

SENATE COMMITTEE ON TRADE AND ECONOMIC DEVELOPMENT

February 15, 1999 Hearing Room B

3:00 p.m. Tapes 18 - 19

MEMBERS PRESENT: Sen. John Lim, Chair

Sen. Avel Gordly, Vice-Chair

Sen. Verne Duncan

Sen. Bill Fisher

MEMBER EXCUSED: Sen. Tony Corcoran

STAFF PRESENT: Carol Rives, Administrator

Gary Roulier, Administrative Support

MEASURE/ISSUES HEARD: Introduction of Committee Bill

SB 114 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 18, A		
002	Chair Lim	Opens meeting at 3:12 p.m. and opens work session for introduction of committee bill.
<u>INTRODUCTION OF COMMITTEE BILL</u>		
003	Sen. Duncan	MOTION: Moves LC 2651 dated January 27, 1999, BE INTRODUCED as a committee bill.

004	Chair Lim	Hearing no objections, declares the motion CARRIED.
006	Chair Lim	Closes work session on LC 2651 and opens public hearing.
<u>SB 114 PUBLIC HEARING</u>		
012	Carol Rives	Administrator. Reviews provisions of SB 114 which establishes an Emergency Economic Development Fund (EEDF).
035	Chair Lim	Closes public hearing and reopens work session on LC 2651.
<u>INTRODUCTION OF COMMITTEE BILL</u>		
036	Keith Levitt	Manager, State Government Relations, Port of Portland. Summarizes efforts by a citizen's advisory committee to examine noise issues in the Portland International Airport area. Discusses the history of the committee and responds that he will provide a list of committee members and actions to date.
065	Chair Lim	Closes work session and opens public hearing on SB 114.

SB 114 PUBLIC HEARING

068	Rollie Wisbrock	Discusses an amendment to SB 114 proposed by the Oregon State Treasurer (EXHIBIT A) addressing the existing obligations against lottery funds.
112	Chair Lim	Discusses with Wisbrock the provisions of the amendment and the specific lottery fund obligations.
164	Wisbrock	Continues testimony on the proposed amendment and lottery fund obligations.
174	Chair Lim	Mentions that there will be other amendments to consider for SB 114.
183	Graham Slater	Research and Analysis Manager, Employment Department. States that the Employment Department takes a neutral position on SB 114. Presents (EXHIBIT B) and outlines technical information for the committee to consider.
245	Slater	Notes that SB 114 uses two criteria to trigger the existence of an "employment emergency." Remarks that there are problems associated with the use of these criteria, page 4 of the exhibit. Demonstrates the number of times the unemployment rate in Oregon would have triggered an "employment emergency"

in the recent past, page 5 of the exhibit.

- 279 Slater Suggests modifications to the criteria used to define an "employment emergency." Remarks that there are problems with the mechanisms for the transfer of funds in and out of the EEDF, page 6 of the exhibit.
- 339 Slater Summarizes that SB 114 does not account for differences in unemployment rates between rural and urban areas of the state.
- 351 Chair Lim States that safety mechanisms need to be in place and asks the Employment Department to provide language for amendments that would address the concerns.

TAPE 19, A

- 001 Sarah Gates Economist, Office of Economic Analysis. Presents **(EXHIBIT C)** and discusses the procedures for transfer of lottery funds. Notes that no significant balance is carried forward between quarterly transfers in the current biennium.
- 024 Gates Remarks that there is presently 70 cents in the Economic Development Fund. Adds that current allocations usually consume the entire transfer of funds from the lottery, page 1 of the exhibit.
- 037 Gates Discusses potential problems with the calculation of funds to be transferred to the EEDF under SB 114, page 1 of the exhibit.
- 050 Gates Discusses the possible impact of transfers of lottery funds on other agencies, page 2 of the exhibit. Summarizes the activation triggers for the EEDF, page 2 of the exhibit.
- 080 Chair Lim Asks when the next quarterly transfer from the lottery takes place.
- 087 Gates Responds that the next transfer takes place in April and discusses the transfer mechanisms and anticipated lottery revenues.
- 117 Chair Lim Asks for the total amounts that are obligated from lottery revenues.
- 125 Gates Responds with figures on the lottery fund obligations.
- 160 Sen. Fisher Asks about specific allocations outlined in the amendment.
- 167 Wisbrock Answers that a portion of the funds obligated are the economic development funds for the counties.

180	Gates	Adds that the county funds are a different obligation than the school obligation.
193	Chair Lim	Asks about the specific figures which include the amounts for Westside Light Rail and debt service. Remarks that the total amount is approximately \$600 million and compares that figure to the total revenues for the lottery. Notes that the present lottery revenues merely cover existing obligations.
230	Gates	Remarks that \$400 million is obligated to the state school fund.
246	Sen. Fisher	Asks about the \$150 million in lottery bonds for the schools that was approved last session.
251	Gates	Responds that the bonds were issued and the debt service on those bonds was \$1.7 million in this biennia.
261	Wisbrock	Notes that they were 15-year bonds funded through the Education Endowment Fund and the proceeds from the sale were approximately \$150 million.
270	Sen. Fisher	Asks whether the \$1.7 million in debt service would be subtracted from the proceeds of the bond sale, as well as the debt service over the next 15 years.
275	Wisbrock	Responds that the debt service will be subtracted and notes that the Educational Endowment Fund is an endowment, therefore it is only the interest that can be encumbered.
289	Sen. Fisher	Asks what the debt service will amount to in each biennium.
293	Wisbrock	Responds that he does not have those figures available but will provide the figures to the committee. Adds that the requirement to invest in the bond market will hold investment returns to approximately five percent.
323	Sen. Fisher	Notes that the debt service will probably need to be paid from lottery funds.
330	Wisbrock	Answers that the debt service will need to come from the lottery funds if the returns on the Education Endowment Fund are not sufficient to satisfy the debt stream.
340	Sen. Fisher	Remarks that Oregon may not be in a position to continue to create new debt.
364	Wisbrock	Notes that the Educational Endowment Fund will probably exceed the amount required for debt service in three or four biennia.

377	Gates	Reviews findings of the Governor's Tax Review Policy Advisory Committee on the stabilization fund (EXHIBIT D). Adds that initiatives or natural disasters can cause volatile situations and could be triggers for accessing the fund.
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TAPE 18, B

006	Peggy Archer	Deputy, Legislative Fiscal Office. States that SB 114 will not bring in any new revenue and existing lottery funds are more than committed. Discusses the impact that SB 114 would have on existing obligations.
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058	Chair Lim	Remarks that if the state cannot save money now, during good economic times, how will obligations be met during downturns. Notes that Oregon is one of only four states without a stabilization fund.
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074	Sen. Duncan	Asks what impact the lack of a stabilization fund has on the state bond rating.
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084	Archer	Notes that the Treasurer's office would be able to clarify questions regarding the bond rating.
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095	Chair Lim	Discusses with Sen. Duncan that he would like to see a list of states and their respective bond ratings.
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117	Wisbrock	Notes that Oregon went from a AAA rating to AA- in the early 1980s and is presently rated AA. Remarks that this reclassification resulted in an estimated \$300 to \$400 million in additional costs for 30-year bonds because of higher interest rates. Notes that an improved bond rating would save considerable money in reduced interest costs.
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138	Wisbrock	Outlines an article from Standard and Poors describing methods for states to improve bond ratings. Notes that the bond agencies are concerned about Oregon's lack of a stabilization fund, the active initiative process, and Oregon's tax structure that primarily funds through income and corporate taxes.
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173	Sen. Duncan	Asks about the environment in Oregon when the state had a AAA rating.
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185	Wisbrock	Answers that the initial drop in the rating was due to a number of factors, one of which was Ballot Measure 5. Notes that Oregon was "on watch," which means that the bond agencies were "very concerned."
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198	Sen. Duncan	Asks about the list of state ratings and whether any of the states with AAA ratings have active initiative processes.
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207	Wisbrock	Answers that the Treasurer's office is researching the issue.
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218	Sen. Duncan	Remarks that the legislature sent back a \$750 million "kicker" while the state is currently paying \$300 to \$400 million in interest. Adds that Oregon needs to operate as a business.
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230	Sen. Fisher	States that the problems are in the rules and regulations associated with growth and development. Discusses with Sen. Duncan the importance of paying off debt.
280	Doris Penwell	Legislative Coordinator, Economic Development Department. Testifies that the Economic Development Department does not take a position on SB 114. Presents (EXHIBIT E) and discusses the investments currently being made by the Economic Development Department, page 1 of the exhibit.
230	Penwell	States that allocating funds for the EEDF would be counterproductive since it would cause a shortfall in current economic development funds, page 2 of the exhibit.
235	Chair Lim	Closes public hearing on SB 114 and adjourns meeting at 4:35 p.m.

Submitted By, Reviewed By,

Gary Roulier, Carol Rives,

Administrative Support Administrator

EXHIBIT SUMMARY

A ñ SB 114, amendment, Rollie Wisbrock, 1 page

B ñ SB 114, written testimony, Graham Slater, 7 pp

C ñ SB 114, written testimony, Sarah Gates, 2 pp

D ñ SB 114, written testimony, Sarah Gates, 2 pp

E ñ SB 114, written testimony, Doris Penwell, 2 pp