

February 16, 2023

To: House Committee On Economic Development and Small Business

From: Jessica Howell, Legislative Director, State Treasurer Tobias Read

RE: HB 2419

Chair Bynum, Vice-Chair Nguyen, Vice-Chair Morgan, Members of the Committee,

To assist in your consideration of HB 2419, I want to submit our analysis of the impacts HB 2419 would have on Treasury and our investments, specifically on the Oregon Short Term Fund (OSTF).

The Oregon Short Term Fund enables state and local governments to earn a rate of return on revenue between when it is received and when the money is needed to pay bills. The OSTF helps keep taxpayer dollars safe and allows governments of all sizes to stretch public funds.

All state agencies, and certain public universities participate in the fund. Local governments, such as school districts and counties have the option to access the fund by participating in the Local Government Investment Pool. Approximately 1,000 local governments are currently participating in the fund.

As drafted, the program described in HB 2419 does not meet, and may be counter to, the OSTF's three primary objectives, which are, in priority order: Preservation of Principal, Liquidity, and Yield. Additionally, with a program limit of 5% of General Fund revenues, the required investment has the potential of being very large, relative to OSTF assets which would weaken returns for school districts, counties and other local governments who participate in the fund. This would reduce the market competitiveness of OSTF, which could result in investor attrition and fee loss.

Treasurer Read strongly supports the underlying intent of expanded opportunities for economic development and small business growth. We look forward to continuing to work with stakeholders to look for alternative funding sources to establish the program.

If you have any questions, please feel free to reach out to me at Jessica.Howell@ost.state.or.us.