

ANALYSIS

Item 45: Department of Administrative Services Article XI-G Bond Refunding

Analyst: Amanda Beitel

Request: Acknowledge receipt of a report on the state's Article XI-G general obligation bond debt service savings as a result of refinancing.

Analysis: ORS 286A.160(3) requires the Department of Administrative Services (DAS) to report the amount of incurred expenses and General Fund debt service savings resulting from the issuance of refunding bonds to the Joint Committee on Ways and Means or the Emergency Board. On May 12, 2021, DAS and the State Treasurer completed the sale of 2021 Series G refunding bonds. Proceeds from the sale were used to refinance qualifying outstanding Article XI-G general obligation 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 10% of the refunding bond proceeds was achieved. The refunding incurred costs of issuance totaling \$571,172 and resulted in statewide General Fund debt service savings of \$2.5 million in the 2021-23 biennium and total savings of \$15.7 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.

The refunding also included issuance of 2021 Series H and I refunding bonds. Proceeds from the sale were used to refinance qualifying outstanding Article XI-F (1) general obligation bonds and resulted in total 2021-23 debt service savings of \$10.3 million for public universities and the Oregon Health and Science University (OHSU).

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
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Request: Report on the State's General Fund debt service savings resulting from a recent refinancing of general obligation bonds.

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 Article XI-G bonds for Higher Education. On May 12, 2021, DAS and the State Treasury completed the issuance of the 2021 Series G Refunding Article XI-G Bonds for the purpose of refinancing outstanding Article XI-G Bonds.

This refinancing reduced debt service in the current 2021-23 biennium by \$2.5 million General Fund. Over the life of the bonds, it reduced debt service costs by \$15.7 million General Fund. The cost of issuance for the refinancing was \$0.6 million. The Higher Education Coordinating Commission (HECC) is the only impacted agency budget and the 2021-23 debt service savings are reflected in the Legislatively Approved Budget for HECC.



Oregon

Kate Brown, Governor

Department of Administrative Services

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October 15, 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 General Fund debt service savings resulting from a recent refinancing of general obligation bonds.

Agency Action

ORS 286A.160(3) requires the Department of Administrative Services (DAS) to report the amount of incurred expenses and General Fund 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 May 12, 2021, DAS and the State Treasurer completed the issuance of 2021 Series G Refunding Article XI-G Bonds. Proceeds from the issuance were used to refinance qualifying outstanding Article XI-G Bonds. Expenditure limitations will be administratively established to record the transaction. The table below presents General Fund debt service savings for the Higher Education Coordinating Commission (HECC), which was the only agency impacted by the refunding.

Agency	2021-23 Debt Service Savings	Fiscal Year 2024-2041 Debt Service Savings	Total Debt Service Savings	Costs of Issuance
HECC	\$ 2,513,641	\$ 13,211,372	\$ 15,725,013	\$ 571,172

Legislation Affected

None.

Sincerely,

Katy Coba
Chief Operating Officer/DAS Director