

SENATE COMMITTEE ON GENERAL GOVERNMENT

February 18, 1999 Hearing Room C

3:00 p.m. Tapes 23 - 24

MEMBERS PRESENT: Sen. Verne Duncan, Chair

Sen. Cliff Trow, Vice-Chair

Sen. John Lim

Sen. Marylin Shannon

Sen. Frank Shields

STAFF PRESENT: Marjorie Taylor, Administrator

Patrick Brennan, Administrative Support

MEASURE/ISSUES HEARD: Introduction of Committee Measures

HB 2154 Work Session

HB 2070 Public Hearing and Work Session

SB 187 Public Hearing and Work Session

SB 194 Public Hearing and Work Session

SB 198 Public Hearing

SB 199 Public Hearing

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.

TAPE/#	Speaker	Comments
TAPE 23, A		
003	Chair Duncan	Calls meeting to order at 3:10. Opens a work session for the purpose of introducing a committee bill.
<u>INTRODUCTION OF COMMITTEE MEASURES</u>		

006	Sen. Trow	MOTION: Moves LC 1891 BE INTRODUCED as a committee bill.
	Chair Duncan	Hearing no objection, declares the motion CARRIED.
		LC 1891 becomes SB 776.
020	Chair Duncan	Closes the work session and opens a work session on HB 2154.
<u>HB 2154 WORK SESSION</u>		
023	Sen. Trow	MOTION: Moves HB 2154 to the Committee on Public Affairs without RECOMMENDATION to passage.
024	Sen. Trow	Indicates that he personally supports the bill and hopes that it is passed out of the Public Affairs Committee with a Do Pass recommendation.
028		VOTE: 3-0 AYE: In a roll call vote, all members present vote Aye. EXCUSED: 2 ñ Lim, Shannon
	Chair Duncan	The motion CARRIES.
040	Chair Duncan	Closes the work session on HB 2154 and opens a public hearing on HB 2070.
<u>HB 2070 PUBLIC HEARING</u>		
043	Marjorie Taylor	Committee Administrator. Gives a brief overview of HB 2070.
045	Eugene Organ	Executive Director, Oregon Disabilities Commission (ODC). Testifies in support of HB 2070 (EXHIBIT A). States that the bill would change the quorum of the ODC from 10 members to a simple majority of 8 members. States that since a majority of the commissioners must be people with disabilities, who are often unable to fulfill their function on a given day, holding meetings is often difficult.
064	Sen. Shields	States that the committee should pass the bill.
066	Chair Duncan	Closes the public hearing on HB 2070 and opens a work session on HB 2070.

HB 2070 WORK SESSION

072	Sen. Shields	MOTION: Moves HB 2070 to the floor with a DO PASS recommendation.
073	Sen. Trow	Expresses support for HB 2070.
074		VOTE: 3-0-2 AYE: In a roll call vote, all members present vote Aye. EXCUSED: 2 - Lim, Shannon
	Chair Duncan	The motion CARRIES. SEN. SHIELDS will lead discussion on the floor.
079	Chair Duncan	Closes the work session on HB 2070 and opens a public hearing on SB 187.

SB 187 PUBLIC HEARING

085	Marjorie Taylor	Committee Administrator. Gives a brief overview of SB 187. States that the committee held a public hearing on the bill on 2-11-99. States that the bill has a subsequent referral to the Committee on Ways and Means.
092	Chair Duncan	Closes the public hearing on SB 187 and opens a work session on SB 187.

SB 187 WORK SESSION

100	Sen. Trow	MOTION: Moves SB 187 to the floor with a DO PASS recommendation and BE REFERRED to the Committee on Ways and Means by prior reference.
108	Sen. Shields	Mentions a discussion that he had with the leaders of several technology companies. States that those leaders raised the point that Japanese citizens save a great deal of money and yet their economy is in recession. States that one individual indicated that there is not necessarily a savings crisis in the United States. Asks for further explanation of the savings crisis referred to by Treasurer Hill during the previous hearing on SB 187.
126	Jim Hill	Oregon State Treasurer. States that the evidence of the lack of savings in the United States is overwhelming, as indicated by the Social Security dilemma.

		States that Japan is not suffering a recession due to the savings habits of its citizens. States that the United States has a savings rate of about \$10,000 per person, the lowest of any of the world's developed nations. States that saving would not injure the nation's economy, but it would help individuals prepare for their retirement.
157	Sen. Shields	States that there are many employees at companies like Intel who see the world through a "narrow view." Says that even those people at the top of the economic ladder do not really understand the savings dilemma, which offers evidence of a need for savings education.
171	Hill	States that there is a need for balance between spending and savings. Says that individuals must be taught the necessity of saving or government could end up "footing the bill" for their retirement later on.
185	Chair Duncan	States that he supports Mr. Hill's efforts to educate people about saving for retirement.
196	Sen. Lim	Discusses the economic problems in Japan and says that nation has a "bubble economy," in that it has highly over-inflated prices. States that high savings is not the problem being faced by Japan. States that the main problem in the United States is the high rate of bankruptcy, which could be alleviated in part through increased savings by individuals.
225	Sen. Shields	States that Sen. Lim's point illustrates the need for the passage of SB 187 and savings education.
230	Sen. Trow	States that most citizens need to prepare for retirement through saving. Says that the reason that many financial executives do not recognize the need to save may be due to the fact that they often have a substantial amount of money invested.
252		VOTE: 5-0 AYE: In a roll call vote, all members present vote Aye.
	Chair Duncan	The motion CARRIES.
273	Chair Duncan	Closes the work session on SB 187 and opens a public hearing on SB 194.
<u>SB 194 PUBLIC HEARING</u>		
280	Rollie Wisbrock	Chief of Staff, Oregon State Treasury. Continues the discussion of SB 194, which had begun at the 2-11-99 public hearing. States that the investment pool discussed in the bill is being underwritten by larger funds. States that the bill would equalize the charges.

300	Darren Bond	Director of Finance, Oregon State Treasury. Offers to answer questions from the previous testimony.
308	Sen. Shannon	Asks, if the other agencies are paying less after the passage of SB 194, if the investment pool will operate at a deficit, or if new funds will make up the difference.
316	Bond	Replies that the Treasury Department would reallocate the sources of funds.
322	Sen. Trow	Asks if state agencies will pay more and the local governments will pay less.
331	Bond	Replies that the state agencies will pay slightly more and that the beneficiaries of their increased input will be the trust funds currently underwriting the investment pool. Says that local government costs will remain about the same.
340	Sen. Trow	Replies that the end result would be fair.
348	Bond	States that the bill is designed to increase fairness. Says that local governments do not currently pay transaction fees, but that the bill would implement a fee structure to increase equity. Says that the bill would increase the cap on the administrative fees.
371	Sen. Shannon	Asks if the cost will increase, since they are currently under-paying.
373	Bond	Replies that the local fees should stay "quite flat," since there is not much volume in the local investment pool.
383	Sen. Trow	Says that some local governments will pay more if they have many transactions.
387	Bond	Agrees with Sen. Trow and says that for them to do so makes for a fairer system.
389	Sen. Shields	States that the system is designed to increase fairness.
TAPE 24, A		
008	Bob Cantine	Representative, Association of Oregon Counties (AOC). States that estimating the cost of the bill to counties is somewhat difficult, but that he is comfortable with the estimates given by the Treasury Department. Says that there will be checks and balances to prevent unwarranted cost. States that the counties accept the user fee portion of the bill but are concerned about controlling the administrative costs. Says that the AOC is satisfied with the bill in its current form.
030	Sen. Trow	Asks if there are other local governments that will be affected.

034	Lynn McNamara	Representative, League of Oregon Cities (LOC). States that the bill will facilitate change in the system but that the LOC is not concerned about those changes.
037	Sen. Shannon	Asks the LOC and AOC to report back to the committee in the event that the system does not work as it is designed to after passage of SB 194.
038	McNamara	Agrees to report any problems to the committee.
041	Chair Duncan	Closes the public hearing on SB 194 and opens a work session on SB 194.
<u>SB 194 WORK SESSION</u>		
045	Sen. Trow	MOTION: Moves SB 194 to the floor with a DO PASS recommendation.
050		VOTE: 5-0 AYE: In a roll call vote, all members present vote Aye.
	Chair Duncan	The motion CARRIES. SEN. TROW will lead discussion on the floor.
065	Chair Duncan	Closes the work session on SB 194 and opens a public hearing on SB 198.
<u>SB 198 PUBLIC HEARING</u>		
067	Marjorie Taylor	Committee Administrator. Gives a brief description of the bill.
080	Jim Shannon	Chairman, Municipal Debt Advisory Commission (MDAC). Testifies in support of SB 198 (EXHIBIT B). Offers a brief history of the MDAC.
100	Chair Duncan	States that for several years there was a bonding attorney for the state of Oregon. Asks if the MDAC was designed to replace the bonding attorney position.
106	J. Shannon	Replies that the MDAC was created in 1975 to serve as a group that local governments could come to for assistance with debt management and finance. States that the MDAC solicits ideas for changes regarding debt issuance, studies the concepts, and submits ideas for review by the legislature. States that the most recent examples of such concepts are embodied in SB 198 and SB 199.

144	J. Shannon	<p>Gives a section-by-section review of SB 198:</p> <ul style="list-style-type: none"> • Section 1 amends statute to include all local governments and adds a definition of "real or personal property" for clarification • Section 2 clarifies the reasons why public property could be sold, exchanged, leased, or conveyed
170	Sen. Shannon	Asks why it is necessary to clarify the term "real property."
177	J. Shannon	Replies that the question has arisen as to whether items such as computer software fit into the definition of "real property" for purposes of leasing or purchasing.
190	J. Shannon	<p>Continues reviewing the sections of SB 198:</p> <ul style="list-style-type: none"> • Section 3 relates to financing of parking facilities, requested by the City of Portland to coincide with required financing structures
200	Sen. Trow	Asks if Section 3 would create complications for other urban areas besides Portland.
207	J. Shannon	Replies that the problem faced by Portland will be solved without creating difficulties for other cities.
218	J. Shannon	<p>Continues reviewing the sections of SB 198:</p> <ul style="list-style-type: none"> • Section 4 clarifies the definition of "capital improvements" to include improvements to existing buildings • Section 5 offers municipalities the authority to enter into "rate covenants," which they already do under current practice • Sections 6 and 7 confirm existing practice that interest to be paid on bonds is not considered in calculating compliance with debt limits • Section 8 clarifies that Section 1 is not applicable to existing contracts, unless extended, renewed, or entered into after the effective date of the bill
257	Chair Duncan	Asks if school districts are part of the definition of "municipalities" in Section 1.
260	J. Shannon	Replies that municipalities do not include school districts.
263	Chair Duncan	Asks if schools are considered in the concerns addressed by the bill.
267	J. Shannon	Replies that SB 198 would redefine municipalities to include school districts.
282	Sen. Trow	Asks for some potential consequences of the passage of SB 198.
285	J. Shannon	Replies that, in most instances, SB 198 would alleviate marketplace concerns. States that the provisions would offer specific authority for current practices as

		well increase the number of groups that could utilize those practices.
300	Sen. Trow	Asks if there are any groups that object to SB 198.
302	J. Shannon	Replies that he has heard no opposition.
304	Sen. Lim	Asks why Section 3 utilizes the term "may" rather than "shall" in regards to operating concessions within parking structures.
312	J. Shannon	Says that he is not sure why the change was made.
315	Sen. Lim	Says that the city should not be in the business of operating the concessions. States that there should be private operation of the service concessions.
323	Chair Duncan	Asks if Sen. Lim is concerned that the term "may" leaves the door open for cities to operate service facilities.
326	Sen. Lim	Replies that the bill appears to do so. Says that the previous wording was more stringent, stating "in no event shall" such concessions be operated by cities. Says that the wording in SB 198 is much more permissive.
334	J. Shannon	States that the change was not intended to allow the cities to operate concession facilities. Asks if Sen. Lim would be more comfortable with the bill if the wording was reverted to "shall not."
341	Sen. Lim	Replies that "shall not" would be much more secure terminology.
343	Sen. Trow	Says that "shall not" would be acceptable.
350	Sen. Shannon	Mentions that she would like to have more time to examine the bill before holding a work session.
355	Chair Duncan	Asks Sen. Lim if he would like to have an amendment drafted that would make the change in the terminology being discussed.
357	Sen. Lim	Replies that he would like the change to be made. Says that he would otherwise want to know that there was a good reason for making the change from "shall not" to "may not."
362	Chair Duncan	States that the change would be acceptable to him and that an amendment could be drafted.
372	J. Shannon	Says that the change was probably made in order to make the grammar

		consistent with other sentences in the section.
381	Chair Duncan	Asks Sen. Lim if the explanation offered by Mr. Shannon is sufficient to justify the change.
382	Sen. Lim	Replies that he would still prefer that the terminology be changed to "shall not."
385	Chair Duncan	States that the change could be made.
397	Sen. Trow	Concurs.
TAPE 23, B		
007	Bob Cantine	Representative, AOC. States that the AOC has no position on the bill.
012	Sen. Trow	Asks if the AOC feels that the bill makes changes that would be preferable to current statute.
014	Cantine	States that SB 198 may be of advantage to some counties.
018	Chair Duncan	Closes the public hearing on SB 198 and opens a public hearing on SB 199.
<u>SB 199 PUBLIC HEARING</u>		
020	Jim Shannon	Chairman, MDAC. Testifies in support of SB 199 (EXHIBIT B). Gives a section-by-section review of SB 199: <ul style="list-style-type: none"> Sections 1 and 2 would permit counties to issue bond indebtedness not to exceed 1% of the market value of county property. Counties require limits to be set by statute before they can issue bonds in ways allowed for cities and special districts. The bill will not grant counties the authority to impose new taxes or circumvent voter approval of bonds.
080	Sen. Trow	Asks if counties need an additional option or if they have requested one.
084	J. Shannon	Replies that MDAC has received such requests from members of the AOC.
088	Sen. Trow	Asks if SB 199 would make it easier for counties to use debt financing.
090	J. Shannon	Replies that counties cannot currently utilize debt financing at all. Offers an example of a county needing to purchase a new computer system. States that current methods of purchasing such a system would incur very high interest rates, compared to debt financing.

100	Sen. Trow	States that the bill would allow counties to operate in a less costly manner.
104	J. Shannon	<p>Concurs with Sen. Trow's statement. Continues reviewing the sections of SB 199:</p> <ul style="list-style-type: none"> Sections 3 through 9 relate to a new concept called "forward current refunding." There are usually prepayment restrictions on loans that would prevent beneficial refinancing. Counties often create a second bond account to pay off the first. The municipality would, in effect, have two bond issues, both of which are tax exempt. The federal government does not allow more than one advance refunding. The bill would allow the same process, without issuing a second bond to pay off the first.
136	Sen. Trow	Asks if money would be received through such a system.
138	J. Shannon	Replies that the reward is not likely to be cash, so much as a commitment to buy bonds at a later date.
146	Sen. Trow	Asks if the tool would lead to excess borrowing.
150	J. Shannon	Replies that the only reason to use the tool is to save money in the future by securing a favorable rate. States that the program would be subject to the rules of the State Treasurer's office.
161	Sen. Trow	Asks if this is a tool utilized by local governments in other states and, if so, if those states have experienced any trouble with it.
163	J. Shannon	Replies that there are local governments in other states using the practice without incident. States that the City and Port of Portland were the governments requesting the legislation.
165	Sen. Trow	Asks what the opinion of the Federal government is regarding the practice.
167	J. Shannon	Replies that the Federal government has no problem with the practice, since no new debt is issued upon entering into the forward purchase contract.
171	Sen. Trow	States that such a contract is merely an indication that the action will be taken.
172	J. Shannon	Concurs and says that the contract allows for anticipation of future interest rates and better planning.
173	Sen. Trow	Asks if money could be picked up by the use of the forward purchase.
177	J. Shannon	Replies that it would be possible to receive money in advance but that it would be unlikely since those supplying the funds would be unlikely to make such an

		agreement.
190	J. Shannon	Continues reviewing the sections of SB 199: <ul style="list-style-type: none"> Sections 10 to 12 relate to the competitive bidding process for issuing bonds. The bill would increase the use of competitive rather than negotiated bonds, which would result in lower borrowing cost.
227	Sen. Trow	Asks if local governments currently have the option to perform competitive sales of bonds or if it could be provided by the MDAC.
229	J. Shannon	Replies that the commission has no authority to set forth parameters for competitive sale. States that the local governments can have a negotiated sale under their own terms. States that the MDAC does not support such negotiated sales, since the rules must sometimes be bent in order to have them. States that the bill would establish a procedure to comply with the current practice of "quasi-competitive" negotiated sales.
253	Sen. Trow	Asks if there is a monitoring authority for overseeing the negotiation procedures.
257	J. Shannon	Replies that the bill would require local governments to notify the MDAC prior to the sale of bonds, as well as to providing the final terms of the transaction after the sale.
267	Chair Duncan	States that in the past there was a procedure for receiving permission for the negotiation process and asks if the procedure that would be created by the bill is similar.
275	J. Shannon	Replies that the purpose is similar but that the process would be substantially different, due to changes in the marketplace that have taken place. States that the advent of zero interest and deferred interest bonds has made financial structures more sophisticated.
300	J. Shannon	Continues reviewing the sections of SB 199: <ul style="list-style-type: none"> Sections 13 and 14 would allow the investment of financing proceeds into investment contracts with certain provisions.
332	Sen. Trow	Asks if there is any known opposition to the bill.
334	J. Shannon	Replies that there is no known opposition.
342	Lynn McNamara	Representative, LOC. States that the LOC would like more information on certain sections of SB 199. Mentions that there is a question regarding the approval of forward current refundings, as discussed in Section 6. Asks why the competitive bid process, discussed in Section 10, would be allowed only for revenue bonds and not for general obligation bonds.

378	J. Shannon	States that the bill would not require current refundings to be approved by the State Treasurer, but that a forward current refunding would need to be approved by the Treasurer, under certain circumstances. States that general obligation bonds would be eligible for the competitive bidding process.
TAPE 24, B		
010	Bob Cantine	Representative, AOC. Testifies in support of SB 199. States that the AOC feels that the bill would give counties many options regarding debt finance.
020	Hasina Squires	Special Districts Association (SDA). States that the SDA would appreciate more time to analyze the provisions of SB 199 and SB 198. States that there are provisions to both bills that could open the door for more authority for local governments.
030	Chair Duncan	Closes the public hearing on SB 199 and adjourns the meeting at 4:35 p.m.

Submitted By, Reviewed By,

Patrick Brennan, Marjorie Taylor,
Administrative Support Administrator

EXHIBIT SUMMARY

A ñ HB 2070, testimony, Eugene Organ, 2 pp.

B ñ SB 198 and SB 199, testimony, Jim Shannon, 5 pp.