

SENATE COMMITTEE ON TRADE AND ECONOMIC DEVELOPMENT

February 24, 1999 Hearing Room B

3:00 p.m. Tapes 24 - 25

MEMBERS PRESENT: Sen. John Lim, Chair

Sen. Avel Gordly, Vice-Chair

Sen. Tony Corcoran

MEMBERS EXCUSED: Sen. Verne Duncan

Sen. Bill Fisher

STAFF PRESENT: Carol Rives, Administrator

Gary Roulier, Administrative Support

MEASURE/ISSUES HEARD: SJR 6 Public Hearing

Overview of General Obligation and Revenue Bonds

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 24, A		
004	Chair Lim	Opens meeting at 3:15 p.m. and opens public hearing on SJR 6.
<u>SJR 6 PUBLIC HEARING</u>		
014	Russell Crawford	President, Pacific Northwest International Trade Association (PNITA). Notes that PNITA has no position on SJR 6, but supports any actions which promote international trade.
049	Crawford	Presents (EXHIBIT A) and outlines the history of PNITA, a member-based

		organization that promotes the regional economy through international trade.
083	Crawford	Notes that much of the region's economic growth has been fueled by international trade. Summarizes the effect the economic situation in Asia has had on the regional economy.
112	Crawford	Discusses the importance of trade missions by state executives. Concludes that one in four jobs in Oregon are trade-related and tend to be higher paying than non-trade jobs.
137	Vice-Chair Gordly	Asks about PNITA's emphasis on trade with Africa.
142	Crawford	Responds that there has not been a specific emphasis on trade with Africa.
150	Vice-Chair Gordly	Asks about the Africa Task Force on International Trade Opportunities Report presented to the Oregon International Trade Commission and whether PNITA would have any feedback or recommendations.
173	Crawford	Responds that PNITA will review the report and agrees that in a global economy the state cannot afford to ignore any trade opportunities.

180	Walt Evans	Chair, PNITA Trade Policy Committee. Remarks that the Congressional African Trade Bill is on the PNITA agenda for discussion in 1999. Agrees that opportunities exist, particularly in sub-Saharan Africa.
208	Vice-Chair Gordly	Relates a trade mission to Africa where meetings with officials revealed an interest in Oregon forestry practices. Notes that trade occurs where we have relationships.
242	Crawford	Agrees and adds that there are opportunities in South America as well.
250	Evans	Notes that he is involved in the International Sustainable Development Foundation and was not aware of the forestry opportunities in sub-Saharan Africa.
257	Chair Lim	Asks if PNITA coordinates with the Oregon Economic International Trade Division.
268	Crawford	Responds that the working relationship is close.
278	Chair Lim	Asks if PNITA is working with the rural areas of the state to promote trade.

284	Crawford	Summarizes conferences and other outreach efforts by PNITA to expand membership outside the metropolitan area.
297	Chair Lim	Notes that he hopes that PNITA is looking beyond the Pacific Rim for trade opportunities.
308	Crawford	Agrees that the focus needs to be worldwide.
318	Chair Lim	Remarks that the Lieutenant Governor would be responsible for international trade and would need a close working relationship with the Oregon Economic Development Department and PNITA.
336	Evans	Presents (EXHIBIT B) and remarks that trade is one of the critical drivers for the state economy and requires the attention of state government. Notes that one of the missions of PNITA is to carry the message about the importance of international trade to Oregonians.
389	Evans	Discusses the effect that the Asian turmoil has had on Oregon and specifically, how foreign currency devaluation in Asia in 1997 resulted in collapsed Oregon export markets.

TAPE 25, A

004	Sen. Corcoran	Summarizes a report that predicts a loss of business for the Port of Portland if the Columbia River Channel is not deepened to 50 feet.
007	Evans	Responds that deepening the channel by three feet will meet the needs of most Oregon exporters and provides the best cost/benefit solution. Emphasizes that infrastructure issues are also competitive issues and that competitive air travel is also important.
050	Evans	Remarks that just-in-time management will increase which puts a premium on competitive transportation facilities. Notes that foreign exchange rates have a strong impact on Oregon's trade. Adds that trade-related jobs pay an average of 16% higher than non-trade jobs.
084	Evans	Concludes that the Oregon economy may begin to fall at the same time the Asian economy is in recovery. Emphasizes that this creates export opportunities for Oregon companies.
104	Vice-Chair Gordly	States that the emphasis on legislative responsibilities for international trade presented in this testimony will be helpful.
119	Evans	Adds that personal relationships will be valuable.

124	Vice-Chair Gordly	Asks if PNITA supports the proposal for establishing a trade office in Shanghai, China.
132	Crawford	Responds that he does not support the establishment of an office in Shanghai for cost reasons.
142	Evans	Adds that the dollars available need to be husbanded and applied where the state has the greatest opportunity for success. Notes that PNITA is working to get the Premier of China to visit Oregon. Discusses the coordination to arrange this visit.
178	Vice-Chair Gordly	Emphasizes the importance of including Sen. Yih in any discussions regarding trade with China.
192	Chair Lim	Remarks that he has introduced a resolution to have the President of the Republic of Korea visit Oregon.
216	Karen Goddin	Executive Director, PNITA. Relates that on April 20, 1999, United States Ambassador Bosworth and Korean Ambassador Lee will be in Portland. Adds that PNITA has been invited to prepare a business panel to focus on trade with Korea.
227	Chair Lim	Remarks that he has introduced a resolution to make the month of May "Asian-American Heritage Month."
251	Chair Lim	Discusses the Columbia River channel, the importance of increasing the channel depth, and the option of creating a "super port" in Astoria.
305	Chair Lim	Closes the public hearing on SJR 6 and opens informational meeting.

OVERVIEW OF GENERAL OBLIGATION AND REVENUE BONDS

332	Rollie Wisbrock	Chief of Staff, Oregon State Treasury. Discusses the roles of the Treasury and the State Debt Policy Commission in insuring the proper issuance of state debt
378	Chuck Smith	Director, Debt Management Division, Oregon State Treasury. Presents (EXHIBIT C) and summarizes the historical need for greater centralized control and management of all state bond issuance.

TAPE 24, B

003	Smith	Discusses the outstanding long-term financial obligations and the obligations of the state for general obligation bonds (page 4 of the exhibit).
040	Smith	Discusses the outstanding revenue bonds which use the revenue stream generated for repayment (page 4 of the exhibit).

068	Smith	Reviews outstanding Conduit Revenue Bonds, which do not obligate the state, and Certificates of Participation, primarily used to finance construction of prisons.
097	Chair Lim	Asks whether the legislature needs to approve Conduit Revenue Bonds.
102	Smith	Responds that the legislature approves the maximum amount of Conduit Revenue Bonds that can be issued each biennium. Continues by demonstrating the significant reduction of general obligation and certificate of participation debt (page 6 of the exhibit).
137	Smith	Demonstrates that outstanding general obligation and certificate of participation debt will stabilize at approximately \$4 billion (page 7 of the exhibit). Emphasizes that, with regard to debt, Oregon is in a good position relative to our neighboring states and the nation as a whole.
159	Smith	Presents (EXHIBIT D) and summarizes a report from the State Debt Policy Advisory Commission. Discusses the tax-supported and non tax-supported debt programs (page 6 of the exhibit).
205	Smith	Remarks that the model to determine debt ceiling is a national model. Summarizes the recommended ratio of net tax-supported debt as a percentage of general fund revenues (page 7 of the exhibit).
254	Smith	Discusses the forecast of available capacity for net tax-supported debt programs (page 11 of the exhibit). Emphasizes that a ceiling ratio of less than five percent indicates "ample capacity," and the state is currently at two percent.
280	Chair Lim	Asks what the two percent figure represents.
285	Smith	Indicates that it represents two percent of the General Fund revenues.
296	Rives	Asks whether the \$450 million of additional debt that may be issued is a renewable figure (page 10 of the exhibit).
306	Smith	Responds that \$450 million is the amount that could be issued each year. Continues with a discussion of lottery revenue bonds and the recent sale which will fund K-12 education (page 12 of the exhibit).
344	Smith	Presents (EXHIBIT E) and discusses the uses of unobligated lottery revenues. Discusses the forecast of remaining capacity for lottery revenue programs, page 13 of (EXHIBIT D).
395	Smith	Presents (EXHIBIT F) which demonstrates the flow of funds from the state lottery fund.

TAPE 25, B

006	Wisbrock	States that the existing lottery revenue obligations have necessitated a formalized process for issuance of revenue bonds. Adds that this was the reason for the introduction of SB 200.
017	Smith	Presents (EXHIBIT G) which outlines how a state could upgrade its bond rating.
027	Wisbrock	Notes that the long term debt, when issued, cannot be used for programs.
029	Chair Lim	Asks about the proposed revenue bonds for the veterans program.
037	Smith	Responds that the proposed program is significantly different than the program in the 1980s and reviews the restructuring of the program to reduce risk.
063	Wisbrock	Adds that there is a centralized authority to review debt which is an additional safeguard.
076	Chair Lim	Notes that an event such as the Asian crisis can affect the outstanding debt of the state.
083	Wisbrock	Responds that the safeguards in place should protect the state.
092	Chair Lim	Adjourns the meeting at 4:52 p.m.

Submitted By, Reviewed By,

Gary Roulier, Carol Rives,

Administrative Support Administrator

EXHIBIT SUMMARY

B ñ SJR 6, written testimony, Walt Evans, 9 pp

C ñ Debt and Debt Management in Oregon, Chuck Smith, 10 pp

D ñ Report of the State Debt Policy Advisory Committee, Chuck Smith, 17 pp

E ñ Uses of Unobligated Lottery Revenues, Chuck Smith, 4 pp

F ñ Oregon State Lottery Flow of Funds, Chuck Smith, 1 pp

G ñ Anatomy of an Upgrade, Chuck Smith, 2 pp