



Oregon

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MEMORANDUM

To: Co-Chair Fred Girod
Co-Chair Paul Holvey
Joint Ways and Means
Capital Construction Subcommittee

From: Renee A. Klein, Budget and Policy Manager
Rhonda Nelson, Interim Capital Finance Manager
Chief Financial Office
Department of Administrative Services

Date: March 28, 2023

Subject: Response to Questions from March 24, 2023 Meeting

Co-Chair Girod, Co-Chair Holvey, and members of the Committee,

Thank you for your time on Friday, March 24, 2023 to review the 2023-25 Governor's Recommended Budget bonding authorizations. During the meeting there were several questions that required more detailed information or information from other agencies to provide an accurate response. The Department of Administrative Services (DAS) has worked with the Oregon Business Development Department (OBDD) and the Oregon Department of Education (ODE) to assist in responding to these questions, responses are below.

Oregon Business Development Department's Seismic Grant Programs (XI-M & XI-N)

Does the OBDD allow funds for this program to be used or combined with other funding sources to allow recipients to perform other improvement projects while rehabilitation is occurring, such as energy savings projects or solar projects?

The seismic bond proceeds can only cover the cost of direct seismic related retrofit activities per the Oregon Constitution. If a recipient has a mix of eligible and ineligible uses, the entity may choose to perform project work outside the scope of the program but must pay for the ineligible portion of the project. Recipients of seismic grant bond funds often do other improvement projects while the seismic rehabilitation is occurring. If this occurs the bond proceeds are required to be tracked separately and cannot be used for improvements outside the scope of the seismic rehabilitation.

Oregon Business Development Department’s Beginning and Expanding Farmer Loan Program (Pass-Through Revenue Bonds and Private Activity Bonds)

How many loans does the OBDD Beginning and Expanding Farmer Loan program fund? How much of the expected needs does the authorized funding for this program cover, what is the anticipated utilization and are there other revenue sources for this program?

These bonds can be used for the purchase of farmland or costs of depreciable farm property. Since inception of the program there have only been two applications, both of which were approved with bonds issued totaling \$500,000 (about \$250,000 each). Per federal law the program must limit the size of loans to \$520,000. There are a few inquiries about the program each year, but OBDD rarely receives an application due to limited size and the borrows ability to attract a lender for their project (OBDD issues the bonds but they are funded by private lenders like banks).

Oregon Department of Education Broadband Connecting Oregon’s Schools Grants (Lottery Revenue Bonds)

What schools receive funding from the Broadband Connecting Oregon’s Schools Grants program?

Background:

The connecting Oregon Schools Fund (COSF) grants run alongside the federal E-Rate funding program. The federal program subsidizes up to 80% of broadband infrastructure construction costs and will provide a dollar for dollar match up to 10% for any state funding awarded to an E-Rate applicant.

In 2018 the COSF Pilot program awarded five grants. The state contributed \$338,687 in state match funding, and the E-Rate program contributed \$5.6 million towards the infrastructure projects. Details are shown in the table below.

| Grantee Name | Total Project Cost | E-Rate Contribution (%) | E-Rate Contribution (\$) | State Funding (%) | GEER II State Funding (\$) | District Responsibility (%) | District Responsibility (\$) | 2018 ADM |
|----------------------------|--------------------|-------------------------|--------------------------|-------------------|----------------------------|-----------------------------|------------------------------|----------|
| Dufur School District | \$ 438,426.00 | 87% | \$ 381,430.32 | 5% | \$ 21,921.00 | 8% | \$35,074.68 | 308 |
| Elgin School District | \$ 808,981.00 | 95% | \$ 768,531.95 | 5% | \$ 40,449.00 | 0% | \$0.00 | 397 |
| Huntington School District | \$ 3,300,000.00 | 95% | \$ 3,135,000.00 | 5% | \$ 165,000.00 | 0% | \$0.00 | 92 |
| Imbler School District | \$ 45,000.00 | 80% | \$ 36,000.00 | 10% | \$ 4,500.00 | 10% | \$4,500.00 | 310 |
| South Lane School District | \$ 1,427,500.00 | 90% | \$ 1,283,179.75 | 7% | \$ 106,817.00 | 3% | \$37,503.25 | 2,797 |
| Total | \$ 6,019,907.00 | | \$ 5,604,142.02 | | \$ 338,687.00 | | \$77,077.93 | |

In 2021 there were ten applicants with federal E-Rate construction approval, however COSF did not have funding at the time. The Governor’s Emergency Education Relief (GEER II) program provided grants like the COSF grants called Broadband Initiative grants. In contrast to the COSF grants, the Broadband Initiative Grants provided full gap funding, such that all costs not covered by the federal E-Rate program were paid for. The federal program awarded \$25.8 million, and the state covered the remaining the project costs of nearly \$6 million. The table below details the broadband initiative grants as part of the GEER II program.

| Grantee Name | Total Project Cost | E-Rate Contribution (%) | E-Rate Contribution (\$) | State Funding (%) | GEER II State Funding (\$) | District Responsibility (%) | District Responsibility (\$) | 2022 ADM |
|----------------------------------|--------------------|-------------------------|--------------------------|-------------------|----------------------------|-----------------------------|------------------------------|----------|
| Adrian SD 61 | \$ 1,156,254.00 | 80% | \$ 925,003.20 | 20% | \$ 231,250.80 | 0% | \$0.00 | 283 |
| Annex SD 29 | \$ 1,768,140.00 | 90% | \$ 1,591,326.00 | 10% | \$ 176,814.00 | 0% | \$0.00 | 107 |
| Harney County SD 4 (Crane) | \$ 4,179,800.00 | 80% | \$ 3,343,840.00 | 20% | \$ 835,960.00 | 0% | \$0.00 | 165 |
| Helix SD 1 | \$ 777,400.00 | 60% | \$ 466,440.00 | 40% | \$ 310,960.00 | 0% | \$0.00 | 159 |
| Huntington SD 16J | \$ 4,904,044.00 | 90% | \$ 4,413,639.60 | 10% | \$ 490,404.40 | 0% | \$0.00 | 93 |
| Luckiamute Valley Charter School | \$ 1,135,000.00 | 80% | \$ 908,000.00 | 20% | \$ 227,000.00 | 0% | \$0.00 | 228 |
| Mitchell SD 55 (Mitchell School) | \$ 8,883,117.00 | 70% | \$ 6,218,181.90 | 30% | \$ 2,664,935.10 | 0% | \$0.00 | 44 |
| Region 18 ESD (Imnaha) | \$ 750,000.00 | 73% | \$ 547,500.00 | 27% | \$ 202,500.00 | 0% | \$0.00 | 6 |
| Ukiah SD 80R | \$ 7,394,000.00 | 90% | \$ 6,654,600.00 | 10% | \$ 739,400.00 | 0% | \$0.00 | 23 |
| Vale SD 84 | \$ 851,893.00 | 90% | \$ 766,703.70 | 10% | \$ 85,189.30 | 0% | \$0.00 | 914 |
| Total | \$ 31,799,648.00 | | \$ 25,835,234.40 | | \$ 5,964,413.60 | | | |

Funding Plan Going Forward:

COSF grant awards will be prioritized based on each applicant’s poverty level, rural/remote location, and broadband connection per OAR 581-028-0015.

In addition to providing state match funding to ensure the maximum federal contribution is made towards these infrastructure projects, COSF will also be including additional gap funding and E-Rate consulting costs. Additional gap funding will be calculated following the same prioritization list established in OAR 581-028-0015 for COSF and E-Rate consulting costs will be covered for applicants that do not have an E-Rate consultant available to them at no cost through their education service district.

As ODE has been preparing for the 2021-23 bond sale, a potential barrier was discovered for our schools with the greatest need in pursuing the Connecting Oregon Schools Funding. Even with the 10% match from the state COSF and the additional 10% from the federal e-rate program, there are schools that will not be able to complete these projects because there will still be a gap. Knowing this is a barrier to the remaining schools, we are including those costs moving forward to accomplish the intended purpose of the Connecting Oregon Schools Fund to provide broadband access to eligible E-Rate school applicants.

Grant Funding Timelines for 2021-23 and 2023-25

2023 Spring Bond Sale will include \$17.5 million in Lottery Bond proceeds for the program, this will provide:

- 2024 E-Rate Funding Year (Oct 2023 – June 2026) - \$8.75 million for COSF Grants
- 2025 E-Rate Funding Year (Oct 2024 – June 2027) - \$8.75 million for COSF Grants

2023-25 Governor’s Budget includes a \$15 million recommended allocation for the program. If approved this would provide the following:

- 2026 E-Rate Funding Year (Oct 2025 – June 2028) - \$7.5 million in COSF Grants
- 2027 E-Rate Funding Year (October 2026 – June 2029) - \$7.5 million in COSF Grant

Oregon Department of Education School District Capital Improvements Grants (XI-P)
What schools receive funding from the School District Capital Improvements Grants program?

Background:

The Oregon School Capital Improvement Matching (OSCIM) Program provides matching grants to districts that pass a local general obligation bond. The goal of the program is to encourage local communities to invest in their district’s public schools. Commitments are made to districts ahead of the election so districts can inform their communities of the potential for additional funds from the state if the local bond passes.

Before submitting an application for the OSCIM Program, districts must also submit a Facilities Assessment and Long-Range Facility Plan. Grant funding for completing these documents is available through the Technical Assistance Program (TAP).

Districts are awarded grants based on their position on the [Priority List or First in Time List](#). The matching grants are up to \$4 million for most districts and some districts may receive up to \$8 million in matching grants. The amount of matching funds a district is awarded is calculated using the [Funding Formula](#).

The lists below include the OSCIM Program pre-election commitment results for May 2023. These districts will receive OSCIM Program grants if their local bond measures pass during the upcoming May election.

OSCIM Program Priority List Recipients and Waiting List:

| District Name | Local Bond Amount | Priority Rank | OSCIM Grant |
|-------------------------------------|-------------------|---------------|-------------|
| Sheridan SD 48J | \$16,000,000 | 38 | \$4,000,000 |
| Cove SD 15 | \$4,000,000 | 48 | \$4,000,000 |
| Gervais SD 1 | \$28,802,343 | 53 | \$4,000,000 |
| Mt Angel SD 91 | \$8,000,000 | 66 | \$4,000,000 |
| North Wasco County SD 21 | \$170,000,000 | 86 | \$4,000,000 |
| Creswell SD 40 | \$16,700,000 | 90 | \$4,000,000 |
| Rogue River SD 35 | \$4,000,000 | 126 | \$4,000,000 |
| Douglas County SD 4 (Roseburg SD 4) | \$85,000,000 | 132 | \$3,101,650 |

OSCIM Program First in Time List Recipients and Waiting List:

| District Name | Local Bond Amount | Priority Rank | OSCIM Grant |
|-------------------------------------|-------------------|---------------|-------------|
| St Helens SD 502 | \$4,000,000 | 140 | \$4,000,000 |
| Rainier SD 13 | \$49,500,000 | 142 | \$4,000,000 |
| Colton SD 53 | \$8,000,000 | 159 | \$4,000,000 |
| Central Curry SD 1 | \$15,000,000 | 188 | \$4,000,000 |
| Black Butte SD 41 | \$2,000,000 | 192 | \$2,000,000 |
| Douglas County SD 4 (Roseburg SD 4) | \$85,000,000 | 132 | \$2,734,433 |

The website for the program also includes information on when past grantees are next eligible to apply for future funds and OSCIM Program awards for districts by election date for previous

years ([Oregon Department of Education : Oregon School Capital Improvement Matching \(OSCIM\) Program : Grants and Funding Resources : State of Oregon](#)).

Higher Education Institutions and Community Colleges Match Grants (XI-G)

What Community Colleges requested funding under the program, what was a new request, a reauthorization, and what was recommended for approval in the Governor’s Budget?

This bonding program allows the state to issue general obligation bonds that are used as grants to acquire, construct, improve, repair, and furnish buildings, structures, and land for the benefit of higher education institutions and community colleges. Prior to issuance the recipient of the grant must certify that matching funds are available for the project.

The table below shows all requests received under the program as part of the Agency Request Budget process, as well as whether it was a new request or reauthorization, and if it was included in the Governor’s Budget.

| Request Type | In GRB | Community College-Project | Project Cost |
|-----------------|--------|---|--------------|
| New | No | CGCC - Campus Renovation | 5,500,000 |
| New | No | LCC - Science Building Renovations | 8,000,000 |
| New | No | PCC - Rockcreek Building Replacement | 8,000,000 |
| New | No | SWOCC - Student Success | 8,000,000 |
| New | No | UCC - Welcome Center & Medical Careers Training Hub | 8,000,000 |
| Reauthorization | No | Clatsop CC - Maritime Science Building | 7,996,994 |
| Reauthorization | No | Oregon Coast CC - Workforce Education & Resiliency Center | 8,000,000 |
| Reauthorization | No | Central Oregon CC - Classroom Building Redmond Campus | 8,000,000 |
| Reauthorization | Yes | Chemeketa CC - Building 7 Remodel | 8,000,000 |
| Reauthorization | Yes | Rogue CC - Transportation Technology Center | 7,000,000 |
| Reauthorization | Yes | Klamath CC - Childcare Resource Learning Center | 1,500,000 |