

SB 5702 BUDGET REPORT and MEASURE SUMMARY

Joint Committee On Ways and Means

Prepared By: Jean Gabriel, Department of Administrative Services

Reviewed By: Amanda Beitel, Legislative Fiscal Office

Various Agencies

2017-19

PRELIMINARY

Summary of Changes in Bonding Authority

Program Designation	2017-19 Legislatively Adopted Budget	2017-19 Legislatively Approved Budget	2018 Session Legislative Adjustments
GENERAL OBLIGATION BONDS			
General Fund Obligations			
Higher Education Coordinating Comm. - PU (Art. XI-G)	\$ 101,385,000	\$ 131,890,000	\$ 30,505,000
Department of Administrative Services (Art. XI-Q)	\$ 563,839,225	\$ 613,689,225	\$ 49,850,000
Dedicated Fund Obligations			
Higher Education Coordinating Comm. (Art. XI-F(1))	\$ 86,570,000	\$ 90,520,000	\$ 3,950,000
REVENUE BONDS			
Direct Revenue Bonds			
Housing and Community Services Department	\$ 300,000,000	\$ 400,000,000	\$ 100,000,000
Department of Administrative Services			
Lottery Revenue Bonds	\$ 199,860,000	\$ 221,025,000	\$ 21,165,000
Pass Through Revenue Bonds			
Housing and Community Services Department	\$ 325,000,000	\$ 600,000,000	\$ 275,000,000
CERTIFICATES OF PARTICIPATION AND OTHER FINANCING AGREEMENTS			
Department of Administrative Services	\$ 110,985,000	\$ 127,985,000	\$ 17,000,000

Summary of Capital Construction Subcommittee Action

SB 5702 increases bond authorizations for the 2017-19 biennium and makes changes to previously approved bond authorizations.

General Fund Obligations

The Subcommittee increased the Higher Education Coordinating Commission (HECC) Article XI-G general obligation bond authorization for Public Universities by \$30,505,000, from \$101,385,000 to \$131,890,000. The increase provides funding to finance grants for one new capital project and an increase in a previously approved capital project. Projects are described later in this report.

The Subcommittee increased General Fund supported Article XI-Q general obligation bond authority by \$49,850,000, from \$563,839,225 to \$613,689,225, to finance the capital costs of projects for real or personal property owned or operated by the state. The projects and agencies are listed below, with the exception of HECC; projects funded by grants from the HECC to Public Universities are described later in this report.

- Department of Environmental Quality, Environmental Data Management System (EDMS): approved \$5,070,000 Article XI-Q bonds to finance \$5,000,000 project costs and \$70,000 for costs of issuing the bonds. The project is to implement the foundational build of a customized off-the-shelf (COTS) software solution that will replace multiple outdated and disparate information technology systems currently in use. The EDMS project will provide a common platform to receive and share environmental information and support e-commerce and web-based interactions.
- Department of Justice, Child Support Automated Enforcement System: approved an additional \$2,815,000 Article XI-Q bonds to finance \$2,758,537 project costs and \$56,463 for costs of issuing the bonds. The authorization results in total 2017-19 Article XI-Q bond authority of \$19,400,000, including \$19,026,170 project costs and \$373,830 costs of issuance, for the development and implementation of a new automated system for the Oregon Child Support Program. The additional bond authority is primarily provided to safeguard the progress of the project should there be a major issue during User Acceptance Testing (UAT). UAT started in February 2018 and continues through May 2018. If the additional amount authorized is not determined to be needed by September 30, 2018, the unused portion will not be issued in the spring 2019 bond sale.
- Legislative Administration Committee, Capitol Accessibility, Maintenance, and Safety: approved an additional \$9,700,000 Article XI-Q bonds to finance \$9,548,450 project costs and \$151,550 for costs of issuing the bonds. The authorization results in total 2017-19 Article XI-Q bond authority of \$23,660,000, including \$23,269,092 project costs and \$390,908 costs of issuance, for capital improvements to the State Capitol Building, including improvements to ADA accessibility and safety.

Dedicated Fund Obligations

The Subcommittee increased the Higher Education Coordinating Commission Article XI-F (1) general obligation bond authorization by \$3,950,000, from \$86,570,000 to \$90,520,000. The increase provides funding to finance loans for two previously approved Public University capital projects. Projects are described later in this report.

The Subcommittee approved increasing authority for Other Financing Agreements by \$17,000,000, from \$10,000,000 to \$27,000,000, for the Department of Administrative Services to enter into capital lease agreements for various equipment needs during the 2017-19 biennium.

Revenue Bonds

The Subcommittee approved increasing the Housing and Community Services Department's direct revenue bond authority by \$100,000,000 and pass-through revenue bond authority by \$275,000,000 to accommodate projected awards for first-time homebuyer mortgage financing and affordable multifamily housing. The increases result in total 2017-19 direct and pass-through revenue bond authority of \$400,000,000 and \$600,000,000, respectively.

The Subcommittee increased the Department of Administrative Services' Lottery Revenue Bond limit by \$21,165,000, from \$199,860,000 to \$221,025,000. The increased Lottery Revenue Bond authorization provides funding for the following projects, with the exception of HECC; projects funded by grants from the HECC to Public Universities are described later in this report.

- Department of Administrative Services, De Paul Treatment Center: approved \$2,225,000 lottery bonds to provide \$2,000,000 in net proceeds for distribution to De Paul Treatment Centers for a new treatment center facility.
- Department of Administrative Services, Trillium Children's Farm Home: approved \$3,315,000 lottery bonds to provide \$3,000,000 in net proceeds for distribution to Trillium Family Services for construction of the second of three buildings at the Children's Farm Home Corvallis campus that house the state's Secure Adolescent Inpatient Program (SAIP).
- Water Resources Department, City of Carlton Water Loss Reduction: approved an additional \$5,710,000 lottery bonds to provide \$5,150,000 in net proceeds for distribution to the City of Carlton to replace the city's finished water supply line and reduce water loss. The additional authority increases the total amount of net proceeds available for the project from the \$2,000,000 previously authorized in the 2017 legislative session to a total of \$7,150,000 for the 2017-19 biennium.

Budget Note:

The Water Resources Department (WRD) is directed to report to the Emergency Board, no later than December 2018, on publicly owned high-hazard dams in Oregon that have unsatisfactory or poor condition ratings. The report shall include existing WRD Dam Safety Program activities, such as dam inspection and Emergency Action Plans, as well as policy and budget recommendations related to the repair, remediation, and replacement of dams with significant risk of failure. The report should include the approximate cost to rehabilitate dam infrastructure with unsatisfactory and poor condition ratings and existing federal, state, and local resources currently available for this purpose.

Other Legislative Changes

The Subcommittee approved using remaining Article XI-Q general obligation bond proceeds authorized in HB 5202 (2016) to the Higher Education Coordinating Commission for Oregon Institute of Technology (OIT) to repair and modernize failing infrastructure systems, including storm drain, sewer, power, water, and geothermal systems that provide core services to university buildings and facilities. The funds were originally authorized to repair infrastructure failures in the North Utility Corridor Electrical Supply Feed and the College Union Building Storm Drainage System. OIT expects to complete the original project scope approximately \$2,500,000 under budget and will use the remaining bond proceeds to repair, replace, and improve additional core infrastructure systems.

The Subcommittee approved using \$3,000,000 of net lottery bonds proceeds authorized in SB 5533 (2013) to the Oregon Department of Transportation (ODOT) for the Oregon International Port of Coos Bay to acquire the Coos Bay Rail link rolling stock, including locomotives, cars, and hi-rails. Lottery bonds proceeds of \$10,000,000 were originally approved in 2013 to ODOT for the Oregon International Port of Coos Bay to acquire, construct, or improve the Coos Bay rail link railroad right-of-way infrastructure. Designating \$3,000,000 of remaining proceeds towards the acquisition of rolling stock leaves \$7,000,000 authorized for the original project, in addition to \$10,000,000 that was approved for acquisition, construction, or improvement of the Coos Bay rail link in HB 5030 (2015).

The Subcommittee also approved specifically allocating \$1,500,000 of net lottery bond proceeds authorized in HB 5030 (2015) for development, acquisition, renovation, or improvement of affordable housing for Oregonians who have mental illnesses or addiction disorders to the Yaquina Hall-Southfair Bundle project. The Housing and Community Services Department (HSCD) has approximately \$8,000,000 in remaining unallocated lottery bonds proceeds from the \$20,000,000 total lottery bonds approved in 2015 for mental health housing. HSCD is directed award \$1,500,000 from the unallocated proceeds, in addition to any amounts previously awarded, to Salem Housing Authority for the Yaquina Hall-Southfair Bundle acquisition and rehabilitation development project. Yaquina Hall and Southfair Apartments will provide 93 units of affordable housing to low-income Salem residents, with 20 units being designated for individuals with mental illness.

Detail of projects authorized for the Higher Education Coordinating Commission through bond financing is included below.

Higher Education Coordinating Commission

The Subcommittee approved three new capital projects and increases to three previously approved capital projects for Public Universities to finance total projects costs of \$74,650,000. The projects are included in the budget for the Higher Education Coordinating Commission (HECC). The proceeds of Article XI-G, Article XI-Q, and Lottery Revenue bonds will be used to provide grants from HECC to the applicable public university, and the debt service on these bonds will be paid with General Fund and Lottery Funds, respectively. HECC will administer grants to public universities funded with lottery bond proceeds consistent with the grants funded with general obligation bond proceeds, including the requirement that grant contracts between HECC and the applicable universities must be approved by the Department of Administrative Services. Each university must provide the constitutionally required match for the Article XI-G bonds before the bonds can be issued. The proceeds of Article XI-F (1) bonds will be used to provide loans from HECC to the applicable public university, and the debt service on the Article XI-F (1) bonds will be paid by HECC with Other Funds using loan repayments received from the applicable university made with university resources. The approved projects are below.

Budget Note:

The Higher Education Coordinating Commission is directed to report to the Emergency Board in May 2018 on the statewide criteria developed to evaluate and prioritize Public University capital requests that are proposed in the agency's request budget. The criteria and evaluation process should provide, at a minimum, comparable information across projects, objective analysis of each request, and prioritization of deferred maintenance activities.

Eastern Oregon University

- Field House Facility: approved \$9,915,000 Lottery Revenue Bonds to finance \$9,000,000 of project costs and \$915,000 costs of issuing bonds and debt service reserves. The project is to construct a new 30,000 square foot field house that will include a track and field area; physical activity and health education area; outdoor program area; locker rooms and public restrooms; and stadium seating. Cross-laminated timber (CLT) will be utilized as a primary construction material in the facility.
- Track and Field Facilities Restoration: approved an additional \$390,000 Article XI-F (1) general obligation bonds to finance \$350,000 of project costs and \$40,000 for costs of issuing the bonds. The authorization results in total 2017-19 Article XI-F (1) bond authority of \$1,180,000, including \$1,100,000 project costs and \$80,000 costs of issuance, for removal and replacement of the track and related infrastructure and the addition of a scorer's station, restroom facilities, and guest seating. The university expects to support loan repayments to HECC for debt service on the bonds through tuition and fee revenues.

Oregon State University

- Cascades Expansion - Academic Building 2: approved \$29,410,000 Article XI-Q general obligation bonds to finance \$29,000,000 of project costs and \$410,000 for costs of issuing the bonds and \$10,215,000 Article XI-G general obligation bonds to finance \$10,000,000 of project costs and \$215,000 for costs of issuing the bonds. The project is to construct a new 55,000 square foot academic building that will include laboratories, general purpose classrooms, faculty offices, and other learning and support and research spaces, as well as associated utilities and surface parking. Oregon building products, such as CLT and regional wood products, will be incorporated in the facility structural components and aesthetic features. The university will provide the constitutionally required match for the Article XI-G bonds.

Southern Oregon University

- Boiler Replacement: approved \$2,855,000 Article XI-Q general obligation bonds to finance \$2,800,000 of project costs and \$55,000 for costs of issuing the bonds. The project includes replacement of two steam boilers, a condensate storage tank, the boiler control system, and an undersized chiller.

University of Oregon

- Campus for Accelerating Scientific Impact, Phase II: approved an additional \$20,290,000 Article XI-G general obligation bonds to finance \$20,000,000 of project costs and \$290,000 for costs of issuing the bonds. The project is to partially fund the second phase of the Campus, which includes new science lab facilities located north of Franklin Boulevard and other construction, improvements, or acquisitions to support the Campus. \$50,620,000 was approved in the 2017 legislative session to finance project costs of \$50,000,000 for the initial phase of the Campus project. CLT will also be incorporated in the public-facing areas of the building, including the structure that connects the two towers. The university will provide the constitutionally required match for the Article XI-G bonds.

Western Oregon University

- Natural Sciences Building Renovation: approved \$3,560,000 Article XI-F (1) general obligation bonds to finance \$3,500,000 of project costs and \$60,000 for costs of issuing the bonds. The project is to renovate and seismically upgrade the Natural Sciences Building for use by the physical and natural sciences programs. In 2015 (HB 5005), Article XI-Q bonds were approved to finance project costs of \$5,940,000 for the renovation project; however, after completion of initial architectural and engineering work and incorporation of additional unforeseen life-safety and ADA requirements, the total project cost is estimated at \$9,500,000. The university expects to support loan repayments to HECC for debt service on the bonds with institutional revenues.