

**REVENUE IMPACT OF
PROPOSED LEGISLATION
Seventy-Sixth Oregon Legislative
Assembly, 2011 Regular Session
Legislative Revenue Office**

**Bill Number: SB 242 - B
Revenue Area: General Fund/ Interest
Economist: Mazen Malik
Date: 06/13/2011**

Measure Description:

Redefines Oregon University System (OUS) as public university system with greater authority and independence to manage affairs, operations and financial obligations. Eliminates requirement to seek permission to exceed expenditure limitation to spend other available moneys, including enrollment fees collected. Exempts OUS from certain laws relating to state agencies. Authorizes board of higher education to purchase property and construct facilities without legislative approval. Maintains all interest earned in Oregon University System Fund to OUS.

Revenue Impact (in \$Millions): The interest income to the general fund will be reduced and that same amount will be going to other funds.

	2011-2013	2013-15
Interest earning reduction to the General Fund	(\$7.440)	(\$22.043)
Interest earning Other Funds Increase to OUS	\$7.440	\$22.043

Impact Explanation:

The measure changes the treatment of Interest earnings. Currently, interest from fees paid for tuition, housing, parking, food, or General Fund appropriations are credited back to the General Fund. Under this proposed measure, Interest on any OUS reserves, including General Fund appropriations, would be credited to OUS. HB 2208, which passed in 2009, was introduced at the request of OUS to consolidate their numerous accounts into one Oregon University System Fund to allow for more effective investment of revenues. As a result of that change the ending balance and interest earnings are expected to be higher than in past years.

The Oregon University System (OUS) estimates that this change would reduce the General Fund earnings by \$4,281,554 in 2011-13 (18 months) and \$5,906,737 in 2013-15. These estimates are based on Fiscal Year 2008-10 average daily balances in the OUS Fund and an interest rate of less than 1%, while the Governor's budget estimated an average return in the Treasury Short Term Fund of 1.72% for 2011-13. However, for this analysis a different estimate was reached. Projected balances were obtained from the product of student enrollment and average annual Dollar balances per student. This forecast future cash balances that will be available to the university system and no longer available to the general fund. Then using the May forecast for the rate of 3-months T-bill (0.78% FY11, 2.27% FY12, 3.45% FY13, 4.19% FY15), the resulting General Fund revenue loss would be \$7.4 million in 2011-13 (18 months) and \$22 million in 2013-15.

The measure establishes a revenue bond program allowing OUS to issue revenue bonds. Projects utilizing proceeds from Article XI-F (1) and Article XI-G general obligation bonds would still need to be authorized by the Legislature. The measure removes OUS from being represented by the Department of Justice (DOJ) except for bond issuance.

Creates, Extends, or Expands Tax Expenditure: Yes No

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