

2009 Regular Legislative Session
FISCAL ANALYSIS OF PROPOSED LEGISLATION
Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: HB 2396

STATUS: A Engrossed

SUBJECT: Authorizes the issuance of lottery bonds to finance the extension of the Eugene, Oregon bus rapid transit system, and directs the Department of Administrative Services to enter into a grant agreement with the Lane Transit District to disburse \$30 million under specified conditions.

GOVERNMENT UNIT AFFECTED: Department of Administrative Services, Department of Transportation

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REVIEWED BY: Steve Bender, Laurie Byerly, Susie Jordan

DATE: April 14, 2009

| EXPENDITURES: | <u>2009-2011</u> | <u>2011-2013</u> |
|--|-------------------------|-------------------------|
| Department of Administrative Services | | |
| Cost of Issuance – Other Funds | \$ 39,540 | \$ 95,828 |
| Debt Service – Lottery Funds | \$ 277,838 | \$ 1,844,761 |
| Total All Funds | \$ 317,378 | \$ 1,940,589 |

| REVENUES: | <u>2009-2011</u> | <u>2011-2013</u> |
|-------------------------------------|-------------------------|-------------------------|
| Lottery-Backed Bond Proceeds | | |
| Project Cost – Other Funds | \$ 1,600,000 | \$ 8,400,000 |
| Cost of Issuance – Other Funds | \$ 39,540 | \$ 95,828 |
| Reserves – Other Funds | \$ 165,460 | \$ 844,173 |
| Total Other Funds | \$ 1,805,000 | \$ 9,340,001 |

EFFECTIVE DATE: This bill includes an emergency clause and is effective July 1, 2009.

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: HB 2396 authorizes the issuance of a total of \$30 million in project costs, funded with Lottery Bonds, to finance the extension of the Eugene, Oregon bus rapid transit system to West Eugene. Lottery-backed bond proceeds will be deposited to the West Eugene EmX Extension Fund according to a schedule that provides for the initial \$1.6 million in project costs to be deposited in the 2009-11 biennium, \$8.4 million in the 2011-13 biennium, and the balance of \$20 million to be deposited in the 2013-15 biennium. The bill establishes the conditions under which the Department of Administrative Services (DAS) will authorize the issuance of Lottery-backed bonds.

DAS, in consultation with the Department of Transportation, will enter into a grant agreement with the Lane Transit District on the disbursement of the bond proceeds. DAS will have minimal costs related to this responsibility. It is assumed that, as the issuing agency, debt service costs will be paid out of a Lottery Funds allocation to DAS.

The proceeds of the sale of Lottery-backed bonds are deposited as Other Funds. Costs related to the issuance of bonds, including the cost of issuance and required reserves, are financed through the bond

sale. Debt service is paid out Lottery Funds. The amount of the debt service obligation will increase based on the cumulative cost of the bonds that are issued.

Lottery Funds revenue is used first to pay constitutional and statutory obligations, including debt service on previously authorized bonds, Parks and Natural Resources, and the Education Stability Fund. These obligations require approximately 55 percent of the available revenue. Ninety (90) percent of the balance of Lottery Funds is allocated to the State School Fund, to supplement the General Fund support for Oregon K-12 schools, with the balance going to economic and community development programs. Since the 2009-11 revenue available from Lottery Funds is reduced from the 2009-11 forecast by approximately \$85 million, any new debt service obligations will reduce the funds available for other programs.