

**WORK SESSION: HB 2007, HJR 37**

**PUBLIC HEARING & WORK SESSION: HB 3586**

**TAPES 201, 202 A/B**

**HOUSE REVENUE COMMITTEE**

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**JUNE 5, 1997 8:30 AM HEARING ROOM A STATE CAPITOL BUILDING**

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**MEMBERS PRESENT:** Rep. Tom Brian, Chair

Rep. Lee Beyer, Vice-Chair

Rep. Tony Corcoran

Rep. Randall Edwards

Rep. Leslie Lewis

Rep. Anitra Rasmussen

Rep. Lane Shetterly

Rep. Mark Simmons

Rep. Ken Strobeck

**WITNESSES PRESENT:** Peter Grundfossen, Association of Oregon Housing Authorities.

Tim Nesbitt, Oregon Public Employees Union (OPEU)

Bill Nessly, Department of Justice

Rollie Wisbrock, Oregon State Treasury

Chuck Smith, Oregon State Treasury

Harvey Rogers, Oregon State Treasury Council

Greg Jeffrey, Department of Administrative Services

**STAFF PRESENT:** Steve Meyer, Economist

Ed Waters, Economist

Barbara Guardino, Committee Assistant

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**TAPE 201 SIDE A**

011 Chair Brian Called meeting to order at 9:10 a.m.

**WORK SESSION (INVITED TESTIMONY) -- HB 2007 & HJR 37**

- 028 Peter Grundfossen Refer to written testimony verbatim, "HJR 37/HB 2007 Rainy Day Fund" (EXHIBIT A). Association of Oregon Housing Authorities opposes these two bills, recommends repealing kicker law, freeing up monies to put toward low income housing, etc. Encouraged continuing debate each session on use of available funds.
- 125 Tim Nesbitt Refer to written testimony "Testimony of Tim Nesbitt Re: HB 2007 and HJR 37" (EXHIBIT B) Oregon Public Employees Union concurs with Grundfossen about continuing debate each session. Urged committee not to impose restrictions on future assemblies.
- 168 Nesbitt Concerning HJR 37, OPEU supports equitable refunds. Expressed concern that corporations will get 45 % kicker refund; taxpayers get 12 %. Return taxes according to contribution.
- 184 Chair Brian Continued work session on HB 2007 and HJR 37; opened public hearing on HB 3586.

**PUBLIC HEARING AND WORK SESSION -- HB 3586**

- 201 Chair Brian Referred members to HB 3586: Creates bond authority for education bonds. This will bring about \$150 million to next biennium for school funding. Also, provides funding for parks.
- 211 Rollie Directed members' attention to HB 3586 -6 amendments (EXHIBIT C). This brings forward proposal of \$150 million in education proceeds, bond proceeds, and \$75

- Wisbrock million for parks.  
Reviewed HB 3586 -6 amendments. Bill is a melding of concepts from two other bills.
- 226 Bill Nessly Section 1: States, bonds to be issued are revenue bonds only, do not constitute general obligations of the state that would force state to use its taxing power to pay them.
- 245 Nessly Section 2: Legislative findings that indicate that use of lottery proceeds to pay bonds satisfies requirements in constitutional provision that requires net proceeds of lottery to be used for one of three public purposes: creating jobs, furthering economic development, financing education.
- 270 Nessly Section 3: Definitions including descriptions of state education projects (acquisition, improvement, remodeling, maintenance or repair, etc.). States limits for which bond proceeds may be extended.
- 290 All Subsection 9 (page 4, line 6): Equivalent description for state parks projects.  
Questions and discussion  
Section 4: Reserves right of legislative assembly to pay off bonded debt.
- 370 Nessly Page 5, line 7: State education lottery bonds may be issued in amount sufficient to provide no more than \$\_\_\_\_\_ of net proceeds ...  
Page 5, lines 25 - 27: Education fund can be expended only for distribution to school districts for education projects or for financial emergency.
- 439 Nessly Section 5 (2): Parallel provisions with respect to state park bonds.  
Section 6: Establishes lottery bond fund  
Section 7: Establishes lottery bond administrative fund

### **TAPE 202 SIDE A**

- 040 Nessly Section 8: Allocation of lottery money  
Section 9: Authorizes state treasurer to issue bonds with concurrence of director of Oregon Department of Administrative Services. Makes issuance discretionary.
- 058 Nessly Subsection 5, page 12: Warns, revenue bonds only, shall not be general obligations of the state.  
Subsection 7, page 13, lines 26 - 28: Ability of treasurer to pledge monies of state lottery.  
Section 10, page 15: Creates special exception to handle limitations on state lottery education bonds and state lottery parks funds in this bill.  
Recommended minor changes: Page 5, Section (4)(2) line 10: Concerns net proceeds of

bonds, consistent with education bonds.

Section 5 (1), page 6, line 23: Mentions net proceeds with respect to parks bonds.

Rather than net proceeds, Section 10 talks about aggregate principal amount.

110 Nessly

Recommends change this to state, "notwithstanding ORS 286.505 to 286.545, state education lottery bonds may be issued during 1997-1999 biennium in an aggregate principle amount ..."

Also see page 15, line 13.

Refer to hand-written, hand-engrossed amendments (EXHIBIT E).

167 All

Questions and discussion concerning reference to north-south light rail.

202 Rep.  
Lewis

Asked, why does Section 11 (1) exist (in regard to north-south light rail). Since voters voted it down, why is it still in statutes.

213 Nessly

Is unaware of origin of this section. Referred to page 16, line 6: These are just provisions that are designed to take into account the repeals contained in Section 14. Section contains nothing that obligates state with respect to north-south light rail.

229 Rep.  
Lewis

Observed, language should be deleted.

237 Nessly

Sections 12, 13: Abolish a continuous appropriation from education endowment fund to scholarship commission effective July 30, 1999.

260 Rep.  
Strobeck

Asked if defaulting could jeopardize state ratings if lottery funds are not sufficient to pay them.

265 Chuck  
Smith

No. Bonds will have separate and distinct rating based upon their credit quality and analysis by rating agencies.

280 Wisbrock

Pointed out, impact on credit rating in terms of volume and quality of bonds should be addressed at State Debt Policy Commission level.

Reviewed HB 3586 -6, proposed changes.

308 Steve  
Meyer

Page 5, line 10: Fill in blank for net proceeds of state education lottery bonds, \$150 million.

Page 6, line 23: State park lottery bonds to be issued no more than net proceeds to pay for state projects, \$105 million.

339 Wisbrock

Questions and discussion concerning service limit of \$10 million. Debt service has been lumped together for both parks and education. This needs to be changed to reflect separate debt services.

Refer to page 15, line 16 -- \$10 million for 1997-99 biennium.

## **TAPE 201 SIDE B**

- 025 Chair Brian Asked, if cap is changed to \$105 million, why would that affect \$10 million.
- 034 Wisbrock Does not believe it will. Concern is how to schedule it.
- 040 All Questions and discussion
- 074 Chair Brian Refer to page 15, Section 10, lines 9-13 to deal with limitation on debt service issue.  
Line 11, insert "\$150 million"; line 13 insert "\$15 million"
- 075 Rep. Corcoran Asked, why all of a sudden were parks and schools combined? Suggested separating the two.  
Explained, state is better off if both projects are financed with bonds that have the same lien on net lottery revenues. With two bills, each bill said bonds issued to finance that project had a first lien. Two people can't have the same first position in line. State has more financial flexibility with a single lien on lottery revenues that accesses both projects.
- 142 Chair Brian Page 6, line 23, fill in blank to read \$105 million.  
Page 15 Section 10: See hand-engrossed amendment (EXHIBIT E).
- 148 Meyer Page 15, line 13: After "amount" insert "which produces net proceeds for state parks projects".
- 186 Meyer Noted one more issue, but does not have amendment: Use of school bond proceeds.
- 207 Chair Brian Language not referenced, need to include language on page 3, Section 3 (7) line 27.
- 208 Rogers Noted, list in HB 3586 is broader than in SB 346. Prefers broader one list this statute.  
Suggested hand-engrossed amendment: Page 4, line 2, change period to comma, insert words "or the payment of debt service on obligations (other than general obligation bonds) issued for such projects."
- 217 Chair Brian
- 226 All Questions and discussion concerning what should be included in bond issuance (i.e. computer technology, text books, etc.)  
Asked if any objections to conceptual amendment adding "telecommunications" after "equipment" (top of page 2, bottom page 3).
- 400 Chair Brian Questions and discussion

## **TAPE 202 SIDE B**

- 042 Rep. Lewis With regard to 15 year bonds, if \$150 million and \$105 million figures are used, what would be the repayment figure?  
Noted, Department of Administrative Services ran scenario of debt service that anticipated a sale that would provide \$150 million for education and \$15 million for
- Greg

- 068 Jeffrey parks during 1997-99 biennium. Total debt service over 15 years is approximately \$250 million.
- 083 Chair Brian **CHAIR REQUESTED UNANIMOUS CONSENT TO SUSPEND RULES FOR THE PURPOSE OF MAKING CONCEPTUAL AMENDMENTS TO HB 3586 -6. ASKED FOR ANY OBJECTIONS TO SUSPENSION OF RULES. HEARING NO OBJECTIONS, CHAIR SO ORDERED.**
- 089 Chair Brian **ASKED FOR ANY OBJECTIONS TO AMENDING HB 3586 -6 AMENDMENTS AS FOLLOWS:**
- 102 Chair Brian **PAGE 2, LINE 2: AFTER "EQUIPMENT," ADD "TELECOMMUNICATIONS EQUIPMENT,". HEARING NO OBJECTIONS, CHAIR SO ORDERED.**
- PAGE 3, LINE 30, AFTER "EQUIPMENT," ADD "TELECOMMUNICATIONS EQUIPMENT,". HEARING NO OBJECTIONS, CHAIR SO ORDERED.**
- PAGE 4, LINE 2: INSERT "OR THE PAYMENT OF DEBT SERVICE ON OBLIGATIONS (OTHER THAN GENERAL OBLIGATION BONDS) ISSUED FOR SUCH PROJECTS." HEARING NO OBJECTIONS, CHAIR SO ORDERED.**
- PAGE 5, LINE 10: INSERT \$150 MILLION INTO BLANK. HEARING NO OBJECTIONS, CHAIR SO ORDERED.**
- PAGE 6, LINE 23: INSERT \$105 MILLION IN BLANK. HEARING NO OBJECTIONS, CHAIR SO ORDERED.**
- PAGE 15, LINE 11: FOLLOWING WORD "AMOUNT" ADD "WHICH PRODUCES NET PROCEEDS FOR STATE EDUCATION PROJECTS". HEARING NO OBJECTIONS, CHAIR SO ORDERED.**
- PAGE 15, LINE 11: INSERT \$150 MILLION IN BLANK. HEARING NO OBJECTIONS, CHAIR SO ORDERED.**
- 135 Chair Brian **PAGE 15, LINE 13: FOLLOWING "AMOUNT", ADD "WHICH PRODUCES NET PROCEEDS FOR STATE PARK PROJECTS". HEARING NO OBJECTIONS, CHAIR SO ORDERED.**
- PAGE 15, LINE 13: INSERT "\$15 MILLION". HEARING NO OBJECTIONS, CHAIR SO ORDERED.**
- 144 Chair Brian Declared committee out of suspension of rules.
- 146 Chair Beyer Vice **MOTION TO MOVE HB 3586 -6 AMENDMENTS WITH CONCEPTUAL AMENDMENTS INTO HB 3586.**
- 150 Chair Brian **ASKED MEMBERS FOR ANY OBJECTIONS TO MOVING HB 3586 -6 AMENDMENTS INTO HB 3586. HEARING NO OBJECTIONS, CHAIR SO ORDERED.**
- 154 Chair Beyer Vice **MOTION TO MOVE HB 3586 TO FLOOR WITH DO PASS AS AMENDED RECOMMENDATION.**

**8 - 0 - 1**

**IN A ROLL CALL VOTE, MEMBERS VOTING AYE: REPS. EDWARDS,**

**LEWIS, RASMUSSEN, SHETTERLY, SIMMONS, STROBECK; VICE CHAIR  
BEYER, CHAIR BRIAN.**

**180 VOTE MEMBERS EXCUSED: REP. CORCORAN**

**MOTION CARRIED.**

188 Chair  
Brian Closed work session on HB 3586. Adjourned meeting at 10:45 a.m.

Submitted by, Reviewed by,

Barbara Guardino Kim James

Committee Assistant Revenue Office Manager

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**EXHIBIT SUMMARY:**

- A. HB 2007, Grundfossen, "HJR 37/HB 2007 "Rainy Day Fund," 2 pp.
- B. HB 2007, Nesbitt, "Oregon Public Employees Union/Local 503, Testimony of Tim Nesbitt Re: HB 2007 and HJR 37," 4 pp.
- C. HB 3586, Wisbrock, Proposed Amendments: HB 3686 -6, 16 pp.
- D. HB 3586, Wisbrock, Proposed Amendments: HB 3586 -7, 19 pp.
- E. HB 3586, Nessly, hand-written hand-engrossed amendments to HB 3586 -6, 1 p.
- F. HB 3586, Meyer, Staff Measure Summary, 1 p.