FISCAL IMPACT OF PROPOSED LEGISLATION **Measure: SB 17 - A**

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

Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description:
Directs Oregon Investment Council and State Treasurer to try to ensure that moneys in Public Employees Retirement Fund are not invested in companies with interest in Sudan; removes provisions requiring Oregon Investment Council approval for all mutual funds in which Deferred Compensation Fund moneys are invested; Allows State Treasurer to determine required conditions prior to the issuance of Article XI-Q bonds, including the securitization of assets and revenues of a school district for payment of amounts extended by state to pay debt service on a debt issuance by a school district.

Government Unit(s) Affected:
Bonding, Department of Administrative Services (DAS), Oregon State Treasurer, School Districts

Summary of Expenditure Impact:
Please 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 measure removes and/or replaces a number of definitions in current statute related to the investment of certain state funds in Sudan and goes on to modify existing, and add new, provisions to statute related to those investments.

The measure eliminates certain funds that under current statute are subject to investment policies related to investments in companies doing business in Sudan. These funds are: the Industrial Accident Fund, the Common School Fund, the Oregon War Veterans' Fund and investment fund of the State Board of Higher Education available for investment or reinvestment by the Oregon Investment Council (OIC). The stated policies contained in the measure would only apply to the investment funds of the Public Employees Retirement Fund PERS. These policies set forth that managers who are engaged by the OIC or the State Treasurer should try to ensure that their investment activity related to PERS fund do not include investing in publicly traded equities of scrutinized companies, of which the measure defines, in part, as a company with a current investment in Sudan. This policy does not include investments indirectly made through index funds, fund of funds, or privately placed funds. Further, the measure requires that the policy includes provisions to notify engaged managers that have invested PERS funds in scrutinized companies to end these investments and avoid future investments in scrutinized companies. The measure requires that each year the Treasurer make a summary of actions taken in previous year in accordance to the statutes related to the investments in Sudan, including a list of identified scrutinized companies, on the Treasurer's web site.

The measure includes a provisions that requires the State Treasurer to develop a policy to identify and notify engaged mangers who have investments in scrutinized companies to end and avoid future investment in those companies and to make available the annual summary report of actions taken on its website only if the State Treasurer is provided an appropriation that is specifically for and separate from other monies appropriated to the Treasurer, and sufficient to accomplish those actions. The amount and the appropriation source is not specified in the measure and the State Treasurer did not provide an estimate of the cost of the measure.

The measure allows for an extension of the maturity date of certain Article XI-Q bonds issued to refinance borrowings issued before December 2, 2010. The extension is limited to a maximum of six months and only for the purpose of establishing a uniform repayment schedule for the bonds. There is likely no or a minimal fiscal impact from this extension, but it represents a substantive change to Article XI-Q bonding statutes.

The measure also allows the State Treasurer to establish conditions by which a school district may qualify or maintain qualification for state guaranty of its school bonds. These conditions may require a school district to pledge revenues other than those dedicated for debt service and assets of the school district as security towards repayment of the state monies advanced to pay the debt service on the bonds. The lien established by this pledge would be superior to any and all other liens. The liens are perfected at the time the pledge is made and are foreclosable by proceeding brought in circuit court. It is unknown whether the State Treasurer would exercise its rights granted by this measure, but in the unlikely event that it did, there would be costs for legal and court expenses, sale of assets, operational costs for the school district, shifting of funding away from other school district functions, and the possibility of special ad valorem property taxes. The magnitude of these costs is unknown.

The Legislative Fiscal Office believes that this measure warrants a subsequent referral to the Joint Committee on Ways and Means for consideration of the measure's potential budgetary impact.