OREGON STATE TREASURY

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Oregon Treasury: SB 110A Q&A

Q: How does the Treasury do their due diligence prior to writing a big check to the Authority? Are there best practices or agency rules that govern this?

SB 110, along with preexisting statute in ORS 184.400, 184.404, and 184.406, provides parameters which Treasury will use as a scaffolding to ensure compliance before dispersing of funds. Treasury's aim is to achieve the best financing scenarios for the State, and to make sure the financial underpinnings of the proposed agreement are sound.

The bill lists specific parameters that any grant agreement must abide by, as laid out in Section 2(1)(a-n). For Treasury specifically, subsections (a), (b), (k) and (n) are especially relevant:

- (a): funds are to be dispersed for the proper purposes
- (b): ensuring that we are not pledging any additional revenue streams, or creating any additional obligations beyond the term of the agreement
- (k): making sure funds are disbursed to grantees in a timely manner and to the proper destinations
- (n): reaffirming Oregon Treasury's role in the above sections, explicitly stating that grantees must take action as directed by Treasury, DAS, and DOR to use the funds for the described purposes, administer the funds efficiently, protect the interests of the state, and pledge no more than the incremental baseball tax revenues laid out in the bill

Specific financial instruments and proposed structures are yet to be determined and not detailed in the proposed bill. That said, Treasury's role as detailed in the bill is not unique to this proposal. As written, Treasury will be engaged in providing technical expertise and financial oversight to agreements and financing structures.

Should an agreement move forward, Treasury will focus our analysis of the agreement by reviewing proposed terms, rates, amortization structures, call provisions, flow of funds, lien priority, and other factors, in order to determine how best to move forward.

Q: How do we make sure state dollars will be used securely and as they are intended to be used? What recourse do we have if they are not?

The State, along with future investors in the project, will want to ensure success of the project by implementing safeguards that will govern the financing and ensure timely payments and appropriate use of funds. As such, a commitment agreement from a new team will likely be detailed with financial penalties that could be a source of recourse if commitments are not satisfied.

Pursuant to ORS 184.406(2), DAS may not execute a grant agreement unless it has been determined that "[a] Major League Baseball franchise has agreed to locate and be based in Portland and has entered into a legally binding commitment to remain in Portland for at least the term of the grant agreement". This commitment would be paired with other checks on the project, such as the need for a full commitment of project funding outside the grant agreement in order for the agreement to move forward as stated in ORS 184.406(3).