

Enrolled
House Bill 5036

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CHAPTER

AN ACT

Relating to lottery bonds; creating new provisions; amending ORS 285B.551 and sections 2 and 3, chapter 788, Oregon Laws 2005; appropriating money; and declaring an emergency.

Be It Enacted by the People of the State of Oregon:

SECTION 1. ORS 285B.551 is amended to read:

285B.551. (1) Pursuant to ORS 286.560 to 286.580, lottery bonds may be issued:

(a) To provide financial and other assistance, including but not limited to loans and grants, to municipalities, ports and other persons and entities in accordance with the laws governing use of moneys in the Special Public Works Fund created by ORS 285B.455, the Water Fund created by ORS 285B.563, the Safe Drinking Water Revolving Loan Fund created by ORS 285A.213, the Oregon Port Revolving Fund created by ORS 285A.708, the Brownfields Redevelopment Fund created by ORS 285A.188, the Oregon Business Development Fund created by ORS 285B.092 and the Marine Navigation Improvement Fund created by ORS 777.267.

(b) To fund Oregon's share of the costs of the Columbia River channel deepening project.

(c) To fund Oregon's share of the costs of studies and ecosystem restoration projects in the lower Columbia River estuary designed to improve habitat for listed endangered or threatened species of Columbia River anadromous salmonids.

(2) The use of lottery bond proceeds is authorized based on the following findings:

(a) The financial and other assistance to municipalities, ports and other persons and entities will assist in the establishment and expansion of businesses in Oregon and in the construction, improvement and expansion of infrastructure, community and port facilities and other facilities that comprise the physical foundation for industrial and commercial activity and provide the basic framework for continued and expanded economic opportunities and quality communities throughout Oregon.

(b) The Columbia River channel deepening project is necessary to allow newer, larger steamships access to Oregon and Washington deep draft ports. A deeper shipping channel will allow the Columbia River to continue as a world leader in agricultural exports and as a key trade corridor for farms and businesses throughout Oregon and the region.

(c) Such financial and other assistance to municipalities, ports and other persons and entities and the deepening of the Columbia River channel will therefore promote economic development within this state, and thus the use of net proceeds derived from the operation of the Oregon State Lottery to pay debt service on lottery bonds issued under this section to provide such financial and other assistance to municipalities, ports and other persons and entities and to pay a portion of the

costs of deepening the Columbia River channel is an authorized use of state lottery funds under section 4, Article XV of the Oregon Constitution, and ORS 461.510.

(d) The current lower Columbia River estuary habitat for listed endangered or threatened species of Columbia River anadromous salmonids could be improved through ecosystem restoration projects. The use of the Oregon State Lottery to pay debt service on lottery bonds issued under this section to pay for studying how the estuary could be improved and to pay for ecosystem restoration projects are authorized uses of state lottery funds.

(3) The aggregate principal amount of lottery bonds issued pursuant to subsection (1)(a) of this section for financial and other assistance to municipalities, ports and other persons and entities may not exceed the sum of [~~\$227.27~~] **\$248.7** million and an additional amount estimated by the State Treasurer to be necessary to pay bond-related costs. The aggregate principal amount of lottery bonds issued pursuant to subsection (1)(b) of this section for the Columbia River channel deepening project may not exceed the sum of \$17.7 million and an additional amount estimated by the State Treasurer to be necessary to pay bond-related costs. Lottery bonds issued pursuant to this section may be issued only at the request of the Director of the Economic and Community Development Department. The director may not request the issuance of lottery bonds pursuant to subsection (1)(b) of this section until a final environmental impact statement has been issued and a record of decisions has been submitted to Congress by the United States Army Corps of Engineers, Congress has authorized the Columbia River channel deepening project, and the Washington sponsors' shares of the costs of the Columbia River channel deepening project have been committed.

(4) The net proceeds of lottery bonds issued pursuant to subsection (1)(a) and (b) of this section shall be deposited in the Economic Infrastructure Project Fund, which is hereby established in the State Treasury separate and distinct from the General Fund. All moneys in the Economic Infrastructure Project Fund are continuously appropriated to the Economic and Community Development Department for any purpose for which moneys in the Special Public Works Fund created by ORS 285B.455 may be used, any purpose for which moneys in the Water Fund created by ORS 285B.563 may be used, any purpose for which moneys in the Safe Drinking Water Revolving Loan Fund created by ORS 285A.213 may be used, any purpose for which moneys in the Oregon Port Revolving Fund created by ORS 285A.708 may be used, any purpose for which moneys in the Brownfields Redevelopment Fund created by ORS 285A.188 may be used, any purpose for which moneys in the Oregon Business Development Fund created by ORS 285B.092 may be used and any purpose for which moneys in the Marine Navigation Improvement Fund created by ORS 777.267 may be used. The Director of the Economic and Community Development Department shall allocate the moneys deposited in the Economic Infrastructure Project Fund for the purposes described in this subsection in accordance with the policies developed by the Oregon Economic and Community Development Commission in accordance with ORS 285A.045. However, the director shall transfer from the Economic Infrastructure Project Fund and deposit into the Channel Deepening Account of the Marine Navigation Improvement Fund the proceeds of any lottery bonds sold to finance a portion of the costs of the Columbia River channel deepening project. Upon determining the relative allocation of moneys deposited in the Economic Infrastructure Project Fund among the purposes described in this subsection, the director shall transfer from the Economic Infrastructure Project Fund, and deposit into each of the other funds described in this subsection, the amounts so allocated. Notwithstanding any other provision of law governing the funds described in this subsection, the funds described in this subsection may be credited with moneys transferred from the Economic Infrastructure Project Fund by the director in accordance with this subsection.

(5) The aggregate principal amount of lottery bonds issued pursuant to subsection (1)(c) of this section for the costs of studies and ecosystem restoration projects in the lower Columbia River estuary may not exceed the sum of \$750,000 and an additional amount estimated by the State Treasurer to be necessary to pay bond-related costs. The net proceeds of lottery bonds issued pursuant to subsection (1)(c) of this section shall be deposited in the Oregon Community Development Fund created by ORS 285A.227 and may be used only for the Oregon nonfederal share of United States Army Corps of Engineers Columbia River estuary projects authorized by Congress prior to

August 9, 2001. The director may not request the issuance of lottery bonds pursuant to subsection (1)(c) of this section until Congress and Washington have authorized their respective shares of the costs of the studies and ecosystem restoration projects in the lower Columbia River estuary.

(6) The proceeds of lottery bonds issued pursuant to this section may be used only for the purposes set forth in this section and for bond-related costs.

SECTION 2. Section 2, chapter 788, Oregon Laws 2005, is amended to read:

Sec. 2. (1) Pursuant to ORS 286.560 to 286.580, lottery bonds may be issued by the Department of Higher Education for deferred maintenance **and capital renewal, code compliance and safety** projects.

(2) The use of lottery bond proceeds is authorized based on the following findings:

(a) Major subsystems within university buildings are wearing out and must be replaced in order that universities have adequate facilities for teaching.

(b) Having safe and fully functioning university facilities is essential to Oregon's healthy economic growth.

(3) The aggregate principal amount of lottery bonds issued pursuant to subsection (1) of this section by the Department of Higher Education for deferred maintenance **and capital renewal, code compliance and safety** projects may not exceed the amount of [*\$19.43*] **\$69.43** million and an additional amount estimated by the State Treasurer to be necessary to pay bond-related costs as defined in ORS 286.560.

(4) Of the net proceeds of lottery bonds issued pursuant to this section for the biennium beginning July 1, 2007, an amount not to exceed \$50 million shall be deposited in the Department of Higher Education Deferred Maintenance and Capital Repair Project Fund established by section 3, chapter 788, Oregon Laws 2005.

SECTION 3. Section 3, chapter 788, Oregon Laws 2005, is amended to read:

Sec. 3. (1) The Department of Higher Education Deferred Maintenance **and Capital Repair** Project Fund is established separate and distinct from the General Fund. Interest earned by the Department of Higher Education Deferred Maintenance **and Capital Repair** Project Fund shall be credited to the fund.

(2) Net proceeds of lottery bonds issued pursuant to section 2, **chapter 788, Oregon Laws 2005**, [*of this 2005 Act*] shall be deposited into the Department of Higher Education Deferred Maintenance **and Capital Repair** Project Fund. Moneys in the fund are continuously appropriated to the Department of Higher Education for deferred maintenance **and capital repair** projects.

SECTION 4. (1) Pursuant to ORS 286.560 to 286.580, lottery bonds may be issued for the **Housing and Community Services Department to provide housing for populations at risk of homelessness through facilitating development, including funding construction, renovation and supportive services, of housing units.**

(2) The use of lottery bond proceeds is authorized based on the following findings:

(a) **Individuals who are at risk of homelessness increase their potential for self-sufficiency, and use proportionately fewer community-funded resources when they are provided a stable housing environment including appropriate services.**

(b) **Having housing for at-risk populations is essential to Oregon's healthy economic growth.**

(3) **The aggregate principal amount of lottery bonds issued pursuant to subsection (1) of this section by the Housing and Community Services Department may not exceed the amount of \$16 million and an additional amount estimated by the State Treasurer to be necessary to pay bond-related costs as defined in ORS 286.560.**

SECTION 5. (1) **The Housing and Community Services Department Self-Sufficiency Housing Fund is established separate and distinct from the General Fund. Interest earned by the Housing and Community Services Department Self-Sufficiency Housing Fund shall be credited to the fund.**

(2) **Net proceeds of lottery bonds issued pursuant to section 4 of this 2007 Act shall be deposited into the Housing and Community Services Department Self-Sufficiency Housing**

Fund. Moneys in the fund are continuously appropriated to the Housing and Community Services Department for providing housing to populations at risk of homelessness.

SECTION 6. As used in sections 6 to 10 of this 2007 Act, "City of Hillsboro Downtown Parking Facility" or "facility" means the acquisition, construction and procurement of all components of a public parking facility to be established in the City of Hillsboro.

SECTION 7. (1) Notwithstanding ORS 286.505 to 286.545, for the biennium beginning July 1, 2007, at the request of the Director of the Economic and Community Development Department, the State Treasurer is authorized to issue lottery bonds pursuant to ORS 286.560 to 286.580 in the amount of \$7 million for payment of the expenses of the City of Hillsboro for the establishment of the City of Hillsboro Downtown Parking Facility, plus an additional amount to be estimated by the State Treasurer for payment of bond-related costs incurred by the Economic and Community Development Department, the Oregon Department of Administrative Services and the State Treasurer.

(2) The bond-related costs incurred by the Economic and Community Development Department, the Oregon Department of Administrative Services and the State Treasurer for the lottery bonds authorized by this section shall be paid from the gross proceeds of the lottery bonds, from allocations for the purposes of ORS 286.576 (1)(c) or from moneys in the City of Hillsboro Downtown Parking Facility Fund established under section 9 of this 2007 Act.

SECTION 8. The Legislative Assembly finds that:

(1) The City of Hillsboro Downtown Parking Facility will accomplish the purpose of creating jobs and furthering economic development in Oregon because construction and operation of a parking facility in the downtown area of the City of Hillsboro will:

(a) Enhance access to transit options for employees in an area in which the population has doubled since 1990.

(b) Allow for increased investment in allied health training and education, areas in which the State of Oregon needs assessments performed by the Employment Department identified a projected shortage.

(c) Increase the likelihood of federal funding for the facility and add new moneys that directly benefit Oregon's construction industry as a result of receiving authorization for the issuance of lottery bonds.

(2) The factors described in subsection (1) of this section will encourage and promote economic development within the State of Oregon, and issuance of lottery bonds to finance the City of Hillsboro Downtown Parking Facility is therefore an appropriate use of state lottery funds under section 4, Article XV of the Oregon Constitution, and ORS 461.510.

SECTION 9. (1) The City of Hillsboro Downtown Parking Facility Fund is established separate and distinct from the General Fund. The moneys in the City of Hillsboro Downtown Parking Facility Fund and the interest earnings of the fund are continuously appropriated to the Economic and Community Development Department for the purpose described in subsection (2) of this section, for payment of the department's expenses incurred for entering into, modifying and administering the grant agreement authorized by this section in an amount up to \$36,000 and for payment of bond-related costs. The fund consists of moneys deposited in the fund under section 7 of this 2007 Act, and may include fees, moneys or other revenues available for payment of expenses of establishing the facility.

(2) Subject to subsection (3) of this section, moneys in the fund shall be available for immediate distribution to the City of Hillsboro to pay the expenses of the facility.

(3) The Director of the Economic and Community Development Department shall enter into a grant agreement with the City of Hillsboro that requires:

(a) The city to agree in the grant agreement authorized by this section:

(A) To indemnify the state government, as defined in ORS 174.111, to the fullest extent permitted by law for any liability the state government might incur in connection with a borrowing by the city for the facility.

(B) Not to request or accept moneys from the state General Fund for the facility.

(C) To refund the difference to the director for deposit in the City of Hillsboro Downtown Parking Facility Fund if, upon completion of the facility, the aggregate expenditure of state and local moneys is less than \$8.6 million.

(b) The department to disburse, over the course of the development of the facility, an aggregate amount of \$7 million to the City of Hillsboro from the City of Hillsboro Downtown Parking Facility Fund when:

(A) Moneys are available;

(B) The director determines that the city has entered into one or more contracts that have an aggregate value of at least \$16 million for final design, construction or acquisition of components of the facility; and

(C) The director determines that the city has provided documentation that it will have sufficient financing to complete the facility.

(4) If, on or before June 30, 2008, the director has not distributed bond proceeds to the City of Hillsboro under the requirements of this section and the grant agreement, the director shall:

(a) Evaluate the likelihood that the bond proceeds will be distributed before June 30, 2009; and

(b) Report the findings of the evaluation to the Oregon Department of Administrative Services and the State Treasurer on or before September 1, 2008.

SECTION 10. The State of Oregon is not liable to the lenders, vendors or contractors of the City of Hillsboro for any action or omission under sections 6 to 10 of this 2007 Act or the grant agreement authorized by section 9 of this 2007 Act.

SECTION 11. As used in sections 11 to 15 of this 2007 Act:

(1) "Act of God" means an unanticipated grave natural disaster or other natural phenomenon of an exceptional, inevitable and irresistible character, the effects of which could not have been prevented or avoided by the exercise of due care or foresight.

(2) "Coos Bay Channel Project" means a project to deepen and widen the lower Coos Bay deep draft navigation channel, west of the Coos Bay railroad bridge, to perform ecosystem investigation and restoration projects and to make additional navigational system improvements including, but not limited to, structural work at the entrance jetties, navigation aids and other design or engineering tasks.

(3) "Oregon sponsors" means the Oregon International Port of Coos Bay or any agency acting as a financial contributor to the Coos Bay Channel Project.

(4) "Primary sponsor" means the Oregon International Port of Coos Bay as representative of the Oregon sponsors.

SECTION 12. The Legislative Assembly finds that:

(1)(a) The Coos Bay Channel Project will create jobs and further economic development in Oregon because deepening and widening the lower Coos Bay deep draft navigation channel, west of the Coos Bay railroad bridge, will allow the Oregon International Port of Coos Bay to accommodate new generations of deep draft cargo vessels and to diversify the types of cargo that can be processed through the port, increasing maritime and international trade throughout Oregon, improving the attractiveness of Oregon to new businesses and supporting the operations and prosperity of existing businesses.

(b) Authorization for the issuance of lottery bonds will increase the likelihood of federal funding for the project, encourage the development of public and private sector partnerships to continue the modernization and expansion of the Oregon International Port of Coos Bay, including the development and construction of an intermodal container terminal for Coos Bay harbor, and add new income that will directly benefit Oregon's dredging, construction or maritime industries.

(2) The factors described in subsection (1) of this section will encourage and promote economic development within the state, and the issuance of lottery bonds to finance the Coos

Bay Channel Project is therefore an appropriate use of state lottery funds to pay the amounts specified in section 13 of this 2007 Act, under section 4, Article XV of the Oregon Constitution, and under ORS 461.510. Neither the faith and credit nor any of the taxing power of the state is pledged or otherwise committed by sections 11 to 15 of this 2007 Act, and the commitments of the state under sections 11 to 15 of this 2007 Act and ORS 777.277 to 777.287 do not constitute a debt or liability of the state within the meaning of section 7, Article XI of the Oregon Constitution.

SECTION 13. (1) In addition to amounts authorized under ORS 286.505 to 286.545, the State Treasurer, at the request of the Director of the Economic and Community Development Department, may issue lottery bonds pursuant to ORS 286.560 to 286.580:

(a) In an amount of up to \$60 million for payment of the expenses of the Coos Bay Channel Project in increments described in subsection (2) of this section; and

(b) In an additional amount to be estimated by the State Treasurer for payment of bond-related costs of the Oregon Department of Administrative Services, the Economic and Community Development Department and the State Treasurer.

(2) The director shall request the State Treasurer to issue the amount of bonds described in subsection (1)(a) of this section in increments that allow the director, at the request of the primary sponsor, to transfer:

(a) In the biennium beginning July 1, 2007, up to \$5 million in net proceeds of lottery bonds to the Coos Bay Channel Fund established in section 15 of this 2007 Act for distribution to the primary sponsor after the director finds that the primary sponsor has taken action pursuant to the grant agreement required in section 14 of this 2007 Act that triggers the distribution of bond proceeds described in this paragraph.

(b) In the biennium beginning July 1, 2009, up to \$15 million in net proceeds of lottery bonds to the Coos Bay Channel Fund established in section 15 of this 2007 Act for distribution to the primary sponsor after the director finds that the primary sponsor has taken action pursuant to the grant agreement required in section 14 of this 2007 Act that triggers the distribution of bond proceeds described in this paragraph.

(c) In the biennium beginning July 1, 2011, up to \$40 million in net proceeds of lottery bonds to the Coos Bay Channel Fund established in section 15 of this 2007 Act for distribution to the primary sponsor after the director finds that the primary sponsor has taken action pursuant to the grant agreement required in section 14 of this 2007 Act that triggers the distribution of bond proceeds described in this paragraph.

(3) Lottery bonds authorized under this section may not be issued after June 30, 2013.

SECTION 14. (1) The Director of the Economic and Community Development Department shall enter into one or more grant agreements with the primary sponsor that require the Economic and Community Development Department to disburse, over the course of the project, an aggregate principal amount of \$60 million for payment of the expenses of the Coos Bay Channel Project, in the increments described in section 13 (2) of this 2007 Act, from the Coos Bay Channel Fund established pursuant to section 15 of this 2007 Act, to the primary sponsor. The department shall make disbursements from the fund as soon as bond proceeds are deposited in the fund.

(2) The one or more grant agreements must:

(a) Subject to subsection (4) of this section, establish appropriate triggers for the incremental biennial distribution of bond proceeds described in section 13 (2) of this 2007 Act based on appropriate measures of progress in completion of the project that are satisfactory to the director and consistent with prudent financial practices that reflect sound stewardship of public resources.

(b) Require the primary sponsor to:

(A) Return bond proceeds distributed and reimburse the State of Oregon for expenditures made pursuant to sections 11 to 15 of this 2007 Act if the director determines that the project

is not substantially completed by July 1, 2019, unless the project is not substantially completed:

(i) Due to an act of God; or

(ii) Because the State of Oregon fails to distribute one or more of the increments of bond proceeds described in section 13 (2) of this 2007 Act and required to substantially complete the project, for a reason other than a failure of the primary sponsor to take action to trigger the distribution or a failure of the project to meet federal or state environmental permitting standards necessary to complete the project.

(B) Provide evidence satisfactory to the director that the primary sponsor has obtained a letter of credit, entered into a surety bond agreement or provided other similar financial assurance to guarantee the return of bond proceeds and reimbursement for expenditures required by this paragraph.

(3) Notwithstanding subsection (2)(b)(B) of this section, the primary sponsor may choose to guarantee the bond proceeds distributed and the state expenditures made in the biennium beginning July 1, 2007, by converting the amount into a loan subject to an agreement that allows the primary sponsor to repay the amount over time at terms provided for in the grant agreement.

(4)(a) Prior to the distribution of bond proceeds described in section 13 (2)(a) of this 2007 Act, the primary sponsor shall provide to the director a budget document outlining expenditures for the Coos Bay Channel Project and verify and certify to the director that:

(A) The primary sponsor has entered into a commercially reasonable agreement with a cargo terminal developer to construct and operate cargo terminal facilities on the Coos Bay channel;

(B) The Secretary of the Army has authorized the performance of environmental studies on the channel pursuant to section 203 of the Water Resources Development Act of 1986 (P.L. 99-662); and

(C) The cargo terminal developer has entered into, or made appropriate progress in negotiations toward, a contract with rail service providers to ensure adequate rail infrastructure and service capacity to serve the cargo terminal facilities to be developed as part of the Coos Bay Channel Project.

(b) Prior to the distribution of bond proceeds described in section 13 (2)(b) of this 2007 Act, the primary sponsor shall provide an updated budget document outlining expenditures for the Coos Bay Channel Project and verify and certify to the director that:

(A) The Secretary of the Army has provided a favorable recommendation to Congress to proceed with the Coos Bay Channel Project; and

(B) The primary sponsor has obtained, or has reasonable assurance of obtaining, adequate funding to complete permitting and engineering work on the Coos Bay Channel Project.

(c) Prior to the distribution of bond proceeds described in section 13 (2)(c) of this 2007 Act, the primary sponsor shall provide an updated budget outlining expenditures for the completion of the Coos Bay Channel Project and verify and certify to the director that:

(A) The sponsor has received the necessary approvals and permits under ORS 196.600 to 196.905 and section 404 of the Federal Water Pollution Control Act (33 U.S.C. 1251 et seq.) to allow the Coos Bay Channel Project to be completed; and

(B) The primary sponsor has obtained, or has reasonable assurance of obtaining, adequate funding to complete the Coos Bay Channel Project.

(5) The State of Oregon and its agencies and departments are not liable to the lenders, vendors or contractors of the Oregon sponsors for any action or omission under sections 11 to 15 of this 2007 Act.

(6) By receipt of any part of net proceeds of lottery bonds described in section 13 of this 2007 Act, the primary sponsor agrees to indemnify the state and its agencies and departments to the fullest extent permitted by law for liability the state or its agencies and de-

partments might incur in connection with any borrowing by the primary sponsor for the project.

SECTION 15. (1) The Coos Bay Channel Fund is established separate and distinct from the General Fund. Interest earned by the Coos Bay Channel Fund shall be credited to the fund. The moneys in the Coos Bay Channel Fund are continuously appropriated to the Economic and Community Development Department for the purpose described in subsection (2) of this section. The fund shall consist of moneys transferred to the fund under section 13 of this 2007 Act and interest earnings on moneys in the fund.

(2) Moneys in the fund are available to the department for distribution to the primary sponsor to pay the nonfederal cost share, or the nonprivate cost share, of expenses of the project up to the amount specified in section 13 of this 2007 Act and to pay bond-related costs.

SECTION 16. (1) Pursuant to ORS 286.560 to 286.580, lottery bonds may be issued to fund grants to the Oregon Public Broadcasting Corporation for the purpose of building digital transmission facilities to serve the people of Oregon.

(2) The use of lottery bond proceeds is authorized based on the following findings:

(a) The public broadcasting system in Oregon provides programming designed and selected to assist in the education of viewers in broad areas of knowledge, skill development, finance, recreation, culture, government, history and the arts.

(b) A digital upgrade to the public broadcasting system in Oregon will tie the state together, thereby expanding opportunities for economic growth and employment.

(c) Building of the digital transmission facilities must begin by June 1, 2008, to meet federal transmission requirements in 2009.

(3) The aggregate principal amount of lottery bonds issued pursuant to this section may not exceed the sum of \$3 million and an additional amount estimated by the State Treasurer to be necessary to pay bond-related costs as defined in ORS 286.560. Lottery bonds issued pursuant to this section shall be issued only at the request of the Director of the Oregon Department of Administrative Services.

(4) The net proceeds of lottery bonds issued pursuant to this section shall be deposited in the Public Broadcasting in Oregon Lottery Project Fund, which is established in the State Treasury, separate and distinct from the General Fund. Interest earned by the Public Broadcasting in Oregon Lottery Project Fund shall be credited to the fund. The moneys in the Public Broadcasting in Oregon Lottery Project Fund are continuously appropriated to the Oregon Department of Administrative Services for the purpose described in subsection (1) of this section.

(5) The proceeds of the lottery bonds issued pursuant to this section shall be used only for the purpose set forth in subsection (1) of this section and for bond-related costs.

SECTION 17. As used in sections 17 to 21 of this 2007 Act:

(1) "Preconstruction" means project design and engineering or right-of-way acquisition that is undertaken prior to entering a construction contract.

(2) "Southeast Metropolitan Extension Project" means each stage of the preconstruction activities and construction activities, including but not limited to design, engineering, right-of-way acquisition and procurement and installation of components, to extend light rail between Portland and Clackamas County.

(3) "Tri-Met" means the Tri-County Metropolitan Transportation District of Oregon, a mass transit district created under ORS chapter 267.

SECTION 18. (1) In addition to amounts authorized under ORS 286.505 to 286.545, for the biennium beginning July 1, 2007, the State Treasurer may issue lottery bonds pursuant to ORS 286.560 to 286.580 in the amount of \$250 million for payment of the expenses of the Southeast Metropolitan Extension Project, plus an additional amount to be estimated by the State Treasurer for payment of bond-related costs of the Oregon Department of Administrative Services, the Department of Transportation and the State Treasurer.

(2) Lottery bonds authorized under this section shall be issued no later than June 30, 2009, at the request of the Director of Transportation in accordance with the grant agreement described in section 21 of this 2007 Act. If the requirements specified in section 21 of this 2007 Act have not been met by June 30, 2009, the lottery bonds authorized under this section may not be issued.

(3) Net proceeds of lottery bonds issued under this section, in the amount of \$250 million, shall be deposited in the Southeast Metropolitan Extension Project Fund established by section 20 of this 2007 Act.

(4) The bond-related costs of the Oregon Department of Administrative Services, the Department of Transportation and the State Treasurer for the lottery bonds authorized by this section shall be paid from the gross proceeds of lottery bonds issued under subsection (2) of this section and from allocations under ORS 286.576 (1)(c).

SECTION 19. The Legislatively Assembly finds that:

(1) The Southeast Metropolitan Extension Project will accomplish the purposes of creating jobs and furthering economic development in Oregon because:

(a) Construction and operation of the Southeast Metropolitan Extension Project will reduce traffic congestion on existing highways and roads, improving the attractiveness of the metropolitan area to new businesses and supporting the operations and prosperity of existing businesses;

(b) Construction and operation of the Southeast Metropolitan Extension Project will reduce the cost and time required for family wage earners to commute to work, permitting more of Oregon's workforce to obtain jobs for which these workers are qualified; and

(c) Authorization of the issuance of lottery bonds for the Southeast Metropolitan Extension Project will increase the likelihood of receiving federal funds for the Southeast Metropolitan Extension Project that add new revenues that will directly benefit Oregon's construction industry.

(2) The factors described in subsection (1) of this section will encourage and promote economic development within the State of Oregon, and issuance of lottery bonds to finance the Southeast Metropolitan Extension Project is therefore an appropriate use of state lottery funds under section 4, Article XV of the Oregon Constitution, and ORS 461.510.

SECTION 20. The Southeast Metropolitan Extension Project Fund is established separate and distinct from the General Fund. The moneys in the Southeast Metropolitan Extension Project Fund and the interest earnings on the fund are continuously appropriated to the Department of Transportation for the purposes described in section 21 of this 2007 Act and for the purpose of paying the administrative expenses incurred by the department by entering into and administering the grant agreement authorized under section 21 of this 2007 Act. The fund consists of moneys deposited into the fund under section 18 of this 2007 Act and may include fees, moneys or other revenues available for payment of expenses of the Southeast Metropolitan Extension Project from the United States Department of Transportation or the Federal Highway Administration.

SECTION 21. (1) The Director of Transportation shall enter into a grant agreement with Tri-Met no later than June 30, 2009, that requires the Department of Transportation to disburse to Tri-Met from the Southeast Metropolitan Extension Project Fund established by section 20 of this 2007 Act an aggregate amount of \$250 million, plus interest earnings on moneys in the fund, over the course of the Southeast Metropolitan Extension Project to pay for costs of the project.

(2) Disbursements from the fund authorized by this section shall be made when:

(a) Moneys are available in the fund;

(b) Tri-Met has entered into one or more contracts for the design, construction or acquisition of components of the Southeast Metropolitan Extension Project; and

(c) The director determines that:

(A) Tri-Met has entered into necessary intergovernmental agreements with local governments and can demonstrate it has sufficient financing to complete the preconstruction or construction phase of the Southeast Metropolitan Extension Project for which funds are requested;

(B) Tri-Met has agreed as part of the grant agreement authorized by this section that Tri-Met will not request or accept any state General Fund moneys for the Southeast Metropolitan Extension Project; and

(C) Except for land required for right-of-way acquisition, Tri-Met has obtained the land use final order for the phase of the project for which disbursements are requested.

(3) After a determination by the director that Tri-Met has met all of the conditions described in subsection (2) of this section, the department shall disburse to Tri-Met from the Southeast Metropolitan Extension Project Fund the amount requested by Tri-Met until all moneys in the fund have been disbursed to Tri-Met.

(4) The state is not liable to the lenders, vendors or contractors of Tri-Met for any action or omission under sections 18 to 21 of this 2007 Act or the grant agreement authorized by this section, except for a failure to allocate and deposit in the Southeast Metropolitan Extension Project Fund amounts authorized by section 18 of this 2007 Act or to disburse from the fund to Tri-Met amounts required by this section and the grant agreement authorized by this section.

SECTION 22. (1) In addition to the amounts authorized under ORS 286.505 to 286.545, for the biennium beginning July 1, 2007, at the request of the Director of Transportation, the State Treasurer may issue lottery bonds pursuant to ORS 286.560 to 286.580 to provide funding for grants authorized under section 23 of this 2007 Act.

(2) The use of lottery bond proceeds as provided in subsection (1) of this section will create jobs and further economic development in the State of Oregon and is a lawful use of lottery funds under section 4, Article XV of the Oregon Constitution, because:

(a) There is an emerging market for streetcar manufacturing within the United States.

(b) Oregon's manufacturing sector is in a unique position to enter into or enhance its participation in this specialized market.

(c) Manufacturing 20 streetcar vehicles per year for the next 10 to 15 years is projected to create 300 permanent manufacturing jobs in Oregon.

(d) By entering into or enhancing their participation in this market, Oregon manufacturers will create jobs for Oregon residents.

(3) The aggregate principal amount of lottery bonds issued pursuant to this section may not exceed \$20 million, plus an additional amount to be estimated by the State Treasurer for payment of bond-related costs of the Department of Administrative Services, the Department of Transportation and the State Treasurer.

(4) Lottery bonds issued under this section shall be issued no later than June 30, 2009, at the request of the director in accordance with the grant agreement described in section 23 of this 2007 Act.

(5) The net proceeds of lottery bonds issued pursuant to this section shall be deposited in the Oregon Streetcar Project Fund established by section 23 of this 2007 Act and used only for the purposes specified in section 23 (3) of this 2007 Act and for bond-related costs.

SECTION 23. (1) The Oregon Streetcar Project Fund is established separate and distinct from the General Fund. Interest earned on moneys in the Oregon Streetcar Project Fund shall be credited to the Oregon Streetcar Project Fund.

(2) The Oregon Streetcar Project Fund shall consist of lottery bond proceeds deposited in the fund, earnings on the fund and any other moneys appropriated to the fund by the Legislative Assembly.

(3) The moneys in the Oregon Streetcar Project Fund are continuously appropriated to the Department of Transportation for the purposes of:

(a) Making grants to municipalities, as defined in ORS 285B.410, to provide streetcars for public transit systems; and

(b) Paying the administrative costs incurred by the department in administering the grant program.

(4) Funds for grants authorized under this section may be disbursed only when:

(a) Funds are available in the Oregon Streetcar Project Fund;

(b) The grant recipient has applied for the funding using the application procedures adopted by the department by rule and has entered into a grant agreement with the department that:

(A) Requires the applicant to operate a public transit system that includes streetcars that are available to the public;

(B) Requires that grant funds be used only for the costs of purchasing newly constructed streetcars from an Oregon-based and Oregon-owned manufacturer; and

(C) Includes any other provisions the department determines necessary to implement the purposes of this section and to protect the interest of the public; and

(c) The Director of Transportation determines that the purchase of streetcars as contemplated in the grant agreement will result in the creation or maintenance of jobs with Oregon manufacturers of streetcars. If the director determines that there are no Oregon manufacturers of streetcars, the director may decline to request the issuance of bonds authorized under section 22 of this 2007 Act or may authorize grant agreements that include the purchase of streetcars from out-of-state manufacturers.

SECTION 24. (1) The Department of Transportation shall study the effect of grants authorized by section 23 of this 2007 Act on the creation or maintenance of jobs in Oregon, and shall file semiannual reports with the Oregon Transportation Commission on the findings of the studies conducted.

(2) The department shall adopt rules and develop policies and grant application procedures necessary to achieve the goals of the grant program.

SECTION 25. This 2007 Act being necessary for the immediate preservation of the public peace, health and safety, an emergency is declared to exist, and this 2007 Act takes effect July 1, 2007.

Passed by House June 25, 2007

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Chief Clerk of House

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Speaker of House

Passed by Senate June 26, 2007

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President of Senate

Received by Governor:

.....M,....., 2007

Approved:

.....M,....., 2007

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Governor

Filed in Office of Secretary of State:

.....M,....., 2007

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Secretary of State