

**76th OREGON LEGISLATIVE ASSEMBLY – 2011 Regular Session
BUDGET REPORT AND MEASURE SUMMARY**

MEASURE: HB 5005-A

JOINT COMMITTEE ON WAYS AND MEANS

**Carrier – House: Rep. Nathanson
Carrier – Senate: Sen. Nelson**

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

Vote: 25 – 0 – 0

House – Yeas: Beyer, Buckley, Cowan, Freeman, Garrard, Komp, Kotek, McLane, Nathanson, Nolan, Richardson, G. Smith, Thatcher, Whisnant
– Nays:
– Exc:

Senate – Yeas: Bates, Devlin, Edwards, Girod, Johnson, Monroe, Nelson, Thomsen, Verger, Whitsett, Winters
– Nays:
– Exc:

Prepared By: Jack Kenny, Department of Administrative Services

Reviewed By: Daron Hill, Legislative Fiscal Office

Meeting Date: June 29, 2011

Agency
Various

Budget Page

LFO Analysis Page

Biennium
2011-13

Summary of Subcommittee Action

House Bill 5005 limits the maximum amount of bonds and Certificates of Participation (COP's) or third party financing agreements state agencies may issue and the amount of revenue state agencies may raise from such issuance. The proceeds from the issuance of bonds and COP's are included as revenues in agency budgets. This bill also allocates the federal tax-exempt private activity bond volume cap allowed under the Internal Revenue Code of 1986, as amended, to certain state agencies and the Private Activity Bond Committee established in ORS 286A.615.

The Subcommittee reviewed amendments to House Bill 5005 for the following purposes:

- 1) The Subcommittee decreased the Oregon University System (OUS), Article XI-G general obligation bond authorization to \$17,608,000 based on a revised identification of need for certain continuing projects approved during previous legislative sessions.
- 2) The Subcommittee increased the Department of Community Colleges and Workforce Development Article XI-G general obligation bond authorization to \$24,500,000 based on a revised identification of need to authorize financing certain continuing Oregon Community College projects approved during previous legislative sessions.
- 3) The Subcommittee decreased the Oregon University System, Article XI-F general obligation amount to \$84,844,570 to provide the bond financing needed for the Department's capital construction projects approved in House Bill 5006, as well as to authorize financing for certain continuing projects approved during previous legislative sessions. This approval is made with an understanding that OUS can return to request additional authority in the 2012 Session, if necessary.

Budget Note:

Project sponsors of the Oregon Sustainability Center (OSC) have presented a concept for a new sustainable building and research center that could serve as a world-class leader in advanced building construction and use. To make the OSC a reality requires substantial financial backing from the citizens of Oregon and should be subject to significant review of documentation that would be prudent for consideration by investors investing their own resources. Support for the requested bonding for the Oregon Sustainability Center will be considered by the Legislature in February 2012, and is contingent upon the analysis, positive evaluation, and approval of the Legislative Assembly.

OUS is directed to provide the following material to the legislature for further review prior to the February 2012 session.

1. Definition of: the purpose and goals of the project, including any business, education and research opportunities that are to be addressed; and the project success measure and criteria that will be utilized to verify that the OSC has been successfully developed and produced the projected return on investment;
2. A comprehensive business model and plan for the OSC that includes;

- a. Project charter, work plan, schedule, financial plan, resource plan, milestones, funding release plan, and governance plan, and alternative options including consequences of no action.
 - b. A detailed set of project diagrams that includes a comprehensive list of cost and resource estimates and the unique building materials to be used to achieve certification as a Living Building under the Living Building Challenge.
 - c. A quality management plan that clearly shows how quality assurance and quality controls are going to be provided.
 - d. A detailed risk analysis showing all major financial, technological, business, environmental, stakeholder, and legal risks that must be mitigated to assure project success.
 - e. An investment leverage plan that shows how financial investments will be managed, tracked, and monitored to assure taxpayers receive the promised return on investment.
 - f. A comprehensive business case and options analysis. This should define the problems to be solved and business, educational, research, and economic development opportunities to be addressed;
 - g. An analysis demonstrating both the technical and economical sustainability throughout the life of the project including the definition and measurements of sustainability.
3. A comprehensive financial analysis, including:
- a. A contrast of each option considered for the project including the total cost of ownership, return on investment, funding options, and financial risks to project sponsors, stakeholders, the State of Oregon, and taxpayers;
 - b. The plan for ensuring that at least 2/3 of rental revenues will be generated by non-State of Oregon or OUS sources;
 - c. Rental rate analysis and comparison with other class A office space in Portland;
 - d. A case for why funding by the State of Oregon or OUS is necessary as opposed to other potential sources.
- 4) The Subcommittee approved the Department of Environmental Quality, Article XI-H general obligation authority of \$16,740,000.
- 5) The Subcommittee added \$7,614,000 Article XI-M general obligation authority for Seismic Rehabilitation bonds for public education buildings to the Military Department. This action restores authority that was approved but not issued in 2009-11.
- 6) The Subcommittee reduced the Department of Veterans' Affairs' Article XI-A general obligation authority to \$100,000,000 from \$200,000,000 in the Governor's Budget to reflect recent activity history with the understanding the agency can return to request additional authority in the 2012 Session if necessary.

- 7) The Subcommittee reduced Housing and Community Services Department, Article XI-I (2) general obligation authority to \$50,000,000 from \$100,000,000 in the Governor's Budget to reflect recent activity history with the understanding the agency can return to request additional authority in the 2012 Session if necessary. The Subcommittee reduced Housing and Community Services Department's direct revenue bond authority to \$300,000,000 from \$600,000,000 and Pass-through revenue bond authority to \$125,000,000 from \$250,000,000 to reflect recent activity history with the understanding the agency can return to request additional authority in the 2012 Session, if necessary.
- 8) The Subcommittee reduced the Department of Administrative Services, Lottery Revenue Bond limit to \$222,705,000. The change reflects reductions for proposed information technology projects at the Department of Administrative Services and for a proposed early childhood database. Reductions were made in other areas including affordable housing grants, OUS capital renewal and funding for Oregon Business Development Department's infrastructure bond bank. Additional authority was granted to provide funding in several areas including: Lane Transit EmX, Roseburg Veterans' Home, Milton-Freewater levee and bridge improvements, the Oregon Historical Society, Gilchrist Forest land purchase, Eastern Oregon Trade Center, OSU Cascades Campus Graduate Studies Facility and the Willow Creek/SAGE Center Improvements. Funding is maintained at proposed levels for multi-modal transportation grants, continuation of water-related grants and a number of construction projects approved in House Bill 5006 for the Oregon University System.
- 9) The Subcommittee reduced authority for issuance of certificates of participation and other financing agreements to \$10,000,000 to reflect changes in State issuance practice with the authorization of Article XI-Q bonds. Remaining authority is required for capital lease agreements.
- 10) The Subcommittee reduced the Department of Energy Article XI-J authority to \$150,000,000 from \$250,000,000 with the understanding the agency can return to request additional authority in the 2012 Session, if necessary.
- 11) The Subcommittee reduced the Business Development Department's direct revenue bond authority to \$100,000,000 from \$200,000,000 to reflect recent activity history with the understanding the agency can return to request additional authority in the 2012 Session if necessary. The Subcommittee reduced the Business Development Department's pass-through revenue bond authority for Industrial Development Revenue bonds to \$125,000,000 from \$250,000,000.
- 12) The Subcommittee reduced the Oregon Facility Authority's Pass-through revenue bond authority to \$550,000,000 from \$950,000,000 to reflect recent activity history with the understanding the agency can return to request additional authority in the 2012 Session, if necessary.
- 13) The Subcommittee decreased the Department of Administrative Services, Article XI-Q general obligation amount to \$186,685,000 from \$202,833,407 in the Governor's Budget to reflect changes including an increase in amounts for continuing projects previously authorized, funds necessary for acquisition of the Department of Fish & Wildlife headquarters building, and decreases in amounts for the State Hospital replacement project, the Judicial Department's e-Court system and other adjustments. A summary of the projects for which use of Article XI-Q bond authority is anticipated in 2011-13 is listed on the next page.

Article XI-Q Authority

Oregon Health Authority

State Hospital Replacement	\$	62,670,000
Health Insurance Exchange System (HIX IT)		<u>520,000</u>
Subtotal	\$	<u>63,190,000</u>

Department of Human Services

Self-Sufficiency Modernization System	\$	<u>8,930,000</u>
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Department of Fish and Wildlife

Headquarters Building	\$	<u>17,000,000</u>
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Department of Transportation

Statewide Radio System (appr. In 2009-11)	\$	<u>76,800,000</u>
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Oregon University System

OSU - Strand Hall	\$	4,945,000
Technology Projects (appr. In 2009-11)		<u>2,040,000</u>
Subtotal	\$	<u>6,985,000</u>

Military Department

The Dalles Readiness Center (appr. 2009-11)	\$	1,460,000
The Dalles Readiness Center		2,430,000
Milton-Freewater Armory (appr. 2009-11)		1,425,000
Polk County Readiness Center (appr. 2009-11)		<u>2,365,000</u>
Subtotal	\$	7,680,000

Judicial Department

e-Court System	\$	<u>6,100,000</u>
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TOTAL	\$	<u><u>186,685,000</u></u>
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House Bill 5005, SECTION 1.

<u>Program Designation</u>	<u>2009-11 Legislatively Approved</u>	<u>2011-13 Governor's Budget</u>	<u>2011-13 Committee Recommendations</u>	<u>Changes from Governor's Budget</u>
<u>GENERAL OBLIGATION BONDS</u>				
General Fund Obligations				
Oregon University System (Art. XI-G)	\$ 139,900,479	\$ 23,000,000	\$ 17,608,000	\$ (5,392,000)
Dept of Com. Col. & Workforce Dev. (Art. XI-G)	\$ 63,233,000	\$ 16,500,000	\$ 24,500,000	\$ 8,000,000
Dept of Environmental Quality (Art. XI-H)	\$ 10,000,000	\$ 15,500,000	\$ 16,740,000	\$ 1,240,000
Oregon Military Department (Art. XI-M)	\$ 15,000,000	\$ 0	\$ 7,614,000	\$ 7,614,000
Oregon Military Department (Art. XI-N)	\$ 15,000,000	\$ 0	\$ 0	\$ 0
Dept of Administrative Services (Art. XI-Q)	\$ 343,200,000	\$ 202,833,407	\$ 186,685,000	\$ (16,148,407)
Dedicated Fund Obligations				
Dept of Veterans' Affairs (Art. XI-A)	\$ 150,000,000	\$ 200,000,000	\$ 100,000,000	\$ (100,000,000)
Oregon University System (Art. XI-F(1))	\$ 488,401,244	\$ 466,032,937	\$ 84,844,570	\$ (381,188,367)
Water Resources Department (Art. XI-I(1))	\$ 10,000,000	\$ 15,000,000	\$ 15,000,000	\$ 0
Housing and Com. Services Dept (Art. XI-I(2))	\$ 100,000,000	\$ 100,000,000	\$ 50,000,000	\$ (50,000,000)
Department of Energy (Art. XI-J)	\$ 250,000,000	\$ 250,000,000	\$ 150,000,000	\$ (100,000,000)
Total General Obligation Bonds	\$ <u>1,584,734,723</u>	\$ <u>1,288,866,344</u>	\$ <u>652,991,570</u>	\$ <u>(635,874,774)</u>
<u>REVENUE BONDS</u>				
Direct Revenue Bonds				
Housing and Com. Services Department	\$ 600,000,000	\$ 600,000,000	\$ 300,000,000	\$ (300,000,000)
Department of Transportation				
Infrastructure Fund	\$ 16,160,000	\$ 18,360,000	\$ 18,360,000	\$ 0
Highway User Tax	\$ 798,514,000	\$ 663,000,000	\$ 663,000,000	\$ 0
Business Development Department	\$ 200,000,000	\$ 200,000,000	\$ 100,000,000	\$ (100,000,000)
Department of Energy	\$ 0	\$ 25,000,000	\$ 25,000,000	\$ 0
Department of Administrative Services Lottery				
Revenue Bonds	\$ 274,300,000	\$ 279,835,000	\$ 222,705,000	\$ (57,130,000)
Total Direct Revenue Bonds	\$ <u>1,888,974,000</u>	\$ <u>1,786,195,000</u>	\$ <u>1,329,065,000</u>	\$ <u>(457,130,000)</u>

Pass Through Revenue Bonds

Business Development Department				
Industrial Development Bonds	\$ 400,000,000	\$ 250,000,000	\$ 125,000,000	\$ (125,000,000)
Oregon Facilities Authority	\$ 950,000,000	\$ 950,000,000	\$ 550,000,000	\$ (400,000,000)
Housing and Com. Services Dept	\$ 250,000,000	\$ 250,000,000	\$ 125,000,000	\$ (125,000,000)
Total Revenue Bonds	\$ 3,488,974,000	\$ 3,236,195,000	\$ 2,129,065,000	\$ (1,107,130,000)

CERTIFICATES OF PARTICIPATION AND OTHER FINANCEING AGREEMENTS

Department of Administrative Services	\$ <u>345,380,000</u>	\$ <u>222,833,407</u>	\$ <u>10,000,000</u>	\$ <u>(212,833,407)</u>
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House Bill 5005, SECTION 2.

Private Activity Bond Allocation for 2012 and 2013 Calendar Years.

Allocation For:	2009-11 Legislatively Approved Budget		Subcommittee Recommendation	
	2010 Calendar Year	2011 Calendar Year	2012 Calendar Year	2013 Calendar Year
Oregon Business Development Department:	\$ 40,000,000	\$ 40,000,000	\$ 40,000,000	\$ 40,000,000
Housing & Community Services Department:	\$125,000,000	\$125,000,000	\$125,000,000	\$125,000,000
State Department of Energy:	\$ 10,000,000	\$ 10,000,000	\$ 15,000,000	\$ 15,000,000
Private Activity Bond Committee:	\$162,270,950	\$162,270,950	\$183,952,030	\$183,952,030
TOTAL:	\$337,270,950	\$337,270,950	\$363,952,030	\$363,952,030

Summary of Performance Measure Action

None.