OREGON STATE TREASURY

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Testimony re SB 616

Submitted by Laura Lockwood-McCall, Director of Debt Management, Oregon State Treasury

Good Morning, Chair Riley, Vice-Chair Girod, and Members of the Senate Committee on Business & General Government.

I am here today to testify on SB 616 which would prohibit the State Treasurer from recommending that more than 25% of net annual Lottery revenues be used to make annual Lottery bond debt service payments.

This is the same long-term guideline that has been used to make debt capacity recommendations regarding Lottery debt capacity by the State Debt Policy Advisory Commission (SDPAC) over the past twenty years. This Commission is established under State law (ORS 250A.250) to annually review the state's overall debt position and to make recommendations to the Governor and State Legislature on prudent new debt levels; it is composed of the State Treasurer, who is the chair; a member of the Senate; a member of the House; the Director of the Department of Administrative Services and a public member, appointed by the Governor. The Debt Management Division of the State Treasurer's Office, which coordinates the structuring and sale of all bond issues sold by the State of Oregon, and for which I have served as its director for the past 15 years, also serves as staff to the Commission.

The fact that various Oregon Governors and State Legislatures have adhered to the SDPAC debt capacity guidelines for the past twenty years, whether in good budget times or bad, is testimony to the strength of our state's existing SDPAC process, which has been noted by the three national rating agencies, who all give us their highest possible scores (AAA) with regards to our long-term liability management practices.

We have the same concerns with this bill as we do with SB 614, as it offers no flexibility for emergency situations, which could be a problem if the state found itself in a position where revenues dropped suddenly but the state still needed to issue bonds to address an immediate crisis or infrastructure repair situation, like a major earthquake event, where the 25% threshold might be temporarily crossed. (As a side note, the selection of 25% of lottery revenue as our SDPAC threshold is already embedded in the master Lottery revenue bond indenture – as the first state in the nation to issue Lottery Revenue bonds, which selected this conservative coverage factor to garner high credit ratings and low interest costs.)