

## **B. State of Oregon Bonding Authorizations**

### ***General Obligation Bonds***

General Obligation (GO) debt is secured by the full faith and credit of the participating issuer, for our purposes, the State of Oregon. Typically, GO debt necessitates constituency approval. In the State's case, each GO bond program was created by a constitutional amendment passed by state voters. Therefore, the People of the State have unconditionally pledged to pay debt service (i.e. principal and interest) payments, over the life of each GO bond issue. This means that barring the existence of other adequate repayment sources, all unrestricted public revenues must be used as needed to support debt service payments. This may include the levy of a statewide property tax if necessary and allowed by law.

Article XI, Section 7 of the Constitution provides the State with the general authority to issue GO debt. Currently, there are 18 constitutionally authorized GO bond programs.<sup>1</sup> While each of these programs has the potential for drawing on the State's General Fund or other taxing authority, many of the programs are fully self-supporting and are repaid from program revenues, gifts, grants, or other revenue streams.

The constitutionally authorized State of Oregon GO bond programs are listed below.<sup>2</sup>

- General Purpose Bonds – Article XI, Section 7
- State Highway Bonds – Article XI, Section 7
- Veterans Welfare Bonds – Article XI-A
- State Power Development Bonds – Article XI-D
- State Forest Rehabilitation Bonds – Article XI-E
- Higher Education Building Bonds – Article XI-F (1)
- Higher Education Facilities and Community College Bonds – Article XI-G<sup>3</sup>
- Pollution Control Bonds – Article XI-H
- Water Resources Bonds – Article XI-I (1)
- Elderly and Disabled Housing Bonds – Article XI-I (2)
- Alternate Energy Bonds – Article XI-J
- Oregon School Bond Guaranty Program – Article XI-K
- Oregon Opportunity Bonds – Article XI-L
- Seismic Rehabilitation of Public Education Buildings – Article XI-M

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<sup>1</sup> General Purpose bonds and State Highway bonds are both provided constitutional bonding authority by Article XI, Section 7. Likewise, Article XI-G provides constitutional bonding authority for both Higher Education bonds and Community College bonds.

<sup>2</sup> There is currently no outstanding general obligation debt related to State Power Development, State Forest Rehabilitation, Water Resources, and Oregon School Bond Guaranty Program.

<sup>3</sup> Higher Education Facilities GO bonds were historically issued by the Board of Higher Education, whereas Community College GO bonds were issued by the Board of Education. Higher Education and Community College bond issuance are combined and charged against the total debt authorized by the State Constitution Article XI-G.

- Seismic Rehabilitation of Emergency Services Buildings – Article XI-N
- Pension Obligation Bonds – Article XI-O
- Public School Facilities Bonds – Article XI-P
- State General Purpose Bonds – Article XI-Q

### ***Direct Revenue Bonds***

Unlike GO bonds, direct revenue program debt is not secured by the State’s unlimited pledge to fund debt service with unrestricted public revenues or, where permitted, a statewide ad valorem property tax. Rather, funds to pay debt service are provided by a specific dedicated revenue stream, and normally program revenues are directly associated with the funded project(s). Further, revenue programs typically do not require a vote of Oregonians but must be authorized by the Legislative Assembly. The State Legislature holds the right to refer program approval to Oregon voters.

Oregon Revised Statutes provide for a variety of revenue bond programs. These programs are each considered fully self-supporting, and have no GO backing from the State. However, if program revenues were to become insufficient to support debt service payments, this does not preclude the State from providing a funding stream. Statutorily authorized direct revenue bond programs that are currently active are listed below.

- State Highway User Tax Bonds – ORS 367.620
- Oregon Transportation Infrastructure Fund Bonds – ORS 367.630<sup>1</sup>
- Lottery Revenue Bonds – ORS 286A.560 to 286A.585
- Oregon Bond Bank Revenue Bonds – ORS Chapter 285B.320 to 285B.371
- Single-Family and Multifamily Revenue Bonds – ORS 456.661

### ***Conduit Revenue Bonds***

Conduit revenue bonds are securities that are issued by a governmental unit to finance a project for a third party. Debt service payments are the obligation of the third-party borrower and do not constitute a GO debt of the State or the issuing governmental agency. Economic and industrial development revenue bonds are a common type of conduit revenue security.

The State has four authorized and active conduit or “pass-through” revenue bond programs:

- Oregon Facilities Authority (OFA) – ORS Chapter 289.200 to 289.240
- Industrial Development Revenue Bonds – ORS Chapter 285B.320 to 285B.371
- Housing Development Revenue Bonds – ORS 456.692
- Beginning & Expanding Farmer Loan Revenue Bonds – ORS Chapter 285A.420 to 285A.435

Under these programs, the State is considered the issuer, but has no obligation to pay debt service. Payments are made by the entities on whose behalf the bonds were issued.

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<sup>1</sup> Various legislative bills have authorized the sale of Transportation Infrastructure Bonds; however, no bonds have been issued to date by this program.

### *Appropriation Credits*

Similar to revenue program debt, appropriation credits are not secured by the State's unlimited pledge to fund debt service with unrestricted public revenues or, where permitted, a statewide ad valorem property tax. The State has historically used two types of appropriation credits:

- Appropriation Bonds – SB 856 – 2003 Legislature
- Certificates of Participation (COPs) – ORS 283.085

These credits are special limited obligations of the State payable solely from funds appropriated or otherwise made available by the State Legislative Assembly. The obligation of the State to provide appropriated moneys and to pay bond debt service is subject to future appropriation by the Legislature for the fiscal period in which payments are due. As with State direct revenue bond programs, appropriation credits do not require a vote of the people but must be authorized by the Legislative Assembly. In 2010, voters approved Constitutional amendment Article XI-Q, which authorizes the State to issue GO Bonds for various State-owned or operated office buildings, facilities and other capital projects. Rather than issuing higher cost appropriation debt, the State has elected to refund prior COPs with XI-Q bonds for savings. With the exception of the Certificate of Participation in 2019, which has outstanding principal of \$95.7 million, all previously issued COPs have been redeemed and replaced with Article XI-Q bonds.

**EXHIBIT I.1**  
**State of Oregon Outstanding Long-Term Financial Obligations**  
**and Constitutional and Statutory Provisions**

As of June 30, 2021

Program	Legal Provision	Constitutional Debt Limit %	Constitutional Debt Limit \$	Debt (Principal) Outstanding	Constitutional Authorization Remaining
<b>General Obligation Bonds</b>					
General Purpose (4)	ARTICLE XIS EC 7		\$50,000		\$50,000
Transportation: State Highway	ARTICLE XIS EC 7	1.0000%	\$7,567,567,045	\$27,390,000	\$7,540,077,045
Veterans' Welfare (5)	ARTICLE XI-A	8.0000%	\$60,539,736,361	\$322,160,000	\$60,207,576,361
State Power Development	ARTICLE XI-D	1.5000%	\$11,351,200,568		\$11,351,200,568
Forest Rehabilitation	ARTICLE XI-E	0.1875%	\$1,418,900,071		\$1,418,900,071
Higher Education XI-F (5)	ARTICLE XI-F (1)	0.7500%	\$5,675,600,284	\$1,034,182,833	\$4,641,417,451
Community College	ARTICLE XI-G			\$229,300,000	
Higher Education XI-G (5)	ARTICLE XI-G	0.7500%	\$5,675,600,284	\$735,152,354	\$4,711,147,930
Pollution Control (6)	ARTICLE XI-H	1.0000%	\$7,567,467,045	\$23,660,000	\$7,543,807,045
	ARTICLE XI-I (2)				
Housing: Elderly & Disabled	and ORS 456.519	0.5000%	\$3,783,733,523	\$27,260,000	\$3,756,473,523
Alternate Energy Projects (6)	ARTICLE XI-J	0.5000%	\$3,783,733,523	\$107,956,000	\$3,675,768,523
Oregon School Bond Guarantee	ARTICLE XI-K	0.5000%	\$3,783,733,523		\$3,783,733,523
Oregon Opportunity Bonds (OHSU)(7)	ARTICLE XI-L	0.5000%	\$3,783,733,523	\$36,620,000	\$3,747,113,523
Seismic Rehab – Public Education Bldgs	ARTICLE XI-M	0.2000%	\$1,513,493,409	\$297,740,000	\$1,215,753,409
Seismic Rehab – Emergency Service Bldgs	ARTICLE XI-N	0.2000%	\$1,513,493,409	\$65,330,000	\$1,448,163,409
Pension Obligations (6)	ARTICLE XI-O	1.0000%	\$7,567,467,045	\$1,230,160,000	\$6,337,307,045
School District Capital Costs	ARTICLE XI-P	0.5000%	\$3,783,733,523	\$262,320,000	\$3,521,413,523
State Real or Personal Property	ARTICLE XI-Q	1.0000%	\$7,567,467,045	\$2,313,620,000	\$5,253,847,045
				<u>\$6,722,860,187</u>	
<b>Direct Revenue Bonds</b>					
Economic Development – Bond Bank	ORS 285B			\$57,320,000	
Lottery Bond Program(s)	ORS 286A.560-585			\$1,037,530,000	
Transportation Infrastructure Bank	ORS 367.030				
Transportation: Highway User Tax	ORS 367.620			\$2,442,070,000	
Housing: Single & Multi-Family Programs	ORS 456.645 and ORS 456.661			\$937,455,000	
				<u>\$4,474,375,000</u>	
<b>Appropriation Credits</b>					
Certificates of Participation	ORS 283 & 286A			\$95,670,000	
Oregon Appropriation Bonds	SB 856-2003 Legislature				
				<u>\$95,670,000</u>	

The State of Oregon Office of the Treasurer maintains debt information to assist in debt related matters. The data is based on information obtained from sources believed to be reliable; however, its accuracy cannot be guaranteed. The Office of the State Treasurer does not independently verify information received. The State of Oregon is not responsible for the accuracy, completeness or timeliness of the information obtained and the data presented and disclaims any liability for or obligation to bond owners or others concerning the accuracy, completeness or timeliness of the data and information presented.

{1} Percentages listed are of Real Market Value (RMV) of all taxable real property in the state.

{2} Based on the January 1, 2020, Real Market Value (RMV) of \$756,746,704,516. Authorization does not include inactive programs.

{3} Excludes refunded and defeased Bonds and Notes issued for less than 13 months.

{4} The State of Oregon may not incur indebtedness exceeding \$50,000 without a constitutional amendment approved by the voters.

{5} Outstanding Department of Veterans' Affairs and State Board of Higher Education general obligation debt reflect the proceeds amount of original issue discounted and deferred interest bonds.

{6} The amount of General Fund debt service support will vary over time depending on the amortization and budgeted allocation of debt service on each bond. Department of Environmental Quality (DEQ) Pollution Control (Article XIH) debt is reported as 54% General Fund supported and 46% self-supporting. ORS 468.195 limits the amount of DEQ debt outstanding at anyone time to \$260 million. Alternate General Fund Supported, 64% are paid from non-General Fund Sources. COP (ORS 283 & 286A) obligations are reported at 100% General Fund supported. State Realtor Personal Property (Article XI-Q) debt is reported as 93% General Fund supported and 6% self-supporting.

{7} Oregon Opportunity Bonds (OHSU) were authorized to finance capital costs of Oregon Health and Science University in an aggregate principal amount that produces net proceeds in an amount that does not exceed \$200 million. Authorized debt may not exceed 1/2 of 1 percent RMV of all taxable real property in the State.