

2007 Regular Legislative Session
FISCAL ANALYSIS OF PROPOSED LEGISLATION
Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: HB 2199 **STATUS:** A-Engrossed
SUBJECT: Financial agreements for Article XI-F(1) bonds
GOVERNMENT UNIT AFFECTED: Department of Higher Education
PREPARED BY: Steve Bender
REVIEWED BY: Adrienne Sexton
DATE: June 14, 2007

	<u>2007-2009</u>	<u>2009-2011</u>
EXPENDITURES:		
Department of Higher Education – Other Funds		
Personal Services	\$ 155,000	\$ 210,000
Department of Higher Education – Nonlimited Other Funds		
Debt Service	\$ (1,350,000)	\$ (2,700,000)
Total	\$ (1,195,000)	\$ (2,490,000)
 POSITIONS / FTE:	 1 / 0.75 FTE	 1 / 1.00 FTE

EFFECTIVE DATE: July 1, 2007

GOVERNOR’S BUDGET: This bill is anticipated by the Governor’s recommended budget.

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.

COMMENTS: This measure allows the State to enter into financial agreements relating to Article XI-F(1) bonds issued for capital construction projects in the Oregon University System (OUS). Currently, Article XI-F(1) bonds are issued on a fixed-rate basis. The financial agreements that the measure authorizes would allow OUS to structure long-term debt on a variable-rate basis, and to enter into interest rate swap agreements. This authority is intended to reduce debt financing costs. Historically, bonds sold with a variable rate of interest are able to be sold at overall interest rates of approximately 1% less than the interest rate on a similar fixed-rate bond.

The Department of Higher Education will add one position in the Chancellor’s Office to administer the variable rate program. The position will be funded from expense assessments to capital projects (Other Funds). Debt service savings are projected to equal \$1.35 million per year. Debt service payments on Article XI-F(1) bonds are nonlimited in the Department of Higher Education budget. The administrative costs of the program, position authority, and the debt service savings are included in the Department of Higher Education budget bill [SB 5515-A].