2009 Regular Legislative Session
FISCAL ANALYSIS OF PROPOSED LEGISLATION
Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: SB 719 **STATUS:** A Engrossed
SUBJECT: Establishes the Urban Growth Boundary Expansion Area Revolving Loan Fund.
GOVERNMENT UNIT AFFECTED: Economic and Community Development Department, Department of Administrative Services, local governments
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REVIEWED BY: Steve Bender, Laurie Byerly
DATE: April 17, 2009

		2009-2011		2011-2013
EXPENDITURES:				
Economic and Community Development Department	$		$	
Personal Services	$	147,634	$	147,634
Services and Supplies	$	16,500	$	13,500
Total OECDD Operating Cost – Lottery Funds	$	164,134	$	161,134
Bond Costs	$		$	
Cost of Issuance – Other Funds	$	1,277,918	$	
Debt Service – Lottery Funds	$	5,988,694	$	10,233,912
Total Bond Costs – All Funds	$	7,266,612	$	10,233,912
Total Cost – All Funds	$	7,430,746	$	10,395,046

		2009-2011		2011-2013
REVENUES:				
Project Cost – Other Funds	$	50,000,000		
Cost of Issuance – Other Funds	$	1,277,918		
Reserves – Other Funds	$	5,122,082		
Total Other Funds	$	56,400,000		

	2009-2011	2011-2013
POSITIONS / FTE:		
Economic and Community Development Department	1/1.0	1/1.0

EFFECTIVE DATE: The bill includes and emergency clause and is effective July 1, 2009.

LOCAL GOVERNMENT MANDATE: This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

ANALYSIS: SB 719 authorizes the issuance of a total of $50 million in project costs, funded with Lottery Bonds, to provide no-interest loans to local governments for infrastructure improvement projects in urban growth areas where the urban growth boundaries have been expanded since December 31, 1997. The bill also establishes the Urban Growth Boundary Expansion Area Revolving Loan Fund in the Economic and Community Development Department, and provides that bond proceeds, loan repayments, and any other funds made available for the program will be deposited to the Fund.

The Economic and Community Development Department (OECDD) is directed to administer the program. This will include entering into loan agreements with local governments for infrastructure improvement projects, and managing the payments to, and the repayments from, local governments. The bill also provides for a process for repayment if a borrower defaults on the loan. OECDD will need 1 Program Analyst 3 position (1.0 FTE) to manage the requirements of the program. OECDD receives Lottery Funds for its operating costs, and anticipates expending $164,134 Lottery Funds in the 2009-11 biennium on this program. This includes an estimated $5,000 in Attorney General fees for contract reviews and other related legal services. Approximately $369 in expenses related to the development of administrative rules is not included in the expenditure estimate in this fiscal impact statement.

The proceeds of the sale of Lottery-backed bonds are deposited as Other Funds. Costs related to the issuance of bonds, including the cost of issuance and required reserves, are financed through the bond sale. Debt service is paid out Lottery Funds. The amount of the debt service obligation will increase based on the cumulative cost of the bonds that are issued. The debt service for the 2009-11 assumes that $25 million in bonds will be issued on 10/01/2009 and $25 million in bonds will be issued on 5/01/2010.

Lottery Funds revenue is used first to pay constitutional and statutory obligations, including debt service on previously authorized bonds, Parks and Natural Resources, and the Education Stability Fund. These obligations require over half of the available revenue. Ninety (90) percent of the balance of Lottery Funds is allocated to the State School Fund, to supplement the General Fund support for Oregon K-12 schools, with the balance going to economic and community development programs. Any new debt service obligations will reduce the funds available for other programs.