



Oregon
Kate Brown, Governor

Higher Education Coordinating Commission

Ben Cannon, Executive Director

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April 14, 2015

Co-Chair, Senator Rod Monroe
Co-Chair, Representative Betty Komp
Joint Committee on Ways and Means, Subcommittee on Education

Dear Co-Chairs Monroe and Komp,

Thank you for the opportunity to answer questions that arose during the April 13 Higher Education Coordinating Commission's presentation to the Ways and Means Subcommittee on Education.

Co-Chair Komp requested additional information on the State of Oregon's bond ratings and associated interest rates. The State Treasury is in the process of issuing \$92.125M of tax-exempt bonds for community college projects and refunding of prior issuances (2015 Series J and Series K). These are state backed general obligation bonds and are high grade credits, rated AA+ (S&P and Fitch) and Aa1 (Moody's). The 25 year tranche has a yield to maturity of 3.85% and includes a ten year call provision. In estimating debt service for university projects, the HECC, on advice from DAS, has assumed 25 year bond duration and a 5.00% interest rate. Highly rated municipal credit, such as that issued by the State of Oregon, continues to be issued at very low interest rates given historic norms. However, bonds for capital projects which are approved during the 2015 Legislative Session will not be issued until the end of the 2015-17 biennium and so significant shifts in market interest rates may occur.

Representative Smith Warner requested that the HECC convert the backlog of seismic systems upgrades at Oregon's public universities into a per square foot basis. Information for seismic backlogs at the seven public universities comes from Oregon University System estimates based on a report published by Department of Geology and Mineral Industries (DOGAMI) in 2007. The DOGAMI report did not evaluate university buildings directly. Due to the age of the report and a lack of information on historic building footprints, this conversion is not readily available. The HECC has not conducted a comprehensive seismic readiness audit, although individual institutions may have more up to date information. The HECC continues to work with the seven institutions to develop a more comprehensive understanding of university building needs to better prioritize capital requests over time.

Representative Smith Warner also requested information on the overlap between seismic upgrades and deferred maintenance. Buildings constructed before 1990 were built to seismic standards below those required today and are at increased risk to structural failure during an earthquake. As discussed during the HECC's presentation on university capital, the vast majority of university space was constructed over 30 years ago. Seismic resiliency systems are different and distinct from deferred maintenance which is maintenance work that has been deferred to a future budget cycle on a planned or unplanned basis. Deferred maintenance is focused on extending the useful life and retaining usable condition of capital assets. Many buildings will include both required seismic systems upgrades to protect the life and safety of occupants, and have

considerable deferred maintenance backlogs relating to building systems upgrades. Deferred maintenance and seismic backlogs are determined in addition to each other and are not in place of each other.

If you have further questions, please do not hesitate to contact our legislative deputy director Dana Richardson at dana.richardson@state.or.us.

Regards,

A handwritten signature in black ink that reads "Ben Cannon". The signature is written in a cursive, flowing style.

Ben Cannon
Executive Director, HECC