

Enrolled
House Bill 2275

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CHAPTER

AN ACT

Relating to lottery bonds; creating new provisions; amending ORS 285B.551, 565.103, 777.279, 777.282, 777.284, 777.289 and section 8, chapter 702, Oregon Laws 1999; appropriating money; and declaring an emergency.

Be It Enacted by the People of the State of Oregon:

SECTION 1. ORS 285B.551 is amended to read:

285B.551. (1) Pursuant to ORS 286.560 to 286.580 [and 348.716], lottery bonds may be issued:

(a) To provide financial and other assistance, including but not limited to loans and grants, to municipalities, ports and other persons and entities in accordance with the laws governing use of moneys in the Special Public Works Fund created by ORS 285B.455, the Water Fund created by ORS 285B.563, the Safe Drinking Water Revolving Loan Fund created by ORS 285A.213, the Oregon Port Revolving Fund created by ORS 285A.708, the Brownfields Redevelopment Loan Fund created by ORS 285A.188 and the Marine Navigation Improvement Fund created by ORS 777.267.

(b) To fund Oregon's share of the costs of the Columbia River channel deepening project.

(c) To fund Oregon's share of the costs of studies and ecosystem restoration projects in the lower Columbia River estuary designed to improve habitat for listed endangered or threatened species of Columbia River anadromous salmonids.

(2) The use of lottery bond proceeds is authorized based on the following findings:

(a) The financial and other assistance to municipalities, ports and other persons and entities will assist in the construction, improvement and expansion of infrastructure, community and port facilities and other facilities that comprise the physical foundation for industrial and commercial activity and provide the basic framework for continued and expanded economic opportunities and quality communities throughout Oregon.

(b) The Columbia River channel deepening project is necessary to allow newer, larger steamships access to Oregon and Washington deep draft ports. A deeper shipping channel will allow the Columbia River to continue as a world leader in agricultural exports and as a key trade corridor for farms and businesses throughout Oregon and the region.

(c) Such financial and other assistance to municipalities, ports and other persons and entities and the deepening of the Columbia River channel will therefore promote economic development within this state, and thus the use of net proceeds derived from the operation of the Oregon State Lottery to pay debt service on lottery bonds issued under this section to provide such financial and other assistance to municipalities, ports and other persons and entities and to pay a portion of the costs of deepening the Columbia River channel is an authorized use of state lottery funds under section 4, Article XV of the Oregon Constitution, and ORS 461.510.

(d) The current lower Columbia River estuary habitat for listed endangered or threatened species of Columbia River anadromous salmonids could be improved through ecosystem restoration projects. The use of the Oregon State Lottery to pay debt service on lottery bonds issued under this section to pay for studying how the estuary could be improved and to pay for ecosystem restoration projects are authorized uses of state lottery funds.

(3) The aggregate principal amount of lottery bonds issued pursuant to subsection (1)(a) of this section for financial and other assistance to municipalities, ports and other persons and entities *[shall]* **may** not exceed the sum of *[\$45 million]* **\$177 million** and an additional amount estimated by the State Treasurer to be necessary to pay bond-related costs. The aggregate principal amount of lottery bonds issued pursuant to subsection (1)(b) of this section for the Columbia River channel deepening project *[shall]* **may** not exceed the sum of \$17.7 million and an additional amount estimated by the State Treasurer to be necessary to pay bond-related costs. Lottery bonds issued pursuant to this section shall be issued only at the request of the Director of the Economic and Community Development Department. The director *[shall]* **may** not request the issuance of lottery bonds pursuant to subsection (1)(b) of this section until a final environmental impact statement has been issued and a record of decisions has been submitted to Congress by the United States Army Corps of Engineers, Congress has authorized the Columbia River channel deepening project, and the Washington sponsors' shares of the costs of the Columbia River channel deepening project have been committed.

(4) The net proceeds of lottery bonds issued pursuant to **subsection (1)(a) and (b)** of this section shall be deposited in the Economic Infrastructure Project Fund, which is hereby established in the State Treasury separate and distinct from the General Fund. All moneys in the Economic Infrastructure Project Fund are continuously appropriated to the Economic and Community Development Department for any purpose for which moneys in the Special Public Works Fund created by ORS 285B.455 may be used, any purpose for which moneys in the Water Fund created by ORS 285B.563 may be used, any purpose for which moneys in the Safe Drinking Water Revolving Loan Fund created by ORS 285A.213 may be used, any purpose for which moneys in the Oregon Port Revolving Fund created by ORS 285A.708 may be used, any purpose for which moneys in the Brownfields Redevelopment Loan Fund created by ORS 285A.188 may be used and any purpose for which moneys in the Marine Navigation Improvement Fund created by ORS 777.267 may be used. The Director of the Economic and Community Development Department shall allocate the moneys deposited in the Economic Infrastructure Project Fund for the purposes described in this subsection in accordance with the policies developed by the Oregon Economic and Community Development Commission in accordance with ORS 285A.045. However, the director shall transfer from the Economic Infrastructure Project Fund *[to]* **and deposit into the Channel Deepening Account** of the Marine Navigation Improvement Fund the proceeds of any lottery bonds sold to finance a portion of the costs of the Columbia River channel deepening project. Upon determining the relative allocation of moneys deposited in the Economic Infrastructure Project Fund among the purposes described in this subsection, the director shall transfer from the Economic Infrastructure Project Fund, and deposit into each of the other funds described in this subsection, the amounts so allocated. Notwithstanding any other provision of law governing the funds described in this subsection, the funds described in this subsection may be credited with moneys transferred from the Economic Infrastructure Project Fund by the director in accordance with this subsection.

(5) The aggregate principal amount of lottery bonds issued pursuant to subsection (1)(c) of this section for the costs of studies and ecosystem restoration projects in the lower Columbia River estuary may not exceed the sum of \$750,000 and an additional amount estimated by the State Treasurer to be necessary to pay bond-related costs. The net proceeds of lottery bonds issued pursuant to subsection (1)(c) of this section shall be deposited in the Oregon Community Development Fund created by ORS 285A.227 and may be used only for the nonfederal cost share portion of United States Army Corps of Engineers Columbia River estuary projects authorized by Congress prior to the effective date of this 2001 Act. The director may not request the issuance of lottery bonds pursuant to subsection (1)(c) of this

section until Congress and Washington have authorized their respective shares of the costs of the studies and ecosystem restoration projects in the lower Columbia River estuary.

[(5)] **(6)** The proceeds of lottery bonds issued pursuant to this section *[shall]* **may** be used only for the purposes set forth in *[subsection (4)]* **subsections (4) and (5)** of this section and for bond-related costs.

SECTION 2. Section 8, chapter 702, Oregon Laws 1999, is amended to read:

Sec. 8. (1) The State Parks and Recreation Department shall pay amounts required for debt service **payable during the 1999-2001 biennium** on lottery bonds issued under section 4 *[of this 1999 Act]*, **chapter 702, Oregon Laws 1999**, from moneys allocated to the department from the Administrative Services Economic Development Fund.

(2) The Economic **and Community** Development Department shall pay amounts required for debt service on lottery bonds issued during the 1999-2001 biennium under *[sections 1, 2, 3 and 6 of this 1999 Act]* **ORS 285B.551 and sections 2 and 6, chapter 702, Oregon Laws 1999**, from moneys allocated to the department from the Administrative Services Economic Development Fund.

(3) The Economic and Community Development Department shall pay amounts required for debt service payable during the 2001-2003 biennium and all remaining debt service on lottery bonds issued during the 1999-2001 biennium and the 2001-2003 biennium under ORS 285B.551 and sections 2 and 6, chapter 702, Oregon Laws 1999, from moneys allocated to the Economic and Community Development Department from the Administrative Services Economic Development Fund.

(4) The Housing and Community Services Department shall pay amounts required for debt service payable during the 2001-2003 biennium and all remaining debt service on lottery bonds issued during the 1999-2001 biennium and the 2001-2003 biennium under ORS 458.720 from moneys allocated to the Housing and Community Services Department from the Administrative Services Economic Development Fund.

SECTION 3. (1) Pursuant to ORS 286.560 to 286.580, lottery bonds may be issued to provide loans and other financial assistance to public agencies, as defined in ORS 468.423, for waste water pollution control, reduction or abatement as described in ORS 468.429.

(2) The use of lottery bond proceeds is authorized upon the following findings:

(a) Financial assistance for public agency waste water pollution control, reduction or abatement activities will result in additional wastewater treatment capacity in Oregon.

(b) Wastewater treatment capacity comprises a portion of the physical foundation for industrial and commercial activities and provides a portion of the basic framework for continued and expanded economic opportunities throughout Oregon.

(c) Such financial assistance will therefore further economic development within this state, making the use of net proceeds derived from the operation of the Oregon State Lottery to pay debt service on lottery bonds issued under this section to provide financial assistance to public agencies for wastewater pollution control, reduction or abatement activities an authorized use of state lottery funds under section 4, Article XV of the Oregon Constitution, and ORS 461.510.

(3) The aggregate principal amount of lottery bonds issued pursuant to this section to provide financial assistance for public agency waste water pollution control, reduction or abatement activities shall not exceed \$8 million and an additional amount estimated by the State Treasurer to be necessary to pay bond-related costs. Lottery bonds authorized by this section shall be issued only at the request of the Director of the Department of Environmental Quality.

(4) The net proceeds of lottery bonds issued pursuant to this section shall be deposited in the Water Pollution Control Revolving Fund established by ORS 468.427.

(5) The proceeds of lottery bonds issued pursuant to this section shall be used only for the purposes set forth in subsection (1) of this section and for bond-related costs.

SECTION 4. Sections 5 to 7 of this 2001 Act are added to and made a part of ORS 777.277 to 777.289.

SECTION 5. Sections 5 to 7 of this 2001 Act and the amendments to ORS 777.282 by section 9 of this 2001 Act are intended to authorize the issuance of lottery bonds to provide funds to replace, as needed, the unobligated net lottery revenues otherwise required to be allocated and deposited during the 2001-2003 biennium under ORS 777.282 in the Channel Deepening Account for the purposes of the channel deepening project, thereby enabling the state to use those unobligated net lottery revenues for other purposes.

SECTION 6. (1) Pursuant to ORS 286.560 to 286.580, lottery bonds may be issued to pay a portion of the Oregon nonfederal share of the costs of the channel deepening project.

(2) The use of lottery bond proceeds is authorized upon the following findings:

(a) The Columbia River channel deepening project is necessary to allow newer, larger steamships access to Oregon and Washington deep draft ports. A deeper shipping channel will allow the Columbia River to continue as a world leader in agricultural exports and as a key trade corridor for farms and businesses throughout Oregon and the region.

(b) Financial assistance to the Oregon sponsors of the channel deepening project for the costs of the project will therefore promote economic development within this state, making the use of the net proceeds derived from the operation of the Oregon State Lottery to pay debt service on lottery bonds issued under this section to pay a portion of the costs of the channel deepening project an authorized use of state lottery funds under section 4, Article XV of the Oregon Constitution, and ORS 461.510.

(3) The aggregate principal amount of lottery bonds issued pursuant to subsection (1) of this section to pay a portion of the costs of the channel deepening project shall not exceed \$6.7 million plus an additional amount estimated by the State Treasurer to be necessary to pay bond-related costs. Lottery bonds shall be issued under this section only at the request of the Director of the Economic and Community Development Department.

(4) The net proceeds of lottery bonds issued pursuant to this section shall be deposited into the Channel Deepening Account and paid to the Port of Portland in accordance with the grant agreement.

(5) The net proceeds of the lottery bonds issued pursuant to this section shall be used only for the purposes set forth in this section and for bond-related costs.

SECTION 7. Lottery bonds authorized under section 6 of this 2001 Act may be issued only after:

(1) A final environmental impact statement on the channel deepening project has been issued and a record of decisions has been submitted to the United States Congress by the United States Army Corps of Engineers;

(2) The United States Congress has authorized the channel deepening project;

(3) The shares of costs of the channel deepening project of the Washington sponsors have been committed; and

(4) A project cooperation agreement with the appropriate federal agencies has been signed.

SECTION 8. ORS 777.279 is amended to read:

777.279. (1) The Legislative Assembly finds that:

(a) The deep draft navigation channel in the lower Columbia River is an asset of statewide importance that provides Oregon shippers with competitive access to world markets and that ranks as the second largest grain export system in the world with the single largest wheat export port in the United States at Portland;

(b) Waterborne commerce originating in Oregon in 1996 was valued at \$4.2 billion and, in order to sustain and increase the jobs and other economic benefits associated with maritime trade, the channel must be maintained at depths adequate to accommodate new generations of deeper draft cargo vessels;

(c) If Congress authorizes deepening of the channel to accommodate these larger vessels, it is in the best interests of the State of Oregon to ensure that funds are available to pay the Oregon share of channel deepening costs; and

(d) It is desirable to make a present commitment of lottery revenues that are expected to be received in the 1999-2001 [*and 2001-2003 biennia*] **biennium**. A clear and prompt financial commitment from the State of Oregon will allow the primary sponsor, in reliance on that commitment, to make prompt commitments to federal agencies to pay the Oregon nonfederal share. Prompt commitment by the primary sponsor will enhance the likelihood that federal funds will be received for the channel deepening project.

(2) The Legislative Assembly declares that the purpose of ORS 777.277 to 777.289 is to obligate the State of Oregon to pay the amounts specified in ORS 777.282 from future lottery revenues. The obligation of this state to pay the amounts specified in ORS 777.282 and in the grant agreement is limited to, and expressly conditioned on, the availability of unobligated net lottery proceeds and any other moneys lawfully credited to the Channel Deepening Account of the Marine Navigation Improvement Fund. Neither the faith and credit nor any of the taxing power of the State of Oregon are pledged or otherwise committed by ORS 285B.500 to 285B.515 and 777.277 to 777.289 and section 9, chapter 644, Oregon Laws 1997, and the commitments of the State of Oregon under ORS 285B.500 to 285B.515 and 777.277 to 777.289 and section 9, chapter 644, Oregon Laws 1997, and the grant agreement shall not constitute a debt or liability of the state within the meaning of section 7, Article XI of the Oregon Constitution.

(3) The Legislative Assembly further declares that it is the current intent of the Legislative Assembly, if the amount specified in ORS 777.282 is not sufficient to pay the Oregon share of the total cost of the channel deepening project, to provide future lottery revenues in an amount sufficient to pay the Oregon nonfederal share of the total cost, when determined, of the channel deepening project.

SECTION 9. ORS 777.282 is amended to read:

777.282. (1) The Channel Deepening Account is hereby created in the Marine Navigation Improvement Fund.

(2) Commencing with the fifth fiscal quarter of the 1999-2001 biennium and continuing each quarter through the end of the [*2001-2003*] **1999-2001** biennium, the state shall allocate and deposit in the Channel Deepening Account not less than \$833,334 each fiscal quarter [*until an amount has been deposited into that account which is equal to the lesser of the amount of Oregon nonfederal share as determined under the grant agreement or \$10 million*]. The deposits shall be made from the first available unobligated net lottery proceeds.

(3) Any earnings on amounts in the Channel Deepening Account shall be credited to the Channel Deepening Account. All moneys on deposit from time to time in the Channel Deepening Account, including investment earnings thereon, and all amounts required by this section to be deposited in the Channel Deepening Account, shall be allocated and are hereby appropriated continuously to the Economic and Community Development Department, and shall be transferred by the department to the primary sponsor pursuant to and upon the terms and conditions set forth in the grant agreement for costs of the channel deepening project.

SECTION 10. ORS 777.284 is amended to read:

777.284. (1) Within six months after July 25, 1997, the Director of the Economic and Community Development Department shall enter into a grant agreement with the primary sponsor that commits the state to make the deposits specified in ORS 777.282 and commits the Economic and Community Development Department to pay those deposits, plus earnings, to the primary sponsor as soon as funds are available in the Channel Deepening Account and are required by the primary sponsor for payment of the Oregon nonfederal share. Notwithstanding ORS 777.267 or any other provision of law, this commitment of this state and the department shall be conditioned solely on federal authorization of the channel deepening project under the federal Water Resources Development Act or a similar federal Act, signing of a project cooperation agreement with the appropriate federal agencies and receipt by this state of unobligated net lottery proceeds sufficient to make the deposits specified in ORS 777.282.

(2) The total amount paid to the primary sponsor pursuant to the grant agreement shall not exceed the lesser of the amount of the Oregon nonfederal share or \$10 million plus any interest earnings on the amounts in the Channel Deepening Account. The grant agreement shall:

- (a) Specify a method for determining the total amount of the Oregon nonfederal share;
- (b) Pledge the unobligated net lottery proceeds **required to be deposited in the channel deepening account pursuant to ORS 777.282 (2)** to pay the amounts due to the primary sponsor under the grant agreement;
- (c) Specify the administrative procedures for making payments to the primary sponsor;
- (d) Provide for notification to the director if the primary sponsor determines that it is unable to undertake the channel deepening project;
- (e) Allow assignment of the right to receive amounts payable under the grant agreement to third parties;
- (f) Obligate the primary sponsor to remit any unexpended grant funds and any earnings thereon to the State of Oregon after the channel deepening project is complete and all its costs have been paid; and
- (g) Contain such additional terms and conditions as the director considers necessary or appropriate to ensure that the moneys paid under the grant agreement are expended solely on the channel deepening project.

(3) The grant agreement, when executed by the director and accepted by the primary sponsor, shall be a valid, binding and irrevocable contractual obligation of the State of Oregon in accordance with its terms. However, amounts due under the grant agreement shall be payable solely from the unobligated net lottery proceeds required by ORS 777.282 to be deposited in the Channel Deepening Account.

(4) The primary sponsor may pledge the unobligated net lottery proceeds [*described in*] **required to be deposited in the channel deepening account pursuant to ORS 777.282 (2)** and assign its right to receive amounts due under the grant agreement as security for any contractual obligation the primary sponsor undertakes to pay or finance costs of the channel deepening project. Any pledge or assignment authorized by this subsection shall be valid and binding upon the primary sponsor, the department, the State of Oregon and all other persons from the date it is made. The unobligated net lottery proceeds so pledged shall be immediately subject to the lien of the pledge without physical delivery, filing or other act, and the lien of the pledge shall be superior to all other claims and liens of any kind whatsoever. Upon notice from the primary sponsor that it has pledged the unobligated net lottery proceeds or assigned the right to receive amounts due under the grant agreement, the department shall fully cooperate with the primary sponsor and the pledgee or assignee to give effect to the pledge or assignment, including but not limited to acknowledging in writing to the primary sponsor and the pledgee or assignee the existence and validity of the pledge or assignment and agreeing that amounts due under the grant agreement shall be paid to the pledgee or assignee or into the custodial accounts established for the benefit of the pledgee or assignee. However, a pledge or assignment shall not require the State of Oregon to pay any greater amounts than specified in the grant agreement.

(5) The grant agreement shall not contain provisions or be construed or enforced in any manner that would cause the grant agreement to constitute a debt or liability of the state that violates section 7, Article XI of the Oregon Constitution.

SECTION 11. ORS 777.289 is amended to read:

777.289. (1) The deposit of unobligated net lottery proceeds to the Channel Deepening Account **pursuant to ORS 777.282 (2)** shall cease if and when the Director of the Economic and Community Development Department certifies in writing that deposits are no longer required because:

- (a) Sufficient funds are on hand in the Channel Deepening Account to pay all amounts required to be paid under the grant agreement;
- (b) All amounts required to be paid under the grant agreement have been paid; [*or*]
- (c) The primary sponsor has notified the director pursuant to the grant agreement that the primary sponsor is unable to undertake the channel deepening project[.]; **or**

(d) All amounts required to be deposited in the Channel Deepening Account pursuant to ORS 777.282 (2) have been deposited.

(2) Upon receipt of the director's written certification pursuant to subsection (1) of this section, the State Treasurer shall thereafter credit any amounts remaining in the Channel Deepening Account that are not required to pay amounts due under the grant agreement and any lottery revenues that otherwise would have been deposited in the Channel Deepening Account under *[this section]* **ORS 777.282 (2)** to the Administrative Services Economic Development Fund. In addition, any unexpended grant funds and earnings which are remitted to the state under the grant agreement shall be credited to the Administrative Services Economic Development Fund.

SECTION 12. ORS 565.103 is amended to read:

565.103. (1) Pursuant to ORS 286.560 to 286.580 *[and 348.716]*, lottery bonds may be issued to fund projects for the improvement, restoration, upgrading and preservation of systems, facilities and equipment of the Oregon State Fair and Exposition Center.

(2) The use of lottery bond proceeds is authorized based on the following findings:

(a) The activities of the Oregon State Fair and Exposition Center promote Oregon's agricultural industry and its products;

(b) The promotion of agricultural products expands markets, which in turn creates jobs and stimulates economic development of the industry; and

(c) The annual Oregon State Fair draws patrons from throughout the region and creates jobs and substantial economic activity for the Salem and Keizer areas.

(3) The aggregate principal amount of lottery bonds issued pursuant to this section *[shall]* **may** not exceed the sum of *[\$10,167,661]* **\$20,167,661** and an additional amount estimated by the State Treasurer to be necessary to pay bond-related costs. Lottery bonds issued pursuant to this section shall be issued only at the request of the Director of the Oregon State Fair and Exposition Center.

(4) The net proceeds of lottery bonds issued pursuant to this section shall be deposited in the State Fair Capital Project Fund, which is hereby established in the State Treasury separate and distinct from the General Fund.

(5) The proceeds of lottery bonds issued pursuant to this section shall be used only for the purposes set forth in subsection (1) of this section and for bond-related costs.

SECTION 13. Sections 14 to 16 of this 2001 Act are added to and made a part of ORS 367.010 to 367.060.

SECTION 14. (1) Pursuant to ORS 286.560 to 286.580, lottery bonds may be issued to fund projects for the improvement, restoration, upgrading and preservation of systems, facilities and equipment of short line railroads.

(2) The use of lottery bond proceeds is authorized based on the following findings:

(a) A well developed system of short line railroads is critical to the economic growth and stability of Oregon;

(b) Traditional funding techniques such as grant programs are unable to keep pace with infrastructure investment in Oregon due to budgetary constraints on state government;

(c) Short line railroads serve the public good and would benefit from the provision of public assistance;

(d) New investment capital can be attracted to infrastructure projects that are capable of generating their own revenue stream through dedicated funding sources;

(e) A state credit program can complement existing funding sources by leveraging resources from nonstate sources;

(f) The state could mitigate the need to expand highways by encouraging the development and sustainability of a statewide system of short line railroads; and

(g) Newly established state credit programs are most effectively delivered when they augment and utilize the resources of previously established state credit programs.

(3) The aggregate principal amount of lottery bonds issued pursuant to this section may not exceed the sum of \$2 million and an additional amount established by the State Treasurer

to be necessary to pay bond-related costs. Lottery bonds issued pursuant to this section shall be issued only at the request of the Director of Transportation.

(4) The net proceeds of lottery bonds issued pursuant to this section shall be deposited in the Short Line Credit Premium Account established by section 16 of this 2001 Act.

(5) The proceeds of lottery bonds issued pursuant to this section may be used only for the purposes set forth in subsection (1) of this section and for bond-related costs.

SECTION 15. As used in this section and section 16 of this 2001 Act:

(1) "Credit premium" means the amount required to be paid to the United States Secretary of Transportation before disbursement of a federal loan under RRIFP.

(2) "RRIFP" means the Railroad Rehabilitation and Improvement Financing Program, 49 C.F.R. 260 et seq.

(3) "Short line railroad" means a class II or class III railroad as defined in 49 C.F.R. 1201.

SECTION 16. (1) The Short Line Credit Premium Account is established as an account in the Oregon Transportation Infrastructure Fund. Moneys in the Short Line Credit Premium Account are continuously appropriated to the Department of Transportation for the purpose of carrying out the provisions of this section.

(2) A short line railroad may apply to the Department of Transportation for infrastructure assistance in a manner determined by the department by rule.

(3) In evaluating applications for infrastructure assistance under this section, the department shall give priority to projects that:

(a) Enhance public safety;

(b) Enhance the environment;

(c) Appear creditworthy, providing financially secure sources of repayment to secure a federal credit instrument;

(d) Promote rural economic development;

(e) Reduce demand for expansion of highway capacity;

(f) Enable Oregon companies to be more competitive in regional, national and international markets;

(g) Preserve or enhance rail or intermodal service to small communities or rural areas; and

(h) Will be operated by a short line railroad with federal credit assistance under the RRIFP.

(4) If a short line railroad receives infrastructure assistance under this section for a project for which federal credit assistance was received under RRIFP, and if all or part of the credit premium is returned to the railroad by the federal government, the railroad shall remit to the department the amount of moneys returned to the railroad.

(5) All moneys remitted to the department under subsection (4) of this section shall be deposited by the department into the Short Line Credit Premium Account.

SECTION 17. The Department of Transportation shall report to the Seventy-second Legislative Assembly on the status of the short line railroad infrastructure assistance program developed under section 16 of this 2001 Act.

SECTION 18. As used in sections 18 to 22 of this 2001 Act:

(1) "Residual lottery revenues" means the unobligated net lottery proceeds as defined in ORS 286.560 that remain in each fiscal year after:

(a) Payment of debt service due in that fiscal year on all bonds secured by the revenues of the lottery, and issued on parity with lottery bonds outstanding on the effective date of this 2001 Act; and

(b) Payment of costs related to those lottery bonds.

(2) "South Metro Commuter Rail Project" or "project" means the acquisition, construction, installation and procurement of all components of an approximately 15-mile commuter rail line connecting Wilsonville, Tualatin, Tigard and Beaverton, or segments thereof.

SECTION 19. (1)(a) For the biennium beginning July 1, 2001, the State Treasurer is authorized to issue lottery bonds pursuant to ORS 286.560 to 286.580 in the amount of \$200,000 for payment of the expenses of the Department of Transportation in entering into and administering a grant agreement under section 21 (3) of this 2001 Act for the South Metro Commuter Rail Project, plus an additional amount to be estimated by the State Treasurer for payment of bond-related costs of the Oregon Department of Administrative Services, the Department of Transportation and the State Treasurer.

(b) For the biennium beginning July 1, 2001, the State Treasurer is authorized to issue lottery bonds pursuant to ORS 286.560 to 286.580 in the amount of \$20 million for payment of the expenses of Washington County for the South Metro Commuter Rail Project, plus an additional amount to be estimated by the State Treasurer for payment of bond-related costs of the Oregon Department of Administrative Services, the Department of Transportation and the State Treasurer.

(c) For the biennium beginning July 1, 2003, the State Treasurer is authorized to issue lottery bonds pursuant to ORS 286.560 to 286.580 in the amount of \$200,000 for payment of the expenses of the Department of Transportation in administering a grant agreement under section 21 (3) of this 2001 Act for the South Metro Commuter Rail Project, plus an additional amount to be estimated by the State Treasurer for payment of bond-related costs of the Oregon Department of Administrative Services, the Department of Transportation and the State Treasurer.

(d) For the biennium beginning July 1, 2003, the State Treasurer is authorized to issue lottery bonds pursuant to ORS 286.560 to 286.580 in the amount of \$15 million for payment of the expenses of Washington County for the South Metro Commuter Rail Project, plus an additional amount to be estimated by the State Treasurer for payment of bond-related costs of the Oregon Department of Administrative Services, the Department of Transportation and the State Treasurer.

(2) Lottery bonds issued under this section shall be issued at the request of the Director of Transportation.

(3)(a) Net proceeds of lottery bonds issued under subsection (1)(a) and (b) of this section, in the amount of \$20.2 million, shall be deposited in the South Metro Commuter Rail Project Fund established by section 21 of this 2001 Act not later than June 30, 2003.

(b) Net proceeds of lottery bonds issued under subsection (1)(c) and (d) of this section, in the amount of \$15.2 million, shall be deposited in the South Metro Commuter Rail Project Fund established by section 21 of this 2001 Act not later than June 30, 2004.

(4) The bond-related costs of the Oregon Department of Administrative Services, the Department of Transportation and the State Treasurer for the lottery bonds authorized by this section shall be paid from the gross proceeds of those lottery bonds and from allocations for the purposes of ORS 286.576 (1)(c).

SECTION 20. The Legislative Assembly finds that:

(1) The development, acquisition, construction and operation of the South Metro Commuter Rail Project will accomplish the purpose of creating jobs and furthering economic development in Oregon because:

(a) Construction and operation of the South Metro Commuter Rail will reduce traffic congestion on existing highways and roads, improving the attractiveness of the metropolitan area to new businesses and supporting the operations and prosperity of existing businesses;

(b) Construction and operation of the South Metro Commuter Rail will reduce the cost and time required for family wage earners to commute to work, permitting more of Oregon's work force to obtain jobs for which they are qualified; and

(c) Authorization for the issuance of lottery bonds for the South Metro Commuter Rail Project will increase the likelihood of federal funding for the project and add new revenues that will directly benefit Oregon's construction industry.

(2) The factors described in subsection (1) of this section will encourage and promote economic development within the State of Oregon, and issuance of lottery bonds to finance the South Metro Commuter Rail Project is therefore an appropriate use of state lottery funds under section 4, Article XV of the Oregon Constitution, and ORS 461.510.

SECTION 21. (1) The South Metro Commuter Rail Project Fund is established separate and distinct from the General Fund. The moneys in the South Metro Commuter Rail Project Fund and the interest earnings of the fund are continuously appropriated to the Department of Transportation for the purpose described in subsection (2) of this section. The fund shall consist of moneys deposited in the fund under section 19 of this 2001 Act and may include fees, moneys or other revenues available for payment of expenses of the South Metro Commuter Rail Project, including federal funds collected or received as reimbursement for expenses of the project from the United States Department of Transportation or the Federal Highway Administration under the Transportation Equity Act for the 21st Century (P.L. 105-178), or Miscellaneous Receipts.

(2) Subject to subsection (3) of this section, moneys in the fund shall be available for immediate distribution to Washington County to pay the expenses of the project.

(3)(a) The Director of Transportation shall enter into a grant agreement by February 28, 2002, with Washington County that requires the department to disburse, over the course of the project, an aggregate amount of \$35 million to Washington County from the fund. Disbursements from the fund shall be made as soon as deposits accrue in the fund and shall commence when:

(A) Moneys are available;

(B) Washington County has entered into one or more contracts for final design, construction or acquisition of components of the South Metro Commuter Rail Project and the contracts have an aggregate value of at least \$20 million; and

(C) The Director of Transportation determines that the following conditions have occurred:

(i) Washington County has provided documentation that it will have sufficient financing to complete the project; and

(ii) Washington County has agreed in the grant agreement authorized by this section that the county will not request or accept any state General Fund moneys for the project. Upon completion of the project, if the aggregate expenditure of state and local moneys is less than \$60 million, Washington County shall refund the difference to the fund established by this section.

(b) Upon satisfaction of the conditions described in paragraph (a) of this subsection, the Department of Transportation shall disburse \$20 million of the moneys in the fund to Washington County in the biennium beginning July 1, 2001.

(c) When moneys are available in the fund and Washington County certifies to the Department of Transportation that it has entered into one or more contracts for final design, construction or acquisition of components of the project that in the aggregate represent at least 58 percent of the project's costs, the department shall disburse \$15 million of the moneys in the fund to Washington County in the biennium beginning July 1, 2003.

(d)(A) Of the moneys deposited in the fund in the biennium beginning July 1, 2001, the Department of Transportation may use \$200,000 to pay the department's expenses in entering into and administering the grant agreement authorized by this section.

(B) Of the moneys deposited in the fund in the biennium beginning July 1, 2003, the Department of Transportation may use \$200,000 to pay the department's expenses in entering into and administering the grant agreement authorized by this subsection.

(4)(a) The state is not liable to the lenders, vendors or contractors of Washington County for any action or omission under sections 18 to 22 of this 2001 Act or the grant agreement authorized by this section, except for a failure to allocate and deposit to the fund amounts

required by section 19 of this 2001 Act or to disburse from the fund to Washington County amounts required by this section and the grant agreement authorized by this section.

(b) The grant agreement must:

(A) Obligate the department to deposit the net proceeds of lottery bonds described in section 19 of this 2001 Act or, if necessary, the amounts described in section 22 of this 2001 Act into the fund.

(B) Obligate Washington County to indemnify the state and its agencies and departments to the fullest extent permitted by law for any liability the state or its agencies and departments might incur in connection with any borrowing by Washington County for the project, except failure to allocate and deposit to the fund amounts required by section 19 of this 2001 Act or amounts described in section 22 of this 2001 Act or to disburse from the fund to Washington County amounts required by this section and the grant agreement authorized by this section.

(c) Washington County may assign and pledge its rights under the grant agreement to lenders, vendors or contractors. The Director of Transportation shall pledge the moneys available in the fund for the project.

SECTION 22. If the state has not deposited an aggregate amount of \$35 million in the South Metro Commuter Rail Project Fund by June 30, 2004, the state shall allocate to the Department of Transportation for deposit in the South Metro Commuter Rail Project Fund an amount equal to the difference between \$35 million and the aggregate deposits to the fund as of June 30, 2004, from the first available residual lottery revenues.

SECTION 23. (1) Pursuant to ORS 286.560 to 286.580 and 348.716, lottery bonds may be issued to fund projects for the construction of:

(a) A building for the study of the regional agricultural, health and life sciences at Eastern Oregon University; and

(b) A library building at Southern Oregon University.

(2) The use of lottery bond proceeds is authorized based on the following findings:

(a) The universities of the State System of Higher Education promote the improved education of Oregon's students, especially in the subjects of agricultural, health and life sciences;

(b) The promotion of educated employees for business and industry, especially for those in the agricultural, health and life sciences, expands markets, which in turn creates jobs and stimulates economic development of the state's business and industry; and

(c)(A) A building for the study of the regional agricultural, health and life sciences at Eastern Oregon University will attract faculty and students to the university and create jobs and substantial economic activity for the La Grande area.

(B) A library building at Southern Oregon University will attract faculty and students to the university and create jobs and substantial economic activity for the Ashland area.

(3) The aggregate principal amount of lottery bonds issued pursuant to this section may not exceed the sum of \$14 million and an additional amount estimated by the State Treasurer to be necessary to pay bond-related costs. Lottery bonds issued pursuant to this section shall be issued only at the request of the Chancellor of the State Board of Higher Education.

(4)(a) Of the net proceeds of lottery bonds issued pursuant to this section, \$9 million shall be deposited in the Eastern Oregon University Regional Agricultural, Health and Life Sciences Building Account established in section 14, chapter _____ (Enrolled Senate Bill 5525).

(b) Of the net proceeds of lottery bonds issued pursuant to this section, \$5 million shall be deposited in the Southern Oregon University Library Account established in section 13, chapter _____ (Enrolled Senate Bill 5525).

(5) The proceeds of lottery bonds issued pursuant to this section may be used only for the purposes set forth in subsection (1) of this section and for bond-related costs.

SECTION 24. (1) Pursuant to ORS 286.560 to 286.580, lottery bonds may be issued to fund grants to the Oregon Public Broadcasting Corporation and to the Southern Oregon Public

Television Corporation for the purpose of conversion to digital broadcasting and related costs.

(2) The use of lottery bond proceeds is authorized based on the following findings:

(a) The public broadcasting system in Oregon provides programming designed and selected to assist in the education of viewers in broad areas of knowledge, skill development, finance, recreation, culture, government, history and the arts.

(b) The public broadcasting system in Oregon provides instructional television to educators around the state. Participants receive access to approximately 80 instructional television series designed for kindergarten through 12th grade students. Additional resources are available for educators, including an Instructional Television Resource Guide.

(3) The aggregate principal amount of lottery bonds issued pursuant to this section may not exceed the sum of \$8 million and an additional amount estimated by the State Treasurer to be necessary to pay bond-related costs. The Southern Oregon Public Television Corporation shall receive a grant of \$1 million of the grant funds authorized by this section. The Oregon Public Broadcasting Corporation shall receive a grant of \$7 million of the grant funds authorized by this section. Lottery bonds issued pursuant to this section shall be issued only at the request of the Director of the Oregon Department of Administrative Services.

(4) The net proceeds of lottery bonds issued pursuant to this section shall be deposited in the Public Broadcasting in Oregon Lottery Project Fund, which is established in the State Treasury separate and distinct from the General Fund.

(5) The proceeds of the lottery bonds issued pursuant to this section shall be used only for the purposes set forth in subsection (1) of this section and for bond-related costs.

SECTION 25. This 2001 Act being necessary for the immediate preservation of the public peace, health and safety, an emergency is declared to exist, and this 2001 Act takes effect July 1, 2001.

Passed by House July 5, 2001

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Chief Clerk of House

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Speaker of House

Passed by Senate July 5, 2001

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President of Senate

Received by Governor:

.....M.,....., 2001

Approved:

.....M.,....., 2001

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Governor

Filed in Office of Secretary of State:

.....M.,....., 2001

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Secretary of State