

HB 2140

Relating to discrete investment of local government funds

House Bill 2140 was introduced at the request of the State and Local Government Efficiency Task Force and provides express legal authority for local governments to invest in the Oregon Short Term Fund through the Local Government Investment Pool. The measure also allows local governments to invest in “...any other commingled investment pool established by the State Treasurer.” This would include the Oregon Intermediate Term Pool, which is currently only available to state agencies.

There is interest on the part of local government to have the option to participate in the Oregon Intermediate Term Pool to achieve higher yields than would otherwise be available through the Oregon Short Term Fund or other comparable investment options.

The General Government Subcommittee recommends HB 2140 be reported out do pass.

Joint Committee on Ways and Means

Carrier – House: Rep. Nathanson
Carrier – Senate: Sen. Whitsett

Revenue: Revenue statement issued

Fiscal: Fiscal statement issued

Action: Do Pass

Vote:

House

Yeas:

Nays:

Exc:

Senate

Yeas:

Nays:

Exc:

Prepared By: John F. Borden, Legislative Fiscal Office

Meeting Date: April 19, 2013

WHAT THE MEASURE DOES: The measure provides express legal authority for local governments (cities, counties, school districts, community colleges, and special districts) to invest in the Oregon Short Term Fund (OSTF) through the Local Government Investment Pool (LGIP). The measure also allows local governments to invest in "...any other commingled investment pool established by the State Treasurer." For example, this would include the Oregon Intermediate Term Pool (OITP), which is a non-statutory account. By allowing local governments to invest in these additional Treasury products, the local governments would be able to invest amounts beyond the statutory limit provided by ORS 294.810.

ISSUES DISCUSSED:

- Current state agency participation in "other commingled investment pool"
- Interest by local governments to participate in "other commingled investment pool"
- Rates of return for OSTF/LGIP vs. "other commingled investment pool"
- Risk related to local government investment in "other commingled investment pool"
- Lack of a statutory account for an intermediate term investment pool
- Need to clarify and simplify statutes related to OSTF, LGIP, and "other commingled investment pool"
- ORS 294.810 statutory limit

EFFECT OF COMMITTEE AMENDMENT: No amendment.

BACKGROUND: ORS 293.728 establishes the Oregon Short Term Fund, a pool of state and local government funds, as the investment vehicle for funds not authorized for discrete investment. The State and Local Government Efficiency Task Force, established by House Bill 2855 in 2011, recommends allowing local governments the option to invest in the Intermediate Term Pool, a separate investment pool managed by the State Treasurer's office but currently limited to funds of state agencies and state-sponsored entities.

FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: HB 2140

Seventy-Seventh Oregon Legislative Assembly – 2013 Regular Session
Legislative Fiscal Office

***Only Impacts on Original or Engrossed
Versions are Considered Official***

Prepared by: Matt Stayner
Reviewed by: John Borden
Date: 2/5/13

Measure Description:

Authorizes discrete investment of funds of political subdivisions in any commingled investment pool established by State Treasurer for investment of funds of state agencies or local governments.

Government Unit(s) Affected:

Cities, Counties, Oregon State Treasurer

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:

The introduced version of the measure provides express legal authority for local governments (cities, counties, school districts, community colleges, and special districts) to invest in the Oregon Short Term Fund (OSTF) through the Local Government Investment Pool (LGIP). Approximately 900 entities currently participate in the LGIP. The OSTF is a statutory account.

The measure also allows local governments to invest in "...any other commingled investment pool established by the State Treasurer." For example, this would include the Oregon Intermediate Term Pool (OITP), which is a non-statutory account. The Oregon State Treasurer (OST) believes that there is significant interest from local governments to participate in the other investment pools.

By allowing local governments to invest in these additional Treasury products, the local governments would be able to invest amounts beyond the statutory limit provided by ORS 294.810.

Local governments would be required to pay administrative and transactional fees to OST for participation in an investment pool. Custodial accounting fees would be charged as a percentage of total assets and are included in the administrative fees paid by participants to OST.

The measure would have a fiscal impact on the State Treasurer, according to the agency. However, that fiscal impact is indeterminate as OST has yet to develop an estimate of expenditures, including staffing, third-party investment management contracting, and information technology needs. OST also has yet to develop an estimate of the administrative, transactional, and account maintenance fees that could be charged pool participants to fund State Treasurer expenses.

**REVENUE IMPACT OF
PROPOSED LEGISLATION**
Seventy-Seventh Oregon Legislative
Assembly
2013 Regular Session
Legislative Revenue Office

Bill Number:	HB 2140
Revenue Area:	Local Gov. Finance
Economist:	Christine Broniak
Date:	2/6/2013

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Versions are Considered Official*

NOTICE OF INDETERMINATE REVENUE IMPACT

Impact Explanation: Local government sinking funds, bond funds, and surplus funds are currently authorized to be invested in a number of vehicles. Only local government funds not authorized for discrete investment may be invested in the Oregon Short Term Fund. The measure would extend the opportunity for funds to be invested in any fund managed by the State Treasurer, including the Short Term Fund and the Intermediate Term Fund. While it may create the opportunity for higher yields, the amount of local funds to be invested into the new funds is not known. It is also unknown how much these investments will yield relative to current investments. In the period ending September 30, 2011, the rate of return of the Short Term Fund was 0.11%. The Oregon Intermediate Term Pool, which is also managed by the State Treasurer, had a rate of return of 1.96% in the same period.

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