Oregon

John A. Kitzhaber, MD, Governor

Department of Administrative Services
Chief Financial Office
155 Cottage Street NE U10
Salem, OR 97301
PHONE: 503-378-3106
FAX: 503-373-7643

April 11, 2013

The Honorable Betsy Johnson, Co-Chair
Joint Ways & Means Subcommittee on Transportation and Economic Development
Oregon State Senate
900 Court Street NE, S-209
Salem, Oregon 97301

Re: Forest Collaboratives Funding Questions

Dear Senator Johnson:

I am writing this letter to follow up to questions you asked at the Ways and Means Transportation and Economic Development Subcommittee meeting on Monday, April 9, 2013, regarding the use of Lottery Bonds as the source of funding for the Governor's proposed Forest Collaboratives Initiative. I understand that you have two questions, which I have broken out below.

1. Is it allowable to fund a project such as the Forest Collaboratives with Lottery Bonds?

Yes, presuming the Legislative Assembly makes the requisite findings that such actions qualify as "economic development." Tax counsel indicates that, while a portion of such a program may qualify for tax-exempt funding, the administrative burden would likely outweigh the debt service savings. Therefore, should the program qualify as "economic development," and be approved by the Legislature, our plan would be to fund the program with taxable bonds.

2. May Lottery Bonds be issued to fund positions, such as the one contemplated in the Forest Collaboratives Initiative?

Yes, if we issue the bonds on a taxable basis. In the past, we have funded positions on a tax-exempt basis when the positions were necessary for construction of an asset, such as a prison or hospital, and the personnel costs were capitalized. However, we impose additional reporting requirements in these circumstances. With respect to funding positions, our practice is to amortize the costs of financed positions over five years (or less).

If you have any questions regarding this information please contact me at (503) 378-4709.

Sincerely,

Tamara M. Brickman
Policy and Budget Analyst