

HOUSE REVENUE COMMITTEE
FEBRUARY 11, 2003 8:30 AM STATE CAPITOL BUILDING

Members Present: Representative Lane Shetterly, Chair
Representative Wayne Scott, Vice Chair
Representative Joanne Verger, Vice Chair
Representative Phil Barnhart
Representative Vicki Berger
Representative Pat Farr
Representative Mark Hass
Representative Elaine Hopson
Representative Max Williams

Witness Present: Edie Kessel, Oregon State Treasury
Darren Bond, Oregon State Treasury

Staff Present: Paul Warner, Legislative Revenue Officer
Dick Yates, Legislative Revenue Office
Kathy Tooley, Committee Assistant

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004 Chair Shetterly Calls meeting to order at 8:33 a.m.

OPENED PUBLIC HEARING ON HB 2133

002 Edie Kessel Explained that the bill was a housekeeping measure that proposes revisions to three separate statutes the changes are intended to:

- Clarify existing statutes.
- Make a technical change to an administrative task responsibility.
- Add specific language resulting in more cost effective management of fiscal agent contacts.

053 Chair Shetterly In Section 3, could you enlighten the Committee on interfund borrowing, the background, and the impact of repealing that section on the interest rate?

061 Kessel Interfund borrowing is used by an agency if it is having cash flow issues,. Described procedure for interfund borrowing and Treasury analysis.

068 Williams Can you give agency sample where this comes up on a frequent basis?

072 Kessel Currently, there is one loan outstanding with the Department of Forestry which will be reimbursed with federal funds after an extensive reimbursement process. They will have the money, but cannot currently meet obligations; Treasury has a loan with the department allowing them to meet current obligations.

082 Chair Shetterly Currently under statute, do you have to calculate what the blended rate of return is in the Oregon Short Term Fund, and that is the rate that the agency is supposed to repay the fund?

088 Kessel The section that we're repealing is not used when extending interfund loans. What the net result is, we look at treasuries that have the same maturity date

and see what that rate is and go 50 basis points above that to cover what risks have been incurred in lending the money.

- 98 Chair If language is repealed in the statute, is it somewhere else in statute, or is it practice that provides that Treasury charges interest and gets a return on the money borrowed? Where else does that occur, what statute?
- 103 Kessel Section 4 of this bill addresses ORS 293.220, and will be amended to include ORS 293.214 as an entire statute. Section 4 will be eliminated, with the reference to 293.220 added.
- 108 Chair Shetterly That's the bolded language?
- 109 Kessel Yes, to be consistent.
- 112 Chair Shetterly Closed Public Hearing on HB 2123.

OPENED WORK SESSION ON HB 2123

- 113 Yates Legislative Fiscal Office, LFO, has expressed an interest in adding an amendment requiring Treasurer to notify the LFO when they do make these fund transfers. As yet there is no drafted language.
- 118 Chair Shetterly Asks Darren Bond, did you know about that?
- 119 Darren Bond Responds he contacted LFO, as is required by ORS 293.210, which is the interfund borrowing statute the Treasurer uses because of the interest discrepancy. Treasury suggested LFO review, as the section is open. LFO has not yet responded.
- 125 Hass Is that something that needs to be a law? It would seem for practical purposes that would occur.
- 124 Bond I will notify LFO because of 293.210.
- 130 Chair Shetterly My inclination is to move this thing along. An amendment could be put in the Senate version.
- 136 Rep. Verger LFO wants it somewhere in the bill that LFO would be notified?
- 140 Chair Shetterly But they have not offered any amendments.
- 144 Rep. Williams **MOTION: MOVES HB 2133 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.**
- 147 **ROLL CALL VOTE: MOTION PASSED 9-0-0**
REPRESENTATIVES VOTING AYE: Barnhart, Berger, Farr, Hass, Hopson, Scott, Verger, Williams, Chair Shetterly.
- Rep. Williams will carry the bill.**

OPENED PUBLIC HEARING ON HB 2134

- 156 Bond Advised the Committee, HB 2134 is a housekeeping bill, clarifying existing language in ORS 291.001 dealing with checks, warrants and electronics funds transfers. No new functionality or flexibility is provided by the language.

174 Chair Shetterly Closed public hearing on HB 2134.

OPENED WORK SESSION ON HB 2134

176 Rep. Scott **MOTION: MOVED HB 2134 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.**

180 **ROLL CALL VOTE: MOTION PASSED 9-0-0
REPRESENTATIVES VOTING AYE: Barnhart, Berger, Farr, Hass,
Hopson, Scott, Verger, Williams, Chair Shetterly.**

Rep. Berger will carry the bill.

OPENED PUBLIC HEARING ON HB 2135

194 Bond Provides background on HB 2135, it is the result of Department of Justice review of statutes regarding tax anticipation notes to address negative and declining cash balances the state pays in the middle of the biennium.

204 Bond Describes four elements to bill:

- Defining the General Fund
- Determining if the statutes dealing with the General Fund cash flow issues are adequate.
- Clarifying when the Treasurer can pay money.
- Determining if the Treasurer can direct an agency to stop issuing payment obligations.

220 Bond The area of special concern includes the statutes that deal with specific state responses to a General Fund that becomes exhausted.

226 Bond Provides background on an area of the bill that undergoes significant revision, 293.170(7) which deals with the registration of warrants.

Questions and discussion regarding warrants and their issuance.

322 Bond Testifies the statute is being modernized and clarified to make it workable. After reviewing the statutes it was found that it would be difficult to implement the way the law is currently. The bill tries to put a workable process in place to support the state if the General Fund is exhausted.

335 Chair Shetterly How do warrants relate to state debt limitation? Can you have warrants extending beyond biennium?

355 Bond I believe they would need to be cleaned up during biennium, paid for by moneys accrued to that biennium.

Questions and discussion regarding methodology for warrant repayment.

370 Bond The current language recognizes that there are restricted accounts in the general fund for limited purposes, but does not provide for continued payment of warrants drawn against restricted funds if the state should be in a registration of warrants environment.

400 Chair Shetterly By registration of warrants, is that when you convert a warrant to a note?

404 Bond Testified regarding general fund restricted accounts and payment of warrants.

Questions and discussion regarding honoring restricted fund warrants.

441 Bond Testified regarding procedures for registering of warrants.

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040 Barnhart If that situation arises, the purpose is to handle it in the most efficient way. That's what I understand this proposal is about?

047 Bond Answered affirmatively.

052 Bond The other substantive change in this section eliminates the need for all three of the constitutional officers – Governor, Treasurer, Secretary of State, to agree that warrants need to be registered, and replaces that with any two of the officers.

072 Bond The decision is not whether to return the warrants unpaid, it is whether to do so in an orderly manner that provides for interest on the instruments and provides holder with liquidity through the development of a secondary market to sell them in.

100 Bond Questions and discussion regarding checks and balances and credit implications of not being able to reach a consensus between three constitutional officers.

130 Bond Change would establish joint responsibility between the Treasurer and the Agency for ensuring an item is authorized by law. Currently the Treasurer is responsible for both authorization and ensuring sufficient funds to pay. This bill provides certification that agency officers are making these payments lawfully.

Questions and discussion as to bill payments and who is authorized to sign checks and ensure fund availability.

180 Bond Testified regarding provision for revoking an agency's ability to issue a payment item.

185 Bond Testified regarding a provision in the bill for transfers to prevent overdrafts of agency accounts.

190 Bonds Testified regarding moving trust funds to the general fund.

200 Bond Testified regarding repeal of statutes that 1915 that is outdated.

210 Berger Continued discussion regarding registration of warrants. Why is it advantageous? Why wouldn't you want all three to sign, Governor, Secretary of State, and Treasurer.

220 Bond The preference is for all three to agree, but in a crisis situation if the three cannot reach agreement, it could take the treasury further in debt. The Treasurer would not be willing to take General Fund further into hole. The intent is to create order to the process instead of returning items unpaid for non-sufficient funds.

240 Scott Why do we use warrants instead of checks and there is not cause for alarm?

260 Bond Advised the Committee, warrants are a standard payment method and always used for paying budgetary items. State is advantaged by having a

warrant enabling the state to continue paying obligations even though it is deferred.

- 293 Rep. Williams Commented regarding the issue with constitutional officers, requiring 100% majority in a highly charged environment. The return of items unpaid would create such a crisis you have to allow for the possibility of someone not acting rationally in that critical moment.
- 310 Chair Shetterly Especially in light of consequences of not proceeding to registration in the dishonoring of the warrants.
- 338 Rep. Farr Regarding section 8, currently it is the treasurer's responsibility to make sure it's a legal bill, this shifts to signing officer?
- 335 Bond Answered affirmatively.
- 350 Rep. Farr Are we confident enough that the people in the field are trained enough to know what is and isn't legal?
- 355 Bond Answered affirmatively.
- 370 Chair Closed hearing on HB 2195.
- 375 Yates The referral to Ways and Means may be coming off.

OPENED PUBLIC HEARING ON HB 2136

- 398 Bond Testified HB 2136 clarifies conflicting language relative to maturity date restrictions on local government investments.
- 426 Chair Shetterly Closed public hearing on HB 2136

OPENED WORK SESSION ON HB 2136

- 426 Rep. Verger **MOTION: MOVED HB 2136 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.**
- 440 **ROLL CALL VOTE: MOTION PASSED 9-0-0**
REPRESENTATIVES VOTING AYE: Barnhart, Berger, Farr, Hass, Hopson, Scott, Verger, Williams, Chair Shetterly.
- Rep. Verger will carry the bill.**
- 443 Chair Shetterly Committee stands at recess at 9:27 a.m. and reconvenes at 9:37 a.m.

OPENED WORK SESSION ON HB 2135

- 446 For the record, Mr. Warner has confirmed with the Speaker's office that the Committee may remove the subsequent referral to Ways and Means and pass this bill directly to the floor. It has been determined to have no fiscal impact.
- 450 Williams **MOTION: MOVED TO RESCIND THE SUBSEQUENT REFERRAL TO WAYS AND MEANS AND REFER THE BILL TO THE FLOOR WITH A DO PASS RECOMMENDATION.**

**ROLL CALL VOTE: MOTION PASSED 9-0-0
REPRESENTATIVES VOTING AYE: Barnhart, Berger, Farr, Hass,
Hopson, Scott, Verger, Williams, Chair Shetterly.**

Chair Shetterly will carry the bill.

Meeting adjourned at 9:40 a.m.

Tape Log Submitted by,

Kathy Tooley, Committee Assistant Reviewed by Kim Taylor James

Exhibit Summary:

1. Kessel, "Testimony in support of HB 2133", 3 pages
2. Yates, Staff Measure Summary HB 2133, 1 page
3. Bond, "Testimony on HB 2134", 1 page
4. Yates, Staff Measure Summary HB 2134, 1 page
5. Bond, "Testimony in support of HB 2135", 8 pages
6. Yates, Staff Measure Summary HB 2135, 2 pages
7. Bond, "Testimony on HB 2136", 2 pages
8. Yates, Staff Measure Summary HB 2136, 1 page