

BUDGET REPORT AND MEASURE SUMMARY

Joint Committee On Ways and Means

Action:

Action Date:

Vote:

Prepared By: Bill McGee, Department of Administrative Services

Reviewed By: Paul Seibert, Legislative Fiscal Office

Agency: Department of Administrative Services

Biennium: 2015-17

Budget Summary

	2013-15 Legislatively Approved Budget	2015-17 Current Service Level	2015-17 Committee Recommendation	Committee Change from 2013-15 Leg. Approved	
				\$ Change	% Change
Other Funds Limited	\$ -	\$ -	\$ 637,294	\$ 637,294	100.0%

Position Summary

Authorized Positions	0	0	1	1	
Full-time Equivalent (FTE) positions	0.00	0.00	1.00	1.00	

Revenue Summary

The Other Funds expenditure limitation established in House Bill 3199 for the Department of Administrative Services (DAS), will be funded with State Government Service Charge assessments supporting the Capital Finance section of the DAS Chief Financial Office and direct charges to universities.

Summary of Education Subcommittee Action

House Bill 3199 establishes in statute the process for issuing State of Oregon general obligation bonds authorized under Article XI-F(1) and Article XI-G of the Oregon constitution for public university capital projects. Under the provisions of Senate Bill 270 (2013) that shifted the state’s seven public universities from the Oregon University System to control by their own independent boards, the universities may continue to request the Legislative Assembly to authorize the issuance of bonds to finance capital projects. However, as the universities no longer constitute a state agency, a new statutory framework is required to verify compliance with the requirements of the constitution before the State Treasurer can issue bonds that have been approved by the legislature. The bill establishes a process to ensure compliance with the requirements of the constitution as well as federal tax law.

Under Article XI-G, bonds issued by the state must be matched on a one-to-one basis, generally with funds provided by the universities. Article XI-F(1) requires the universities to conservatively estimate that they will have sufficient revenues to pay debt service on the bonds and operate the projects financed with the proceeds of the bonds. House Bill 3199 includes provisions that require the state and the universities to enter into grant (Article XI-G bonds) and loan (Article XI-F (1) bonds) agreements to verify that the universities have the Article XI-G matching funds and are able to pay the Article XI-F (1) debt service. The agreements will also include provisions to ensure that the universities comply with federal tax requirements relating to the investment of borrowed funds before expenditure and the use, over time, of projects financed by the bonds.

The framework established by House Bill 3199 divides administrative responsibilities for the public university bond program between DAS and the Higher Education Coordinating Commission (HECC). DAS will manage the administration of the bond programs, including preparation of

sale documents, consultation with bond counsel and the Treasurer's Office, and oversight of federal tax compliance. HECC will distribute bond proceeds to the institutions, make debt service payments with funds appropriated by the legislature and provided by the universities, and evaluate revenue sufficiency of Article XI-F (1) bonds and availability and sufficiency of matching amounts for Article XI-G bonds. DAS is given authority to adopt rules, in consultation with HECC, to establish fees to be charged to the universities to offset costs incurred by DAS and HECC, specify information to be provided by the universities for revenue sufficiency reviews, and proscribe practices to ensure federal tax compliance. DAS and HECC are authorized to bill the universities for costs related to the bond programs.

The bill also authorizes DAS to enter into agreements with the Oregon Health and Science University (OHSU) to receive debt service payments and administer tax compliance obligations relative to bonds issued to joint finance projects of OHSU and one or more public universities.

House Bill 3199 increases the Other Funds expenditure limitation for the DAS Chief Financial Office by \$637,294 and establishes one permanent full-time Operations and Policy Analyst 4 (1.00 FTE) to carry out DAS' responsibilities under the bill. House Bill 5024, the HECC appropriation bill, includes resources to allow HECC to perform its duties under the bill.

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

HB 3199-B

Department of Administrative Services
 Bill McGee 503-378-2078

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE	
			LIMITED	NONLIMITED	LIMITED	NONLIMITED				
<u>SUBCOMMITTEE RECOMMENDATION</u>										
SCR 035 Chief Financial Office										
Personal Services	\$ 202,233	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	1	1.00
Services and Supplies	\$ 435,061	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-		
TOTAL SUBCOMMITTEE RECOMMENDATION	\$ 637,294	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	1	1.00