
**Joint Committee on
Ways and Means**

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**Subcommittee on
General Government**

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Sen. Betsy Johnson
Sen. Doug Whitsett
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MEMORANDUM

To: General Government Subcommittee
From: Linda Gilbert, Legislative Fiscal Office (503) 986-1845
Date: May 14, 2013
Subject: Senate Bill 7-A – Relating to state fair

Senate Bill 7-A is before the Subcommittee today for a public hearing. The measure, as amended, was reported out on a 5-0-0 vote from the Senate Committee on Rural Communities and Economic Development.

The bill establishes a State Fair Council as an independent public corporation charged with the duty to run the Oregon State Fair and maintain and operate the fairgrounds and exposition center.

The Parks and Recreation Department, current home of the State Fair, will work with the Council during the 2013-15 biennium to prepare it to take over all operations by December 2015. Concurrently, Parks will continue to run the fair and exposition center in 2013 and 2014, and possibly 2015.

There is minimal fiscal impact from this bill to Parks and other agencies during the 2013-15 biennium. Parks will continue to pay facilities upgrades Debt Service until 2018.

FISCAL IMPACT OF PROPOSED LEGISLATION

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

Measure: SB 7 - A

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

Prepared by: Krista McDowell
Reviewed by: John Borden, Linda Gilbert, Paul Siebert
Date: 5/7/2013

Measure Description:

Establishes State Fair Council as public corporation.

Government Unit(s) Affected:

Department of Administrative Services (DAS), Oregon Parks and Recreation Department (OPRD), Oregon State Treasurer, Department of Justice

Summary of Expenditure Impact:

See Analysis

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 bill establishes State Fair Council (Council) as an independent public corporation to run the Oregon State Fair and maintain and operate the fairgrounds and exposition center. The bill prohibits disposal of the fairground facilities without Department of Administrative Services (DAS) approval and directs the Council to enter into a renewable agreement with DAS to carry out facility operations and to make periodic lease payments to the State of Oregon. DAS may also seek an appropriation from the Legislative Assembly or the Emergency Board for moneys to support the Council.

The drafting and administration of the lease agreement between DAS and the Council is estimated to cost DAS \$5,520. An optional baseline condition assessment of the existing facility may need to be performed which would be estimated on a per square foot basis. It is not determined if this assessment cost will be incurred, however if it is, the expense will range between \$56,627 to \$98,276. If the \$50 million account balance threshold for the Council is triggered, the one-time cost of the appraisal is estimated at \$20,000. Ongoing financial services provide to the Council by DAS are anticipated to be absorbable within existing workloads. Costs to DAS associated with the sale of facilities and properties are normally deducted from sale proceeds; the agency will not need additional funds should these services be required.

The lease agreement for the Council to make payments to the State of Oregon has an indeterminate revenue impact as at this time - the terms of the agreement have not yet been negotiated.

The fiscal impact to Oregon State Treasurer, Oregon Parks and Recreation Department and the Department of Justice are estimated to be minimal. Any support service expenses incurred by these agencies, as a result of the passage of this bill, are absorbable within the agencies existing budgets or may be reimbursed by the council under provisions in the bill.

REVENUE: Minimal revenue impact, no statement issued

FISCAL: Fiscal statement issued

Action:	Do Pass as Amended and Be Printed Engrossed and Be Referred to the Committee on Ways and Means by Prior Reference
Vote:	5 - 0 - 0
Yeas:	Baertschiger, Burdick, Close, Prozanski, Roblan
Nays:	0
Exc.:	0
Prepared By:	Racquel Rancier, Administrator
Meeting Dates:	4/2

WHAT THE MEASURE DOES: Establishes State Fair Council (Council) as public corporation to conduct Oregon State Fair (Fair); operate fairground properties and facilities as exposition center; and construct, maintain and insure fairground properties and facilities. Stipulates Council membership and structure. Authorizes Council to hire director to carry out daily operations. Requires properties and facilities to be owned by state and prohibits disposal without Department of Administrative Services (DAS) approval. Directs Council to enter renewable agreement with DAS to lease fairground facilities and properties. Authorizes Legislative Assembly to terminate agreement and dispose of property and facilities if Council's operation results in net loss in three of five consecutive years. Allows DAS to seek appropriation from Legislative Assembly or Emergency Board for support if financial resources inadequate. Requires profit to be used for operation and maintenance of fairground or payment of obligations to DAS. Establishes Council authorities and accountability for operations, deposits, investments, and budgets. Requires director to provide financial report at each Council meeting. Requires Council to hold public meeting on proposed budget and modifications. Authorizes Secretary of State to conduct periodic audits. Directs Council to file annual report with Governor, committee of Legislative Assembly dealing with economic development, Legislative Fiscal Office and DAS. Requires Fair to be conducted at current fairgrounds in Salem. Requires appointment of Council members no later than January 1, 2014. Requires DAS to report progress to interim legislative committee on economic development by October 1, 2014. Requires DAS and Council to complete agreement no later than July 1, 2014 for Council to conduct Fair and carry out fairground operations no later than December 31, 2015. Specifies procedures for transitioning Fair from Oregon Parks and Recreation Department(OPRD) to Council. Declares emergency, effective upon passage.

ISSUES DISCUSSED:

- History of Fair and exposition center financial and infrastructure challenges
- Public corporation would allow Council to undertake actions to be competitive
- Pavilion inadequate for sports teams and has not been able to anchor a tenant
- Social and cultural importance of fair to youth, agriculture, stock raising and arts
- Provisions for Council accountability and oversight
- Process for transition and distribution of responsibilities between Council, DAS, and OPRD

EFFECT OF COMMITTEE AMENDMENT: Replaces measure.

BACKGROUND: The Oregon State Fair began in 1858 as an agricultural exhibition and expanded in 1977 to include an exposition center. In recent years, the Fair has been challenged to generate revenue to meet both operating and maintenance costs and debt service requirements. In 1997, the Legislative Assembly requested the Joint Legislative Audit Committee evaluate and identify solutions to the Fair's problems. In 2005, House Bill 3502 shifted management of the Fair to OPRD in order to curb the Fair's reliance on the state's General Fund. OPRD has proposed that the Fair and exposition center would benefit from a new governance structure. Senate Bill 7 A provides for the establishment of the Council as a public corporation to conduct and oversee the Fair and exposition center and associated operations.

4/9/2013 9:32:00 AM

This summary has not been adopted or officially endorsed by action of the committee.