

Senate Bill 18

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SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Establishes statutory provisions required for Superintendent of Public Instruction to borrow money pursuant to Article XI-P of Oregon Constitution for capital costs of school districts.

Establishes School Capital Matching Fund to replace school capital matching subaccount. Establishes Article XI-P Bond Fund and Article XI-P Bond Administration Fund. Continuously appropriates moneys from funds.

Makes statutory changes related to implementation of Article XI-P of Oregon Constitution.

Declares emergency, effective on passage.

A BILL FOR AN ACT

1
2 Relating to borrowing for capital costs of school districts; creating new provisions; amending ORS
3 348.696, 461.540 and 461.558 and section 13, chapter 96, Oregon Laws 2010, and section 5,
4 chapter 104, Oregon Laws 2010; appropriating money; and declaring an emergency.

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

SECTION 1. As used in sections 1 to 6 of this 2011 Act:

6
7 (1) **"Article XI-P bonds" means general obligation bonds issued under the authority of**
8 **Article XI-P of the Oregon Constitution.**

9 (2) **"Bond-related costs" means:**

10 (a) **The costs of paying the principal of, the interest on and the premium, if any, on Ar-**
11 **article XI-P bonds.**

12 (b) **The costs and expenses of issuing, administering and maintaining Article XI-P bonds**
13 **including, but not limited to, the costs and expenses of:**

14 (A) **Redeeming Article XI-P bonds.**

15 (B) **Paying amounts due in connection with credit enhancement devices or agreements**
16 **for exchange of interest rates.**

17 (C) **Paying the fees, administrative costs and expenses of the State Treasurer, the Oregon**
18 **Department of Administrative Services and the Department of Education, including the costs**
19 **of consultants or advisors retained by the State Treasurer, the Oregon Department of Ad-**
20 **ministrative Services or the Department of Education for the Article XI-P bonds.**

21 (c) **The costs of funding reserves for the Article XI-P bonds.**

22 (d) **Capitalized interest for the Article XI-P bonds.**

23 (e) **Rebates or penalties due to the United States in connection with the Article XI-P**
24 **bonds.**

25 (f) **Any other costs or expenses that the State Treasurer, the Oregon Department of**
26 **Administrative Services or the Department of Education determines are necessary or desir-**
27 **able in connection with issuing and maintaining the Article XI-P bonds.**

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 (3) "Capital costs" means costs of land and of other assets having a useful life of more
2 than one year, including costs associated with acquisition, construction, improvement, re-
3 modeling, furnishing, equipping, maintenance or repair.

4 **SECTION 2.** (1) In accordance with the applicable provisions of ORS chapter 286A, the
5 State Treasurer, with the concurrence of the Director of the Oregon Department of Admin-
6 istrative Services, may issue Article XI-P bonds:

7 (a) At the request of the Superintendent of Public Instruction for the purposes specified
8 in Article XI-P of the Oregon Constitution, plus an amount determined by the State Treas-
9 urer to pay estimated bond-related costs; and

10 (b) Subject to the budget authorization for bond issuance established under ORS 286A.035
11 for the Department of Education for the biennium.

12 (2) The State Treasurer may issue Article XI-P bonds for the purpose of refunding Arti-
13 cle XI-P bonds.

14 (3) The net proceeds of Article XI-P bonds must be deposited in the School Capital
15 Matching Fund established under section 6 of this 2011 Act as described in section 4, Article
16 XI-P of the Oregon Constitution.

17 (4) If at any time the Oregon Department of Administrative Services and the super-
18 intendent determine that the net proceeds of Article XI-P bonds deposited in the School
19 Capital Matching Fund pursuant to subsection (3) of this section exceed the amount neces-
20 sary for the purposes described in subsection (1)(a) of this section and the budget authori-
21 zation, the superintendent may transfer the excess amount to the Oregon Department of
22 Administrative Services for deposit in the Article XI-P Bond Fund established under section
23 4 of this 2011 Act or the Article XI-P Bond Administration Fund established under section 5
24 of this 2011 Act.

25 (5) Article XI-P bonds are a general obligation of the State of Oregon and must contain
26 a direct promise on behalf of the State of Oregon to pay the principal of, the interest on and
27 the premium, if any, on the Article XI-P bonds. The State of Oregon shall pledge its full faith
28 and credit and taxing power to the payment of the principal of, the interest on and the pre-
29 mium, if any, on Article XI-P bonds, except that the ad valorem taxing power of the State
30 of Oregon may not be pledged to pay Article XI-P bonds.

31 **SECTION 3.** (1) The State Board of Education shall establish by rule a program to provide
32 school districts with matching fund grants or loans for the capital costs of school districts
33 financed with the net proceeds of Article XI-P bonds issued under sections 1 to 6 of this 2011
34 Act. The state board shall establish, by rule, ratios for matching local moneys with grants,
35 and ratios for matching local moneys with loans.

36 (2) The Department of Education, subject to rules adopted by the state board:

37 (a) May provide matching funds only to a school district that has received voter approval
38 for local general obligation bonds to finance capital costs.

39 (b) May not provide financing through grants or loans to finance operating costs of
40 school districts.

41 **SECTION 4.** (1) The Article XI-P Bond Fund is established in the State Treasury, sepa-
42 rate and distinct from the General Fund. Amounts in the Article XI-P Bond Fund may be
43 invested as provided in ORS 293.701 to 293.820, and interest earned on the bond fund must
44 be credited to the bond fund. Amounts credited to the bond fund are continuously appropri-
45 ated to the Oregon Department of Administrative Services for the purpose of paying, when

1 due, the principal of, the interest on and the premium, if any, on outstanding Article XI-P
2 bonds. The department shall deposit in the bond fund:

3 (a) Capitalized or accrued interest on Article XI-P bonds;

4 (b) Amounts appropriated or otherwise provided by the Legislative Assembly for deposit
5 in the bond fund;

6 (c) Reserves established for the payment of Article XI-P bonds; and

7 (d) Amounts transferred from the School Capital Matching Fund established under sec-
8 tion 6 of this 2011 Act as described in section 4, Article XI-P of the Oregon Constitution.

9 (2) At the request of the department, the State Treasurer may create separate accounts
10 in the bond fund for reserves and debt service for each series of Article XI-P bonds as pro-
11 vided in ORS 286A.025 (2)(g).

12 **SECTION 5.** (1) The Article XI-P Bond Administration Fund is established in the State
13 Treasury, separate and distinct from the General Fund. Amounts in the Article XI-P Bond
14 Administration Fund may be invested as provided in ORS 293.701 to 293.820, and interest
15 earned on the bond administration fund must be credited to the bond administration fund.
16 Amounts credited to the bond administration fund are continuously appropriated to the
17 Oregon Department of Administrative Services for payment of bond-related costs. The de-
18 partment shall credit to the bond administration fund:

19 (a) Proceeds of Article XI-P bonds that were issued to pay bond-related costs;

20 (b) Amounts appropriated or otherwise provided by the Legislative Assembly for deposit
21 in the bond administration fund; and

22 (c) Amounts transferred from the School Capital Matching Fund established under sec-
23 tion 6 of this 2011 Act as described in section 4, Article XI-P of the Oregon Constitution.

24 (2) At the request of the department, the State Treasurer may create separate accounts
25 in the bond administration fund as provided in ORS 286A.025 (2)(g).

26 **SECTION 6.** Pursuant to section 4, Article XI-P of the Oregon Constitution, the School
27 Capital Matching Fund is established in the State Treasury, separate and distinct from the
28 General Fund. Amounts in the School Capital Matching Fund may be invested as provided
29 in ORS 293.701 to 293.820, and interest earned on moneys in the fund must be credited to the
30 fund. The School Capital Matching Fund consists of net proceeds of Article XI-P bonds issued
31 under sections 1 to 6 of this 2011 Act, moneys from the repayment of loans by school dis-
32 tricts, moneys transferred to the fund pursuant to ORS 461.558 and other moneys made
33 available by the Legislative Assembly for purposes described in section 2 (1) of this 2011 Act
34 and the budget authorization for bond issuance established under ORS 286A.035 for the De-
35 partment of Education. Moneys in the fund are continuously appropriated to the Depart-
36 ment of Education for the purposes described in section 2 (1) of this 2011 Act and the budget
37 authorization.

38 **SECTION 7.** ORS 348.696 is amended to read:

39 348.696. Pursuant to section 4 (4)(d), Article XV of the Oregon Constitution, the Education Sta-
40 bility Fund is established separate and distinct from the General Fund. [*Except for earnings on*
41 *moneys in the school capital matching subaccount,*] Moneys in the **Education Stability** Fund shall
42 be invested as provided in ORS 293.701 to 293.790. All declared earnings on moneys in the fund shall
43 be transferred and are appropriated continuously as follows:

44 (1) 75 percent to the Oregon Education Fund established by ORS 348.716; and

45 (2) 25 percent to the Oregon Student Assistance Commission for the Oregon Opportunity Grant

1 program under ORS 348.260.

2 **SECTION 8.** ORS 461.540 is amended to read:

3 461.540. (1) There is established in the General Fund of the State Treasury the Administrative
4 Services Economic Development Fund. All moneys transferred from the State Lottery Fund, interest
5 earnings credited to this fund and other moneys authorized to be transferred to this fund from
6 whatever source are appropriated continuously for any of the following public purposes:

- 7 (a) Creating jobs;
- 8 (b) Furthering economic development in Oregon; or
- 9 (c) Financing public education.

10 (2) Moneys shall be transferred from the Administrative Services Economic Development Fund
11 to:

12 (a) The Education Stability Fund established under ORS 348.696 as described in section 4, Arti-
13 cle XV of the Oregon Constitution; and

14 *[(b) The school capital matching subaccount created within the Education Stability Fund, as pro-
15 vided by ORS 461.558.]*

16 **(b) The School Capital Matching Fund established under section 6 of this 2011 Act as de-
17 scribed in section 4, Article XI-P of the Oregon Constitution.**

18 (3) As used in this section and section 4, Article XV of the Oregon Constitution:

19 (a) “Creating jobs” includes, but is not limited to:

- 20 (A) Supporting the creation of new jobs in Oregon;
- 21 (B) Helping prevent the loss of existing jobs in Oregon;
- 22 (C) Assisting with work transition to new jobs in Oregon; or
- 23 (D) Training or retraining workers.

24 (b) “Education” includes, but is not limited to, the Education Stability Fund established under
25 ORS 348.696 and specific programs that support the following:

- 26 (A) Prekindergartens;
- 27 (B) Elementary and secondary schools;
- 28 (C) Community colleges;
- 29 (D) Higher education;
- 30 (E) Continuing education;
- 31 (F) Workforce training and education programs; or
- 32 (G) Financial assistance to Oregon students.

33 (c) “Furthering economic development” includes, but is not limited to, providing:

34 (A) Services or financial assistance to for-profit and nonprofit businesses located or to be lo-
35 cated in Oregon;

36 (B) Services or financial assistance to business or industry associations to promote, expand or
37 prevent the decline of their businesses; or

38 (C) Services or financial assistance for facilities, physical environments or development projects,
39 as defined in ORS 285B.410, that benefit Oregon’s economy.

40 **SECTION 9.** ORS 461.558 is amended to read:

41 461.558. (1) As used in this section, “lottery ending balance” means an amount that equals the
42 difference between:

43 (a) The amount of moneys available for allocation in the Administrative Services Economic De-
44 velopment Fund during a biennium; and

45 (b) The amount of allocations made from the fund during the biennium, including any amounts

1 appropriated to the Oregon Department of Administrative Services under ORS 291.285 to maintain
2 accountability of the fund.

3 (2) As soon as practicable after the end of each biennium, the lottery ending balance shall be
4 transferred to the [*school capital matching subaccount created within the Education Stability Fund*
5 *by section 4 (8), Article XV of the Oregon Constitution*] **School Capital Matching Fund established**
6 **under section 6 of this 2011 Act as described in section 4, Article XI-P of the Oregon Con-**
7 **stitution.**

8 **SECTION 10.** Section 13, chapter 96, Oregon Laws 2010, is amended to read:

9 **Sec. 13.** (1) Notwithstanding ORS 461.558 and except as provided in subsection (2) of this sec-
10 tion, for the biennium beginning July 1, 2009, the amount of the lottery ending balance transferred
11 as provided in ORS 461.558 to the [*school capital matching subaccount created within the Education*
12 *Stability Fund by section 4 (8), Article XV of the Oregon Constitution*] **School Capital Matching**
13 **Fund established under section 6 of this 2011 Act as described in section 4, Article XI-P of**
14 **the Oregon Constitution**, shall be an amount equal to the greater of:

15 (a) The difference between the lottery ending balance and the total amount of the decreases in
16 allocations made by sections 1 to 11, **chapter 96, Oregon Laws 2010** [*of this 2010 Act*]; or

17 (b) Zero.

18 (2) For purposes of subsection (1) of this section, the decreases in allocations made by sections
19 1 to 11, **chapter 96, Oregon Laws 2010**, [*of this 2010 Act*] do not include the decrease made by
20 section 6 (3), **chapter 96, Oregon Laws 2010** [*of this 2010 Act*].

21 **SECTION 11.** Section 5, chapter 104, Oregon Laws 2010, is amended to read:

22 **Sec. 5.** (1) Based on the findings in section 1, **chapter 104, Oregon Laws 2010**, [*of this 2010*
23 *Act,*] and pursuant to section 4 (6), Article XV of the Oregon Constitution, on May 1, 2011, the State
24 Treasurer shall transfer from the Education Stability Fund established under section 4 (4)(d), Article
25 XV of the Oregon Constitution, and ORS 348.696 to the Supplemental School District and School
26 Program Subaccount established by section 4, **chapter 104, Oregon Laws 2010**, [*of this 2010 Act*]
27 an amount equal to the lesser of:

28 (a) The difference between \$200 million and the total amount of the appropriations to the Sup-
29 plemental School District and School Program Subaccount made under sections 8 and 9, chapter 635,
30 Oregon Laws 2009, as determined under section 10, chapter 635, Oregon Laws 2009; or

31 (b) The balance of the Education Stability Fund at the close of the last business day preceding
32 the date of the transfer.

33 (2) Moneys transferred under this section may be used in the manner provided by section 7,
34 **chapter 104, Oregon Laws 2010**, [*of this 2010 Act*] for moneys in the Supplemental School District
35 and School Program Subaccount.

36 (3) As used in this section, "balance of the Education Stability Fund" means all moneys in the
37 fund except for moneys in the Oregon Growth Account[,] **and** the Oregon Resource and Technology
38 Development Subaccount [*and the school capital matching subaccount*].

39 **SECTION 12.** **This 2011 Act being necessary for the immediate preservation of the public**
40 **peace, health and safety, an emergency is declared to exist, and this 2011 Act takes effect**
41 **on its passage.**