FISCAL IMPACT OF PROPOSED LEGISLATION **Measure: HB 3123 - 2**

80th Oregon Legislative Assembly – 2019 Regular Session
Legislative Fiscal Office

Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description:
Provides that certain public bodies and intergovernmental entities may not issue bonds to finance pension liabilities without first obtaining statistically based assessment from independent economic or financial consulting firm on advisability of proposed bond issuance.

Government Unit(s) Affected:
Oregon State Treasurer (OST), Oregon Health and Science University (OHSU), Special Districts, Counties, Cities, Bonding, School Districts, Education Service Districts (ESD), Public Universities, Community Colleges

Summary of Fiscal Impact:
Costs related to the measure are indeterminate at this time - See explanatory analysis.

Analysis:

The measure would require a public body or intergovernmental entity, prior to issuing pension obligation bonds, to obtain a statistically based assessment from an independent economic or financial consulting firm. The assessment would need to determine the likelihood that investment returns on bond proceeds would exceed the interest cost of the bonds under various market conditions. Upon receipt of the assessment, the public body or intergovernmental entity would need to make the results available to the public and disclose whether it has retained the services of an independent SEC-registered advisor. The public body or intergovernmental agency would be required to submit the assessment to the Treasurer of State at least 30 days before issuing the bonds. The Treasurer of State would need to provide an annual report on bonds issued to the State Debt Policy Advisory Commission. The measure would take effect 91 days after the Legislative Assembly adjourns *sine die*.

Oregon State Treasurer (OST)

The Debt Management Division of OST would keep a record of any assessment conducted by an independent economic or financial consulting firm. OST would also submit summary information as part of its annual State Debt Policy Advisory Report to the Governor and the Legislative Assembly. Since OST already collects this type of information as part of its normal Municipal Debt Advisory Commission bond tracking activities, OST would be able to implement the measure with existing staff and resources, with minimal reprioritization of responsibilities. For that reason, the measure would have a minimal fiscal impact on OST.

Bonding: Special Districts, Counties, Cities, School Districts, Education Service Districts, Public Universities, Community Colleges, Oregon Health and Science University

The measure would have a fiscal impact on Special Districts, Counties, Cities, School Districts, Education Service Districts, Public Universities, Community Colleges, and Oregon Health and Science University. The fiscal impact would depend, however, on whether these entities issue pension obligation bonds at all. If they do not, then the measure would not impact them. If these entities do propose to issue pension obligation bonds, however, the impact would be the cost of having to contract with an appropriate independent economic or financial consulting firm to evaluate the bonding proposal(s). The contract price would depend on variables related to the individual bond proposal, including the fiscal soundness of the entity over time (its ability to repay), the amount of the proposed bond, the stability of the bond markets (whether the rate of return is realistic), and the impact on existing debt. For these reasons, the fiscal impact of the measure is indeterminate.