

**LC 10 BUDGET REPORT and MEASURE SUMMARY**

**Joint Committee On The Second Special Session of 2020**

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**Various Agencies**

2019-21

PRELIMINARY

This summary has not been adopted or officially endorsed by action of the committee.

## Summary of Changes in Bonding Authority

<u>Program Designation</u>	<u>2019-21 Legislatively Adopted Budget</u>	<u>2019-21 Legislatively Approved Budget</u>	<u>2020 2nd Special Session Legislative Adjustments</u>
<b>GENERAL OBLIGATION BONDS</b>			
<b>General Fund Obligations</b>			
Higher Education Coordinating Comm. - PU (Art. XI-G)	\$ -	\$ 50,605,000	\$ 50,605,000
Higher Education Coordinating Comm. - CC (Art. XI-G)	\$ 75,265,000	\$ 52,400,000	\$ (22,865,000)
Department of Administrative Services (Art. XI-Q)	\$ 623,149,223	\$ 788,914,223	\$ 165,765,000
<b>REVENUE BONDS</b>			
<b>Direct Revenue Bonds</b>			
Department of Administrative Services Lottery Revenue Bonds	\$ 302,505,000	\$ 247,075,000	\$ (55,430,000)
<b>Pass Through Revenue Bonds</b>			
Housing and Community Services Department	\$ 600,000,000	\$ 900,000,000	\$ 300,000,000

## Summary of Joint Committee on the Second Special Session of 2020 Action

LC 10 increases bond authorizations for the 2019-21 biennium and makes changes to previously approved bonds authorizations.

### General Fund Obligations

The Subcommittee approved Article XI-G general obligation bond authority of \$50,605,000 to fund grants to Public Universities to finance four new capital projects. The proceeds of bonds will be used to provide grants through grant programs administered by the Higher Education Coordinating Commission (HECC). The Subcommittee also approved reducing Article XI-G general obligation bond authority by \$22,865,000 for three community college capital projects previously approved in HB 5005 (2019) that will not have constitutionally required matching funds to be included in the 2019-21 bond sale. Projects are described later in this report.

The Subcommittee increased General Fund supported Article XI-Q general obligation bond authority by \$165,765,000, from \$623,149,223 to \$788,914,223, to finance the capital costs of projects for real or personal property owned or operated by the state. Increased Article XI-Q general obligation bond authority includes \$270,400,000 approved for seven new projects, less \$104,635,000 that is removed for two county courthouse projects previously approved in HB 5005 (2019) that will not have required matching funds to be included in the 2019-21 bond sale. The projects and agencies are listed below, with the exception of HECC; projects funded by grants from HECC to Public Universities are described later in this report.

- Housing and Community Services Department, Local Innovation and Fast Track (LIFT) Housing Program: approved an additional \$50,315,000 Article XI-Q bonds to finance \$50,000,000 of project costs and \$315,000 for costs of issuing the bonds. The bond proceeds will be used to acquire, construct, remodel, repair, equip, or furnish real property in which the Department will take an operational or ownership interest to provide affordable housing for low income Oregonians, as well as citizens in historically underserved communities and communities of color.
- Legislative Administration Committee, Capitol Accessibility, Maintenance, and Safety (CAMS): approved \$68,960,000 Article XI-Q bonds to finance \$68,050,000 of project costs and \$910,000 for costs of issuing the bonds. The project is for further capital improvements to the State Capitol Building, including seismic upgrades to the House and Senate wings, Legislative Counsel and Legislative Fiscal Office renovations, seismic and other upgrades to the parking garage connectors, accessibility improvements to the South entrance, restoration of the Capitol grounds, and other improvements and upgrades to the building.
- Oregon Business Development Department, Salem Drinking Water System Improvements: approved \$20,305,000 Article XI-Q bonds to finance \$20,000,000 of project costs and \$305,000 for costs of issuing the bonds. The bond proceeds will be used to support improvements to the City of Salem's drinking water system in which the state will take an ownership interest.
- Oregon Judicial Department, Lane County Courthouse: removed \$88,455,000 Article XI-Q bonds that were originally approved to finance \$87,600,000 of project costs and \$855,000 for costs of issuing the bonds. The project to construct a new facility to replace the Lane County Courthouse will not have the matching funds required to be included in a bond sale during the current biennium.
- Oregon Judicial Department, Linn County Courthouse: removed \$16,180,000 Article XI-Q bonds that were originally approved to finance \$15,900,000 of project costs and \$280,000 for costs of issuing the bonds. The project to construct a new facility to replace the Linn County Courthouse will not have the matching funds required to be included in a bond sale during the current biennium.

## Dedicated Fund Obligations

### Revenue Bonds

The Subcommittee decreased the Department of Administrative Services' lottery revenue bond limit by \$55,430,000, from \$302,505,000 to \$247,075,000. Lottery revenue bond authority is reduced to reflect the repeal of the following nine projects originally approved in HB 5030 (2019) to be financed with net lottery bond proceeds but are approved to be financed through either the issuance of general obligation bonds, a General Fund appropriation, or applicable Other Funds revenues.

- Department of Administrative Services, Curry Health District Brookings Emergency Room: removed \$2,220,000 lottery revenue bonds that were originally approved to finance \$2,000,000 of project costs and \$220,000 for costs of issuing the bonds and debt service reserves. A General Fund appropriation is approved for the project in LC 12 in lieu of issuing lottery bonds.
- Department of Administrative Services, Hacienda Community Development Corporation Las Adelitas Housing Project: removed \$2,220,000 lottery revenue bonds that were originally approved to finance \$2,000,000 of project costs and \$220,000 for costs of issuing the bonds and debt service reserves. The project will be financed through existing General Fund resources in the Housing and Community Services Department in lieu of issuing lottery bonds.
- Department of Administrative Services, Port of Morrow Early Learning Center Expansion: removed \$1,565,000 lottery revenue bonds that were originally approved to finance \$1,400,000 of project costs and \$165,000 for costs of issuing the bonds and debt service reserves. An increase in Other Funds expenditures from the Early Learning Account to finance capital costs that support additional early learning capacity is approved for the project in LC 12 in lieu of issuing lottery bonds.
- Department of Administrative Services, Wallowa Valley Center for Wellness: removed \$2,765,000 lottery revenue bonds that were originally approved to finance \$2,500,000 of project costs and \$265,000 for costs of issuing the bonds and debt service reserves. A General Fund appropriation and an increase in Other Funds expenditures from the Early Learning Account to finance capital costs that support additional early learning capacity are approved for the project in LC 12 in lieu of issuing lottery bonds.
- Department of Administrative Services, YMCA of Columbia-Willamette Beaverton Hoop YMCA: removed \$2,775,000 lottery revenue bonds that were originally approved to finance \$2,500,000 of project costs and \$275,000 for costs of issuing the bonds and debt service reserves. An increase in Other Funds expenditures from the Early Learning Account to finance capital costs that support additional early learning capacity is approved for the project in LC 12 in lieu of issuing lottery bonds. The reduction results in remaining lottery bond authority of \$2,765,000 that supports \$2,500,000 of project costs.

- Oregon Business Development Department, Salem Drinking Water System Improvements: removed \$22,025,000 lottery revenue bonds that were originally approved to finance \$20,000,000 of project costs and \$2,025,000 for costs of issuing the bonds and debt service reserves. Article XI-Q general obligation bonds are authorized for the project in lieu of issuing lottery bonds.
- Oregon Business Development Department, City of Sweet Home Wastewater Treatment Plant Rehabilitation: removed \$7,725,000 lottery revenue bonds that were originally approved to finance \$7,000,000 of project costs and \$725,000 for costs of issuing the bonds and debt service reserves. A General Fund appropriation is approved for the project in LC 12 in lieu of issuing lottery bonds.
- Oregon Business Development Department, Confederated Tribes of Warm Springs Wastewater Treatment Plant Upgrade and Water Distribution System Improvements: removed \$8,595,000 lottery revenue bonds that were originally approved to finance \$7,800,000 of project costs and \$795,000 for costs of issuing the bonds and debt service reserves. At the July 2020 meeting of the Emergency Board, \$3,580,000 General Fund was allocated from the Emergency Fund for the critical improvements to the Warm Springs water and wastewater systems. A General Fund appropriation is approved for the remaining project costs (\$4,220,000) in LC 12 in lieu of issuing lottery bonds.
- Oregon Department of Transportation, Port of Coos Bay Rail Line Repairs and Bridge Replacement: removed \$5,540,000 lottery revenue bonds that were originally approved to finance \$5,000,000 of project costs and \$540,000 for costs of issuing the bonds and debt service reserves. The project will be financed through the Connect Oregon Fund in lieu of issuing lottery bonds to provide match for a \$20 million federal BUILD Grant award that has been made to the Port of Coos Bay for the Coos Bay Rail Line.

The Subcommittee approved increasing the Housing and Community Services Department's pass-through revenue bond authority by \$300,000,000 to accommodate projected awards for affordable multifamily housing. The increases result in total 2019-21 pass-through revenue bond authority of \$900,000,000.

#### Other Legislative Changes

The Subcommittee approved the following modifications to previously approved authorizations for two public university and three community college projects included in the budget for the Higher Education Coordinating Commission:

- Oregon Institute of Technology, OMIC R&D Rapid Toolmaking Center, Rapid Prototyping Education Lab, and Sinter HIP Equipment: approved modifying the project scope authorized in HB 5005 (2019) to reduce the specified square feet of the OMIC R&D Rapid Toolmaking Center and expand the development of the Rapid Prototyping Education Lab to both OIT campuses. \$12,905,000 in Article XI-Q bonds were approved to construct a Rapid Toolmaking Center of Excellence on the Oregon Manufacturing Innovation Center (OMIC) R&D site in Scappoose; acquire research equipment; develop an education laboratory at the Klamath Falls campus; and acquire a sinter hot isostatic press (HIP) at the OMIC R&D Campus. The R&D Rapid Toolmaking Center was anticipated to be 35,000 square feet;

however, due to building and site requirements, as well as escalated construction costs, the building is now anticipated to be approximately 20,000-30,000 square feet. Additionally, the project description noted that the Rapid Prototyping Education Lab would be located at the Klamath Falls campus; however, the Lab will be implemented at both the Klamath Falls and Wilsonville (Portland-Metro) campuses to support Mechanical and Manufacturing Engineering Technology (MMET) programs. The project includes \$12,700,000 for project costs and \$205,000 for costs of issuing bonds.

- Oregon State University, Cascades Academic Building 2: approved modifying the scope of the Cascades Academic Building 2 project authorized in SB 5702 (2018) to reduce the specified square footage of the building. Article XI-Q bonds in the amount of \$29,410,000 and \$10,215,000 in Article XI-G bonds were approved to construct a new academic building on the OSU Cascades Campus that will include laboratories, general purpose classrooms, faculty offices, and other learning, support, and research spaces, as well as associated utilities and surface parking. The building was anticipated to be 55,000 square feet; however, due to additional design work and use of CLT, the building purpose and function can be achieved within a smaller footprint (approximately 50,000-55,000 square feet). The approved amount includes \$39,000,000 for project costs and \$625,000 for costs of issuing bonds. The university will provide the constitutionally required match for the Article XI-G bonds.
- Chemeketa Community College, Agricultural Complex: approved modifying the scope of the Agricultural Complex project authorized in SB 5505 (2017) to revise ancillary components due to increases in construction costs. Article XI-G bonds in the amount of \$6,125,000 were originally approved to construct a new agricultural complex on the main Salem campus. The complex still includes a classroom and office building, storage space, hoop houses, and learning and research gardens. The project may also include a greenhouse and an incubator farm. The approved amount includes \$6,000,000 for project costs and \$125,000 for costs of issuing bonds. The community college will provide the constitutionally required match for the Article XI-G bonds with their Capital Development Reserve Funds.
- Klamath Community College, Apprenticeship Center: approved modifying the scope of the Apprenticeship and Industrial Trades Center project authorized in HB 5005 (2019) to increase the specified square footage of the center. Article XI-G bonds in the amount of \$3,965,000 were originally approved to construct a new apprenticeship center to consolidate trade-related programs, including space for electrical, plumbing, and industrial occupations apprenticeship programs, fire sciences and emergency medical operations CTE programming, storage areas, and paved and gravel space for truck driving and fire engine practice areas. The facility was originally anticipated to be 19,050 square feet but has been increased to approximately 35,000 square feet to accommodate additional open shop space for labs, modular set-up capacity, and hands-on training. The approved amount includes \$3,910,000 for project costs and \$55,000 for costs of issuing bonds. The community college will provide the constitutionally required match for the Article XI-G bonds through grants and/or donations.
- Portland Community College, Health Technology Building Renovation: approved modifying the scope of the Health Technology Building project authorized in HB 5005 (2019) to increase the space demolished as part of the renovation. Article XI-G bonds in the amount of

\$8,125,000 were originally approved to demolish 55,800 square feet of interior space, reconstruct instructional spaces, replace restroom fixtures and lockers rooms, incorporate seismic standards, and replace non-code compliant mechanical, electrical, and plumbing systems. The project has increased to approximately 83,000 square feet to include the demolition and renovation of interior space in the basement for the medical imaging (radiography) program. The approved amount includes \$8,000,000 for project costs and \$125,000 for costs of issuing bonds. The community college will provide the constitutionally required match for the Article XI-G bonds with proceeds from a bond levy.

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

### **Higher Education Coordinating Commission**

The Subcommittee approved five new capital projects for public universities to finance total project costs of \$179,025,000. The projects are included in the budget for the Higher Education Coordinating Commission (HECC). The proceeds of Article XI-G and Article XI-Q 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. Each university must provide the constitutionally required match for the Article XI-G bonds before the bonds can be issued. The approved projects are listed below.

#### **Oregon Institute of Technology**

- Boivin Hall Rehabilitation: approved \$18,560,000 Article XI-Q bonds to finance \$18,270,000 of project costs and \$290,000 for costs of issuing the bonds and \$1,055,000 Article XI-G bonds to finance \$1,015,000 of project costs and \$40,000 for costs of issuing the bonds. The project is to completely renovate Boivin Hall, including seismic retrofit; mechanical, electrical, and plumbing replacement; building envelope replacement; foundation repair; and full interior (classroom and lab) remodel and modernization. Improvements to surrounding areas, including ADA accessibility, sidewalk, transportation, and landscaping are part of the project scope.

#### **Oregon State University**

- Arts and Education Complex: approved \$35,455,000 Article XI-G bonds to finance \$35,000,000 of project costs and \$455,000 for costs of issuing the bonds. The project is to construct a new Arts and Education Complex that will include technology and medium rich teaching, performance and rehearsal spaces; a visual arts museum; and shop and maker space with electronic and computer studios for designing sound, lighting, and other performing arts enhancements. The building will be constructed on the site of OSU's dilapidated facilities services shops. Demolition, site improvements, and the renewal of infrastructure are anticipated to eliminate \$11,000,000 of deferred maintenance.

## Portland State University

- SB 1 Renovation and Expansion: approved \$53,135,000 Article XI-Q bonds to finance \$52,500,000 of project costs and \$635,000 for costs of issuing the bonds and \$7,620,000 Article XI-G bonds to finance \$7,500,000 of project costs and \$120,000 for costs of issuing the bonds. The project is to provide the first phase of funding to completely renovate PSU's Science Building (SB) 1 and expand useable space. System and structural improvements, as well as replacement of outdated instructional spaces, will create active-learning classrooms, state-of-the-art laboratories, and collaborative support spaces.

## University of Oregon

- Huestis Hall Renovation: approved \$51,505,000 Article XI-Q bonds to finance \$50,880,000 of project costs and \$625,000 for costs of issuing the bonds and \$6,475,000 Article XI-G bonds to finance \$6,360,000 of project costs and \$115,000 for costs of issuing the bonds. The project is for the renovation of Huestis Hall to address the failing building envelope; code issues, including fire alarm and suppression; plumbing, mechanical, and ventilation systems; and modernize laboratory and learning spaces.
- ShakeAlert: approved \$7,620,000 Article XI-Q bonds to finance \$7,500,000 of project costs and \$120,000 for costs of issuing the bonds. The project is for construction of seismic stations as part of the ShakeAlert earthquake early warning system. The U.S. Geological Survey (USGS) and a coalition of state and university partners developed and are implementing the ShakeAlert system for the West Coast of the United States. Approved funding supports the installation of ShakeAlert sites that will increase the State of Oregon's "sensor density" to meet federal standards, allowing Oregon to participate in public alerts. Buildout of seismic stations is expected to be completed by June 30, 2023.

## HECC - Community Colleges

The Subcommittee approved removing Article XI-G bond authority that was previously approved to finance three community college capital projects included in the HECC budget. Other Funds capital construction six-year expenditure limitation of \$22,500,000 approved for the projects in SB 5506 (2017) and HB 5006 (2019) is not decreased in the event that the bonds are reauthorized for the projects in the next biennium. The projects are listed below.

- Blue Mountain Community College – Facility for Agricultural Resource Management (FARM) Phase 2: removed \$6,615,000 Article XI-G bonds that were originally approved to finance \$6,500,000 of project costs and \$115,000 for costs of issuing the bonds. Constitutionally required match for the Article XI-G bonds was expected to be provided from lottery revenue bond proceeds authorized for the project in HB 5030 (2019). Due to the significant decline in lottery revenues, the State is not projected to meet the four-times coverage ratio required to issue lottery revenue bonds in 2021.



- Mt. Hood Community College – Maywood Park Center: removed \$8,125,000 Article XI-G bonds to finance \$8,000,000 of project costs and \$125,000 for costs of issuing the bonds. Constitutionally required match for the Article XI-G bonds is not available and the community college is not moving forward with the project this biennium.
- Umpqua Community College – Industrial Technology Building: removed \$8,125,000 in Article XI-G bonds to finance \$8,000,000 of project costs and \$125,000 for costs of issuing the bonds. Constitutionally required match for the Article XI-G bonds is not available and the community college is not moving forward with the project this biennium.

PRELIMINARY