

A-Engrossed
House Bill 3123

Ordered by the House May 16
Including House Amendments dated May 16

Sponsored by Representative NATHANSON, Senator JOHNSON

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

Provides that certain public bodies and intergovernmental entities may not issue bonds to finance pension liabilities without first obtaining **independent** assessment [*from independent registered municipal advisor of advisability of proposed bond issuance*] **of likelihood that investment returns on bond proceeds will exceed interest cost of bonds and issuing public report relating to proposed bond issuance.**

Requires State Treasurer to provide annual report to State Debt Policy Advisory Commission on interest rates and rate of return on bonds that are issued on or after effective date of Act to finance pension liabilities and that remain outstanding.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

1
2 Relating to bonds to finance pension liabilities; creating new provisions; amending ORS 238.694 and
3 238.695; and prescribing an effective date.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1. Section 2 of this 2019 Act is added to and made a part of ORS 238.692 to**
6 **238.698.**

7 **SECTION 2. (1) Before a public body, or an intergovernmental entity formed pursuant**
8 **to ORS 238.695, may authorize the issuance of bonds under ORS 238.694, the public body or**
9 **intergovernmental entity must first:**

10 (a) **Obtain a statistically based assessment from an independent economic or financial**
11 **consulting firm regarding the likelihood that investment returns on bond proceeds will ex-**
12 **ceed the interest cost of the bonds under various market conditions; and**

13 (b) **Make a report available to the general public that:**

14 (A) **Describes the results of the assessment; and**

15 (B) **Discloses whether the public body or intergovernmental entity has retained the ser-**
16 **vices of an independent SEC-registered advisor.**

17 (2) **The public body or intergovernmental entity shall transmit the assessment to the**
18 **State Treasurer at least 30 days before issuing the bonds.**

19 (3) **The State Treasurer shall provide to the State Debt Policy Advisory Commission an**
20 **annual report on bonds issued under ORS 238.694. The report must describe each bond issu-**
21 **ance under ORS 238.694 that took place on or after the effective date of this 2019 Act and**
22 **that remains outstanding, including, for each issuance:**

23 (a) **The actual interest rate owed over the term of the bonds;**

24 (b) **The projected rate of return on the bond proceeds, as determined by the assessment**

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 **required under subsection (1) of this section; and**

2 **(c) The actual rate of return on the bond proceeds in the previous fiscal year and the**
3 **cumulative rate of return on the bond proceeds.**

4 **(4) As used in this section, “independent SEC-registered advisor” has the meaning given**
5 **the term “independent registered municipal advisor” in 17 C.F.R. 240.15Ba1-1, as amended.**

6 **SECTION 3.** ORS 238.694 is amended to read:

7 238.694. (1) The Legislative Assembly finds that authorizing issuance of revenue bonds to finance
8 pension liabilities may reduce the cost of public pensions to taxpayers and that the reduction of
9 those costs to taxpayers is a matter of statewide concern.

10 (2) Notwithstanding the limitation on indebtedness in ORS 287A.105 or any other limitation on
11 indebtedness or borrowing under state or local law, for the purpose of obtaining funds to pay the
12 pension liability of a public body, the governing body of a public body may authorize and cause the
13 issuance of revenue bonds under ORS chapter 287A, **subject to section 2 of this 2019 Act.**

14 (3) The governing body of a public body may pledge the full faith and credit and taxing power
15 of the public body to the payment of the principal and interest on bonds issued under ORS 238.692
16 to 238.698, and any premium on those bonds.

17 (4) Unless the charter of a county provides a lower limit, a county may issue revenue bonds to
18 finance pension liabilities in an amount that does not exceed five percent of the real market value
19 of the taxable property within the boundaries of the county.

20 (5) Revenue bonds authorized under this section need not comply with the procedure specified
21 in ORS 287A.150.

22 (6) A public body that issues revenue bonds under this section may also issue revenue bonds for
23 the purpose of refunding the bonds.

24 (7) A public body may enter into indentures or other agreements with trustees or escrow agents
25 for the issuance, administration or payment of bonds authorized under this section.

26 **SECTION 4.** ORS 238.695 is amended to read:

27 238.695. (1) Public bodies may enter into intergovernmental agreements for the collective issu-
28 ance, administration or payment of bonds authorized under ORS 238.694. An agreement for collective
29 issuance, administration or payment of bonds under this subsection may provide for the contribution
30 and pooling of the assets of the public bodies as security for the bonds, and may make provisions
31 for such other matters as the public bodies determine convenient. Notwithstanding ORS 190.080,
32 any intergovernmental entity created by public bodies under this section shall have the power to
33 issue bonds as described in ORS 238.694, **subject to section 2 of this 2019 Act.** The bonds may be
34 issued and sold as parity bonds, issued and sold individually or issued and sold in such combinations
35 or forms as determined to be appropriate by the public bodies.

36 (2) Proceeds of bonds sold under an intergovernmental agreement entered into under this sec-
37 tion, and any other funds or assets of a public body, together with interest or earnings on the pro-
38 ceeds, funds and assets, may be consolidated into one or more funds or accounts and may be pledged
39 to the holders of the bonds.

40 (3) Public bodies may enter into indentures or other agreements with trustees or escrow agents
41 for the issuance, administration or payment of bonds pursuant to an intergovernmental agreement
42 entered into under this section.

43 (4) The State Treasurer may cooperate with, assist and provide recommendations to public
44 bodies, and any intergovernmental entity created by public bodies under this section, relating to all
45 matters involved in the issuance, administration and payment of bonds. Any expenses incurred by

1 the State Treasurer in providing assistance to public bodies under this section may be paid as an
2 administrative expense of the public body from the proceeds of the bonds issued with the assistance
3 of the State Treasurer.

4 **SECTION 5. This 2019 Act takes effect on the 91st day after the date on which the 2019**
5 **regular session of the Eightieth Legislative Assembly adjourns sine die.**

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