

Legislative Fiscal Office

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Budget Information Brief / 2001-1

Lottery Fund Expenditures on Lottery Backed Bonds

The 2001 Legislature continued the trend toward increased use of current Lottery Fund resources to support debt service on issuance of lottery backed bonds.

- **1993-95:** The 1993 Legislature approved the issuance of \$96.7 million in bonds for construction of the Westside Light Rail project.
- **1995-97:** No lottery-backed bonds were issued by the 1995 Legislature.
- **1997-99:** The 1997 Legislature approved a total of \$182.2 million in bonds, of which \$150 million was for primary education facilities and equipment. The 1997 Legislature also authorized \$5 million in lottery backed bonding for the state match to the Federal Safe Drinking Water Revolving Loan Fund. Federal Funds of \$20 million a biennium are received to capitalize this Fund, and the State provides a 20% match.
- **1999-2001:** The 1999 Legislature

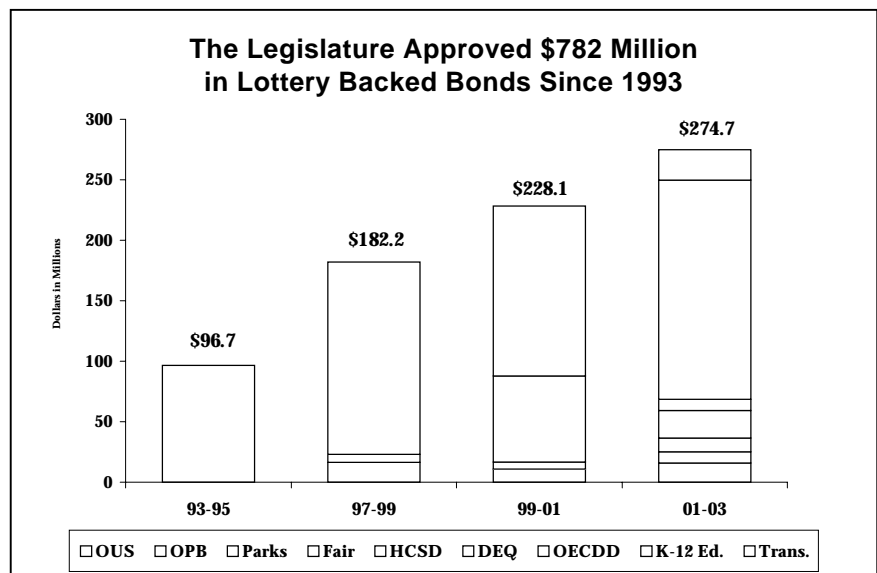
added \$228.1 million in bond authority, including \$127 million for primary education facilities and equipment. The Legislature established a \$70 million bond package for economic and community development programs. Within this cap were:

- \$5 million for Federal Safe Drinking Water Revolving Loan Fund match.
- \$17.7 million for Columbia River channel deepening. (The Columbia River project was contingent on congressional authorization, which did not occur in the 1999-01 biennium.)
- \$20 million for a Coos Bay natural gas pipeline. (The Coos Bay pipeline project was contingent on local voter approval, which occurred in 2000.)

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- \$40 million for infrastructure grants and loans.
- \$25 million for the Community Development Incentive Project in the Department of Housing and Community Services. (Five million in bonds were issued in 2001.)
- \$5 million for park acquisition. (The cap was reached before these bonds were issued.)
- The Legislature also authorized \$10.2 million in bond proceeds for renovation of Oregon State Fair facilities and \$1 million for the Economic and Community Development Department to complete development of gardens and grounds at The Oregon Garden.

- **2001-03:** The 2001 Legislature approved a total of \$274.7 million of lottery backed bonds. Within that amount, \$181.1 million is for the Economic and Community Development Department, including:
 - \$150 million for infrastructure grants and loans. When combined with proceeds from existing loans, these bonds will provide \$50 million per biennium for sustainable infrastructure loans.



- \$5 million match on the Federal Safe Drinking Water Revolving Loan Fund. The total bonds issued for the state match are \$15 million.
- \$28 million for Columbia River channel deepening. This replaces the authorization from 1999. The project will proceed only if there is congressional approval and a commitment from the State of Washington for its share of the cost.
- \$750,000 to be used for a study and renovation of the Columbia River estuary.
- \$2.3 million for the purchase of a railroad in Wallowa and Union Counties. Expenditure limitation will be provided when the parties, the Economic and Community Development Department, and the Department of Transportation reach agreement on the purchase and use of the railroad.

The Legislature approved \$25.3 million in bonds for the Oregon Department of Transportation (ODOT). Financial assistance of \$2.3 million will be provided to short line railroads for rail improvement projects. The South Metro Commuter Rail project will receive \$23 million to finance a portion of the project. Washington County and the Federal Railroad Administration are each expected to provide an additional \$25 million. Washington County and ODOT will enter into an agreement to disburse the funds. The Legislature also committed to funding an additional \$15 million for this project in the 2003-05 biennium.

The Legislature approved issuance of \$20 million for the Community Development Incentive Project in the Department of Housing and Community Services. This, combined with \$5 million issued in the 1999-01 biennium, brings the total lottery-backed bonds for the project to \$25 million.

The Legislature authorized \$10 million for facilities renovation at the Oregon State Fair. When combined with \$10.2 million authorized in the 1999-01 biennium, the total amount provided for renovation is \$20.2 million. The Legislature also authorized \$9.1 million to purchase and install digital equipment for the public broadcasting system in Oregon; \$15.9 to construct facilities at Eastern and Southern Oregon Universities; and \$9.1 for water pollution control projects in the Department of Environmental Quality.

Debt Service: Debt service obligations on lottery backed bonds continue to increase and will absorb a significant portion of the available Lottery Funds resources in the future. Cumulative biennial debt service through the 1999-01 biennium was \$102.5 million. The debt service will increase to \$160.1 million in the 2003-05 biennium, when debt approved by the 2001 Legislature is fully implemented. Debt service on the parks bonds issued in 1998 is paid out of the 15% of Lottery Funds dedicated to parks and natural resources, and is not included in this discussion.

The Debt Service Advisory Committee, established in ORS 285.550 to 285.555, is charged with advising the Governor and Legislature on actions and policies that preserve the state's credit rating. The Committee publishes a report on April 1 of each even numbered year. The report issued on April 1, 2000, and updated January 8, 2001, established a lottery backed bond capacity for the 2001-03 biennium of \$315 million. The 2001 Legislature, as noted above, issued \$274.7 of that capacity, leaving just over \$40 million of available capacity. This capacity is based on a number of factors, including the proceeds available from lottery games. Should circumstances change, including adding new games that generate new revenue, or a reduction in the revenue, bonding capacity could change.

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Note: All lottery backed bond sales for 2001-03 are currently on hold pending the outcome of a lawsuit challenging the constitutionality of the 1985 ballot measure establishing the Oregon Lottery.

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