

Analysis

Item 28: Department of Corrections

Capital Projects

Analyst: Julie Neburka

Request: Increase the Other Funds Capital Construction expenditure limitation by \$54,000 to complete capital improvement projects underway in the Department of Corrections.

Recommendation: The Legislative Fiscal Office recommends that the interim Joint Committee on Ways and Means recommend the Department of Corrections Other Funds Capital Construction expenditure limitation be increased by \$54,000 in a capital construction bill during the 2018 legislative session, in order to complete capital improvement projects currently underway.

Analysis: The Department of Corrections' 2013-15 budget included six-year expenditure limitation and \$4.96 million in bond proceeds for capital construction projects throughout the state prison system. Projects included roof and electrical system repairs or replacements, kitchen floor replacements, heating, ventilation, and air conditioning projects, and electronic security system upgrades and replacements. The bonds were sold in the spring of 2015, and the projects are either underway or have been nearly completed.

The bond proceeds have earned approximately \$53,500 in interest through December 1, 2017, and the Department has proposed using the interest earnings to complete a rooftop HVAC unit upgrade at the Snake River Correctional Institution, and a water system re-piping project at the Oregon State Correctional Institution, both of which received construction bids higher than the amounts originally estimated. The Department reports difficulties in securing contractors for its construction projects due to such factors as a very competitive current construction marketplace, security requirements for working in correctional facilities, and the amount of time that complicated procurement processes can take. Applying the interest earnings to complete these projects would relieve the Department of using its General Fund appropriations to finish the work.

The Legislative Fiscal Office recommends that the interim Joint Committee on Ways and Means recommend the Department of Corrections Other Funds Capital Construction expenditure limitation be increased by \$54,000 in a capital construction bill during the 2018 legislative session.

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Oregon Department of Corrections
McDonald

Request: Increase Other Funds expenditure limitation by \$54,000 for the purpose of using interest earnings toward existing capital projects.

Recommendation: Approve the request during the 2018 Legislative Session.

Discussion: During the 2013 Legislative Session, the Department of Corrections (DOC) was authorized to issue \$4.96 million in bond proceeds for deferred maintenance projects and received matching six-year Capital Construction Other Funds expenditure limitation for various DOC facilities repairs and upgrades.

The Article XI-Q bond sale took place in March 2015. Since then, the bond proceeds have earned approximately \$53,500 in interest through December 1, 2017 and will continue gaining a small amount of interest until the proceeds are fully spent. The agency has explored options of either using this interest to pay down existing debt or applying it toward current capital projects. The Department has considered projects that are near completion, but have exhausted original bond funding because construction bids came in higher than agency estimates. To close out these projects, the work remaining is currently being covered by the agency's General Fund. After consulting with Department of Administrative Services (DAS), Chief Financial Office and Capital Finance Team, as well as the Legislative Fiscal Office, and finding no objection, the Department would like to apply the interest toward capital construction expenditures, thus limiting the use of General Fund.

The agency reports that the interest will support the following two projects:

- Approximately \$39,000 will support a roof top unit (HVAC) upgrade at the Snake River Correctional Institution.
- The remainder will be applied to a water system re-piping for the Oregon State Correctional Institution.

In summary, the agency has a small amount of additional revenue available and requests expenditure limitation in order to close out two capital construction projects in lieu of using the Department's General Fund.

Legal Reference: Increase the Other Funds expenditure limitation established by chapter 747, section 1(4)(a), Oregon Laws 2017, for the Department of Corrections, Capital Improvements and Renewal, by \$54,000, for the 2017-19 biennium.



Oregon

Kate Brown, Governor

Oregon Department of Corrections

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December 4, 2017

The Honorable Senator Richard Devlin, Co-Chair
The Honorable Representative Nancy Nathanson, Co-Chair
Interim Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048

Dear Co-Chairpersons,

Nature of the Request

The Oregon Department of Corrections (DOC) requests \$54,000 Other Funds (OF) limitation for the purposes of utilizing interest earnings from prior bond sale 2015F on existing capital projects.

Agency Action

DOC received \$4,961,000 in OF limitation in the 2013 Legislative Session for Article XI-Q bonded capital construction projects. The sale was completed in March of 2015, with 6 year limitation expiring June 2019. The bond proceeds for this issuance have earned approximately \$53,462.75 in interest through December 1, 2017, and will continue to accrue a small amount of interest until the funds are completely exhausted.

Action Requested

After conferring with the Department of Administrative Services Chief Financial Office (DAS CFO), DAS Capital Finance, and the Legislative Fiscal Office (LFO) without objection, DOC is requesting that the interest proceeds from the 2015F sale be used toward existing capital construction projects currently underway, and that the agency receive \$54,000 in Other Funds limitation to cover the current balance and the small amount of additional interest anticipated to be earned until the funds can be spent in March 2018.

- Increase in Capital Construction of \$54,000 (OF appropriation #38910)

Legislation Affected

- Oregon Laws 2017, Chapter 747, Section 1(4)(a)

Sincerely,

Colette S. Peters
Director

cc: Dustin Ball, CFO Policy and Budget Analyst
Julie Neburka, LFO Senior Legislative Analyst
Steve Robbins, DOC Chief Financial Officer
Elizabeth Craig, DOC Communications Administrator