

# Enrolled Senate Bill 19

Printed pursuant to Senate Interim Rule 213.28 by order of the President of the Senate in conformance with pre-session filing rules, indicating neither advocacy nor opposition on the part of the President (at the request of State Treasurer Ted Wheeler)

CHAPTER .....

AN ACT

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

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

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

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

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

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

**(a) The costs of paying the principal of, the interest on and the premium, if any, on Article XI-Q bonds.**

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

**(A) Redeeming Article XI-Q bonds.**

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

**(C) Paying the fees, administrative costs and expenses of the State Treasurer, the Oregon Department of Administrative Services or the project agency, including the costs of consultants or advisers retained by the State Treasurer, the department or the project agency.**

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

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

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

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

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

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

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

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

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

(a) Refunding Article XI-Q bonds.

(b) Subject to subsection (3) of this section, refinancing borrowings issued before the effective date of Article XI-Q of the Oregon Constitution to finance or refinance costs described in section 1 (1), Article XI-Q of the Oregon Constitution.

(c) Paying bond-related costs.

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

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

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

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

**SECTION 4.** (1) The Article XI-Q Bond Fund is established in the State Treasury, separate and distinct from the General Fund. Amounts in the Article XI-Q Bond Fund may be invested as provided in ORS 293.701 to 293.820, and interest earned on the bond fund must be credited to the bond fund. Amounts credited to the bond fund are continuously appropriated to the Oregon Department of Administrative Services for the purpose of paying, when due, the principal of, the interest on and the premium, if any, on outstanding Article XI-Q bonds. The department shall deposit in the bond fund:

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

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

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

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

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

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

**SECTION 5.** (1) The Article XI-Q Bond Administration Fund is established in the State Treasury, separate and distinct from the General Fund. Amounts in the Article XI-Q Bond Administration Fund may be invested as provided in ORS 293.701 to 293.820, and interest earned on the bond administration fund must be credited to the bond administration fund.

Amounts credited to the bond administration fund are continuously appropriated to the Oregon Department of Administrative Services for payment of bond-related costs. The department shall credit to the bond administration fund:

- (a) Proceeds of Article XI-Q bonds that were issued to pay bond-related costs;
  - (b) Amounts appropriated or otherwise provided by the Legislative Assembly for deposit in the bond administration fund;
  - (c) Amounts transferred from a project fund as provided in section 3 (5) of this 2011 Act; and
  - (d) Amounts paid by a project agency under section 6 of this 2011 Act.
- (2) At the request of the department, the State Treasurer may create separate accounts in the bond administration fund as provided in ORS 286A.025 (2)(g).

**SECTION 6.** (1) The Oregon Department of Administrative Services shall adopt procedures under which a project agency may request:

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

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

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

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

- (a) The excludability of interest on Article XI-Q bonds from gross income under the Internal Revenue Code; or
- (b) A federal interest subsidy payment or any other tax-advantaged status granted under the Internal Revenue Code for the Article XI-Q bonds.

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

- (1) The costs of a project financed or to be financed by the issuance of Article XI-Q bonds during the biennium;
- (2) Amounts billed during the biennium by the Oregon Department of Administrative Services under section 6 of this 2011 Act; and

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

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

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

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

<u>General Fund Obligations</u>	
Oregon University	
[System (Art. XI-G).....	\$ 144,900,479]
<b>System (Art. XI-G) .....</b>	<b>\$ 139,900,479</b>
Department of Community	
Colleges and Workforce	
Development (Art. XI-G).....	\$ 63,233,000
Department of Environmental	
Quality (Art. XI-H).....	\$ 10,000,000
Oregon Military Department	
(Art. XI-M).....	\$ 15,000,000
Oregon Military Department	
(Art. XI-N).....	\$ 15,000,000
<u>Dedicated Fund Obligations</u>	
Department of Veterans'	
Affairs (Art. XI-A).....	\$ 150,000,000
Oregon University	
System (Art. XI-F(1)) .....	\$ 488,401,244
Water Resources Department	
(Art. XI-I(1)).....	\$ 10,000,000
Housing and Community Services	
Department (Art. XI-I(2)).....	\$ 100,000,000
State Department of	
Energy (Art. XI-J).....	\$ 250,000,000
<u>[Total General Obligation]</u>	
<u>[Bonds].....</u>	<u>\$1,246,534,723]</u>
<b><u>Total General Obligation</u></b>	
<b><u>Bonds</u> .....</b>	<b>\$ 1,241,534,723</b>

REVENUE BONDS

<u>Direct Revenue Bonds</u>	
Housing and Community	
Services Department .....	\$ 600,000,000
Department of Transportation,	
Oregon Transportation	
[Infrastructure Fund .....	\$ 160,000,000]
<b>Infrastructure Fund.....</b>	<b>\$ 16,160,000</b>
Highway User Tax.....	\$ 798,514,000
Oregon Business	
Development Department.....	\$ 200,000,000

Oregon Department of Administrative Services Lottery Revenue Bonds .....	\$ 274,300,000
<b>Total Direct Revenue</b>	
[Bonds.....]	\$ 2,032,814,000]
<b>Bonds .....</b>	<b>\$ 1,888,974,000</b>
<b>Pass-Through Revenue Bonds</b>	
Oregon Business Development Commission Industrial Development Bonds .....	\$ 400,000,000
Oregon Facilities Authority .....	\$ 950,000,000
Housing and Community Services Department.....	\$ 250,000,000
<b>Total Pass-Through Revenue</b>	
Bonds .....	\$ 1,600,000,000
[Total Revenue Bonds.....]	\$ 3,632,814,000]
<b>Total Revenue Bonds .....</b>	<b>\$ 3,488,974,000</b>

CERTIFICATES OF PARTICIPATION  
AND OTHER FINANCING AGREEMENTS

Oregon Department of [Administrative Services.....]	\$ 764,780,000]
<b>Administrative Services.....</b>	<b>\$ 345,380,000</b>

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

Passed by Senate March 28, 2011

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Robert Taylor, Secretary of Senate

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Peter Courtney, President of Senate

Passed by House April 6, 2011

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Bruce Hanna, Speaker of House

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Arnie Roblan, Speaker of House

Received by Governor:

.....M.,....., 2011

Approved:

.....M.,....., 2011

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John Kitzhaber, Governor

Filed in Office of Secretary of State:

.....M.,....., 2011

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Kate Brown, Secretary of State