FISCAL IMPACT OF PROPOSED LEGISLATION **Measure: HB 3215**

79th Oregon Legislative Assembly – 2017 Regular Session
Legislative Fiscal Office

Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description:
Requires school district to obtain approval from Department of Education before entering into funds diversion agreement for payment of debt service on pension obligation bonds.

Government Unit(s) Affected:
Department of Education, School Districts, Oregon State Treasurer

Analysis:
The bill requires school districts to submit all state-related debt agreements to the Department of Education (ODE) and annually certify to ODE that the school receives sufficient funding from the state to be able to pay all debt service on bonds. For this measure, "state-related debt agreements" are (1) funds diversion agreements under ORS 238.698 or 328.284, (2) guarantees of bonds under ORS 328.321 to 328.356, and (3) any other agreement where funds payable for the State are diverted to repay funds borrowed by a school district. ODE must make a determination to certify the school district if the annual debt service on state-related debt agreements, averaged over the remaining life of the bonds, is no greater than 80 percent of the total amount of state school moneys that will be available to the school district in the current fiscal year. The state Treasurer must provide ODE with any data that is necessary or useful in making the determination.

Under current law, there is no substantive state financial review of school districts and community college POB issuances that are guaranteed for repayment by the State through diversion agreements. Additionally, ODE does not take into consideration any other state guarantees on school debt for which state school funding for that school is the source of repayment when processing diversion agreements.

The state Oregon School Bond Guaranty Program is the state's guarantee to make sure that bonds are paid back should the school district fail to do so. The state may issue bonds backed by the full faith and credit and taxing power of the state (ORS 328.321-356) to ensure that the state has the funds necessary to make good on the state's guarantee. This results in a higher credit rating and lower borrowing costs for school districts and community colleges because it reduces the likelihood of default.

ORS 238.694 provides local governments with the authority to issue revenue bonds to finance pension liabilities without entering into the diversion or guarantee programs listed above. Therefore, it would be possible for school districts, that are denied certification for these programs, to continue to seek bonding without these state programs. Districts may face higher interest rates without participating in these state programs and therefore cost school districts more money in the long run; however, the state would no longer be guarantor of the bonds.

The proposed legislation has been determined to have minimal expenditure on state government, including the Department of Education (ODE) and the Oregon state Treasurer.