

ANALYSIS

Item 24: Department of Administrative Services Lottery Bond Refunding

Analyst: Amanda Beitel

Request: Acknowledge receipt of a report on the state's lottery revenue bond debt service savings as a result refinancing.

Analysis: ORS 286A.160(3) requires the Department of Administrative Services (DAS) to report the amount of incurred expenses and Lottery Funds debt service savings resulting from the issuance of refunding bonds to the Joint Committee on Ways and Means or the Emergency Board. On April 27, 2021, DAS and the State Treasurer completed the sale of 2021 Series A and B refunding bonds. Proceeds from the sale were used to refinance qualifying outstanding lottery revenue bonds.

DAS and the State Treasurer evaluated the refunding plan on a maturity-by-maturity basis, considering multiple factors, including net present value savings and escrow efficiency. An overall net present value savings of 12.8% of the refunding bond proceeds was achieved. The refunding incurred costs of issuance totaling \$639,017 and resulted in statewide Lottery Funds debt service savings of \$8.7 million in the 2021-23 biennium and total savings of \$21.6 million over the life of the bonds. Current biennium debt service savings were utilized as part of the 2021-23 legislatively adopted budget approved in the 2021 session.

Recommendation: The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means acknowledge receipt of the report.

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Department of Administrative Services
Ball

Request: Report on the State's Lottery Revenue Bond debt service savings resulting from a recent refinancing.

Recommendation: Acknowledge receipt of the report.

Discussion: The Capital Finance and Planning section within the Department of Administrative Services (DAS) is responsible for the administration of various statewide financing programs including the issuance of State Lottery Bonds. On April 27, 2021, DAS and the State Treasury completed the issuance of 2021 Series A & B Refunding Lottery Revenue Bonds for the purpose of refinancing qualifying outstanding Lottery Bonds.

This refinancing reduced debt service in the current 2021-23 biennium by \$8.7 million Lottery Funds. Over the life of the bonds, it reduced debt service costs by \$21.6 million Lottery Funds. The cost of issuance for the refinancing was \$0.6 million. Impacted agency budgets include the Department of Administrative Services, the Oregon Business Development Department, the Higher Education Coordinating Commission, and the Oregon Department of Transportation. The 2021-23 debt service savings are reflected in the Legislatively Approved Budget for the impacted agencies.



Oregon

Kate Brown, Governor

Department of Administrative Services

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August 18, 2021

Senator Elizabeth Steiner Hayward, Co-Chair
Senator Betsy Johnson, Co-Chair
Representative Dan Rayfield, Co-Chair
Interim Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301

Dear Co-Chairpersons:

Nature of Request

Report on the State's Lottery Revenue Bond debt service savings resulting from a recent refinancing.

Agency Action

ORS 286A.160(3) requires the Department of Administrative Services (DAS) to report the amount of incurred expenses and Lottery Funds debt service savings resulting from the issuance of refunding bonds to the Joint Committee on Ways and Means or to the Emergency Board when the Legislature is not in session. On April 27, 2021, DAS and the State Treasurer completed the issuance of 2021 Series A & B Refunding Lottery Revenue Bonds. Proceeds from the issuance were used to refinance qualifying outstanding Lottery Revenue Bonds. Expenditure limitations will be administratively established to record the transaction. The table below presents Lottery Funds debt service savings by agency.

| Agency | 2021-23 Debt Service Savings | Fiscal Year 2024-2033 Debt Service Savings | Total Debt Service Savings | Costs of Issuance |
|--------------|---------------------------------|---|-------------------------------|----------------------|
| DAS | \$ 141,843 | \$ 173,719 | \$ 315,562 | \$ 4,959 |
| OBDD | \$ 295,803 | \$ 203,239 | \$ 499,042 | \$ 23,348 |
| HECC | \$ 5,084,921 | \$ 7,979,016 | \$ 13,063,937 | \$ 420,880 |
| ODOT | \$ 3,190,694 | \$ 4,483,157 | \$ 7,673,851 | \$ 189,830 |
| Total | \$ 8,713,261 | \$ 12,839,131 | \$ 21,552,392 | \$ 639,017 |

Legislation Affected

None.

Sincerely,

Katy Coba
Chief Operating Officer/DAS Director