

2017 – 2019

# CAPITAL BUDGETING OVERVIEW

Bond-Financed Capital Projects in Governor's Budget



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# Capital Budgeting Concepts

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- Structured Process to Evaluate Requests
- Multiple Types of Finance Options
- Sustainable Use of Debt Capacity
- Key Legislative Bills
- Higher Education Bond-Financed Projects

# Capital Budgeting Process Overview

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**ARB**

- Agency requests capital projects
- CFO Analysts evaluate requests



**GB**

- Governor considers bond-financed projects



**LAB**

- Capital Construction Subcommittee

# Public University Requests

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- Universities send lists of capital project requests to Higher Education Coordinating Commission (HECC) by April 1 per ORS 352.089
- HECC reviews, evaluates and prioritizes project list; determines which projects to include in Agency Request
- CFO Analyst considers types of State bonds to maximize use of debt capacity; makes recommendation
- Governor takes into consideration impact to General Fund or Lottery Fund debt capacity

# Two Primary Types of Bonds

## General Obligation Bonds

- Backed by full faith & credit of the State
- Authorized in the Constitution for specific purposes
- Debt service may be General Fund or Other Funds

## Revenue Bonds

- Supported by pledge of revenue stream
- Authorized in statute for specific purposes
- Debt service may be Lottery Funds or Other Funds

# Options to Finance University Projects

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- Article XI-Q general obligation bonds
  - Proceeds disbursed through grant contracts
  - General Fund debt service (universities do not repay)
- Article XI-G general obligation bonds
  - Proceeds disbursed through grant contracts
  - General Fund debt service (universities do not repay)
  - Requires match of university resources
- Article XI-F(1) general obligation bonds
  - Proceeds are a loan to the university
  - Other Funds debt service (repayments from universities)

# State Debt Capacity

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- State Debt Policy Advisory Commission advises Legislature and Governor on debt capacity
- Debt capacity model designed to set sustainable target level of new debt issuance
  - General Fund target limit is 5% of General Fund revenues
  - Lottery bond debt capacity based on legal bond covenant: 4 times coverage (no more than 25% of net lottery revenues can be used for debt service)
- Uses revenue forecasts over ten-year horizon
  - January 2017 SDPAC Report based on December 2016 quarterly revenue forecast

# 2017-19 Debt Capacity Limits

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## General Fund Supported Bonds

- \$1.14 billion recommended
- Governor's Budget proposes \$968.9 million of new general obligation bond issuance

## Lottery Funds Revenue Bonds

- \$209.4 million recommended + \$11.7 million carried forward = \$221.1 M
- Governor's Budget proposes \$219.9 million of new lottery revenue bond issuance



# Key Legislative Bills

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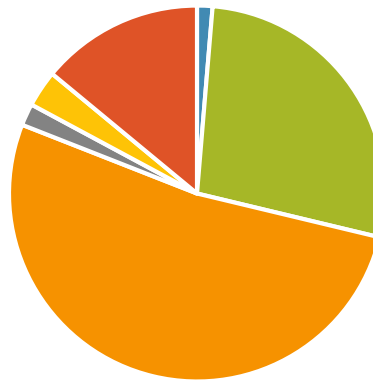
- Bond-financed projects included in Governor's Budget are in "Bond Bill" (SB 5505)
- Proposed projects are a starting place for the Capital Construction Subcommittee
  - Subcommittee considers public testimony; some projects may be added, removed or changed in Bond Bill
- If project is Capital Construction, 6-year expenditure limitation will be authorized in "Capital Construction Bill" (SB 5506)
- Lottery Revenue Bond funded projects are described in "Lottery Bond Bill" (SB 5530)

# General Fund Supported Bonds

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- Bond-financed projects included in Bond Bill:

General Fund Supported Bonds Only



- Administration
- Economic & Community Development
- Education
- Human Services
- Natural Resources
- Public Safety

# Public University Projects

- GO Bond-financed projects in Bond Bill:

University Projects	XI-F	XI-G	XI-Q	Grand Total
All - Capital Improvement & Renewal			45,650,000	45,650,000
EOU - IT Equipment Facility Improvements			1,200,000	1,200,000
EOU - Loso Hall Renovation Phase I			5,500,000	5,500,000
EOU - Track & Field Facilities Restoration	750,000			750,000
OIT - Ctr for Excellence in Engineering & Tech		4,000,000	34,000,000	38,000,000
OIT - Student Recreation Center	5,000,000			5,000,000
OSU - Cascades Expansion-Campus Infrastructure			11,000,000	11,000,000
OSU - Cascades Expansion-Site Reclamation			9,000,000	9,000,000
OSU - Cordley Hall Renovation Phase I			15,000,000	15,000,000
OSU - Gilkey Hall Renovation		2,000,000	1,000,000	3,000,000
OSU - Quality Foods & Beverage Center		9,000,000		9,000,000
PSU - 12th & Market Residence Hall	53,500,000			53,500,000
PSU - Graduate School of Education Facility	6,000,000	40,500,000		46,500,000
PSU - University Center Bldg Land	15,000,000			15,000,000
SOU - Central Hall Capital Improvements			6,000,000	6,000,000
UO - Campus for Accelerating Scientific Impact		34,000,000		34,000,000
UO - Classroom and Faculty Office Building		30,000,000	14,000,000	44,000,000
WOU - Oregon Military Building Renovation		500,000	7,200,000	7,700,000
<b>Total University Projects</b>	<b>80,250,000</b>	<b>120,000,000</b>	<b>149,550,000</b>	<b>349,800,000</b>

# Community College Projects

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- GO Bond-financed projects in Bond Bill:

Community College Projects	XI-G
BMCC - Animal Science Facility	5,000,000
CGCC - Middle College Prototype Facility (carryover)	7,199,220
Chemeketa CC - Agricultural Complex	6,000,000
Clackamas CC - DeJardin Building Addition	8,000,000
Lbcc - Student Affairs & Campus Safety Space Renovation	7,500,000
LCC - Health Care Village Facility	8,000,000
Mt Hood CC - Maywood Park Center	8,000,000
Mt Hood CC - Technology Innovation Center (carryover)	7,868,000
OCCC - Workforce Development Academic Building	8,000,000
PCC - Health Training Building Renovation	8,000,000
RCC - Elk Building Science Facility Renovation & Expansion	6,000,000
SWOCC - Dellwood Hall Remodel and Expansion	2,749,997
SWOCC - Health and Science Building (carryover)	7,868,000
TVCC - Workforce Vocational Center (carryover)	2,783,550
UCC - Industrial Technology Building	8,000,000
Total Community College Projects	<u>100,968,767</u>

# Total Higher Education Projects

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- \$349.8 million Public University projects financed with general obligations bonds
- \$101.0 million Community College projects financed with general obligation bonds
- \$15.0 million Community Colleges & University Campus Safety and Security project financed with Lottery Revenue Bonds
- \$465.8 million total bond-financed projects