



## LEGISLATIVE REVENUE OFFICE

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## Research Brief

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# FEBRUARY 8-10 SPECIAL SESSION

## REVENUE PACKAGE

The revenue plan approved by the Legislature on February 10, 2002 increases estimated 2001-03 revenue by \$353.5 million. These steps increase General Fund revenue directly, 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 2/19/02
Education Stability Fund*	120	SJR 50	
Medicaid Upper Payment Limit Account	119	HB 5070	v
Tobacco Settlement	50	HB 5070	v
Senior Deferral Balance	15	ADMIN.	
911 Balance	14	HB 4020	
Income Tax Collections Process	12.4	ADMIN.	
Federal Funds For Salmon	5	SB 5574	v
Debt Service	3.7	SB 5574	v
50% Of Boardman Sale	3.7	HB 4014	
Sunday OLCC Sales	3	HB 4013	
OJIEA Balance	2.5	HB 4014	
Corrections Federal Funds	2.5	SB 5574	v
Anticipated GF Reversions	1.7	SB 5574	v
LEMLA Balance	1	HB 4014	
<b>TOTAL REVENUE</b>	<b>353.5</b>		
*If Approved By Voters			
If Not Approved By Voters:			
Common School Fund (TOTAL)	120	HB 4012	v
Divert Unclaimed Property Income	20		
Borrow From Unclaimed Property Balance	100		

Some of these measures blur the line between revenue increases and expenditure reductions. The same is true for elements of the expenditure reduction plan. For example, the Lottery will shift \$20 million from its contingency fund to the lottery balance available for state programs (HB 5071). These additional resources will be included in the March Economic and Revenue Forecast.

### **Education Stability Fund/ Common School Fund**

SJR 50 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 SJR 50, a \$120 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 \$152.3 million on July 1, 2003.

SJR 50 will appear on the May 2002 primary election ballot (SB 1010). If voters do not approve SJR 50, then HB 4012 would go into effect under the legislative revenue plan. Two elements of HB 4012 allocate \$120 million to schools for spending in May of 2003. First, the measure diverts \$20 million from the current flow of income generated by the sale of unclaimed property. This revenue would be diverted directly into the State School Fund rather than flowing into the unclaimed property account. The unclaimed property account is a part of the Common School Fund. The second element is a transfer of \$100 million from the unclaimed property balance to the State School Fund. This transfer would be repaid with interest over the next 8 years. \$33.9 million in Lottery revenue would be allocated to the Common School Fund in each of the next four biennia. This figure is based on an annual 7.3% interest rate.

### **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 special session, the Legislature allocated an additional \$119 million for health related expenditures. This allocation was used to backfill expenditures previously funded through the General Fund. This action leaves a projected MUPL ending balance of \$12 million.

## **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 special session legislative plan redirects \$50 million from the Health Care Trust Fund to general purposes. This action leaves an estimated \$32 million flowing to the trust fund in the 2001-03 biennium.

## **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 Revenue Department and the Legislative Revenue Office determined that the future payments are unlikely to be endangered by an additional \$15 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.

## **Transfer Portion of 9-1-1 Balance**

House Bill 4020 transfers \$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 is 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.

## **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 \$12.4 million in 2001-03 General Fund revenue. 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 or holidays. HB 4013 eliminates this prohibition. The measure permits liquor stores to sell spirits on Sundays and holidays 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 \$20.1 million available for General Fund purposes. These actions are contained in SB 5574 and HB 4014.

- \$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 in lower debt service costs. A lower than anticipated interest rate environment means lower costs for the debt service costs anticipated in the 2001 Legislatively Adopted Budget.
- \$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 4014 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 from the Oregon JOBS Individual Education Account (OJIEA) balance to the Department of Human Services account. This action is also contained in HB 4014.
- \$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 4014.