

## Revenue Section

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### LOTTERY FUNDS

Oregon's Lottery proceeds are used in the education, economic and community development, natural resources, and public safety program areas. Lottery Funds make up approximately 6.2 percent of the state's General Fund and Lottery Funds expenditure budget.

The Oregon Lottery collects revenues from traditional and video lottery gaming. It pays player prizes and its operating expenses out of these revenues. It then transfers the balance to the state. The state will receive \$933.9 million in transfers from the Lottery in 2005-07. This includes \$120 million anticipated to be available from gaming expansion and other potential Lottery Commission actions. Interest on the Economic Development and Education Stability Funds, along with carry forward revenue, will provide an additional \$5.4 million and \$32.7 million of resources, respectively.

Lottery Funds are transferred to the Administrative Services Economic Development Fund. That fund is distributed based on current law and legislative direction:

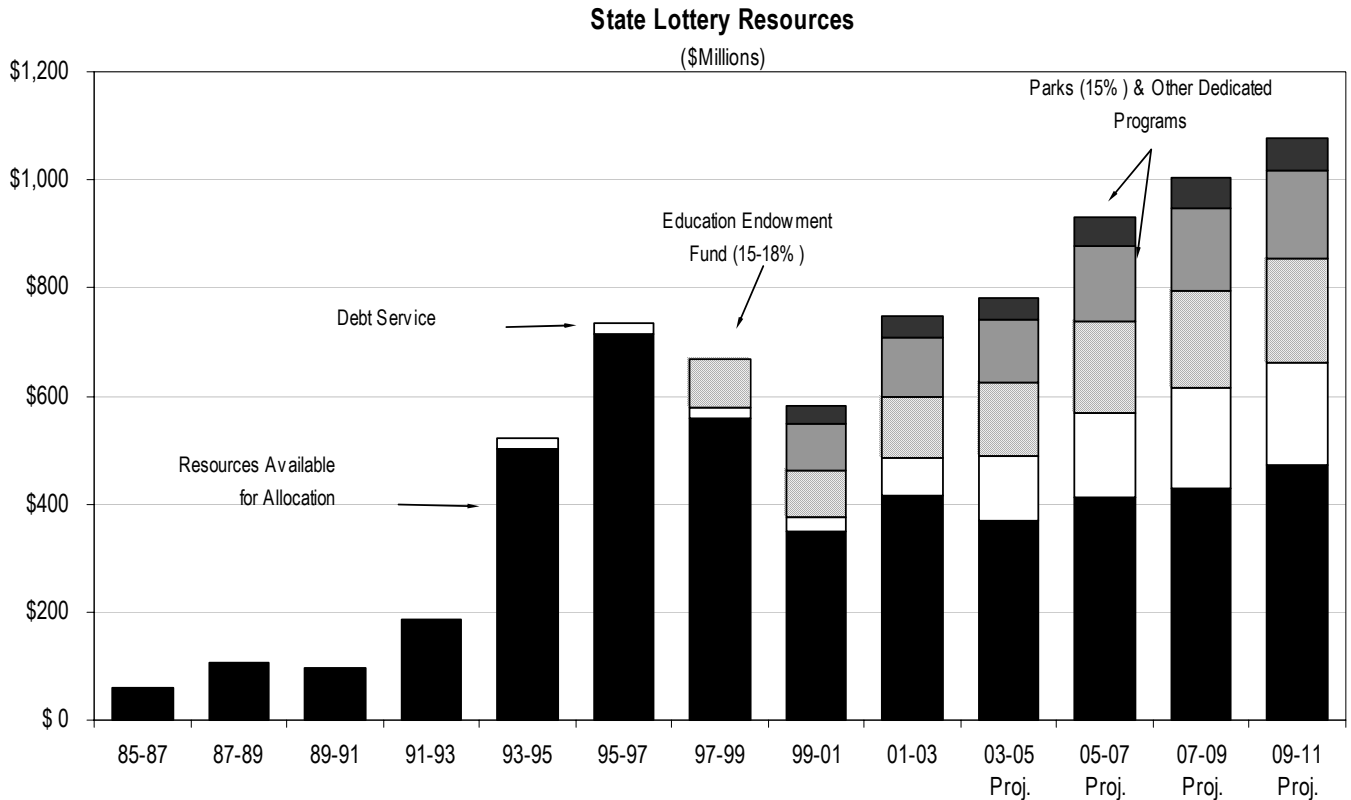
- Counties receive 2.5 percent of video poker proceeds. This is \$34.9 million for 2005-07.
- Sports related revenues go to the Department of Higher Education. It uses the money for intercollegiate athletics and for non-athletic scholarships. The budget includes \$5.1 million from this source.
- The Education Stability Fund receives 18 percent of total transfers. This amounts to \$168.1 million in 2005-07. The Fund balance will be \$201.4 million by June 30, 2007.

Interest on the Fund, except for the Oregon Growth Account portion of the Fund, is dedicated as follows:

- The Department of Education receives 75 percent of the interest earned. It will use this to pay debt service on education bonds.
- The Student Assistance Commission receives 25 percent. This will fund education grants.
- Also, under certain conditions, the Legislature can make transfers from the Education Stability Fund to the State School Fund.
- The Parks and Natural Resources Fund receives 15 percent of total transfers. The Oregon Constitution requires that half of this money be used for parks, ocean shore and public beach access, historic sites, and recreation areas. The other half must be used to help restore and protect wild salmon, watersheds, fish and wildlife habitat, and water quality. The Governor's balanced budget uses the funds for projects in a number of state agencies.
- The Problem Gambling Treatment Fund receives one percent of total transfers. This amounts to \$9.3 million in 2005-07.
- The Department of Administrative services receives money for distribution to county fairs. By law, this amount equals one percent of total transfers up to a cap specified by statute. The Governor's balanced budget includes \$3.3 million for this purpose.

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The rest of the Lottery Funds are available for allocation to agencies for Lottery bond debt service expenditures and other program purposes. The following chart shows how the state's available Lottery resources have changed over time. It also shows how more of the available resources have been dedicated for various uses.



This recommended budget reflects the dedicated Sports, Education Stability Fund, Parks and Natural Resources Fund, Problem Gambling Treatment, and County Fair expenditures. The Governor proposes to use the remaining Lottery funds for:

- The State School Fund.
- Debt service costs on outstanding and proposed bonds for education, transportation, economic development, and infrastructure activities.
- State Police patrol activities and fish and wildlife enforcement.
- Economic development programs and agency operations.

The budget also gives “carry forward” expenditure limitation to some agencies. This lets them spend Lottery Funds they received in the previous biennium, but did not spend, for other projects.

The following tables show the state's Lottery Funds cash flow, and each agency's Lottery Funds budget. Lottery expenditures are described in more detail in each agency's budget narrative.

## LOTTERY FUNDS CASH FLOW SUMMARY

	2003-05 Estimated Budget <sup>1</sup>	2005-07 Governor's Recommended Budget <sup>2</sup>
<b>ECONOMIC DEVELOPMENT FUND</b>		
RESOURCES		
Beginning Balance	\$11,100,351	\$0
REVENUES		
Transfers from Lottery		
Net Proceeds	702,118,925	813,928,052
Administrative Savings and Other Commission Actions	9,320,349	120,000,000
Other Revenues		
Interest Earnings	305,439	2,000,000
Reversions	1,278,546	0
Total Revenue	713,023,258	935,928,052
TOTAL RESOURCES	724,123,609	935,928,052
DISTRIBUTIONS / ALLOCATIONS		
Distribution of Video Revenues to Counties	(25,359,887)	(34,895,621)
Sports Action Distribution to Higher Education	(5,084,481)	(5,095,418)
Distribution to Education Endowment Fund	(128,059,069)	(168,107,049)
Distribution to Parks and Natural Resources Fund	(106,715,891)	(140,089,208)
Distribution for Gambling Addiction	(7,114,393)	(9,339,281)
Allocation to State School Fund <sup>3</sup>	(284,635,301)	(295,732,859)
Debt Service Allocations	(121,582,298)	(156,870,498)
Other Agency Allocations	(45,572,290)	(125,798,118)
<b>TOTAL DISTRIBUTIONS / ALLOCATIONS</b>	<b>(724,123,609)</b>	<b>(935,928,052)</b>
<b>ENDING BALANCE</b>	<b>\$0</b>	<b>\$0</b>
<b>EDUCATION ENDOWMENT FUND</b>		
RESOURCES		
Beginning Balance	16,059,574	33,276,690
Revenues		
Transfer from the Economic Development Fund	128,059,069	168,107,049
Interest Earnings	2,011,455	3,382,657
Total Revenue	130,070,524	171,489,706
DISTRIBUTIONS <sup>4</sup>		
Distribution to State School Fund	(115,253,162)	0
Interest Distributions	(1,810,368)	(3,382,657)
<b>TOTAL DISTRIBUTIONS</b>	<b>(117,063,530)</b>	<b>(3,382,657)</b>
<b>ENDING BALANCE</b>	<b>\$29,066,568</b>	<b>\$201,383,739</b>
<b>PARKS AND NATURAL RESOURCES FUND</b>		
RESOURCES		
Beginning Balance	\$176,625	\$0
Revenues		
Transfer from the Economic Development Fund	106,715,891	140,089,208
Interest Earnings	0	0
Total Revenue	106,892,516	140,089,208
TOTAL RESOURCES	106,892,516	140,089,208
<b>ALLOCATIONS <sup>5</sup></b>	<b>(106,892,516)</b>	<b>(140,089,208)</b>
<b>ENDING BALANCE</b>	<b>\$0</b>	<b>\$0</b>

1. The 2003-05 Estimated Budget is based on the March 2004 forecast of 2003-05 resources.

2. The Governor's recommended budget is based on the December 2004 forecast of 2005-07 resources plus an estimate of additional resources that are expected to be available from expansion of gaming or other Lottery Commission actions.

3. Includes approximately \$21.5 million additional resources available to the State School Fund above the Legislatively Adopted Budget. Additional resources based on forecast growth, administrative savings, and other Lottery Commission actions.

4. Declared earnings on the non-Oregon Growth Account portion of the Education Stability Fund are distributed. The Oregon Education Fund receives 75 percent of the earnings to pay debt service on Education Lottery Bonds. The Student Assistance Commission receives the remaining 25 percent. Not all the interest distributions in the Oregon Education Fund will be used for debt service in 2005-07 due to timing of payments.

5. Moneys from the Parks and Natural Resources Fund are continuously appropriated to the Parks and Recreation Department and the Oregon Watershed Enhancement Board. Agency expenditure limitation may include an amount related to carryforward in the agencies that is not represented here.

**2005-07 LOTTERY FUNDS ALLOCATIONS AND EXPENDITURES**

	<b>New Lottery Funds Allocation</b>	<b>Beginning Lottery Balance</b>	<b>Interest and Other Earnings</b>	<b>GRB Expenditure Limitation</b>	<b>Ending Lottery Balance</b>
<b>ECONOMIC DEVELOPMENT FUND</b>					
DEBT SERVICE COMMITMENTS					
Department of Education Bonds outstanding prior to 2005-07	53,385,371	1,943,724	1,200,000	55,929,095	600,000
Department of Higher Education Outstanding and proposed bonds	6,434,290	2,573	0	6,436,863	0
Economic and Community Development Dept. Outstanding and proposed bonds	53,576,459	32,105	0	53,608,564	0
Housing and Community Services Dept. Bonds outstanding prior to 2005-07	4,434,324	26,214	7,500	4,460,538	7,500
State Fair and Exposition Center Bonds outstanding prior to 2005-07	4,232,585	657,013	0	4,235,235	654,363
Department of Transportation Outstanding and proposed bonds	33,186,430	794	0	33,187,224	0
Department of Administrative Services Public Broadcasting Bonds outstanding prior to 2005-07	1,621,039	1,079	0	1,622,118	0
OTHER ALLOCATIONS					
Department of Higher Education Sports Related	5,095,418	466,453	0	5,561,871	0
Department of Education State School Fund	295,732,859	0	0	295,732,859	0
Department of Administrative Services For Department of Agriculture County Fairs Admin. Distribution to County Fairs	34,000 3,330,656	25,675 0	0 0	34,000 3,330,656	25,675 0
Economic and Community Development Dept. Operations	16,414,447	0	0	15,538,578	875,869
Oregon Development Fund	34,884,473	4,964,677	0	39,849,150	0
Film and Video	841,605	0	0	841,605	0
Oregon State Police Patrol Activities and Fish & Wildlife Enforcement	69,629,481	0	0	69,629,481	0
Office of the Governor Economic Revitalization Team	663,456	0	0	663,456	0
Department of Human Services Gambling Addiction Treatment	9,339,281	656,761		7,804,844	2,191,198
<b>TOTAL ECONOMIC DEVELOPMENT FUND</b>	<b>\$592,836,174</b>	<b>\$8,777,068</b>	<b>\$1,207,500</b>	<b>\$598,466,137</b>	<b>\$4,354,605</b>
<b>EDUCATION STABILITY FUND / OREGON EDUCATION FUND</b>					
Student Assistance Commission Need Grants	845,665	228,382	0	761,190	312,857
Department of Education Education Bonds	2,536,992	825,855	0	1,000,000	2,362,847
<b>TOTAL EDUCATION STABILITY/OREGON EDUCATION FUND</b>	<b>\$3,382,657</b>	<b>\$1,054,237</b>	<b>\$0</b>	<b>\$1,761,190</b>	<b>\$2,675,704</b>
<b>PARKS &amp; NATURAL RESOURCES FUND</b>					
Oregon Watershed Enhancement Board Capital and Operations	45,193,666	8,721,073	730,000	43,403,113	11,241,626
Department of Agriculture Capital and Operations	6,374,093	158,618	0	6,374,093	158,618
Department of Environmental Quality Capital and Operations	3,803,149	0	0	3,534,936	268,213
Department of Fish and Wildlife Capital and Operations	7,908,400	0	0	7,891,858	16,542
State Police Capital and Operations	6,765,296	652,605	0	6,386,033	1,031,868
State Parks and Recreation Dept. Debt Service	1,979,466	1,180,424	0	3,159,890	0
Capital and Operations	68,065,138	12,163,315	859,905	69,143,928	11,944,430
<b>TOTAL PARKS &amp; NATURAL RESOURCES FUND</b>	<b>\$140,089,208</b>	<b>\$22,876,035</b>	<b>\$1,589,905</b>	<b>\$139,893,851</b>	<b>\$24,661,297</b>
<b>GRAND TOTAL</b>	<b>\$736,308,039</b>	<b>\$32,707,340</b>	<b>\$2,797,405</b>	<b>\$740,121,178</b>	<b>\$31,691,606</b>