

REVENUE BONDS: PROVIDING NEEDED CAPITAL TO MEET OUR 40-40-20 GOAL

OUS Needs Diverse, Flexible and Readily Available Capital Financing Sources

Current law requires that the State Board of Higher Education obtain legislative authorization to issue revenue bonds for capital projects, such as constructing or improving classroom buildings and other campus facilities. Repayment of revenue bonds is made wholly from university revenues, and **this type of bond does not utilize the debt capacity of the State**. The current and generally lengthy authorization process for obtaining approval to issue revenue bonds adds unnecessary time to capital acquisitions, leading to lost opportunities; and creates inefficiencies in capital planning due to the time needed to secure legislative approvals. The process also adds pledge and monetary risks when attempting to secure outside donor support for jointly funded capital projects.

SB 265 Provides Needed Financing Flexibility for Universities' Capital Needs

Senate Bill 265 modifies the current statutory language relating to OUS revenue bonds to allow their issuance without legislative authorization. Instead, OUS would, working with the State Treasurer, issue its revenue bonds on the most optimal schedule. This change would streamline one of the important avenues to capital financing available to Oregon universities, allowing for a more optimal execution of their capital plans and reducing or eliminating the risks of lost opportunities with respect to property acquisition and donor and other philanthropic support. Obtaining this needed flexibility will help the OUS to achieve the state's 40-40-20 goal, and is in line with the Governor's Tight-Loose Concept: the state intends to be tight on the outcomes they expect as investors of public resources, but will give the institutions the flexibility, be loose, by giving them the latitude to achieve outcomes for all students.

Being Accountable: Mitigating University Risks

Universities are required to maintain their levels of debt within Oregon State Board of Higher Education guidelines that are in line with industry standards. As is currently the case, before any revenue bonds would be issued, a university would first have to demonstrate its ability to repay the revenue bonds and show that the new debt payments are within the conservative guidelines set by the Board. No revenue bonds would be issued if a university could not demonstrate that they are meeting these Board policies as well as any debt coverage ratios established as a part of the revenue bond program.

Achieving the instruction, research and public service mission of the Oregon University System is everyone's collective goal. **Through prudent use of revenue bonds for needed capital expenditures, the Oregon University System can ensure the ability of its universities to serve our students, Oregon businesses, our governmental partners, and our local and state-wide communities and meet Oregon's important student, workforce, and economic outcomes.**