



2002 SPECIAL SESSION II

REVENUE PACKAGE

The revenue plan approved by the Legislature on March 2, 2002 increases estimated 2001-03 revenue by \$480.4 million. These steps increase General Fund revenue directly, reduce the projected General Fund ending balance, raise non-General Fund revenue or allocate existing balances in Other Fund accounts.

The table below displays the components of the revenue package.

SPECIAL SESSION REVENUE PLAN	REVENUE IMPACT (\$ Million)	BILL NUMBER	Vetoed
Education Stability Fund*	200	HJR 76/M13	
Medicaid Upper Payment Limit Account	131	SB 5575	
Tobacco Settlement	62.5	SB 5575	√
Senior Deferral Balance	20	ADMIN.	
General Fund Ending Balance Reduction	20	ADMIN.	
Income Tax Collections Process	16	ADMIN.	
911 Balance	14	HB 4030	√
Federal Funds For Salmon (NMFS)	5	SB 5575	
50% Of Boardman Sale	3.7	HB 4035	
Sunday OLCC Sales	3	HB 4028	
Corrections Federal Funds	2.5	SB 5575	
Anticipated GF Reversions	1.7	SB 5575	
LEMLA Balance	1	HB 4028	
Total Revenue before Vetoes	480.4		
Reduced Revenue from Vetoes	-76.5		
Net Revenue after Vetoes	403.9		
*If Approved By Voters \$220 million, \$20 million more than needed to offset State School Fund reductions, will be transferred to the State School Fund.			

The Estimated Shortfall

The March General Fund resource projection is \$864 million below the forecast used for the Legislative Adopted Budget. The March Lottery forecast is \$31 million above the Legislatively Adopted Budget forecast. This leaves a net reduction of General Fund/Lottery resources totaling \$833 million. In addition, increased service demand added \$111 million in costs between July 2001 and March 2003. The Emergency Board rebalanced state agency budgets to account for \$104 million of this unanticipated demand. This left \$7 million in required rebalance for the second special session.

The total General Fund/Lottery shortfall, including budget rebalance, totaled \$944 million going into the second special session. The Legislature filled this gap with \$480 million in revenue adjustments and \$464 million in expenditure reductions. If Measure 13 (HJR 76) is approved by voters, an additional \$20 million in revenue will go to the State School Fund. These dollars will then be used to backfill a projected shortfall in local property tax revenue for schools.

Education Stability Fund

HJR 76 (Measure 13) is a constitutional amendment that would convert the current Education Endowment Fund into a new Education Stability Fund. The new fund would receive the 15% of Lottery revenue that is currently going to the Education Endowment Fund. This fund could be accessed if one of three conditions designed to indicate an economic recession is met. Two of these conditions would currently be met. Once conditions are met, a 3/5 vote in both chambers of the Legislature is required to make withdrawals from the fund. All expenditures from the fund must be used for public education. If voters approve Measure 13, a \$220 million transfer from the new fund to the State School Fund would take place on May 1, 2003. This would leave the balance for the new fund at an estimated \$58 million on July 1, 2003.

SB 5575 reduces General Fund appropriations to the State School Fund by \$200 million. Under the Legislature's special session II plan, the State School Fund (which allocates revenue to both school districts and ESDs), will increase by a net of \$20 million. SB 5575 eliminates the second year of the School Improvement Fund, a reduction of \$112 million. If voters approve Measure 13, the net reduction to school districts and ESDs will be \$92 million. If voters reject Measure 13 and there is no further legislative action the net reduction to schools will be \$312 million.

Medicaid Upper Payment Limit Account (MUPL)

The MUPL account was established by the 2001 Legislature. The MUPL program allows states to pay nursing facilities at the maximum federal rate even if the current state rate is below the maximum. This allows the state to claim additional federal revenue. The difference between the maximum federal rate and the rate received by the facilities flows into the MUPL account.

The 2001 Legislature allocated \$216 million from the MUPL account in the 2001-03 biennium. This left a projected ending balance of \$131 million. During the second special session, the Legislature allocated the remaining balance of \$131 million for health related expenditures. This allocation was used to backfill expenditures previously funded through the General Fund. This action exhausts the projected MUPL account ending balance.

Tobacco Settlement Revenue

Payments from the Master Tobacco Settlement agreement began flowing in during the 1999-2001 biennium. This revenue was not allocated until the 2001 legislative session. Settlement revenue through the end of the 2001-03 biennium is expected to total \$335.2 million. The 2001 Legislature allocated \$99.2 million of this revenue to the General Fund. The 2001 Legislature also allocated up to \$100 million to the Health Care Trust Fund. Prior to the special session, \$82 million was expected to be available for the trust fund.

The second special session legislative plan redirects \$62.5 million from the Health Care Trust Fund to general purposes. This action leaves an estimated \$19.5 million flowing to the trust fund in the 2001-03 biennium. However, the Governor vetoed this transfer thereby nullifying the Legislative action. This means that the projected revenue flowing to the Health Care Trust Fund remains at \$82 million.

Senior Property Tax Deferral Program Balance

The Senior and Disabled Property Tax Deferral Program is administered by the Department of Revenue. The senior deferral program was enacted in 1963. The 1999 Legislature expanded the program to include disabled homeowners who meet the income requirements.

Repayment of deferred taxes began to exceed Revenue Department payments to the counties in 1991. Excess funds in the account are periodically transferred to the General Fund. The Revenue Department determines if funds in the account are sufficient to meet future payments. Analysis of the fund by the Legislative Revenue Office in consultation with the Department of Revenue determined that the future payments are unlikely to be endangered by an additional \$20 million transfer to the General Fund. If the fund were unable to meet future payment obligations, a General Fund appropriation would be required.

This action is administrative and does not require legislation.

General Fund Ending Balance Reduction

The revenue estimate used for the Legislatively Approved Budget showed a projected General Fund ending balance of \$96 million and a Lottery ending balance of \$0.3 million. The budget rebalance plan approved by the second special legislative session calls for a \$20 million decrease in the General Fund ending balance. If the March revenue forecast and the estimates used for the special session revenue plan are correct, the ending balance will fall to \$76 million. This will occur automatically, without legislative action.

Transfer Portion of 9-1-1 Balance

House Bill 4030 transferred \$14 million from emergency communications accounts and sub-accounts to the General Fund. Revenue generated from a tax on 9-1-1 phone service is deposited in these accounts. Expenditures from 9-1-1 tax revenue are dedicated to emergency management services and equipment. HB 4020 makes a one-time exception by allowing the balance from these accounts to be transferred to the General Fund.

The Governor vetoed HB 4030. This means that the \$14 million will remain in the emergency communications accounts and sub-accounts.

Increased Income Tax Collections

The Department of Revenue will commit additional personnel to the income tax collection process. These additional resources are expected to speed up revenue collections and generate an additional \$16 million in 2001-03 General Fund revenue. The \$16 million will be added to the June revenue forecast. The shift in personnel is designed to be temporary with revenue gains occurring on a one-time basis only.

This action is administrative and does not require legislation.

Sunday Sales of Distilled Spirits

Under current law, the Oregon Liquor Control Commission (OLCC) cannot permit liquor stores to open on Sundays. HB 4028 eliminates this prohibition. The measure permits liquor stores to sell spirits on Sundays but does not compel them to do so.

The increased availability of distilled spirits is expected to increase OLCC net revenue by \$3 million in the 2001-03 biennium. The measure directs any additional revenue above the current law forecast into the General Fund. If this increase is greater than \$3 million, distribution of the OLCC apportionment reverts back to current law with 56% going to the General Fund. The remainder is distributed to counties and cities. There is no change in the distribution of revenue up to the current law forecast of \$185.2 million in the 2001-03 biennium.

Other Revenue Actions

In addition, the Legislature took a series of actions that make \$13.9 million available for General Fund purposes. These actions are contained in SB 5575 and HB 4035.

- \$5 million from Federal Funds for salmon and watershed restoration. These federal funds will be used to backfill General Fund expenditures in the natural resources program area.
- \$3.7 million from sale of Space Age Industrial Park in Boardman. This sale is expected to generate \$7.4 million. Under current law, the sale proceeds would be allocated to the Cultural Trust Fund (\$6.4 million) and Morrow County (\$1 million). HB 4035 directs \$3.7 million of the sale proceeds to the General Fund and reduces the allocation to the Cultural Trust and Morrow County by 50%.
- \$2.5 million in previously unanticipated Federal Funds to the Department of Corrections. These Federal Funds will be used in place of General Fund in the Department of Corrections' budget.
- \$1.7 million in anticipated end of the biennium reversions due to administrative assessment reductions. This will have the effect of increasing the 2001-03 ending balance and increasing the 2003-05 beginning balance.
- \$1.0 million transfer from the Law Enforcement Medical Liability Account (LEMLA) balance to the Department of Human Services account. This transfer is contained in HB 4035.