

**SB 5701 A BUDGET REPORT and MEASURE SUMMARY**

**Carrier:** Sen. Steiner Hayward

**Joint Committee On Ways and Means**

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**Action Date:** 02/28/22

**Action:** Do pass with amendments. (Printed A-Eng.)

**Senate Vote**

**Yeas:** 8 - Anderson, Frederick, Golden, Gorsek, Hansell, Knopp, Lieber, Steiner Hayward

**Nays:** 3 - Girod, Taylor, Thomsen

**House Vote**

**Yeas:** 9 - Breese-Iverson, Bynum, Evans, Gomberg, McLain, Nosse, Sanchez, Smith G, Valderrama

**Nays:** 2 - Reschke, Stark

**Prepared By:** Jean Gabriel, Department of Administrative Services

**Reviewed By:** Walt Campbell, Legislative Fiscal Office

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**Various Agencies**

**2021-23**

**Summary of Changes in Bonding Authority**

<b>Program Designation</b>	<b>2021-23 Legislatively Adopted Budget</b>	<b>2021-23 Legislatively Approved Budget</b>	<b>2022 Session Legislative Adjustments</b>
<b>GENERAL OBLIGATION BONDS</b>			
<b>General Fund Obligations</b>			
Department of Administrative Services (Art. XI-Q)	\$ 1,254,710,436	\$ 1,308,770,436	\$ 54,060,000
<b>Dedicated Fund Obligations</b>			
Department of Administrative Services (Art. XI-Q)	\$ 224,634,564	\$ 326,644,564	\$ 102,010,000
<b>REVENUE BONDS</b>			
<b>Direct Revenue Bonds</b>			
Department of Administrative Services Lottery Revenue Bonds	\$ 492,440,000	\$ 515,510,000	\$ 23,070,000

**Summary of Capital Construction Subcommittee Action**

SB 5701 increases bond authorizations for the 2021-23 biennium and makes changes to previously approved bonds authorizations. This bill also updates the allocation of the federal tax-exempt private activity bond volume cap allowed under the Internal Revenue Code of 1986, as amended, to certain state agencies and the Private Activity Bond Committee established in ORS 286A.615.

**General Fund Obligations**

1. The Subcommittee approved General Fund supported Article XI-Q general obligation bond authority of \$54,060,000 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 Revenue, Electronic Valuation Information System: decreased previously approved Article XI-Q bonds by \$435,000, including \$400,000 project costs and \$35,000 for costs of issuing the bonds. A corresponding General Fund appropriation is approved in HB 5202 in lieu of issuing general fund supported bonds for project costs that are not eligible to be issued as tax-exempt. A total of \$3,810,000 Article XI-Q bond authority to finance \$3,757,000 of project costs and \$53,000 for costs of issuing bonds remains for the 2021-23 biennium.
- Oregon Judicial Department, Crook County Courthouse: approved an additional \$4,445,000 Article XI-Q bonds to finance \$4,416,705 of project costs and \$28,295 for costs of issuing the bonds. The authorization results in total 2021-23 Article XI-Q bond authority of \$16,330,000, including \$16,116,705 project costs and \$213,295 for costs of issuing the bonds, for the construction of a new facility to replace the Crook County Courthouse. Proceeds will be deposited in the OCCCIF to support state matching funds for the project.
- Oregon Military Department, Resiliency Grant Fund: decreased previously approved Article XI-Q bonds by \$5,105,000, including \$5,000,000 project costs and \$105,000 for costs of issuing the bonds. The Resiliency Grant Fund will be transferred to the new Oregon Department of Emergency Management once it is operative on July 1, 2022. Authorization for Article XI-Q bonds anticipated to be issued after July 1, 2022 is removed from the Oregon Military Department and established for the Oregon Department of Emergency Management.
- Oregon Department of Emergency Management, Resiliency Grant Fund: approved \$5,105,000 Article XI-Q bonds to finance \$5,000,000 of project costs and \$105,000 for costs of issuing the bonds. The bond proceeds will be used to purchase emergency preparedness equipment, which will be owned by the Oregon Department of Emergency Management and distributed to local governments and other federal tax exempt qualified recipients through the State Preparedness and Incident Response Equipment Grant (SPIRE) program. A maximum of \$1,000,000 may be spent on urban search and rescue preparedness equipment.
- Legislative Administration Committee, Capitol Accessibility, Maintenance, and Safety Phase III (CAMS III): approved \$19,865,000 Article XI-Q bonds to finance \$19,630,000 of project costs and \$235,000 for costs of issuing the bonds. The project is for capital improvements to the State Capitol Building, including upgrades to the 1938 building for improved functionality, fire protection systems, seismic retrofits, roof repairs, security upgrades, IT and media modernization, and upgrades to remaining mechanical, electrical, and plumbing equipment not addressed in Phases I and II.

## Dedicated Fund Obligations

2. The Subcommittee approved Article XI-Q general obligation bond authority of \$102,010,000 to finance all or a portion of the following projects:
  - Department of Administrative Services, North Valley Complex Infrastructure Upgrades/Tenant Improvements: approved an additional \$13,195,000 Article XI-Q bonds to finance \$13,000,000 of project costs and \$195,000 for costs of issuing the bonds. The authorization results in total 2021-23 Article XI-Q bond authority of \$74,015,000, including \$73,000,000 project costs and \$1,015,000 for costs of issuing the bonds, to renovate the North Valley Complex in Wilsonville and make tenant improvements and related site improvements to ready the building for use by multiple agencies. Additional bond authority is primarily provided to accommodate increased project costs resulting from inflation on materials and labor in the construction industry. Debt service on the bonds will be paid using agency resources (Other Funds).
  - Department of Justice, Legal Tools Replacement Project 3.0: approved \$5,105,000 Article XI-Q bonds to finance \$5,000,000 of project costs and \$105,000 for costs of issuing the bonds. The project is to procure and implement a legal software solution to optimize the technical and business capabilities of the DOJ legal divisions. Debt service on the bonds will be paid using agency resources (Other Funds).
  - Oregon Liquor Control Commission, Liquor Warehouse Conveyor System: approved an additional \$5,030,000 Article XI-Q bonds to finance \$5,000,000 of project costs and \$30,000 for costs of issuing the bonds. The authorization results in total 2021-23 Article XI-Q bond authority of \$15,205,000, including \$15,000,000 project costs and \$205,000 for costs of issuing the bonds, to acquire and install a new conveyor and order fulfillment system for use in the agency's new warehouse. Debt service on the bonds will be paid using agency resources (Other Funds).
  - Oregon Liquor Control Commission, Liquor Warehouse Land and Building: approved an additional \$78,710,000 Article XI-Q bonds to finance \$77,917,783 of project costs and \$792,217 for costs of issuing the bonds. The authorization results in total 2021-23 Article XI-Q bond authority of \$131,880,000, including \$130,455,048 project costs and \$1,424,952 for costs of issuing the bonds, for the purchase of land and the design and construction of a new warehouse and headquarters for agency operations. Additional bond authority is primarily provided to accommodate significant increases in the cost of commercial real estate and construction materials and labor. Debt service on the bonds will be paid using agency resources (Other Funds).

- Oregon Liquor Control Commission, Liquor Warehouse Management IT System: decreased previously approved Article XI-Q bonds by \$30,000 for reduced costs of issuance, due to the delay of a portion of the bond issuance to later in the biennium. A total of \$27,360,000 Article XI-Q bond authority to finance \$27,000,000 of project costs and \$360,000 costs of issuing the bonds remains for the acquisition and implementation of an information technology system to replace legacy systems for warehouse management, licensing, and enforcement. Debt service on the bonds will be paid using agency resources (Other Funds).

### Revenue Bonds

3. The Subcommittee increased the Department of Administrative Services' lottery revenue bond limit by \$23,070,000, from \$492,440,000 to \$515,510,000. Lottery revenue bond authority increased to finance the following projects:
  - Department of Administrative Services, McKenzie River Discovery Center: approved \$3,305,000 lottery revenue bonds to finance \$3,000,000 of project costs and \$305,000 for costs of issuing the bonds and debt service reserves. Lottery bond proceeds will be distributed to McKenzie River Discovery Center to construct a central exhibition structure and undertake site improvements at the site of the Historic Old Leaburg Fish Hatchery.
  - Department of Administrative Services, North Portland Aquatic Center: approved \$16,460,000 lottery revenue bonds to finance \$15,000,000 of project costs and \$1,460,000 for costs of issuing the bonds and debt service reserves. Lottery bond proceeds will be distributed to the City of Portland Parks and Recreation for the construction of a new aquatic center in North Portland.
  - Department of Administrative Services, City of Milton-Freewater Police and Dispatch Station: approved \$3,305,000 lottery revenue bonds to finance \$3,000,000 of project costs and \$305,000 for costs of issuing the bonds and debt service reserves. Lottery bond proceeds will be distributed to the City of Milton-Freewater to construct a new police and dispatch station.

### Other Legislative Changes

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

- Portland State University, Gateway Center Reuse and Extension: approved modifying the scope of the Gateway Center Reuse and Extension project authorized in SB 5505 (2021) to allow redevelopment of a vacant property for the new School of Art and Design. Article XI-Q, XI-G, and XI-F(1) general obligation bond authority of \$45,585,000, \$5,105,000, and \$18,300,000, respectively, was originally approved to renovate the existing Art Building and construct an addition on an adjacent lot. Rather than renovation of an

existing building, the project will include building, furnishing, and equipping a new space for the School of Art and Design on a vacant property closer to the university core. The project still includes the relocation of the Center for Student Health and Counseling and academic programs from currently leased space, as well as the addition of laboratory spaces, improved and expanded spaces for classrooms, student study and collaboration, student mentoring and advising, and exhibition spaces. The approved amount includes \$68,000,000 for project costs and \$990,000 for costs of issuing bonds.

- Southern Oregon University, Central Hall Capital Improvements: approved reducing the scope of the Central Hall Capital Improvement project authorized in SB 5505 (2017) to the phase I components due to updated cost estimates and escalation. Article XI-Q bonds in the amount of \$6,125,000 were originally approved to replace the HVAC and electrical systems, upgrade the fire alarm system to meet current code requirements, address exterior concrete façade water penetration, and complete ADA accessibility improvements. Phase I of the project will complete the ground (second) floor of the facility, with the first and third floors deferred to a future phase. The approved amount includes \$6,000,000 for project costs and \$125,000 for costs of issuing bonds.
- University of Oregon, Heritage Buildings Renovation (University and Villard Halls): approved modifying the name and description of the Heritage Building Renovation project authorized in SB 5505 (2021) to allow the renovation of University Hall and Villard Hall. The original Article XI-Q and XI-G general obligation bond authority of \$53,285,000 and \$5,960,000, respectively, was approved to renovate the Heritage Building. However, the project is to renovate University and Villard Halls, which are one National Historic Landmark site, including classroom, faculty offices and the theatrical performance hall. The renovation will update and modernize classrooms and workstations, as well as address deferred maintenance, safety issues, and building and site code violations. The approved amount includes \$58,500,000 for project costs and \$745,000 for costs of issuing bonds.

The scope of the Salem Y Veterans Housing project approved in SB 5534 (2021) to be financed with \$6 million in net lottery bond proceeds was also expanded to allow the acquisition of land for veterans' affordable housing.

#### **Higher Education Coordinating Commission - Public Universities**

The Subcommittee approved one new capital project for public universities to finance total project costs of \$30,000,000. The project is included in the budget for the Higher Education Coordinating Commission (HECC). The proceeds of Article XI-Q general obligation 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.

#### **All Public Universities**

The Subcommittee approved the following project for the seven public universities, to be allocated to individual universities by HECC:

- Capital Improvement and Renewal: approved an additional \$30,185,000 Article XI-Q bonds to finance \$30,000,000 of project costs and \$185,000 for costs of issuing the bonds. The authorization results in total 2021-23 Article XI-Q bond authority of \$110,995,000, including \$110,000,000 project costs and \$995,000 for costs of issuing the bonds to address deferred maintenance, code compliance, safety issues, and Americans with Disabilities Act (ADA) accessibility improvements for campus facilities. Additional bond authority is primarily provided to accommodate increased costs resulting from inflation on materials and labor in the construction industry and may be used to support capital projects previously approved to be financed with state-supported general obligation bonds.

**Private Activity Bond Allocation for Calendar Years 2022 and 2023**

	2019-21 Legislatively Approved Budget		2021-23 Committee Recommendations 2022 Session	
	2020 Calendar Year	2021 Calendar Year	2022 Calendar Year	2023 Calendar Year
Allocation For:				
Oregon Business Development Department, Industrial Development Bonds	\$ 40,000,000	\$ 40,000,000	\$ 40,000,000	\$ 40,000,000
Oregon Business Development Department, Beginning and Expanding Farmer Loan Program	\$ 2,500,000	\$ 2,500,000	\$ 1,000,000	\$ 1,000,000
Oregon Housing & Community Services Department	\$ 250,000,000	\$ 250,000,000	\$ 250,000,000	\$ 250,000,000
Private Activity Bond Committee	\$ 147,524,865	\$ 147,524,865	\$ 176,077,050	\$ 176,077,050
<b>Totals</b>	<b>\$ 440,024,865</b>	<b>\$ 440,024,865</b>	<b>\$ 467,077,050</b>	<b>\$ 467,077,050</b>