

SENATE COMMITTEE ON TRADE AND ECONOMIC DEVELOPMENT

February 17, 1999 Hearing Room B

3:00 p.m. Tapes 20 - 21

MEMBERS PRESENT: Sen. John Lim, Chair

Sen. Avel Gordly, Vice-Chair

Sen. Verne Duncan

Sen. Tony Corcoran

Sen. Bill Fisher

MEMBER EXCUSED:

STAFF PRESENT: Carol Rives, Administrator

Gary Roulier, Administrative Support

MEASURE/ISSUES HEARD: SB 403 Public Hearing

SB 402 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 20, A		
004	Chair Lim	Opens meeting at 3:09 p.m. and opens public hearing on SB 403.
<u>SB 403 PUBLIC HEARING</u>		
009	Carol Rives	Administrator. Explains the provisions of SB 403 which establish a Safe Drinking Water Revolving Loan Fund. Notes that the discussion will include an overview of SB 200 and HB 2153 which deal with lottery revenue bonds.

021	Yvonne Addington	Manager, Regional Development, Oregon Economic Development Department. Presents (EXHIBIT A) and explains the provisions of SB 403. Outlines the need to separate the Federal Safe Drinking Water Act Revolving Loan Fund program from the state Water/Wastewater program, page 1 of the exhibit.
063	Sen. Corcoran	Asks if any of the water systems are private cooperatives.
070	Addington	Answers that they are private, usually in unincorporated areas.
073	Chair Lim	Asks why the state program has not made loans to the private water systems in the past.
076	Addington	Responds that the federal program was funded in the past year so the opportunity to fund loans to private systems is new.
080	Chair Lim	Asks for the total amount of loans for the past year.
082	Addington.	Answers that the state provided a \$5 million match to obtain \$20 million in federal funds. Continues with an explanation of a proposed amendment to SB 403, page 3 of the exhibit.

107	Chair Lim	Asks for clarification on the separation between the state and federal funds.
112	Addington	Responds that they have commingled the federal and state funds to date. Explains that the purpose in separating the funds is to remove the complexity of the commingling due to the more restrictive federal regulations.
127	E. Michael Myers	Manager, Water Regulation, Public Utility Commission of Oregon. Presents (EXHIBIT B) which outlines a recommended amendment to SB 403. Discusses with Addington the existing problems with commingling the federal and state funds.
170	Betty Pongracz	Manager, Safe Drinking Water Fund, Oregon Economic Development Department. Explains that the provisions of SB 403 would allow separate accounting for the state and federal fund programs, and would eliminate the problems that might occur because of the prohibition against using lottery revenue bond proceeds for private water systems.
187	Chair Lim	Asks if the accounting system still commingles the funds.
192	Pongracz	Answers that the state and federal funds appear in the same treasury fund but would be separate accounts within the treasury fund. Adds that as long as the state

and federal funds are in different accounts, they may be used for different purposes.

- 196 Myers Remarks that the ability to create sub-accounts within the treasury fund may eliminate the need for SB 403.
- 199 Pongracz Answers that the existing statute prohibits the use of state funds for private water systems.
- 206 Vice-Chair Gordly Asks if the Public Utility Commission is looking for more specific language which would allow loans to private water systems.
- 214 Myers Answers that is correct.
- 217 Chair Lim Asks the two agencies to agree on language for the proposed amendment.
- 231 Greg Jeffrey Finance Manager, Department of Administrative Services. Presents (**EXHIBIT C**) and describes the purposes of SB 200 and HB 2153 which deal with the Oregon Lottery Bond Program.
- 279 Jeffrey Continues testimony on SB 200 and HB 2153, page 1 of the exhibit.
- 305 Sen. Corcoran Asks if HB 2153 is granting authority to issue bonds or just putting into place past legislative action.
- 326 Jeffery Responds that SB 200 reorganizes the systems approved in the last session and HB 2153 is recommending the allocation of lottery revenue bonds for new projects.
- 340 Chair Lim Asks if Jeffrey is concerned with the commingling of funds.
- 360 Jeffrey Answers that he is not familiar with the specifics but understands the need to have separate accounts
- 378 Rollie Wisbrock Chief of Staff, Oregon Treasury. Presents (**EXHIBIT D**) and testifies on the provisions of SB 200 which provides a framework for the issuance of all future lottery revenue bonds.
- 420 Rollie Wisbrock Continues testimony on the provisions of SB 200, page 1 of the exhibit.

016	Wisbrock	Describes the historical background on the need for a system to insure that all lottery revenue bonds are issued in a uniform and consistent manner.
045	Vice-Chair Gordly	Asks for a clarification on SB 200 and the provision that says that the full faith and credit of the state shall not be pledged or committed to the payment of lottery revenue bonds.
051	Wisbrock	Responds that the bonds referred to in SB 200 are revenue bonds which use the stream of revenue generated by the bonds to pay debt. Clarifies that the full backing of the state is pledged for repayment of general obligation bonds.
089	Sen. Corcoran	Asks about the provisions of HB 2153 which would add four new programs to be financed by lottery revenue bonds. Discusses the possible overuse of lottery revenue bonds and if the state is approaching the ceiling on its bonding authority.
121	Wisbrock	Responds that the State Debt Policy Commission oversees the levels of debt that can be safely issued. Notes that using all of the safeguards leaves the state with a remaining capacity for \$500 million in additional debt.
147	Sen. Corcoran	Asks about the period of time for repayment of the bonds.
150	Wisbrock	Answers that the lottery debt may be issued for a maximum of 15 years.
156	Sen. Corcoran	Asks if the four new programs outlined in HB 2153 are in the Governor's proposed budget.
163	Wisbrock	Responds that these were the Governor's recommendations in conjunction with legislative leadership.
184	Sen. Fisher	Asks about the economic development projects listed in HB 2153.
185	Wisbrock	Answers that he is not aware of the details.
195	Chair Lim	Asks what safeguards are in place to issue a warning when the state is issuing too much debt.
201	Wisbrock	Answers that the State Debt Policy Commission is the first level of defense and emphasizes that state debt has been \$3 billion in the last ten years and will level off at approximately \$4 billion.
240	Sen. Duncan	Asks if this debt reduction is viewed favorable by bond rating agencies.
241	Wisbrock	Answers that this level of debt reduction is an asset. Adds that the safeguard systems that Oregon uses are unique.
258	Sen. Fisher	Asks about the debt service on the projects listed in HB 2153.

260	Wisbrock	Answers that the K-12 bonds were issued at approximately 4.3 percent.
275	Sen. Fisher	Asks if the additional costs are for the interest on the bonds.
280	Wisbrock	Responds that the costs also include the third party costs.
283	Cynthia Burns	Assistant Attorney General, Tax and Finance, Department of Justice. Adds that the costs include administrative, legal, underwriter, and marketing fees.
291	Sen. Fisher	Asks for the total amount for the third party costs and debt service.
297	Wisbrock	Answers that the incidental costs on the \$150 million in education bonds were approximately \$10 million.
310	Sen. Fisher	Notes that incidental costs can be substantial.
324	Chair Lim	Asks if other revenue bonds can be issued in addition to lottery bonds.
332	Wisbrock	Responds that it would depend on whether there is a revenue source and whether the revenue source is adequate to pay off the bonds.
371	Burns	Outlines examples of revenue bonds.
389	Ed Johnson	Citizen, Lincoln County. Summarizes a pending court case between himself and an Oregon city concerning a watershed.

TAPE 20, B

003	Johnson	Continues testimony on pending court case.
036	Rives	Summarizes the testimony and proposed amendments and reminds the committee that SB 403 will be subsequently referred to Ways and Means.
046	Doris Penwell	Legislative Coordinator, Economic Development Department. Discusses the economic development projects proposed in HB 2153 which will finance infrastructure projects. Adds that \$40 million will finance water/wastewater treatment and other community facilities, \$5 million will provide the match to the federal funds referred to in SB 403 and \$10 million will be used for channeling projects for the Port of Portland.
078	Sen. Corcoran	Clarifies that the infrastructure projects will be loans and grants. Discusses the

funding and payback mechanisms of the lottery revenue bonds which will finance the infrastructure projects.

098 Chair Lim Closes public hearing on SB 403 and opens public hearing on SB 402.

SB 402 PUBLIC HEARING

110 Mark Huston Manager, Business Finance, Oregon Economic Development Department. Presents (**EXHIBIT E**) and testifies in favor of SB 402. Explains that SB 402 will modify four of the business finance programs administered by the OEDD.

140 Huston Continues testimony by reviewing the Oregon Business Development Fund. Remarks that SB 402 would establish a Targeted Development Account which would provide loans to businesses in distressed areas, page 2 of the exhibit.

196 Huston Continues testimony on the Oregon Business Development Fund, page 2 of the exhibit.

207 Vice-Chair Gordly Asks if the banks that would partner with the businesses have been identified.

216 Huston Responds that partnerships exist for all the loan programs but an overall agreement with the banks would not be necessary in the Oregon Business Development Fund.

229 Vice-Chair Gordly Asks what incentives exist for the banks to become involved.

230 Huston Answers that the incentive is to assist a local customer in expanding.

247 Chair Lim Asks about rates for the loan.

250 Huston Answers that the rate for the Oregon Business Development Fund is one percent higher than the federal government treasury rate. Adds that the proposed Targeted Development Account rate would be set by the Economic Development Commission and could be as low as three percent. Continues by outlining how SB 402 will modify the Credit Enhancement Fund Program, page 2 of the exhibit.

314 Huston Explains the modifications provided by SB 402 to the Oregon Capital Access Program, page 3 of the exhibit.

357 Huston Discusses with the chair the sunset date for the increased match feature of the Oregon Capital Access Program which would be extended or eliminated under the provisions of SB 402.

377 Huston Outlines the provisions in SB 402 which relate to the Oregon Entrepreneurial Development Loan Fund.

TAPE 21, B

006 Vice-Chair Gordly Asks about the working relationship between the Oregon Economic Development Department loan programs and the offices of Minority Women and Emerging Small Businesses. Adds that she would like to see the figures on loans made to minorities, women, and emerging small businesses since 1993.

021 Huston Responds that he will provide the requested figures.

024 Chair Lim Asks to be provided the default rates, interest rates, and average loan amounts of each loan program. Closes public hearing and adjourns meeting at 4:35 p.m.

Submitted By, Reviewed By,

Gary Roulier, Carol Rives,

Administrative Support Administrator

EXHIBIT SUMMARY

A ñ SB 403, written testimony, Yvonne Addington, 5 pp

B ñ SB 403, written testimony, E. Michael Myers, 1 pp

C ñ SB 403, written testimony, Greg Jeffrey, 1 pp

D ñ SB 403, written testimony, Rollie Wisbrock, 7 pp

E ñ SB 402, written testimony, Mark Huston 19 pp