

BUDGET REPORT AND MEASURE SUMMARY

CARRIER: Sen. Girod

Joint Committee On Ways and Means

Action: Do Pass The A-Eng Bill.

Action Date: 02/25/16

Vote:

Senate

Yeas: 11 - Bates, Devlin, Girod, Hansell, Johnson, Monroe, Roblan, Shields, Steiner Hayward, Thomsen, Whitsett

Exc: 1 - Winters

House

Yeas: 11 - Buckley, Gomberg, Huffman, Komp, Nathanson, Rayfield, Read, Smith, Whisnant, Whitsett, Williamson

Exc: 1 - McLane

Prepared By: Jean Gabriel and Bill McGee, Department of Administrative Services

Reviewed By: Daron Hill, Legislative Fiscal Office

Various Agencies

Biennium: 2015-17

Summary of Changes in Bonding Authority

<u>Program Designation</u>	<u>2015-17 Legislatively Adopted Budget</u>	<u>2015-17 Legislatively Approved Budget</u>	<u>2016 Session Legislative Adjustments</u>
GENERAL OBLIGATION BONDS			
<u>General Fund Obligations</u>			
Higher Education Coordinating Comm. - CC (Art. XI-G)	\$ 53,331,600	\$ 58,401,600	\$ 5,070,000
Department of Administrative Services (Art. XI-Q)	\$ 369,640,000	\$ 450,735,000	\$ 81,095,000
<u>Dedicated Fund Obligations</u>			
Higher Education Coordinating Commission (Art. XI-F(1))	\$ 70,985,000	\$ 74,225,000	\$ 3,240,000
REVENUE BONDS			
<u>Direct Revenue Bonds</u>			
Department of Energy	\$ 20,000,000	\$ 0	\$ (20,000,000)
Dept. of Administrative Services Lottery Revenue Bonds	\$ 201,795,000	\$ 213,125,000	\$ 11,330,000
OTHER FINANCING AGREEMENTS			
Department of Administrative Services	\$ 40,000,000	\$ 46,500,000	\$ 6,500,000

Summary of Subcommittee Action

General Fund Obligations

The Subcommittee increased the Higher Education Coordinating Commission Article XI-G general obligation bond authorization for community colleges by \$5,070,000 from \$53,331,600 to \$58,401,600. The increase provides funding for Portland Community College to finance the acquisition of and improvements to land and the acquisition, construction, or alteration of the American Manufacturing Innovation District Building, including furnishing and equipping of the building. The authorized amount includes \$5,000,000 of funding for the project and \$70,000 for bond issuance costs.

The Subcommittee increased the Department of Administrative Services Article XI-Q general obligation bond authority from \$369,640,000 to \$450,735,000 to reflect increases in funding of \$81,095,000 for projects owned or operated by the state. Increases include the following:

- \$2,555,000 for the Department of Administrative Services for repairs and improvements to the Oregon State Fair facilities;
- \$7,590,000 for the Department of Human Services to implement a multi-program integrated eligibility determination system;
- \$1,795,000 for the Department of Forestry East Lane Warehouse, a project that was budgeted in 2015-17 but not included in the bond bill;
- \$3,210,000 to continue implementation of the Department of Justice Child Support Enforcement Automated System;
- \$2,050,000 for the McNeal Hall project at Southern Oregon University for Higher Education Coordinating Commission (see page 6);
- \$5,070,000 for the repairs of a utility corridor and storm drainage at Oregon Institute of Technology for the Higher Education Coordinating Commission (see page 6);
- \$30,460,000 for repairs and improvements to the Oregon Capitol building;
- \$20,340,000 to complete implementation of the Department of Transportation State Radio Project;
- \$1,445,000 for planning and design of a new Lane County Courthouse through the Oregon Judicial Department OCCIF program; and
- \$6,580,000 for the Oregon Military Department to refurbish existing buildings in Umatilla to serve as the new Regional Training Institute;

Other Fund Obligations

The Subcommittee increased the Higher Education Coordinating Commission Article XI-F (1) general obligation bond authorization by \$3,240,000 from \$70,985,000 to \$74,225,000. The net change reflects approval of three projects for public universities and one repurpose, as described on page 6.

Direct Revenue Bonds

The Subcommittee decreased the Department of Energy's direct revenue bond authority by \$20,000,000 from \$20,000,000 to \$0, as the Department has no plans to issue revenue bonds during the 2015-17 biennium.

The Subcommittee increased the Department of Administrative Services' lottery revenue bond limit by \$11,330,000 from \$201,795,000 to \$213,125,000. The projected debt service costs for the lottery revenue bonds authorized in this bill total \$2.2 million Lottery Funds per biennium, when these costs are fully phased-in starting in the 2017-19 biennium. That amount is added to the \$35.9 million of debt service costs projected for lottery revenue bonds approved in the 2015 session, to generate a total 2017-19 biennium debt service cost for all \$213.1 million of lottery revenue bonds authorized in the legislatively approved budget of \$38.1 million Lottery Funds. Because the lottery revenue bonds will not be issued until the spring of 2017, there are no debt service payments due in the 2015-17 biennium.

The increased lottery revenue bond authorization provides funding for the following projects:

- *Housing Preservation:* \$2,825,000 of lottery revenue bonds were approved to provide an additional \$2.5 million of proceeds to the Housing and Community Services Department for grants to preserve existing affordable housing with expiring federal subsidies. The bonds increase the total amount of proceeds available for this purpose from the \$2.5 million previously authorized in the 2015 session to a total of \$5.0 million for the biennium.
- *Warrenton Dock:* \$3,400,000 of lottery revenue bonds were approved to provide \$3.0 million of proceeds to the Department of Administrative Services for distribution to the City of Warrenton to finance the rebuilding of a dock in Warrenton, Oregon, which was destroyed by a fire.
- *Juntura Road:* \$2,280,000 of lottery revenue bonds were authorized to provide \$2.0 million of proceeds to the Oregon Department of Transportation for distribution to Harney County to improve Juntura Road in Harney and Malheur counties.
- *American Manufacturing Innovation District:* \$2,825,000 of lottery revenue bonds were approved to provide \$2.5 million of proceeds to the Oregon Business Development Department to support a collaborative effort between government, industry, and academic organizations to invest in manufacturing infrastructure to promote advanced manufacturing.

Other Financing Agreements

The Subcommittee increased authority for Other Financing Agreements by \$6,500,000 from \$40,000,000 to \$46,500,000 based on projected use of other financing agreements, including capital leases.

Other Legislative Changes

House Bill 5202 also amends ORS 286A.830, 286A.836 and 286A.851 to clarify that it is unnecessary for a public university to enter into loan agreements and grant contracts when refunding bonds are issued to refinance bonds previously issued for the benefit of a university. Modifications to certain requirements for funding of the Coos Bay Channel project are also included in the bill.

Detail of projects and changes to projects approved for the Higher Education Coordinating Commission (HECC) through bond financing is included below.

Higher Education Coordinating Commission (HECC)

HECC - Community Colleges

In addition to the one new project authorized to be funded with Article XI-G bonds as discussed on page 3, the Subcommittee modified previously approved authorizations for five community college projects as described below. Expenditure limitations for these projects are included in the budget for the Higher Education Coordinating Commission.

Blue Mountain Community College: approved the use of \$465,037 in lottery-backed bond proceeds authorized in House Bill 5202 (2012) for construction of a classroom for the Veterinary Assistance Certificate program as match against Article XI-G bonds approved in Senate Bill 5507 (2013) and reauthorized in House Bill 5005 (2015) for construction of an Animal Science Education Center. The lottery-backed bonds were sold in April 2013 and remain unspent; debt service on the bonds is being paid with Lottery Funds. The Animal Science Education Center will include facilities and classroom space for the Veterinary Assistance Certificate program.

Columbia Gorge Community College: approved a scope change to the Advanced Technology Center project approved in Senate Bill 5507 (2013) and reauthorized in House Bill 5005 (2015), to allow the college to construct a Middle College Prototype Facility. The facility will be used by the college and the North Wasco School District to focus on grades 11-14 and the transition between high school and post-secondary education.

Linn-Benton Community College: approved a scope change to the College Nursing and Allied Health Facility, approved in Senate Bill 5507 (2013), to allow the college to construct the facility on its Lebanon campus rather than its Albany campus, as originally requested. The college plans to acquire land to construct the facility.

Southwestern Oregon Community College: approved a scope change to the Health and Sciences Building project, approved in Senate Bill 5507 (2013) and reauthorized in House Bill 5005 (2015), authorizing renovation and expansion of the existing Health Building rather than construction of a new facility.

Treasure Valley Community College: approved a scope change to a project approved in Senate Bill 5507 (2013) and reauthorized in House Bill 5005 (2015), authorizing use of the bonds to expand and remodel an existing building rather than to construct a new facility. The remodeled facility will include space for welding, fabrication, a GIS lab-classroom, a CAD lab, agriculture, natural resources, automated controls, interactive instruction, computers, offices, and spaces for support of these programs and instructional staff, as originally planned.

HECC - Public Universities

The Subcommittee authorized five public university projects for a total of \$15,460,000 and reduced one project by \$5,100,000.

Oregon Institute of Technology: approved \$5,070,000 in Article XI-Q bonds to repair infrastructure failures in the North Utility Corridor Electrical Supply Feed and the College Union Building Storm Drainage System. The approved amount includes \$5,000,000 in project costs and \$70,000 in issuance costs. Debt service will be paid with General Fund.

Portland State University (PSU):

- Approved \$5,100,000 in Article XI-F (1) bonds to purchase the Corbett Building, at 2828 SW Corbett Avenue in Portland, which the university currently leases for use by its Business Accelerator program. The building is owned by the PSU Foundation through a subsidiary. The approved amount includes \$5,031,225 to purchase the building and \$68,775 in issuance costs. Debt service on the Article XI-F (1) bonds will be paid by loan repayments made by the university to HECC, which are expected to be paid with various university revenues.
- Reduced Article XI-F (1) bond authority for purchase of the Broadway Housing building, located at 1948 SW Broadway in Portland, by \$5,100,000. Purchase of the building from a subsidiary of the PSU Foundation was authorized in House Bill 5005 (2015) at a cost of \$53,000,000 plus \$680,000 in issuance costs. PSU believes it will be able to purchase the Corbett and the Broadway Housing buildings from its Foundation at the same cost as was originally estimated for purchase of Broadway Housing. Debt service on the Article XI-F (1) bonds will be paid by loan repayments made by the university to HECC, which are expected to be supported through the university's housing and dining fees, retail space rent receipts, and university general fund revenues.

Southern Oregon University:

- Approved \$1,545,000 in Article XI-F (1) bonds to construct a new building for Jefferson Public Radio (JPR), adjacent to the university's Center for the Arts facility in Ashland. The approved amount includes \$1,500,000 in project costs and \$45,000 in issuance costs. Debt service on the Article XI-F (1) bonds will be paid by loan repayments made by the university to HECC, which will be paid by the JPR Foundation; the foundation has raised \$1.1 million towards the total \$2.5 million project cost.
- Approved \$2,050,000 in Article XI-Q bonds to expand the scope of the McNeal Pavilion project approved in Senate Bill 5703 (2014) for deferred maintenance and seismic upgrades. The additional funding will allow the construction of a new competitive gym for intercollegiate basketball and volleyball programs. The approved amount includes \$2,000,000 in projects costs and \$50,000 in issuance costs. Debt service will be paid with General Fund.
- Approved \$1,695,000 in Article XI-F (1) bonds for energy improvements to be included in the Science Building deferred maintenance project approved in House Bill 5006 (2011) for \$21 million in Lottery-backed bonds. The university attempted to obtain funds from the Department of Energy (DOE) State Energy Loan Program (SELP), but DOE reports that the SELP program lacks funds to make new loans. Debt service on the Article XI-F (1) bonds will be paid by loan repayments made by the university to HECC, to be paid with various university revenues.