

PUBLIC HEARING AND WORK SESSION

HB 2033, HB 2041, HB 2034

TAPES 30-31, A-B

HOUSE REVENUE COMMITTEE

FEBRUARY 3, 2005 1:30 PM STATE CAPITOL BUILDING

Members Present:

- Rep. Tom Butler, Chair
- Rep. Vicki Berger, Vice-Chair
- Rep. Mark Hass, Vice-Chair
- Rep. Brian Boquist
- Rep. Sal Esquivel
- Rep. Larry Galizio
- Rep. Betty Komp
- Rep. Andy Olson
- Rep. Chuck Riley

Witnesses Present:

- Darren Bond, Director of Finance, State Treasury Office
- Pamela Leavitt, Credit Union Assn. of Oregon
- Laura Lockwood-McCall, Director, Debt Management, State Treasury Office
- Kate Richardson, Chief of Staff, State Treasury Office
- Cynthia Byrnes, Dept. of Justice
- Rick Ruby, Oregon Bankers Assn.

Tim Martinez, Oregon Bankers Assn.

Staff Present: Paul Warner, Legislative Revenue Officer
Mazen Malik, Economist
Kristi Bowman, Committee Assistant

TAPE 30, SIDE A

002 Chair Butler Calls meeting to order at 1:30 p.m.

OPENS PUBLIC HEARING FOR HOUSE BILL 2033

006 Mazen Malik Gives background information for House Bill 2033 (Exhibit 1). It allows the Treasurer to reorganize some of the details of the way banks receive public funds, exempting institutions with deposits of less than \$100,000. No fiscal impact (Exhibit 2).

037 Darren Bond Testifies in support of House Bill 2033 because it clarifies language currently found in ORS 295.005 and eliminates a conflict between ORS Chapters 294 and 295. There is no substantive change to the statute, but rather House Bill 2033 consolidates the information in a more organized way. Reads from written testimony (Exhibit 3).

080 Pamela Leavitt

Testifies in support of House Bill 2033 because it would allow credit unions to be their own custodians. Current legislation only allows banks to be their own custodians (Exhibit 3).

100 Chair Butler Asks Darren Bond about section 4 language regarding any additional risks to public funds by consolidations.

111 Bond Responds that there will be no additional risks involved.

CLOSES PUBLIC HEARING FOR HB 2033

OPENS WORK SESSION FOR HB 2033

120 Rep. Esquivel MOTION: MOVES HB 2033 TO THE FLOOR WITH A DO PASS RECOMMENDATION.

125 Chair Butler ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 8-0-1. ANSWERING AYE: BERGER, HASS, BOQUIST, GALIZIO, OLSON, BUTLER. MEMBERS EXCUSED: KOMP.

CLOSES WORK SESSION FOR HB 2033 (see tape log # 300 for reconsideration of HB 2033).

OPENS PUBLIC HEARING FOR HB 2041

- 138 Laura Lockwood-McCall Slide presentation titled State Debt Capacity (Exhibit 4). It is a background overview of long-term debt policies and state practices.
- 405 Chair Butler Asks if the lottery bonds (page 17) are private activity bonds.
- 408 McCall Responds that lottery bonds are considered public purpose.
- 423 Rep. Hass Asks if there has been much restructuring of the lottery bonds.
- 425 McCall Responds that it is her understanding that refinancing has been done in the past (she will verify that information and respond to Rep. Hass). In 2005 the bonds will be amortized at 20 years instead of 15 years.
- 440 McCall Continues slide presentation.

TAPE 31 SIDE A

- 030 Chair Butler Asks about veteran's welfare bonds for housing. Are they general obligation bonds, not a private activity bond?

- 033 McCall Responds that OR is one of 5 states that has a “federal carve-out” where the veteran’s bonds are not considered private activity bonds.
- 037 Chair Butler Defines “federal carve-out” as a special bond program that is treated as a municipal general obligation, unlike affordable housing bonds that require a special private activity bond allocation
- 040 McCall Slide: Conclusions (page 25).
- 054 Kate Richardson Testifies in support of House Bill 2041 because it amends ORS 286.605 to align it with federal law regarding the private activity bond volume cap. It allows any qualified applicant under federal law is also eligible to apply under state law. Submits written testimony (Exhibit 5).
- 090 Cynthia Byrnes States that she will provide background information about the law and answer any questions by the committee.
- 092 Rep. Boquist Clarification question about the bill. House Bill 2041 is just suggesting allocation caps, changing terminology—the bill doesn’t change bonding authority.
- 094 Richardson Responds yes. The bill aligns the state statute with the federal law, changing the state definition of who can apply for the bonds.
- 120 Chair Butler

Asks the witnesses to provide the members with further written information on private activity bonds from the Oregon Facilities Authority (OFA). Suggests this avenue of funding as a possibility for local facility completion.

160 Rep. Boquist Asks chair about the issue of raising the allocation cap. What entities can utilize this bond, and is there an approving authority in the legislature or spread among various state agencies?

166 Chair Butler Responds that bond disbursements or receipts of monies go through the ways and means process. Money received would be allocated as a receipt. Disbursements go through the ways and means process via the revenue committee and the floor to address expenditures

170 Richardson Provides further clarification on bond cap allocation.

195 Chair Butler Clarifies previous response about bonds and the ways and means process to specify the private activity bond process.

210 Richardson Discusses the private bond activity committee and gives further clarification of conduit bonds and private activity bonds.

214 Rep. Boquist Restates previous question: if an entity fails, how does that affect Oregon's credit rating?

224 McCall

Responds that general obligation bonds, direct revenue bonds, and appropriation credits (see page 27 of Exhibit 4) affect OR's credit rating. However, regarding conduit revenue bonds, if an entity fails, OR's rating is not affected as long as the state does not have a moral obligation pledge or illegal pledge in place.

- 243 Richardson Adds that since some of these entities are not state entities but rather local government or 501-C3's [non-profit] entities, there is further removal from the State of OR credit ratings.
- 245 Rep. Boquist Requests a list of entities and where state allocates the authority.
- 275 Richardson Comments that information regarding the entities and the last five years of private bond activities will be provided to all of the members.

CLOSES PUBLIC HEARING FOR HOUSE BILL 2041

OPENS WORK SESSION FOR HOUSE BILL 2041

- 285 Chair Butler MOTION: STATES THAT REP. ESQUIVEL MOVES HB 2041 TO THE FLOOR WITH A DO PASS RECOMMENDATION AND BE PLACED ON THE CONSENT CALENDAR.
- 290 Chair Butler ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 9-0-0. ANSWERING AYE: BERGER, HASS, BOQUIST, GALIZIO, KOMP, OLSON, RILEY, BUTLER.

CLOSES WORK SESSION FOR HOUSE BILL 2041.

OPEN WORK SESSION FOR HOUSE BILL 2033.

300 Chair Butler MOTION: STATES THAT REP. ESQUIVEL MOVES TO RECONSIDER THE VOTE BY WHICH THE COMMITTEE MOVED HB 2033 TO THE FLOOR WITH A DO PASS RECOMMENDATION.

306 Chair Butler ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 9-0-0. ANSWERING AYE: BERGER, HASS, BOQUIST, GALIZIO, KOMP, OLSON, RILEY, BUTLER.

311 Chair Butler MOTION: STATES REP. ESQUIVEL MOVES HB 2033 TO THE FLOOR WITH A DO PASS RECOMMENDATION AND BE REFERRED TO THE BUSINESS, LABOR, AND CONSUMER AFFAIRS COMMITTEE BY PRIOR REFERENCE.

320 Chair Butler ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 9-0-0. ANSWERING AYE: BERGER, HASS, BOQUIST, GALIZIO, KOMP, OLSON, RILEY, BUTLER.

CLOSES WORK SESSION FOR HOUSE BILL 2033.

OPENS PUBLIC HEARING FOR HOUSE BILL 2034.

- 325 Malik Summary of House Bill 2034 (Exhibit 7). The bill provides enabling language to continue insurance of deposits higher than \$100,000. No fiscal impact (Exhibit 8).
- 345 Bond Reads from written testimony in support of HB 2034 (Exhibit 9) The state treasury office supports the bill because it allows a single large deposit to be made at a local bank, and it insures public funds to the fullest FDIC limit.
- 398 Roby Gives testimony on behalf of the Oregon Bankers Association. Written testimony provided (Exhibit 10). Supports the bill because it would give smaller banks more flexibility in handling large public deposits exceeding \$100,000. It would allow local banks to participate in the Certificate of Deposit Account Registry Services (CDARS).
- 465 Chair Butler Discusses net settlement process that involves making reciprocal deposits among different banks, including out-of-state banks.

TAPE 30 SIDE B

- 031 Roby Responds that House Bill 2034 would allow those deposits to be controlled at a local level.

- 050 Roby Continues testimony
- 065 Rep. Berger Clarifies that the purpose of House Bill 2034 is to allow local banks to deposit public funds of a large amount. Asks if is this a banking practice that has been in place a long time? Who does the accounting management of the program?
- 075 Roby Responds that the program has been in place for 2-3 years. There is a private company that manages this program. The process is done through the Federal Reserve system on a wiring basis, not the internet.
- 096 Rep. Boquist Asks for comments from witnesses: 1) define “several” states; 2) general consensus of FDIC board members regarding program; 3) has Federal Reserve taken a position on this type of activity
- 113 Roby 1) Responds that he believes all states involved, but will respond to the committee on any exceptions.
- 115 Tim Martinez 2) Responds that the people behind the CDARS program intend to grow their business under existing state laws. 3) Responds that the regulators have reviewed this program support it. The State Treasury Office supports the program by providing supporting testimony today.

- 128 Bond FDIC has “blessed” the program which allows deposits of up to \$10 M. All reports are centralized through one bank.
- 146 Martinez Comments that this bill allows local banks to invest in the local community because funds are held locally.
- 150 Chair Butler Comments about the potential of opening up the CDARS program to credit unions in order to take part in this program.
- 170 Bond Responds that the language as written would allow for credit unions to participate.
- 179 Martinez Asks about this bill’s subsequent referral to the committee on business, labor, and consumer affairs. States that Chairman Brown of the Business, Labor, and Consumer Affairs Committee is very supportive of this bill.

CLOSES PUBLIC HEARING FOR HOUSE BILL 2034

OPENS WORK SESSION FOR HOUSE BILL 2034

- 209 Rep. Esquivel MOTION: REP. ESQUIVEL MOVES HOUSE BILL 2034 TO THE FLOOR WITH A DO PASS RECOMMENDATION AND BE REFERRED TO THE COMMITTEE ON BUSINESS, LABOR, AND CONSUMER AFFAIRS.

203 Rep. Boquist Requests that comments regarding future expansion to credit unions be forwarded to the subsequent committee.

220 Chair Butler ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 9-0-0. ANSWERING AYE: BERGER, HASS, BOQUIST, GALIZIO, KOMP, OLSON, RILEY, BUTLER.

CLOSES WORK SESSION FOR HOUSE BILL 2034

240 Rep. Boquist Committee business regarding field trip 2/4/05.

270 Chair Butler Meeting adjourned at 2:45 p.m.

Tape Log Submitted by:

Reviewed by:

Kristi Bowman, Committee Assistant

Kim Taylor James, Committee
Coordinator

Exhibit Summary:

1. HB 2033, Staff Measure Summary, Malik, 1 pg.
2. HB 2033, No Expenditure Impact Statement, Legislative Fiscal Office, 1 pg.
3. HB 2033, Testimony in Support of House Bill 2033, Bond, 2 pp.
4. HB 2033, Testimony in Support of House Bill 2033, Leavitt, 1 pg.
5. HB 2041, Slide Presentation: State Debt Capacity, State Treasury Debt Management, 27 pp.
6. HB 2041, Testimony in Support of House Bill 2041, Bond, 1 pg.
7. HB 2041, Staff Measure Summary, Malik, 1 pg.
8. HB 2041, No Expenditure Impact Statement, Legislative Fiscal Office, 1 pg.
9. HB 2034, Staff Measure Summary, Malik, 1 pg.
10. HB 2034, No Expenditure Impact Statement, Legislative Fiscal Office, 1 pg.
11. HB 2034, Testimony in Support of House Bill 2034, Bond, 1 pg.
12. HB 2034, Testimony in Support of House Bill 2034, Roby, 1 pg.