

**75TH OREGON LEGISLATIVE ASSEMBLY
STAFF MEASURE SUMMARY
SENATE FINANCE & REVENUE COMMITTEE**

**MEASURE: HB 2105 A
CARRIER Sen. Telfer**

REVENUE: Revenue Impact issued

FISCAL: Fiscal Impact issued

Action: Do Pass

Vote: 4-0-1

Yeas: Morse, Rosenbaum, Telfer, Burdick

Nays: 0

Exc.: Hass

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Meeting Dates: 05/20

WHAT THE BILL DOES: Authorizes state agencies and public bodies to purchase and hold bonds issued by state agency or public body, respectively, without causing automatic cancellation or extinguishment of bonds. Authorizes state agencies and public bodies to use bond proceeds or moneys available for debt service to purchase bonds of state agency or public body. Prevents agencies from buying other agency bonds. Requires a report within two days when the authority is exercised, and an annual report on level of use of the authority to legislature. Authorizes State Treasurer explicitly to buy state government bonds as investment. Declares emergency, effective on passage.

ISSUES DISCUSSED:

- Why is it needed? Background on the credit markets freeze.
- Market stress, credit freeze, and liquidity crisis.
- An additional measure of insurance. Investment standards for the State Treasurer.
- Variable rate bonds volatility and investment experience and need for sophisticated staff.
- Impacts on Local governments, and difficulties of collecting reports on their debt.
- How we establish side boards, and a reporting mechanism.

EFFECT OF COMMITTEE AMENDMENTS: No Amendments

BACKGROUND:

The State Treasury office, and the municipal debt advisory counsel are asking for a new authority to allow the purchase of variable rate bonds by the same agency or the State Treasurer without the bonds being considered bought back. Additionally, the Investment function (of the treasury office) wants the explicit authority to invest in Oregon state bonds without being considered as a repurchase of the debt.

This is the result of the temporary variable rate auction market last fall. With the freezing of the credit markets, some agencies, that had these bonds, were left exposed to higher interest payments, and reduced ability with their bonds.

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