

STAFF MEASURE SUMMARY

Senate Committee On Finance and Revenue

Fiscal: No Fiscal Impact

Revenue: No Revenue Impact

Action Date: 04/22/15

Action: Do Pass.

Meeting Dates: 04/22

Vote:

Yeas: 5 - Baertschiger Jr, Boquist, Edwards, Hass, Riley

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WHAT THE MEASURE DOES:

Makes Ad valorem property taxes a security pledge for bonded indebtedness, and the property tax levy subject to a lien.

ISSUES DISCUSSED:

- Stronger levy that is more protected gives creditors more security.
- A new box to check in the list of what needs to be done for bonding disclosures.
- The precedent it sets with who gets first call on property tax revenue if there is default.
- Putting creditors first in law ahead of pensions will allow for higher ratings (one notch).

EFFECT OF COMMITTEE AMENDMENT:

No amendment.

BACKGROUND:

Oregon local government general obligations (GO) bonds are voter-approved and secured by a statutorily dedicated property tax levy that is not subject to property tax limitations. However, the property tax levy is not subject to a lien. Recent events across the country have left investors and rating agencies questioning the security of GO bonds, such as Oregon local government GO bonds, because the courts may offer more protection to bondholders of bonds that are secured by a lien on taxes or revenues. This measure makes the statutory commitment of that revenue as secured pledge by law and creates a lien on the property.