
MEMORANDUM

Legislative Fiscal Office
900 Court St. NE, Room H-178
Salem, Oregon 97301
Phone 503-986-1828
FAX 503-373-7807

To: Natural Resources Subcommittee

From: Paul Siebert, Legislative Fiscal Office
(503) 986-1843

Date: June 19, 2015

Subject: HB 3199
Work Session Recommendations

HB 3199 defines the roles and responsibilities of the Department of Administrative Services (DAS), the Oregon State Treasury, and the Higher Education Coordinating Commission (HECC) for the purpose of issuing and managing general obligation bonds issued for the benefit of public universities.

The -A5 amendment gives HECC greater clarity to bill universities for bond costs and instructs DAS to consult with HECC on rulemaking.

The -A6 amendment allows for the OHSU/OUS bond agreement to be assigned to DAS so that DAS will pay debt service on behalf of OHSU.

The -A7 amendment provides \$637,294 Other Funds expenditure limitation increase for the Capital Finance section of the Department of Administrative Services.

Recommended Changes to HB 3199:

The Legislative Fiscal Office recommends adoption of the -A5, -A6, and -A7 amendments.

Motion #1: Move adoption of the -A5, -A6, and -A7 amendments to HB 3199

Measure to Full

LFO recommends the measure be moved to the full Joint Committee on Ways and Means.

Motion #2: Move HB 3199 as amended, to the full committee with a Do Pass recommendation.

Assignment of Carriers

FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: HB 3199 - A5 & A6

Seventy-Eighth Oregon Legislative Assembly – 2015 Regular Session
Legislative Fiscal Office*Only Impacts on Original or Engrossed
Versions are Considered Official*Prepared by: Krista McDowell
Reviewed by: John Borden, Paul Siebert, Daron Hill, Doug Wilson
Date: 6/19/2015**Measure Description:**

Modifies authority for issuance of state bonds for benefit of university with governing board.

Government Unit(s) Affected:

Department of Administrative Services (DAS), Higher Education Coordinating Commission, Oregon State Treasurer, Bonding

Summary of Expenditure Impact: Department of Administrative Services

	2015-17 Biennium	2017-19 Biennium
Other Funds	\$637,294	\$637,294
Total Funds	\$637,294	\$637,294
Positions	1	1
FTE	1.00	1.00

Summary of Expenditure Impact: Higher Education Coordinating Commission

	2015-17 Biennium	2017-19 Biennium
General Fund	\$375,366	\$375,366
Other Funds	\$25,000	
Total Funds	\$400,366	\$375,366
Positions	2	2
FTE	2.00	2.00

Local Government Mandate:

This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

Analysis:

The bill defines the roles and responsibilities of the Department of Administrative Services (DAS), the Oregon State Treasury, and the Higher Education Coordinating Commission (DAS) for the purpose of issuing and managing bonds issued for the benefit of universities. Given the universities are no longer part of the state budget, the XI-G bond proceeds are grants and the XI-F(1) proceeds are loans from the State to the universities. The State is obligated to pay the debt service on these bonds; however, the universities will sign loan agreements through which each agrees to make loan repayments to the State. The revenues of the universities are not legally pledged for repayment; the bonds are general obligation bonds backed by the full faith and credit of the State.

Article XI-G requires universities to provide matching funds equivalent to the XI-G bond proceeds that finance a project; the bill establishes a framework for the use of grant agreements through which the State can ensure this requirement is met. Article XI-F(1) requires the universities to conservatively estimate revenues used to pay the debt and operate the project financed with the bond proceeds; the bill establishes a framework for the use of loan agreements through which the State can ensure this requirement is met. The bill assigns responsibility to the Higher Education Coordinating Commission for

evaluation and certification of sufficiency of university revenues for projects to be funded with XI-F (1) bond proceeds.

The -A5 amendment permits the HECC to recover costs related to both review of self-sufficiency revenue analysis of XI-F GO projects, as well as on-going accounting and administrative costs of managing the day to day aspects of the bond program. The -A6 amendment allows for the old OHSU/OUS bond agreement to be assigned to DAS so that DAS will pay debt service on behalf of OHSU.

DAS will serve as the bond program administrator for Article XI-G and XI-F (1) bonds sold for the benefit of Public Universities. DAS already serves as the bond program administrator for XI-Q bonds. Given the technical nature of the additional bonding work, DAS anticipates the need for one permanent Operations and Policy Analyst 4 (1.00 FTE) position estimated at \$249,155 per biennium. Other fiscal estimates for DAS include the following: bond counsel services at \$140,000 per biennium, disbursement agent fees based at \$71,600 per biennium, and rebate calculation contractor fees at \$200,000 per biennium. Expenses to DAS incurred as a direct result of bond issuance, such as bond council services, will be billed directly to the universities.

HECC will serve as the project agency. The development and execution of a grant program for XI-G bonds, including project testing, would require one permanent Operations and Policy Analyst 3 position (1.00 FTE) at a cost of \$197,060 per biennium as well as one permanent Accountant 3 position (1.00 FTE) at a cost of \$178,306 per biennium. External contracting costs for revenue sufficiency tests are expected to range from \$5,000 to \$25,000 per project. Non-limited Other Funds are included in the agency budget bill (HB 5024) to bill universities for services and bond related costs.

There is no fiscal impact estimated to the Oregon State Treasurer, as DAS and HECC will be assuming the above mentioned bonding related duties.

PRELIMINARY STAFF MEASURE SUMMARY

Joint Committee On Ways and Means

Fiscal: Fiscal impact issued

Revenue: No Revenue Impact

Action Date:

Action:

Meeting Dates:

Prepared By: Paul Siebert, Budget Analyst

WHAT THE MEASURE DOES:

Modifies Authority for issuance of state bonds for the benefit of universities with governing boards.

ISSUES DISCUSSED:

EFFECT OF COMMITTEE AMENDMENT:

No amendment.

BACKGROUND:

Because the public universities are now independent public bodies, and as a result of SB 270 (2013 session), Oregon's seven public universities (defined in ORS 352.002), University of Oregon, Oregon State University, Portland State University, Oregon Institute of Technology, Western Oregon University, Southern Oregon University, Eastern Oregon University, may continue to request the Legislative Assembly authorize the issuance of Bonds to finance projects of the universities. However, it is necessary to verify compliance by the public universities with the requirements of the State Constitution before the State issues general obligation bonds that have been approved by the Legislative Assembly. The measure establishes a process to ensure compliance with the requirements of the State Constitution and federal tax law requirements so that the State can issue the Bonds for the benefit of the public universities and pay related debt service.

Article XI-F(1) of the State Constitution, and similarly Under Article XI-G of the State Constitution, the amount of any debt issued by the State in any biennium those articles have a set of requirements to be observed. With the dissolution of the Oregon University System and the Board of higher education as state agencies, that left the connection between general obligation bonds issued for the benefit of higher education and the universities missing a link. The Higher Education Coordinating Commission, with the assistance of the Department of Administrative Services, is the new entity proposed by this measure to ensure all Oregon's general obligation bonds are included as part of the state budget.

**PROPOSED AMENDMENTS TO
A-ENGROSSED HOUSE BILL 3199**

- 1 On page 4 of the printed A-engrossed bill, delete lines 11 and 12.
- 2 In line 13, delete “(g)” and insert “(f)”.
- 3 In line 14, delete “(h)” and insert “(g)”.
- 4 In line 32, after the semicolon insert “and”.
- 5 In line 34, delete “; and” and insert a period.
- 6 Delete lines 35 and 36.
- 7 On page 5, line 2, after “Services” insert “, or the commission,”.
- 8 On page 6, delete lines 13 and 14.
- 9 In line 15, delete “(f)” and insert “(e)”.
- 10 In line 16, delete “(g)” and insert “(f)”.
- 11 In line 29, after the semicolon insert “and”.
- 12 In line 31, delete “; and” and insert a period.
- 13 Delete lines 32 and 33.
- 14 In line 44, after “Services” insert “, or the commission,”.
- 15 On page 7, line 1, after “may” insert “, in consultation with the Higher
16 Education Coordinating Commission,”.
- 17 In line 8, delete “Higher Education Coordinating Commission” and insert
18 “commission”.
- 19 In line 13, after “department” insert “or the commission, or both,” and
20 delete “through the Higher Education”.
- 21 In line 14, delete “Coordinating Commission”.
- 22 In line 15, after “department” insert “, or the commission,”.

1 Delete lines 23 through 27 and insert:

2 “(3) The department and the commission may each bill at such intervals
3 as may be established in the department’s or commission’s own procedures
4 and shall deposit the moneys paid by the public university in the applicable
5 bond fund, bond administration fund or other fund relating to higher educa-
6 tion bonds, as the department or commission determines is appropriate. A
7 public university that receives a bill for bond-related costs shall pay the
8 amount billed by the time and in the manner designated in the billing
9 statement.”.

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**PROPOSED AMENDMENTS TO
A-ENGROSSED HOUSE BILL 3199**

1 On page 7 of the printed A-engrossed bill, after line 27, insert:

2 “(4)(a) The department may enter into agreements with Oregon Health
3 and Science University to:

4 “(A) Receive payments from Oregon Health and Science University of
5 amounts used to pay debt service on bonds issued by the State Treasurer to
6 finance joint projects of Oregon Health and Science University and one or
7 more public universities; or

8 “(B) To administer tax compliance obligations of Oregon Health and Sci-
9 ence University pursuant to agreements between Oregon Health and Science
10 University and the Oregon University System.

11 “(b) Solely for the purposes of receiving payments of amounts used to pay
12 debt service and administering tax compliance obligations related to the
13 bonds, the department may be a successor to, or an assignee of, the Oregon
14 University System under agreements between Oregon Health and Science
15 University and the Oregon University System.

16 “(c) The department may not assume any obligations or liability as the
17 successor to, or assignee of, the Oregon University System under any agree-
18 ments between Oregon Health and Science University and the Oregon Uni-
19 versity System, except for obligations or liability relating to the receipt of
20 amounts used to pay debt service and the administration of tax compliance
21 obligations.”.

**PROPOSED AMENDMENTS TO
A-ENGROSSED HOUSE BILL 3199**

1 On page 27 of the printed A-engrossed bill, after line 6, insert:

2 **“SECTION 39. Notwithstanding any other law limiting expenditures,**
3 **the limitation on expenditures established by section 2 (2), chapter __,**
4 **Oregon Laws 2015 (Enrolled Senate Bill 5502), for the biennium begin-**
5 **ning July 1, 2015, as the maximum limit for payment of expenses from**
6 **fees, moneys or other revenues, including Miscellaneous Receipts and**
7 **federal funds received from charges, but excluding lottery funds and**
8 **federal funds not described in section 2, chapter __, Oregon Laws 2015**
9 **(Enrolled Senate Bill 5502), collected or received by the Oregon De-**
10 **partment of Administrative Services for the Chief Financial Office is**
11 **increased by \$637,294.”.**

12 In line 7, delete “39” and insert “40”.

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