forecast to be needed to pay all 2011-13 biennium debt service costs on these bonds. No allocation is provided for lottery bonds approved in the 2012 session. Any such bonds will not be issued before Spring 2013, so there will be no debt service costs associated with them in the 2011-13 biennium.

The Committee updated the formula that the Department of Administrative Services uses to reduce Lottery Funds transfers in the event of a funding shortfall, to reflect the approved changes in the allocations for debt service.

Allocation of Criminal Fine and Assessment Account and Criminal Fine Account Funds

The Committee approved a decrease in the allocation of Criminal Fine and Assessment (CFAA) and Criminal Fine Account (CFA) revenues for the Department of Public Safety Standards and Training of \$873,897. These revenues are collected from fines, assessments, and other financial penalties, imposed on certain convictions for felonies, misdemeanors, and violations. This reduction will result in the termination of the child abuse training program and the elimination of six positions (3.75 FTE) including two range masters, a training support specialist, a training development coordinator, and a health and fitness coordinator. The resources reduced in this bill will be deposited in the General Fund and used to balance the overall state budget. There is a corresponding reduction in Other Funds expenditure limitation in Senate Bill 5701.

Administrative Services Economic Development Fund (Lottery Funds) 2011-13 Biennium

		Current Law 2011-13 Lottery Allocations	February 2012 Lottery Revenue Forecast	Debt Service Allocation Adjustments	2011-13 Budget Reconciliation Adjustments	SB 5702-A Lottery Allocation Adjustments	Revised 2011-13 Lottery Allocations
<u>Lottery Resources</u>							
Beginning Balance		244,821	244,736				244,736
Interest Income		1,100,000	1,100,000				1,100,000
Administrative Savings		8,000,000	8,005,456				8,005,456
Disappropriations & Reversions		1,361,248	1,361,248				1,361,248
Net Lottery Proceeds		1,120,295,553	1,084,706,659				1,084,706,659
Total Lottery Resources		1,131,001,622	1,095,418,099	-	-	-	1,095,418,099
<u>Transfers and Allocations</u>							
<u>Dedicated Transfers</u>							
Ed Stability Fund 18%		203,093,200	196,688,181				196,688,181
Parks & Natural Resources 15%		169,244,333	163,906,817				163,906,817
County Video Lottery	sec. 10, ch. 622, Oregon Laws 2011	37,118,584	37,118,584		-	-	37,118,584
OUS Sports Lottery Account	sec. 9, ch. 622, Oregon Laws 2011	8,825,680	8,825,680		(232,960)	(232,960)	8,592,720
Gambling Addiction Treatment	sec. 11, ch. 622, Oregon Laws 2011	10,972,521	10,972,521		(390,969)	(390,969)	10,581,552
County Fairs Distribution	sec. 12, ch. 622, Oregon Laws 2011	3,600,135	3,600,135			-	3,600,135
County Fairs - Administration (to ODA)	sec. 13, ch. 622, Oregon Laws 2011	18,354	18,354			-	18,354
Total Dedicated Transfers		432,872,807	421,130,272	-	(623,929)	(623,929)	420,506,343
<u>Program Allocations</u>							
Business Development Dept. - Shared services	sec. 3(1), ch. 622, Oregon Laws 2011	6,822,694	6,822,694		(139,171)	(139,171)	6,683,523
Business Development Dept. - BIT	sec. 3(2), ch. 622, Oregon Laws 2011	45,534,264	45,534,264		(293,896)	(293,896)	45,240,368
Business Development Dept. - Film & Video	sec. 3(3), ch. 622, Oregon Laws 2011	1,207,893	1,207,893		(81,315)	(81,315)	1,126,578
Dept. of Education - State School Fund	sec. 4, ch. 622, Oregon Laws 2011	374,741,287	374,741,287		(2,979,570)	(2,979,570)	371,761,717
Governor's Office - Econ. Revitalization Team	sec. 6, ch. 622, Oregon Laws 2011	1,856,674	1,856,674		(943)	(943)	1,855,731
Total Program Allocations		430,162,812	430,162,812	-	(3,494,895)	(3,494,895)	426,667,917
<u>Debt Service</u>							
Business Development Dept. - Old bonds	sec. 8(1), ch. 622, Oregon Laws 2011	79,199,162	79,199,162	2,834,047		2,834,047	82,033,209
Dept. of Transportation - Old bonds	sec. 8(1), ch. 622, Oregon Laws 2011	69,455,197	69,455,197	2,669,851		2,669,851	72,125,048
Department of Education - Old bonds	sec. 8(1), ch. 622, Oregon Laws 2011	47,811,752	47,811,752	1,367,790		1,367,790	49,179,542
Housing & Community Services - Old bonds	sec. 8(1), ch. 622, Oregon Laws 2011	10,045,891	10,045,891	303,452		303,452	10,349,343
Housing & Community Services - New bonds	sec. 8(2), ch. 622, Oregon Laws 2011	312,164	312,164	(312,164)		(312,164)	-
DAS - Pass-through bonds - Old bonds	sec. 8(1), ch. 622, Oregon Laws 2011	6,823,325	6,823,325	238,531		238,531	7,061,856
DAS - Pass-through bonds - New bonds	sec. 8(2), ch. 622, Oregon Laws 2011	1,281,027	1,281,027	46,461		46,461	1,327,488
Oregon University System - Old bonds	sec. 8(1), ch. 622, Oregon Laws 2011	13,223,235	13,223,235	225,167		225,167	13,448,402
Oregon University System - New bonds	sec. 8(2), ch. 622, Oregon Laws 2011	214,871	214,871	7,793		7,793	222,664
CCWD - Old bonds	sec. 8(1), ch. 622, Oregon Laws 2011	6,841,327	6,841,327	236,360		236,360	7,077,687
Water Resources Dept. - Old bonds	sec. 8(1), ch. 622, Oregon Laws 2011	553,635	553,635	18,483		18,483	572,118
Water Resources Dept. - New bonds	sec. 8(2), ch. 622, Oregon Laws 2011	152,455	152,455	5,529		5,529	157,984
State Forestry Dept. - Old bonds	sec. 8(1), ch. 622, Oregon Laws 2011	2,274,497	2,274,497	72,799		72,799	2,347,296
State Forestry Dept. - New bonds	sec. 8(2), ch. 622, Oregon Laws 2011	175,837	175,837	6,377		6,377	182,214
State Department of Energy - Old bonds	sec. 8(1), ch. 622, Oregon Laws 2011	2,079,252	2,079,252	79,736		79,736	2,158,988
Total Debt Service Allocations		240,443,627	240,443,627	7,800,212	-	7,800,212	248,243,839
Total Resources		1,131,001,622	1,095,418,099	-	-		1,095,418,099
Total Transfers and Allocations		1,103,479,246	1,091,736,711	7,800,212	(4,118,824)	3,681,388	1,095,418,099
Ending Balance		27,522,376	3,681,388				-

LOTTERY FUNDS CASH FLOW SUMMARY

	2011-13 Legislatively Adopted Budget	2011-13 Legislatively Approved Budget	Percent Change
ECONOMIC DEVELOPMENT FUND			
RESOURCES			
Beginning Balance	\$244,821	\$244,736	0.0%
REVENUES			
Transfers from Lottery			
Net Proceeds	\$1,120,295,553	\$1,084,706,659	-3.2%
Administrative Savings	\$8,000,000	8,005,456	0.1%
Other Revenues			
Interest Earnings	\$1,100,000	1,100,000	0.0%
Reversions	\$1,361,248	1,361,248	0.0%
Total Revenue	1,130,756,801	1,095,173,363	-3.1%
TOTAL RESOURCES			
	1,131,001,622	1,095,418,099	-3.1%
DISTRIBUTIONS / ALLOCATIONS			
Distribution of Video Revenues to Counties	\$37,118,584	37,118,584	0.0%
Distribution to OUS Sports Lottery Account	\$8,825,680	8,592,720	-2.6%
Distribution to Education Stability Fund	\$203,093,200	196,688,181	-3.2%
Distribution to Parks and Natural Resources Fund	\$169,244,333	163,906,817	-3.2%
Distribution for Gambling Addiction Treatment Programs	\$10,972,521	10,581,552	-3.6%
Allocation to State School Fund	\$374,741,287	371,761,717	-0.8%
Debt Service Allocations	\$240,443,627	248,243,839	3.2%
Other Agency Allocations	\$59,040,014	58,524,689	-0.9%
TOTAL DISTRIBUTIONS / ALLOCATIONS	1,103,479,246	1,095,418,099	-0.7%
ENDING BALANCE	\$27,522,376	\$0	-100.0%
EDUCATION STABILITY FUND			
(not including the OGA or ORTDF)			
RESOURCES			
Beginning Balance	0	5,061,518	
Revenues			
Transfer from the Economic Development Fund	192,938,540	187,035,590	-3.1%
Interest Earnings	1,466,342	392,747	-73.2%
Total Revenue	194,404,882	187,428,337	-3.6%
TOTAL RESOURCES			
	194,404,882	192,489,855	-1.0%
DISTRIBUTIONS			
Interest Distributions	(1,466,463)	(431,799)	-70.6%
Transfers to the State School Fund	(182,239,000)	(182,239,000)	0.0%
TOTAL DISTRIBUTIONS	(183,705,463)	(182,670,799)	-0.6%
ENDING BALANCE	\$10,699,419	\$9,819,056	-8.2%