



Legislative Fiscal Office
 83rd Oregon Legislative Assembly
 2026 Regular Session

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 Date: March 1, 2026

Bill Title: Relating to the Moda Center; declaring an emergency.

Government Unit(s) Affected: Department of Revenue, State Treasurer, Office of the Governor, Department of Administrative Services, Department of Justice, Counties, Cities

Summary of Fiscal Impact: Costs related to the measure are indeterminate at this time - see explanatory analysis.

Measure Description

The measure authorizes the Department of Administrative Services (DAS), in consultation with the Governor and the Attorney General, to negotiate and enter into agreements with one or more public bodies to establish a joint authority that will own and oversee operations of the Moda Center. The agreement does not purport to pledge or obligate any state moneys or property, the taxing power or full faith and credit of the state of Oregon, or create an indebtedness in violation of Article XI, section 7, of the Oregon Constitution.

The measure establishes the Oregon Arena Fund which is continuously appropriated to DAS to pay the expenses of the joint authority, including, without limitation, expenses related to construction, renovation, capital improvements and maintenance, arena operations, and debt service. DAS and the Oregon State Treasurer (OST) may create subaccounts within the fund, as necessary or convenient, for fund administration. Proceeds of debt instruments issued by the State of Oregon that are deposited in the fund, and moneys deposited in the fund by Multnomah County may only be used for construction, renovation, maintenance, and deferred maintenance of the Moda Center, and debt service. The Legislative Assembly is not legally obligated to make moneys available to the fund but declares its intention to issue debt instruments sufficient to yield \$365 million in net proceeds to support construction and renovation of the Moda Center.

Beginning on September 1, 2027, and every three months after, the Department of Revenue (DOR) is to determine both the aggregate amount withheld from wages paid that quarter by employers for services physically performed in the Rose Quarter, or related to activities or operations physically located in the Rose Quarter; and the aggregate amount withheld by construction organizations from any wages paid for services directly related to the renovation or other improvement of the Moda Center.

Beginning July 1, 2028, and July 1 of every year after, the DAS Office of Economic Analysis (OEA) is to estimate the amount of tax paid by performers on income derived from performances at the Rose Quarter in the prior 12 months. Once any of these amounts are determined, DAS is to transfer an equivalent amount from the General Fund to the Oregon Arena Fund. DAS and DOR may adopt rules and require reporting from taxpayers in order to carry out these provisions.

OST may not issue any debt instruments for purposes related to the Moda Center, and moneys may not be transferred to the Oregon Arena Fund unless all of the following conditions are met:

- A change in ownership of the Portland Trail Blazers basketball team is finalized and approved by, and the Trail Blazers remain a member in good standing of, the National Basketball Association (NBA).

- The State of Oregon and the City of Portland have entered into an agreement, which may include other entities, to establish a joint authority for the ownership and operation of the Moda Center. The State must have an ownership interest in the Moda Center that DAS determines is greater than a nominal interest, or DAS determines that an ownership interest in the Moda Center is not necessary for the issuance of debt instruments by the state.
- The joint authority has executed one or more agreements with a management entity that satisfies the agreement terms put forward in this measure.
- The joint authority has reviewed plans for renovation of the Moda Center and has approved the project scope, schedule, and budget.
- DAS has determined that the City of Portland and Multnomah County have made binding and substantial commitments to finance construction, renovation, maintenance, and deferred maintenance of the Moda Center, and related debt service.

The joint authority and management entity must execute one or more agreements that include all of the following provisions:

- A binding commitment from the management entity to lease the Moda Center for a minimum term of 20 years.
- Authorization for the joint authority to give final approval of scope, schedule, and budget for construction or renovation projects relating to the Moda Center, provided that such approval does not cause unreasonable delay to the project.
- Responsibility for cost overruns in any project carried out by the joint authority, which must provide that the joint authority is not required to pay for any cost overruns, except to the extent that such cost overruns are the result of modifications to the project scope or design that the joint authority requests after final approval.
- Authorization of injunctive relief and liquidated damages in the amount of any outstanding debt issued by any public body that is part of the joint authority for projects at the Moda Center, in case of breach of a non-relocation agreement or exclusive site agreement by the management entity.
- Permitting the management entity to seek injunctive relief or specific performance to prevent acts or omissions of the joint authority or any public body belonging to the joint authority that materially impair the management entity's ability to use or occupy the Moda Center in accordance with relevant agreements.
- Requirement that all parties engage in good-faith discussions regarding amendments to terms of the agreement, without obligating any party to agree to any amendments, by a certain date.

In negotiating the agreements, the State of Oregon, in a timely manner and at its own expense, is to retain a professional with expertise in arena negotiations to review information regarding recent comparable NBA arena projects in similar-sized markets.

Fiscal Analysis

Department of Administrative Services

DAS has indeterminate costs related to this measure. The ultimate structure of the joint authority formed under the measure could significantly change the agency's estimated expenses, primarily related to unknown expenditures by DAS Risk Management, potential costs and project roles for Enterprise Asset Management, and debt service costs. Additionally, while the joint authority agreement could be in place as soon as the end of 2026, the actual timelines are unknown since the measure permits but does not obligate the creation of the joint authority.

Known costs related to preparing for establishment of the joint authority, and estimating performer tax revenues, are an estimated \$1.5 million General Fund and one position (0.63 FTE) in the 2025-27 biennium and \$817,324 and two positions (1.25 FTE) in the 2027-29 biennium. Projected costs for DAS include:

- \$500,000 in the 2025-27 biennium and \$250,000 in the 2027-29 biennium for Department of Justice (DOJ) legal costs for rulemaking and negotiation of the joint authority agreement, based on the amount spent on legal costs for other large projects.
- \$500,000 in the 2025-27 biennium for DAS to retain a professional with expertise in arena negotiations as directed under the measure.
- \$300,000 in the 2025-27 biennium and \$150,000 in the 2027-29 biennium to expand an existing contract with financial advisors that DAS currently works with, who have experience in arena financing and joint authority agreements.
- \$211,985 in the 2025-27 biennium and \$327,006 in the 2027-29 biennium to hire one permanent, full-time Operations and Policy Analyst 4 position (0.63 FTE in the 2025-27 biennium and 1.00 FTE in the 2027-29 biennium) to manage the project, including communications, coordination with project partners, rulemaking, and other work related to the joint authority agreement.
- \$90,318 in the 2027-29 biennium for DAS OEA to hire one permanent, part-time Economist 4 (0.25 FTE in the 2027-29 biennium) who will provide annual estimates by July 1 of every year, starting in 2028, of taxes paid by performers on income derived from performances in the Rose Quarter in the prior 12 months. DOR can share tax information with OEA to inform these estimates, but due to filing timelines, DOR will only be able to provide OEA with tax filing information already submitted for prior calendar years, while OEA will be estimating taxes paid for the prior fiscal year.

The structure of the joint authority may drive costs for DAS Risk Management, depending on negotiated ownership and indemnification terms. DAS Risk Management is required to provide insurance coverage for state agencies, so if the state is considered an owner of the Moda Center via the joint authority agreement, DAS would need to insure the Moda Center. If Risk Management does need to provide insurance coverage, potential costs could include property insurance, a liability policy, workers compensation, construction project coverage, and additional Risk Management staffing. These costs would depend on the size of any potential construction and current value of the property.

It is not clear what role DAS Enterprise Asset Management will play in the design, construction, or day-to-day operations work for the Moda Center. DAS Enterprise Information Services may also be required to provide support for IT infrastructure, and additional work may be required by the DAS Chief Financial Office related to budgetary management and reporting. The role for these divisions is also indeterminate, pending the outcome of the joint authority agreement.

While DAS costs, including Risk Management costs, are generally paid for Other Funds generated by assessments on state agencies, it is assumed the General Fund would be used to cover any costs under this measure in the 2025-27 biennium since these costs are not considered in the DAS assessment rates for the current biennium, and these expenses are not in service of state agencies. General Fund may also be used for some or all expenditures in the 2027-29 biennium. Funds could first be transferred to the Oregon Arena Fund in late 2027, though transfers to the fund are dependent on specific conditions being met as outlined in the measure, and the timeline for all of these conditions to be met is unknown at this time. The Oregon Arena Fund language specifies that moneys are for the purpose of paying expenses of the joint authority which most likely includes any costs DAS incurs in support of the joint authority; however, usage of the moneys in this fund by DAS would likely need to be part of the negotiations of the joint authority agreement.

The measure declares the legislative intent to authorize debt that results in \$365 million in net proceeds. While the type of debt that may be issued is unknown, based on the premise of shared ownership and operating of the Moda Center, there is potential for Article XI-Q general obligation bonds or certificates of participation. Under that assumption, preliminary estimates range from \$15 million to \$33.8 million with an average of \$29.4 million in debt service per fiscal year based on an estimated 20-year repayment schedule and net proceeds of \$365 million issued in two tranches. The total estimated costs to issue the debt is estimated at \$2.6 million. Total debt

service over the life of the debt issued is estimated between \$531.1 million and \$623.5 million.

Other entities

There is minimal fiscal impact for DOJ, though this impact could increase if DOJ is required to provide legal services to the joint authority that may be formed under this measure, instead of just to DAS in formation of the joint authority and management of the Moda Center. DOJ costs are funded by payments made by client agencies based on DOJ services actually used.

The fiscal impact for DOR is anticipated to be minimal. DOR will need to adopt rules, create a new tax form, and reconfigure the agency's GenTax system. DOR will contract for configuration of the new program and form. This minimal impact determination also assumes that DOR will rely solely on self-reporting of wages withheld for work physically performed, or work to support activities or operations within the Rose Quarter and will not have to dedicate any additional resources to determining if reporting has been done correctly. The bill does not specifically define what constitutes work to support activities or operations within the Rose Quarter, though it is assumed that DOR will further define this during rulemaking. While the fiscal impact is minimal, DOR may need to request additional resources should multiple measures impacting the agency's Information Technology Division pass during the 2026 legislative session.

The measure does not obligate resources from the city of Portland or Multnomah County. The city has reported that they would divert one-time business license tax proceeds associated with the sale of the Portland Trail Blazers franchise as well as other funding in support of the Moda Center renovation, pending approval by the Portland City Council. Similarly, Multnomah County has reported that existing funding and revenue streams could be used in support of this project.

There is no fiscal impact for the Office of the Governor or OST.

Relevant Dates

The measure declares an emergency and takes effect on passage.

DOR determinations of described revenues are to be made starting September 1, 2027, and every three months after.

DAS estimations of described revenues are to be made starting July 1, 2028, and July 1 of every year after.

Revenue determinations and estimates made by DOR and DAS are to be made until January 1 after the later of the lease term of the Moda Center has expired or all indebtedness incurred by the State of Oregon related to the Oregon Arena Fund is retired.

DAS is to report to the standing or interim legislative committee related to ways and means at least once per quarter if a joint authority is established, on the work done on the Moda Center, joint authority expenditures, and amount and sources of revenue for the joint authority; this requirement is repealed January 2, 2032.

All parties must engage in good-faith discussions regarding amendments to terms of the agreement on or before the date five years before the expiration of the term of the lease.