

**75th OREGON LEGISLATIVE ASSEMBLY – 2010 Special Session
BUDGET REPORT AND MEASURE SUMMARY**

MEASURE: HB 5101-A

JOINT COMMITTEE ON WAYS AND MEANS

**Carrier – House: Rep. Richardson
Carrier – Senate: Sen. Bates**

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

Vote: 23 – 0 – 1

House – Yeas: Barker, Buckley, Cowan, Edwards, Garrard, Gilman, Jenson, Komp, Kotek, Nathanson, Richardson

– Nays:

– Exc: G. Smith

Senate – Yeas: Bates, Courtney, Edwards, Girod, Johnson, Kruse, Monroe, Nelson, Shields, Verger, Whitsett, Winters

– Nays:

– Exc:

Prepared By: Jim Carbone, Department of Administrative Services

Reviewed By: Steve Bender, Legislative Fiscal Office

Meeting Date: February 22, 2010

Agency

Various Agencies – Lottery and Criminal Fine
and Assessment Account Allocation Changes

Budget Page

LFO Analysis Page

Biennium

2009-11

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 2010 revenue forecast for available lottery funds in this biennium is \$59,088,400 below the approved allocations in the 2009 Legislatively Adopted Budget. (The Legislatively Adopted allocations equal \$1,132,921,198 compared to the March 2010 forecast of lottery revenues of \$1,073,832,798).

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 allocations for these funds change in direct proportion to revenue changes. The March 2010 revenue forecast change would translate into \$11,769,912 less for the Education Stability Fund and \$9,808,260 less for the Parks and Natural Resources Fund.

The Committee approved lottery allocation reductions totaling \$37,510,228. House Bill 5100 has corresponding Lottery Funds expenditure limitation reductions for most of these items. The Committee reduced the lottery allocation to the State School Fund by \$29,980,328. This reduction is backfilled with General Fund in House Bill 5100.

The Committee proportionally reduced several dedicated allocations based on the currently projected lottery deficit:

- Video Lottery distribution to Counties is reduced by \$3,270,834 (to the level projected in the March 2010 revenue forecast).
- Distribution to the Department of Human Services for problem gambling addiction programs is reduced by \$653,972.
- Distribution to the Office of the Governor for the Economic Revitalization Team is reduced by \$72,315.
- Distribution to the Department of Administrative Services for County Fairs is reduced by \$213,545.
- Distribution for the Department of Agriculture for County Fair administration is reduced by \$1,555.

The interest rate that the State received for its Fall 2009 lottery bond sale was substantially lower than anticipated. As a result, the cost of debt service for the projects funded by this sale is less the original lottery allocation amounts established for these costs. The Committee reduced allocations for lottery debt service by \$451,662 to capture these savings.

Lottery bond sales for the Oregon Business Development Department (\$17.5 million) and the Community College and Workforce Development Department (CCWD) (\$3.7 million) will be delayed until May 2011, saving \$2,079,041 and \$376,500 debt service, respectively. In addition, CCWD will require \$73,698 less lottery revenue by using accumulated interest earnings to pay a portion of their debt service during this biennium. The Committee reduced related lottery allocations for these items by a total of \$2,529,239.

Other lottery allocation reductions approved by the Committee were:

- Oregon Business Development Department – capture lottery dollars that were carried forward from 2007-09 for the Main Street program: \$49,702.
- Oregon Business Development Department - reduce lottery funding for Shared Services Operations: \$287,076.

The Committee updated the formula that the Department of Administrative Services uses to reduce Lottery Funds transfers in the event of a funding shortfall, for the approved changes in the allocations for debt service. The Committee also approved a reduction in the amount of the 2009-11 biennium Administrative Services Economic Development Fund ending fund balance that will be transferred to the school capital matching subaccount. The amount of this transfer is reduced by an amount equal to the sum of the lottery allocation reductions approved in the bill. This adjustment will allow the transfer to be equal the level initially anticipated in the 2009-11 budget, for any level of lottery resources ultimately realized this biennium.

Allocation of Criminal Fine and Assessment Account Funds

The Committee approved a decrease in the allocation of Criminal Fine and Assessment (CFAA) revenues for the Department of Public Safety Standards and Training of \$1.8 million. CFAA revenues are collected from fines, assessments, and other financial penalties, including the Unitary Assessment, imposed on conviction for felonies, misdemeanors, and violations other than parking infractions. This reduction is possible in part because the carry forward of resources from 2007-09 was greater than expected and the agency has renegotiated a major contract for services which reduces the overall costs of the agency. This allocation reduction should not affect the planned operations of the agency. There is a corresponding reduction in Other Funds expenditure limitation in House Bill 5100.