

JOINT COMMITTEE ON STREAM RESTORATION
AND SPECIES RECOVERY

February 8, 1999 Hearing Room 50

7:00 AM Tapes 16 - 17

MEMBERS PRESENT: Sen. Ted Ferrioli, Co-Chair

Rep. Ken Messerle, Co-Chair

Rep. Bob Jenson, Vice-Chair

Sen. David Nelson

Sen. Veral Tarno

Rep. Jeff Kruse

Rep. Randy Leonard

Rep. Lynn Lundquist

Rep. Susan Morgan

Rep. Bruce Starr

MEMBER EXCUSED: Sen. Ginny Burdick, Vice-Chair

Sen. Joan Dukes

Rep. Al King

Rep. Terry Thompson

STAFF PRESENT: Judith Callens, Administrator

Stephen Kosiewicz, Administrative Support

MEASURE/ISSUES HEARD: Parks and Natural Resources Fund

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

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TAPE/#	Speaker	Comments
TAPE 16, A		
004	Chair Ferrioli	Calls the committee to order at 7:09 a.m. Notes the committee's new meeting schedule.
<u>PARKS AND NATURAL RESOURCES FUND</u>		
026	Ken Rocco	Legislative Fiscal Office. Submits written material (EXHIBIT A) and begins testimony by discussing the constitutional changes made by Measure 66.
054	Rocco	Continues testimony by giving an overview of state lottery fund administration.
116	Rocco	Continues testimony by reviewing a possible structure for creating the Parks and Natural Resources Fund.
176	Rep. Lundquist	Asks for clarification that the lottery funds allocation is retroactive.
183	Rocco	Responds that the total allocation amount is based on projected revenues for the next biennium.
190	Rep. Lundquist	Asks for clarification that from a cash flow standpoint, all the lottery dollars are available for the 1997-99 biennium.
195	Rocco	Responds that this is correct.
203	Rep. Lundquist	Notes that it was not his understanding that they would be using funds from the previous biennium.
210	Rocco	Clarifies that this is so the first quarter distribution can be made.
214	Rep. Lundquist	Asks if the Education Endowment Fund did the same thing when it was started.
215	Rocco	Responds that that is correct.
219	Sen. Nelson	Asks whether the lottery funds are declining.
221	Rocco	Responds that they are quite volatile.
231	Sen. Nelson	Asks how much of the lottery's proceeds are already tied up to dedicated funds.

237	Rocco	Responds that there are certain formulas that have to be followed to determine how much is available for distribution.
256	Sen. Nelson	Asks for clarification that the net proceeds are subject to a shifting formula.
258	Rocco	Responds that this is correct.
259	Rep. Kruse	Asks if there is a required relationship between this allocation and General Fund allocation.
273	Rocco	Responds that lottery funds are separate from General Fund appropriations and there is no requirement that they be commingled.
291	Rep. Kruse	Asks for clarification that the money has to go through a single agency, but then it could be split into other agencies involved in the Oregon Plan.
301	Rocco	Responds that the single agency is going to be responsible for distributing the funds, and this will have to be an agreement of where the dollars are going to go, how much will be provided for local grants, and how much will be authorized to be spent by state agencies.
309	Rep. Kruse	Expresses concern that if they do distribute money to other agencies it becomes Other Funds. States that they should be careful in setting up the fund structure.
319	Rocco	Notes that LFO tracks lottery funds separately.
331	Rep. Kruse	Asks for clarification that no matter how many doors these dollars go through, they can be tracked from point of origin to point of distribution, and they will not become Other Funds in an agency.
342	Rocco	Responds that it is LFO's intention to keep them separate as lottery funds so they can be tracked. Notes that Measure 66 requires an audit of those agencies that receive money.
351	Chair Ferrioli	Notes that the questions raised are interesting aspects of what people thought they were voting on and what is actually going to play out.
357	Rep. Messerle	Questions at what point the funding would catch up if lottery reserves from the last biennium are being used to start up the structure this biennium.
373	Rocco	Comments that he would like to investigate more, but it is his understanding that it is purely a cash flow and there are mechanisms available to account for lottery shortfalls.

TAPE 17, A		
005	Rep. Messerle	Notes that the Parks and Recreation Department, for example, could end up short if the lottery funds did not meet projections. Asks whether they would need to budget for a reserve.
009	Rocco	Responds that this is a question that needs to be addressed.
013	Chair Ferrioli	Suggests that the committee receive a list of parties interested in how the fund is structured.
022	Rep. Lundquist	Asks how much Sports Action and countiesí share of video lottery revenues tie up lottery funds.
027	Rocco	States what the Education Endowment Fund, Parks and Natural Resources Fund, county distributions, and Sports Action would receive based on 1999-2001 projections. Notes that there is \$202.2 million dedicated.
036	Rep. Lundquist	Notes that approximately 34% of lottery funds are tied up.
038	Rocco	Notes that there is also an estimated \$55 million for debit service on lottery bonds that has to go out.
042	Chair Ferrioli	Asks how closely the definitions in this structure are tied to definitions in other statutes or administrative rules.
048	Rocco	Responds that the Legislature has the ability to define some of these terms.
055	Chair Ferrioli	Notes that the committee will be discussing the issue of definitions at Fridayís meeting. Asks if there is anything in the ordering of the language in Measure 66 that sets up a priority of spending.
061	Rocco	Responds that the only priority in the language in Measure 66 was the distribution of the resources to the accounts.
066	Chair Ferrioli	Notes that the Department of Administrative Services will be involved in this transfer. Asks if DAS has a formula that they assess for administrative services, and if this will affect this fund.
068	Rocco	Responds that this will not affect the fund.
073	Chair Ferrioli	Suggests scheduling a presentation on backfill, limitation of agency budgets, and the use of Measure 66 dollars for the directed services.

080	Rep. Morgan	Asks if, in conjunction with this presentation, the committee could have some documentation of projection numbers.
086	Chair Ferrioli	Suggests that at some point they get together with the Ways and Means subcommittee to discuss the structure of the fund.
104	Rep. Lundquist	Suggests that the committee not tie itself to the definitions that come from the subcommittee.
113	Chair Ferrioli	Clarifies his point that the committee be in agreement with the other committee when it comes time to creating the Parks and Natural Resources Fund.
123	Rep. Kruse	States that he was under the impression that the definition of capital expenditure could be separate. Asks if there has to be a unified definition for the whole piece of lottery funds.
133	Rocco	Responds that he believes the capital expenditure definition does not apply to the parks side at all, and that it would apply to the total amount of funds that are provided.
144	Rep. Kruse	Expresses interest in seeing a schematic of all the FTE, funds, and state natural resource agencies focused on salmon.
155	Chair Ferrioli	States that this is where the backfill issue comes in.
167	Rocco	Notes that one example would be the positions and functions that were funded last biennium in the Oregon Plan.
182	Rep. Kruse	Comments that beyond this, there are a lot of FTE and agencies that are directed to the Oregon Plan and the committee needs to identify this.
195	Rep. Messerle	Asks if the \$44.2 million projection has changed.
201	Rocco	Responds that the forecast will change quarterly when the Office of Economic Analysis makes their latest forecast, but notes that the current one has not changed.
207	Rep. Messerle	Asks at what point this becomes a solid figure.
208	Rocco	Responds that the May forecast is the one the Legislature uses for budgeting purposes.
212	Rep. Messerle	Asks what happens to the funds if the projections are low and there are excess funds generated.

213	Rocco	Responds that only the Legislature has the authority to distribute additional funds.
228	Rep. Messerle	Notes that this is another area the committee needs to identify.
231	Rocco	Notes that this is a good area for the committee to look at in more detail.
234	Rep. Kruse	Asks if the committee could setup a structure where there is a set number of FTE funded and the flexible part would be the project side.
240	Rocco	Responds that this is an alternative the committee could do that deals with the volatility of the revenue flow.
246	Rep. Kruse	Asks for clarification that this would not become an Emergency Board adjustment, but that the program would adjust itself.
250	Rocco	Responds that this is correct.
252	Rep. Lundquist	Asks if it is a simpler alternative to leave an ending balance.
258	Rocco	Responds that this is correct.
260	Rep. Kruse	Asks how an ending balance could be kept with no limitation.
263	Rocco	Notes that this is another question for the committee to consider because the non-limited nature of the fund is puzzling to some people.
278	Chair Ferrioli	Asks Mr. Rocco if he has finished his presentation.
283	Rocco	Notes that he provided some language in his submitted material for the committee to consider in setting up the fund structure.
295	Rep. Jenson	Notes that the money will get spread out as it moves through the funding structure and that it may be difficult to see what is accomplished with it.
306	Chair Ferrioli	Notes that this is a concern shared by a number of people, but if the committee builds the right mechanism then people will be able to see where a program or an allocation will fit.
327	Rep. Jenson	Clarifies that he was getting at how critical it is to build the right mechanism.
335	Judith Callens	Committee Administrator. Reviews the agenda for Tuesday's meeting.

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Chair Ferrioli

Adjourns the committee at 8:00 a.m.

Submitted By, Reviewed By,

Stephen Kosiewicz, Judith Callens,

Administrative Support Administrator

EXHIBIT SUMMARY

A ñ Parks and natural resources fund, written material, Ken Rocco, 4 pp.