

HB 2158 STAFF MEASURE SUMMARY

Carrier: Sen. Meek

Senate Committee On Finance and Revenue

Action Date: 05/15/23
Action: Do pass.
Vote: 4-0-0-1
Yeas: 4 - Findley, Golden, Jama, Meek
Abs: 1 - Boquist
Fiscal: Has minimal fiscal impact
Revenue: No revenue impact
Prepared By: Mazen Malik, Senior Economist
Meeting Dates: 4/27, 5/15

WHAT THE MEASURE DOES:

Provides that unused portion of amount of pass-through revenue bonds authorized for issuance in preceding biennium carries forward until legislation authorizing amount of pass-through revenue bonds for current biennium is enacted. Requires public body, when issuing pension obligation bonds, to transmit independent assessment of bonds to State Treasurer at least two days before bonds are offered for sale to investors. Removes requirement for State Treasurer to review and approve revenue bond plans of certain public universities. Requires certain public universities to certify cash flow sufficiency to State Treasurer before issuing revenue bonds.

ISSUES DISCUSSED:

- The bill fixes several issues for the state treasure business.
- Not housekeeping nor major remodeling but moving furniture.
- Universities, public accountability, and transparency.
- Bonding questions previously discussed on senate floor.
- Private Activity Bonds (PAB) and the issues relating to the process.
- The federal allowance and cap on PAB's.

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

The measure provides solutions to three specific issues currently being encountered by the state treasure while conducting bonding activities.

- The pass-through Bonds: The need to continue being able to work in the period between the passing of the bond bill and the bill being signed by the governor.
- Local Bonds: meeting the requirements of obtaining, reporting, and approving new local government bond issues.
- University Bonds: to clarify the certification process for universities revenue bonds.
- The universities are responsible for the payments of the bonds.
- The universities (UO and OSU) confirmed by email that they do not have concerns about the intent of the legislation.

The legislative assembly authorizes the state treasure to issue different types of bonds to state agencies and other public bodies each biennium. The "conduit" or "pass-through" bonds are special revenue bonds authorized in the biennial bond bill to be issued by the state treasurer for the benefit of some public corporations, nonprofit bodies, and agencies. The time between the end of one biennium (June-30) and the beginning of new authorization has to wait for the governor's signature of the new bill. This period creates a time gap for the bonding process and funding. This measure tries to clarify the authorization during this time gap.

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Although only three types are active, the State has authorized four conduit or “pass-through” revenue bond programs. Under these programs, the State is considered the issuer but has no obligation to fund debt service payments other than out of payments from the entities on whose behalf the bonds are issued.

1. **Oregon Facilities Authority (OFA)** – ORS Chapter 289. The Oregon Facilities Authority, formerly named the Health, Housing, Educational, and Cultural Facilities Authority, was created in 1989 and operates pursuant to Oregon Revised Statutes Chapter 289. OFA is a public corporation empowered to issue conduit revenue bonds and assist with the assembling and financing of lands for health care, housing, educational and cultural uses and for the construction and financing of facilities for such uses. Effective January 1, 2007, OFA’s mandate was expanded to include the financing for all non-profit institutions, organizations or entities within the State that are exempt from taxation under section 501(c)(3) of the Internal Revenue Code, as defined in ORS 314.011. The Authority reviews proposed projects and makes recommendations to the State Treasurer whether to finance the project through the issuance of limited obligation bonds. Principal amount outstanding for OFA bonds in total was \$1.84 billion as of June 30, 2022.
2. **Industrial Development Revenue Bonds** – ORS Chapter 285B. The Oregon Business Development Commission is empowered, pursuant to ORS 285B.320 to 285B.371, to issue Industrial Development Revenue Bonds through the Oregon Business Development Department, with the approval of the State Treasurer. They are issued as limited obligation bonds payable only from project revenues or other sources available to the borrower. Industrial or economic development revenue bonds do not constitute an indebtedness of the Issuer, the Commission, or the State. Principal amount outstanding in total was \$518.9 million as of June 30, 2022.
3. **Housing Development Revenue Bonds** – ORS 456.692. The Oregon Housing and Community Services Department is authorized pursuant to ORS 456.692 to issue conduit revenue bonds through the State Treasurer for Housing Development. The multifamily housing program provides financing for developments in which a certain number of the housing units are for persons and families of lower income. Each bond issue finances multi-family housing projects that are separately secured by revenues and assets specifically pledged by the borrower. Principal amount outstanding was \$949.5 million as of June 30, 2022.
4. **Beginning and Expanding Farmer Revenue Bonds** – ORS 285.430. The Oregon Business Development Department is authorized pursuant to ORS 285.430 to issue conduit revenue bonds to fund Beginning and Expanding Farmer loans for approved agricultural projects. Bond issues finance loans that are secured by revenues and assets specifically pledged by the borrower. As of June 30, 2021, two small loans have been issued through this program and there is no outstanding balance.