

REVENUE: No revenue impact

FISCAL: Fiscal statement issued

Action: Do Adopt the A-Engrossed Measure

Vote: 3 - 2 - 0

Yeas: Burdick, Metsger, Devlin

Nays: Atkinson, Ferrioli

Exc.: -

Prepared By: Erin Seiler, Administrator

Meeting Dates: 2/15

WHAT THE MEASURE DOES: Proposes amendment to Oregon Constitution to create of Article XI-P that would allow the State of Oregon to incur general obligation indebtedness to finance or refinance costs associated with real or personal property that is, or will be, owned or operated by state. Permits state to incur indebtedness to finance costs of (a) acquiring, constructing, remodeling, repairing, equipping, or furnishing real or personal property that is, or will be, owned or operated by the state including facilities and systems, (b) infrastructure related to real or personal property, or (c) indebtedness incurred pursuant to Section 7, Article XI. Refers proposed amendment to people for their approval or rejection at next regular general election.

ISSUES DISCUSSED:

- Relative costs of general obligation bonds and other methods of financing debt
- Savings on interest costs

EFFECT OF COMMITTEE AMENDMENT: No amendment.

BACKGROUND: Section 7, Article XI of the Oregon Constitution prohibits the state from incurring debt, except under specified circumstances. The amendment proposed by Senate Joint Resolution 44A would authorize the creation of bonded indebtedness notwithstanding those limitations.

General obligation bonds are the most inexpensive form of debt and permit the state to save on interest costs. The XI-P bonds would not be backed by property tax but would be backed by the full faith and credit of the state and its taxing authority. Additionally, the total bond principal under the proposed section is limited to one-one hundredth of the real market value of the property in the state.