

REVENUE: No Revenue Impact  
FISCAL: Fiscal Impact Issued

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Action: Do Pass  
Vote: 5-0-0  
Yeas: Hass, Morse, Rosenbaum, Telfer, Burdick  
Nays: 0  
Exc.: 0

Prepared By: Mazen Malik, Economist  
Meeting Dates: 2/17/10

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**WHAT THE BILL DOES:** Authorizes private activity bond proceeds to be used for management and operation of eligible projects. Requires related agency, or state Treasurer to pledge or use money received to subsidize borrowing costs to repay bonds for which subsidy was provided.

**ISSUES DISCUSSED:**

- The federal policy of economic stimulus.
- 1 billion dollar potential bond sale.
- Build America bonds.
- Private activity bonds and the tax credit bonds.
- State Treasurer letter into the record.
- State Treasurer to monitor and to look for next session if need to tighten authority.

**EFFECT OF COMMITTEE AMENDMENTS:** No amendments in the Senate Finance and Revenue committee.

**BACKGROUND:**

1. Oregon Facilities Authority (OFA) current issuance authority is more limited than what is permitted by federal tax law. Expands the type of programs that the Oregon Facilities Authority is permitted to support by allowing loan-and-lease programs that could be supported through new federal programs. It also allows the use of the newly utilized tax credit bonds.  
Failure to pass HB 3646 will not have an effect on current OFA programs, but will prevent OFA from facilitating federally subsidized financing for nonprofit loan-lease programs, and will prevent Oregon from taking advantage of certain federal stimulus programs.
2. Adjusts existing state bonding statutes to allow for the new federal Build America Bonds process by allowing federal BAB rebates to be deposited into the state's debt service funds.  
Usually, state debt would be issued in the form of tax-exempt bonds. That status saves investors money, and underwriters are willing to accept a smaller interest rate payment from the state as a result. However, Build America Bonds is an option that gives the state savings up front (in the form of a federal "rebate"), but the trade-off is that the bonds are taxable (which means they are generally sold at a higher interest rate).  
Failure to pass HB 3646 will prevent Oregon from depositing federal BAB subsidies. Bond issues planned as BABs will instead be sold through standard tax-exempt financing, and pay somewhere between 0.5% to 0.8% extra in interest cost over the life of the bonds.