Senator Steiner Hayward

FULL COMMITTEE PONY

SB 7
Relating to the State Fair

Senate Bill 7 establishes the State Fair Council as a public corporation to conduct the Oregon State Fair and to operate fairground properties and facilities as an exposition center. The Governor is to name the Council members by January 1, 2014. Properties and facilities continue to be owned by the state and the fair continues at the current location in Salem.

The measure authorizes periodic audits by the Secretary of State and directs certain reporting to the Legislature. Planning for the transfer to the Council is to be complete by July 1, 2014 and operations are to be handed over to the Council no later than December 31, 2015.

There is no fiscal impact associated with the measure in 2013-15. The Parks Department will continue to conduct the fair in 2013, 2014, and possibly 2015. Funding for that purpose is in Parks' budget. Parks will continue to pay debt service on capital borrowing for the Fair until 2018. Parks will absorb costs associated with assisting the Council in developing its business plan.

If the Council's operation results in a net loss in three of five consecutive years, the measure authorizes the Legislative Assembly to terminate this agreement. The bill also allows the Department of Administrative Services to seek funding from the Legislative Assembly or the Emergency Board, if the Council cannot otherwise secure sufficient resources.

The General Government Subcommittee recommends SB 7-A be reported out do pass.

77th OREGON LEGISLATIVE ASSEMBLY – 2013 Session **MEASURE: SB 7-A**
STAFF MEASURE SUMMARY

Joint Committee on Ways and Means **Carrier – House: Rep. Nathanson**
Carrier – Senate: Sen. Courtney

Revenue: Minimal revenue impact, no statement issued
Fiscal: Fiscal statement issued

Action: Do Pass the A-Engrossed Measure
Vote:
House
Yeas:
Nays:
Exc:
Senate
Yeas:
Nays:
Exc:
Prepared By: Linda Gilbert, Legislative Fiscal Office
Meeting Date: May 31, 2013

WHAT THE MEASURE DOES: Establishes State Fair Council (Council) as independent public corporation to conduct Oregon State Fair (Fair) and maintain and operate fairground and exposition center. Requires properties and facilities to be owned by state and prohibits disposal without Department of Administrative Services (DAS) approval. Directs Council to enter renewable agreement with DAS to carry out Fair and fairground operations no later than July 1, 2014 that includes provision for repayment of obligations to state agencies. Authorizes Legislative Assembly to terminate agreement if Council's operation results in net loss in three of five consecutive years. Allows DAS to seek appropriation from Legislative Assembly or Emergency Board for support if financial resources inadequate. Requires profit to be used for operation of fairground or payment of obligations to DAS. Establishes Council authorities and accountability for operations, finances, and investments. Creates Class D violation for unauthorized entry to Fair or event. Requires Fair to take place at dedicated center in Marion or Polk Counties. Requires appointment of Council members no later than January 1, 2014. Requires DAS to report progress to interim legislative committee on economic development by October 1, 2014. Sets deadline of July 1, 2015 for transfer of Fair to Council. Specifies procedures for transitioning Fair from State Parks and Recreation Department to Council. Declares emergency, effective upon passage.

ISSUES DISCUSSED:
- Historical profitability of the State Fair Grounds and funding allotments
- Discussed the possible relocation of the State Fair
- What entities will be responsible for the Fair and what entities are responsible for the facilities
- Liability responsibility for the fair grounds
- The corporations ability to access financing avenues
- Other steps that the legislature can take if SB 7 doesn't work
- How council members will be recruited

EFFECT OF COMMITTEE AMENDMENT: No amendment.

BACKGROUND: The Oregon State Fair began in 1858 as an agricultural exhibition and expanded in 1977 to include an exposition center. In 1981, the legislature directed the Oregon State Fair and Exposition Center (Fair) to become financially self-supporting and removed General Fund support. In 1986, the Legislature authorized the Fair to sell up to $10 million in revenue bonds to renovate the horse stadium, build a new livestock pavilion, and construct an outdoor amphitheater. The Fair, however, was unable to generate sufficient revenue to meet both operating and maintenance costs. The 1997 legislature requested the Joint Legislative Audit Committee evaluate and identify solutions to the Fair's problems. In 2005, the Oregon Parks and Recreation Department (OPRD) began operating the Fair and, upon further evaluation, has suggested that a different model of governance is needed. Senate Bill 7 provides a pathway for transitioning the Fair and Exposition Center into a public corporation.

FISCAL IMPACT OF PROPOSED LEGISLATION **Measure: SB 7 - A**

Seventy-Seventh Oregon Legislative Assembly – 2013 Regular Session
Legislative Fiscal Office

Only Impacts on Original or Engrossed Versions are Considered Official

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Prepared by: Krista McDowell
Reviewed by: John Borden, Linda Gilbert, Paul Siebert
Date: 5/7/2013

Measure Description:
Establishes State Fair Council as public corporation.

Government Unit(s) Affected:
Department of Administrative Services (DAS), Oregon Parks and Recreation Department (OPRD), Oregon State Treasurer, Department of Justice

Summary of Expenditure Impact:
See Analysis

Local Government Mandate:
This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

Analysis:
The bill establishes State Fair Council (Council) as an independent public corporation to run the Oregon State Fair and maintain and operate the fairgrounds and exposition center. The bill prohibits disposal of the fairground facilities without Department of Administrative Services (DAS) approval and directs the Council to enter into a renewable agreement with DAS to carry out facility operations and to make periodic lease payments to the State of Oregon. DAS may also seek an appropriation from the Legislative Assembly or the Emergency Board for moneys to support the Council.

The drafting and administration of the lease agreement between DAS and the Council is estimated to cost DAS $5,520. An optional baseline condition assessment of the existing facility may need to be performed which would be estimated on a per square foot basis. It is not determined if this assessment cost will be incurred, however if it is, the expense will range between $56,627 to $98,276. If the $50 million account balance threshold for the Council is triggered, the one-time cost of the appraisal is estimated at $20,000. Ongoing financial services provide to the Council by DAS are anticipated to be absorbable within existing workloads. Costs to DAS associated with the sale of facilities and properties are normally deducted from sale proceeds; the agency will not need additional funds should these services be required.

The lease agreement for the Council to make payments to the State of Oregon has an indeterminate revenue impact as at this time - the terms of the agreement have not yet been negotiated.

The fiscal impact to Oregon State Treasurer, Oregon Parks and Recreation Department and the Department of Justice are estimated to be minimal. Any support service expenses incurred by these agencies, as a result of the passage of this bill, are absorbable within the agencies existing budgets or may be reimbursed by the council under provisions in the bill.