

B-Engrossed Senate Bill 19

Ordered by the Senate March 23
Including Senate Amendments dated March 4 and March 23

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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.

Authorizes State Treasurer to issue Article XI-Q bonds, subject to biennial budget authorization for bond issuance, to finance costs associated with real or personal property that is or will be owned or operated by State of Oregon.

Authorizes State Treasurer to refinance costs associated with real or personal property that were financed by outstanding borrowings.

Establishes Article XI-Q Bond Fund and Article XI-Q Bond Administration Fund. Continuously appropriates moneys from funds.

Creates bond program by which state agency may request financing for real or personal property projects with Article XI-Q bond proceeds or refinancing of borrowings issued before effective date of Article XI-Q of Oregon Constitution that would have qualified for financing under Article XI-Q.

Adjusts biennial budget authorization for issuance of bonds in biennium beginning July 1, 2009.
Declares emergency, effective on passage.

A BILL FOR AN ACT

1
2 Relating to Article XI-Q bonds; creating new provisions; amending section 1, chapter 903, Oregon
3 Laws 2009; appropriating money; and declaring an emergency.

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

5 **SECTION 1. Sections 2 to 7 of this 2011 Act are added to and made a part of ORS chapter**
6 **286A.**

7 **SECTION 2. As used in sections 2 to 7 of this 2011 Act:**

8 (1) "Article XI-Q bonds" means general obligation bonds issued under the authority of
9 Article XI-Q of the Oregon Constitution.

10 (2) "Bond-related costs" means:

11 (a) The costs of paying the principal of, the interest on and the premium, if any, on Ar-
12 ticle XI-Q bonds.

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

15 (A) Redeeming Article XI-Q bonds.

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

18 (C) Paying the fees, administrative costs and expenses of the State Treasurer, the Oregon
19 Department of Administrative Services or the project agency, including the costs of con-
20 sultants or advisers retained by the State Treasurer, the department or the project agency.

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 (c) The costs of funding reserves for the Article XI-Q bonds.

2 (d) Capitalized interest for the Article XI-Q bonds.

3 (e) Rebates or penalties due to the United States in connection with the Article XI-Q
4 bonds.

5 (f) Any other costs or expenses that the State Treasurer, the department or the project
6 agency determines are necessary or desirable in connection with issuing and maintaining the
7 Article XI-Q bonds.

8 (3) "Project agency" means a state agency that administers a project that is financed
9 with Article XI-Q bond proceeds.

10 **SECTION 3.** (1) In accordance with the applicable provisions of this chapter, the State
11 Treasurer, at the request of the Director of the Oregon Department of Administrative Ser-
12 vices, may issue Article XI-Q bonds:

13 (a) For any of the purposes specified in Article XI-Q of the Oregon Constitution, plus an
14 amount determined by the State Treasurer to pay estimated bond-related costs; and

15 (b) Subject to the budget authorization for Article XI-Q bond issuance established under
16 ORS 286A.035 for the biennium.

17 (2) The State Treasurer may issue Article XI-Q bonds for the purpose of:

18 (a) Refunding Article XI-Q bonds.

19 (b) Subject to subsection (3) of this section, refinancing borrowings issued before the ef-
20 fective date of Article XI-Q of the Oregon Constitution to finance or refinance costs de-
21 scribed in section 1 (1), Article XI-Q of the Oregon Constitution.

22 (c) Paying bond-related costs.

23 (3) When Article XI-Q bonds are issued to refinance borrowings issued before the effec-
24 tive date of Article XI-Q of the Oregon Constitution, the maturity date of the Article XI-Q
25 bonds may not be later than the maturity date of the refinanced borrowings.

26 (4) The State Treasurer shall deposit the net proceeds of Article XI-Q bonds issued in
27 one or more project funds established in the State Treasury or with a third party approved
28 by the State Treasurer. Net proceeds must be expended in accordance with procedures es-
29 tablished by the Oregon Department of Administrative Services for the purposes described
30 in each project agency's budget authorization.

31 (5) If at any time the Oregon Department of Administrative Services and the project
32 agency determine that the net proceeds of Article XI-Q bonds deposited in a project fund
33 pursuant to subsection (4) of this section exceed the amount necessary for the purpose de-
34 scribed in the project agency's budget authorization, the department may allocate and
35 transfer the excess amount as determined by the department to other project funds, the
36 Article XI-Q Bond Fund established under section 4 of this 2011 Act or the Article XI-Q Bond
37 Administration Fund established under section 5 of this 2011 Act.

38 (6) Article XI-Q bonds are a general obligation of the State of Oregon and must contain
39 a direct promise on behalf of the State of Oregon to pay the principal of, the interest on and
40 the premium, if any, on the Article XI-Q bonds. The State of Oregon shall pledge its full faith
41 and credit and taxing power to the payment of the principal of, the interest on and the pre-
42 mium, if any, on Article XI-Q bonds, except that the ad valorem taxing power of the State
43 of Oregon may not be pledged to pay Article XI-Q bonds.

44 **SECTION 4.** (1) The Article XI-Q Bond Fund is established in the State Treasury, sepa-
45 rate and distinct from the General Fund. Amounts in the Article XI-Q Bond Fund may be

1 invested as provided in ORS 293.701 to 293.820, and interest earned on the bond fund must
2 be credited to the bond fund. Amounts credited to the bond fund are continuously appropri-
3 ated to the Oregon Department of Administrative Services for the purpose of paying, when
4 due, the principal of, the interest on and the premium, if any, on outstanding Article XI-Q
5 bonds. The department shall deposit in the bond fund:

6 (a) Capitalized or accrued interest on Article XI-Q bonds;

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

9 (c) Reserves established for the payment of Article XI-Q bonds;

10 (d) Amounts transferred from a project fund as provided in section 3 (5) of this 2011 Act;
11 and

12 (e) Amounts paid by a project agency under section 6 of this 2011 Act.

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

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

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

24 (b) Amounts appropriated or otherwise provided by the Legislative Assembly for deposit
25 in the bond administration fund;

26 (c) Amounts transferred from a project fund as provided in section 3 (5) of this 2011 Act;
27 and

28 (d) Amounts paid by a project agency under section 6 of this 2011 Act.

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

31 **SECTION 6.** (1) The Oregon Department of Administrative Services shall adopt proce-
32 dures under which a project agency may request:

33 (a) Financing for real or personal property projects that may be financed with Article
34 XI-Q bond proceeds; or

35 (b) Refinancing of borrowings issued before the effective date of Article XI-Q of the
36 Oregon Constitution that financed or refinanced real or personal property projects that
37 would have been eligible for financing under Article XI-Q. The department may periodically
38 bill any project agency for an appropriate share of the bond-related costs of the bonds issued
39 to finance the agency's projects or refinance the agency's bonds. The department may bill
40 at such intervals as are established in the department's procedures and shall deposit
41 amounts paid by project agencies in the Article XI-Q Bond Fund or the Article XI-Q Bond
42 Administration Fund as the department determines is appropriate. A project agency that
43 receives a bill for bond-related costs shall pay the amount billed by the time and in the
44 manner designated in the billing statement from amounts budgeted under section 7 of this
45 2011 Act or, if necessary, from any other amounts lawfully available for expenditure by the

1 project agency for that purpose.

2 (2) The State Treasurer may authorize a project agency or the department to act as a
3 related agency under this chapter if necessary or desirable for the issuance or administration
4 of Article XI-Q bonds, including, without limitation, entering into contracts or covenants as
5 provided in ORS 286A.025. However, a project agency may not request the State Treasurer
6 to issue Article XI-Q bonds.

7 (3) If Article XI-Q bonds are issued to refinance bonds issued before the effective date
8 of Article XI-Q of the Oregon Constitution, and the bond-related costs of the refinanced
9 bonds were paid by state agencies under ORS 283.091, under one of the programs described
10 in ORS 291.445 (7) or under a revenue bond program of this state, the state agency whose
11 bonds are refinanced may pay the amounts billed under subsection (1) of this section from
12 the sources of funds previously used by the agency to pay the refinanced bonds or from any
13 other funds lawfully available for payment of the Article XI-Q bonds.

14 (4) A project agency that receives or holds proceeds of Article XI-Q bonds shall, at the
15 direction of the department, take action necessary to obtain and maintain:

16 (a) The excludability of interest on Article XI-Q bonds from gross income under the
17 Internal Revenue Code; or

18 (b) A federal interest subsidy payment or any other tax-advantaged status granted under
19 the Internal Revenue Code for the Article XI-Q bonds.

20 **SECTION 7.** A project agency shall request that the Governor include in the Governor's
21 budget request to the Legislative Assembly for each biennium amounts that are sufficient
22 to pay:

23 (1) The costs of a project financed or to be financed by the issuance of Article XI-Q bonds
24 during the biennium;

25 (2) Amounts billed during the biennium by the Oregon Department of Administrative
26 Services under section 6 of this 2011 Act; and

27 (3) The bond-related costs associated with the projects financed or to be financed with
28 Article XI-Q bonds.

29 **SECTION 8.** In addition to and not in lieu of amounts previously authorized, as provided
30 in ORS 286A.035 (4), for issuance of general obligation bonds during the biennium beginning
31 July 1, 2009, the amount of \$343,320,000 is authorized for Oregon Department of Administra-
32 tive Services Article XI-Q general obligation bonds.

33 **SECTION 9.** Section 1, chapter 903, Oregon Laws 2009, as amended by section 1, chapter 103,
34 Oregon Laws 2010, is amended to read:

35 **Sec. 1.** The amounts authorized, as provided by ORS 286A.035, for issuance of general obligation
36 bonds, revenue bonds, certificates of participation and other financing agreements of this state dur-
37 ing the 2009-2011 biennium are as follows:

38
39 General Fund Obligations

40	Oregon University	
41	[System (Art. XI-G).....	\$ 144,900,479]
42	System (Art. XI-G)	\$ 139,900,479
43	Department of Community	
44	Colleges and Workforce	
45	Development (Art. XI-G).....	\$ 63,233,000

1	Department of Environmental		
2	Quality (Art. XI-H).....	\$	10,000,000
3	Oregon Military Department		
4	(Art. XI-M).....	\$	15,000,000
5	Oregon Military Department		
6	(Art. XI-N).....	\$	15,000,000
7	<u>Dedicated Fund Obligations</u>		
8	Department of Veterans'		
9	Affairs (Art. XI-A).....	\$	150,000,000
10	Oregon University		
11	System (Art. XI-F(1))	\$	488,401,244
12	Water Resources Department		
13	(Art. XI-I(1)).....	\$	10,000,000
14	Housing and Community Services		
15	Department (Art. XI-I(2)).....	\$	100,000,000
16	State Department of		
17	Energy (Art. XI-J)	\$	250,000,000
18	<u>[Total General Obligation]</u>		
19	<u>[Bonds].....</u>		<u>\$1,246,534,723]</u>
20	<u>Total General Obligation</u>		
21	<u>Bonds</u>	\$	1,241,534,723
22			
23	REVENUE BONDS		
24	<u>Direct Revenue Bonds</u>		
25	Housing and Community		
26	Services Department	\$	600,000,000
27	Department of Transportation,		
28	Oregon Transportation		
29	<u>[Infrastructure Fund].....</u>	<u>\$</u>	<u>160,000,000]</u>
30	Infrastructure Fund.....	\$	16,160,000
31	Highway User Tax.....	\$	798,514,000
32	Oregon Business		
33	Development Department.....	\$	200,000,000
34	Oregon Department of		
35	Administrative Services Lottery		
36	Revenue Bonds	\$	274,300,000
37	<u>Total Direct Revenue</u>		
38	<u>[Bonds].....</u>	<u>\$</u>	<u>2,032,814,000]</u>
39	<u>Bonds</u>	\$	1,888,974,000
40	<u>Pass-Through Revenue Bonds</u>		
41	Oregon Business		
42	Development Commission Industrial		
43	Development Bonds	\$	400,000,000
44	Oregon Facilities Authority	\$	950,000,000
45	Housing and Community Services		

1	Department	\$ 250,000,000
2	<u>Total Pass-Through Revenue</u>	
3	Bonds	\$ 1,600,000,000
4	[<i>Total Revenue Bonds</i>]	\$ 3,632,814,000]
5	<u>Total Revenue Bonds</u>	\$ 3,488,974,000

6

7 CERTIFICATES OF PARTICIPATION
8 AND OTHER FINANCING AGREEMENTS

9 Oregon Department of

10 [Administrative Services..... \$ 764,780,000]

11 **Administrative Services**..... \$ **345,380,000**

12 **SECTION 10. This 2011 Act being necessary for the immediate preservation of the public**
13 **peace, health and safety, an emergency is declared to exist, and this 2011 Act takes effect**
14 **on its passage.**

15