

**75th OREGON LEGISLATIVE ASSEMBLY – 2010 Special Session
BUDGET REPORT AND MEASURE SUMMARY**

JOINT COMMITTEE ON WAYS AND MEANS

MEASURE: HB 3643-A

Carrier – House: Rep. Cowan

Carrier – Senate: Sen. Verger

Action: Do Pass as Amended and Be Printed A-Engrossed

Vote: 23 – 0 – 1

House – Yeas: Barker, Buckley, Cowan, Edwards, Garrard, Gilman, Jenson, Komp, Kotek, Nathanson, Richardson

– Nays:

– Exc: G. Smith

Senate – Yeas: Bates, Courtney, Edwards, Girod, Johnson, Kruse, Monroe, Nelson, Shields, Verger, Whitsett, Winters

– Nays:

– Exc:

Prepared By: Bill McGee, Department of Administrative Services

Reviewed By: Paul Siebert, Legislative Fiscal Office

Meeting Date: February 22, 2010

Agency

Capital Construction – Oregon University System

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Biennium

2009-11

Budget Summary

	2009-11 Legislatively Adopted Level	2010 Committee Recommendation	Committee Change from 2009-11 Leg. Adopted	
			\$\$ Change	% Change
Other Funds – Capital Construction	\$ 628,964,182	\$ 640,013,335	\$ 11,049,153	1.8%

Summary of Revenue Changes

Article XI-G bonds are general obligation bonds backed by the full faith and credit of the state. The constitution requires a fifty-percent General Fund match for any projects funded with revenues from these bonds. Typically, the Legislature designates other sources of revenue as General Fund to meet the constitutional requirement. Debt service on Article XI-G bonds are paid with General Fund. House Bill 3643 does not increase net borrowing of Article XI-G bonds during the 2009-11 biennium.

The Oregon University System has submitted a grant request to the U.S. Department of Commerce National Institute of Standards and Technology for grant funds. If awarded, those funds would provide the constitutionally required match against the Article XI-G bonds.

Summary of Committee Action

The Committee approved establishment of \$25 million in Capital Construction expenditure authority for the construction of a facility for a Marine Mammal Institute and Marine Genomics Program facility at the Oregon State University (OSU) Hatfield Marine Science Center in Newport. Of this amount \$4 million will be transferred from the Strand Agriculture Hall deferred maintenance project, \$4 million will be transferred from the Biofuels demonstration project at OSU, and \$1 million of unused bond authority originally approved for the Bates Hall/Hallie Ford Healthy Children and Families Center at OSU. All transfers are of Article XI-G bond authorization. These transfers are contingent upon award of a grant from the U.S. Department of Commerce National Institute of Standards and Technology (NIST). The transfers will not occur until the Department of Administrative Services, Legislative Fiscal Office, and Legislative Council have been notified by the Oregon University System (OUS) that the university has been awarded the funds. If the grant is not awarded, the Strand Hall and Biofuels demonstration projects will proceed as originally scheduled.

Marine Mammal and Genomics Facility. OSU is under consideration for a grant from NIST for construction of a 42,000 square foot facility for the Marine Mammal Institute and Marine Genomics Program at the Hatfield Marine Science Center in Newport. The university submitted a proposal to NIST in 2007 for an award from a competitive grant program for the construction of science research buildings at academic institutions. The grant was not awarded during two initial phases of awards. OSU hopes to receive an award during the next phase of grants.

The Marine Mammal Institute is a multi-disciplinary program, incorporating the work of academics from the realm of Engineering, Genetics, Agriculture, Aquatics, Ecology, Veterinary Medicine, Biology and Communications. Its work involves discovery and preservation of critical

habits of target species, and understanding how they interact with their environment and the human activities affecting them. The Marine Genomics program conducts research and scholarship on whales, seals, genetics of marine mammals, where fish stocks are located in the ocean, how fish age and how that relates to their migration, oceanographic conditions and the relationship to fishery productivity.

Funding the facility would include \$9,000,000 from the sale of Article XI-G bonds and \$16,049,153 in Federal Funds from NIST. The grant funds will provide the statutorily mandated match for the Article XI-G bonds. Debt service on the Article XI-G bonds will be paid with General Fund.

Strand Agriculture Hall The shift of \$4 million in bond proceeds to the Marine Mammal/Genomics facility would leave \$19.9 million in funding for the Strand Hall project in the 2009-11 biennium from Lottery Bonds, State Energy Program (SELP) loans, and Certificates of Participation for the project.

Strand Hall was constructed in 1913 and is listed on the National Registry of Historic Places. The deferred maintenance project as originally approved includes external and internal seismic bracing, replacement of the fire sprinkler and alarm systems, energy upgrades to windows, installation of a new elevator, heating upgrades, and other work.

Some of this work will be shifted into the future to free up funds for the Newport facility. The university hopes to request additional funding from the state for the 2011-13 biennium. Work to be delayed includes:

- restoration of brick and mortar,
- roof membrane replacement to address leaks,
- replacement of the sanitary and storm sewer,
- replacement and repair of interior and exterior doors on some floors,
- removal of fire escapes from the exterior enabled by the installation of a complete sprinkler and fire alarm system during Phase I,
- irrigation system replacement,
- exterior wood restoration and painting, and
- interior wood restoration and painting on some floors.

During the 2009 legislative session, the Oregon University System reported a deferred maintenance backlog of \$640 million for its education and general service facilities, plus an additional \$400 million in needed seismic upgrades. Over half of OUS' buildings were constructed between 1960 and 1975, in response to the baby boom enrollment surge. After 40 years, roofs, heating and cooling systems, plumbing, mechanical, electrical, and other systems often need to be replaced.

Such a large backlog exists because state support for facilities maintenance has not kept pace with need and OUS has been unable to raise money for these types of projects. For education and general service facilities, state support comes in the form of General Fund or Lottery Funds, either as a direct appropriation or for debt service on bonds. Due to state budget constraints, particularly after Ballot Measure 5 (1991), appropriations for facilities maintenance have been rare. And while many of the campuses have had great success in raising funds for new construction, donors

are generally uninterested in contributing to new boilers, sewers, or electrical panels. Beginning in the 2005-07 biennium, the Legislature began to systematically address the deferred maintenance backlog, including more than \$100 million in funding for the 2009-11 biennium.

Biofuels Demonstration Project: The Committee approved eliminating \$4,000,000 Other Funds (Article XI-G bonds) and \$4,000,000 Other Funds (Other Revenues) for a pilot program to develop and test the use of biofuels for generation of electricity in the new OSU power plant. Grants and gifts were to be the source of the Other Revenues. The university plans to request funding for this project from the state for the 2011-13 biennium.

Bates Hall/Hallie Ford Healthy Children and Families Center: The Committee reduced the Other Funds (Article XI-G bonds) Capital Construction expenditure limitation and the Other Funds (Other Revenues) Capital Construction expenditure limitation approved for the Bates Hall/Hallie Ford Healthy Children and Families Center by \$1,000,000 each. Since the project was approved, project expenditures have been reduced from \$12 million to \$10 million. OSU has received a single donation of \$5 million to provide the constitutionally required match for the Article XI-G bonds.

Project Reserves: The Oregon University System may use project reserves to expend an Other Funds expenditure limitation in excess of a non-system-wide project's specific limitation authority. This additional expenditure authority for each project is limited by the size of the project. The Committee adjusted the project reserves expenditure limitation by increasing the reserves amount for Other Revenues projects by \$481,475 Other Funds to reflect the addition of the new Marine Mammal and Genomics project.