

FISCAL IMPACT OF PROPOSED LEGISLATION**Measure: HB 3507 - A**Seventy-Sixth Oregon Legislative Assembly – 2011 Regular Session
Legislative Fiscal OfficePrepared by: Robin LaMonte
Reviewed by: Steve Bender
Date: April 21, 2011**Measure Description:**

Defines Oregon growth businesses and adds Oregon growth businesses to the traded sector businesses that are represented on the Oregon Innovation Council; clarifies that Oregon research institutions may receive grants and loans from the Council out of the Oregon Innovation Fund; and authorizes the issuance of revenue bonds to finance Oregon growth businesses.

Government Unit(s) Affected:

Business Development Department (Business Oregon), Oregon State Treasurer

Summary of Expenditure Impact - Oregon State Treasury

	2011-13 Biennium	2013-15 Biennium
Other Funds	164,861	157,936
Total Funds	\$164,861	\$157,936
Positions	1	1
FTE	1.00	1.00

Summary of Expenditure Impact - OBDD- See Comments**Summary of Revenue Impact**

	2011-13 Biennium	2013-15 Biennium
Other Funds	164,861	157,936
Total Funds	\$164,861	\$157,936

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:

HB 3507 defines Oregon growth businesses and adds Oregon growth businesses to the traded sector businesses that are represented on the Oregon Innovation Council; clarifies that Oregon research institutions may receive grants and loans from the Council out of the Oregon Innovation Fund; and authorizes the issuance of revenue bonds to finance Oregon growth businesses. The bill creates the Oregon Innovation Bond Fund, the Oregon Innovation Debt Service Fund, and the Oregon Innovation Bond Administration Fund, and provides that revenue bonds issued under this bill do not constitute a debt or general obligation of the state of Oregon. The bill includes an emergency clause and is effective upon passage.

The Oregon State Treasurer (Treasurer) estimates that the workload from this bill would require the establishment of 1 Debt Analyst (Program Analyst 2), at a biennial cost of \$150,667 plus \$7,269 in associated office expense. The 2011-13 biennial cost includes \$6,925 in one-time start up costs for office furniture, computer equipment and related costs. The Treasurer would recover these costs from bond related fees and assessments. The Treasurer notes that, if bond-related revenues from the

revenue bonds authorized in this bill were insufficient to cover these costs, the Treasurer would bill the remaining costs to all state agencies with outstanding bonds to make up the deficiency.

The Treasurer also notes a number of bond-related concerns. For example, the bill does not clearly identify a revenue stream to repay these revenue bonds. Grants do not generate revenues, so any grants would reduce the revenue stream to repay the bonds. The bond market may not finance these revenue bonds unless the uncertainties are addressed.

The Oregon Business Development Department currently manages the Oregon Innovation Fund on behalf of the Oregon Innovation Council. OBDD had \$16 million in Lottery Funds for the program in 2009-11, and requested \$18.95 million of Lottery Funds for 2011-13, which was included in the Governor's Recommended Budget. OBDD assumes that there would be some new administrative costs associated with the requirements of this bill, but is unable to estimate these costs.

OBDD notes that the bill does not specify the amount of revenue that would be authorized and does not specify the source of debt service. OBDD would require an Other Funds expenditure limitation to provide grants and pay the debt service associated with this bill, but does not have any data on which to identify the amounts required.