

State Bonding and Capital Construction

State Bonding

In January 2019, the State Debt Policy Advisory Commission (SDPAC) updated their recommended capacity limits for General Fund and Lottery Funds supported debt based upon the Office of Economic Analysis December 2018 revenue forecast.

The Commission recommended that the Legislature and Governor issue no more than \$1.148 billion in General Fund supported debt for the 2019-21 biennium. This recommendation is based on the SDPAC target debt capacity ratio of no more than 5% annual debt service to General Fund revenues. The SDPAC recommendation also considered that all debt authorized in the 2017 and 2018 sessions would be issued before the end of the 2017-19 biennium. However, there was \$113.1 million of General Fund debt that was not issued in 2017-19, including a \$6 million decrease in 2017-19 bond authorization approved during the 2019 session, which increased the available capacity to \$1.261 billion.

The Legislature approved \$946 million in General Fund debt. The amount authorized includes:

- \$121.5 million of Article XI-M and Article XI-N bonds for seismic rehabilitation grants to schools and emergency services facilities.
- \$126.1 million of Article XI-P bonds to fund matching grants to school districts for capital improvements.
- \$151.6 million of Article XI-Q bonds for the Local Innovation and Fast Track (LIFT) Housing program.
- \$50.7 million of Article XI-Q bonds for permanent supportive housing that combines affordable housing with support services.
- \$168.8 million of Article XI-Q bonds to finance the capital costs of state property, including deferred maintenance on state-owned facilities and information technology projects.
- \$173.4 million of Article XI-Q bonds for Clackamas County, Lane County, and Linn County courthouse replacement projects; Multnomah County Courthouse furnishings and equipment; and renovation of the Supreme Court building.
- \$78.6 million of Article XI-Q bonds to finance public university facilities capital improvement and renewal and a building and research equipment at the Oregon Manufacturing Innovation Center R&D campus.
- \$75.3 million of Article XI-G bonds to finance 11 community college projects.

General Fund supported debt authorized in the 2019-21 legislatively adopted budget represents a \$230.6 million (or 19.6%) decrease from the \$1.177 billion authorized in the 2017-19 legislatively approved budget. Excluding the \$107.1 million of debt authorized but not issued in 2017-19, debt authorized in 2019-21 is \$123.5 million (or 11.5%) less than debt issued in the 2017-19 biennium. There is \$315.1 million of remaining General Fund supported debt capacity for the 2019-21 biennium.

Direct revenue bond authorization for 2019-21 totals \$1.388 billion and includes \$500 million for housing bonds that finance single-family mortgage loans and multifamily housing projects; \$485 million for Highway User Tax bonds for transportation projects; and \$100 million for economic and community development projects through the Oregon Infrastructure Finance Authority Bond Bank Program. Lottery revenue bond authority of \$302.5 million is also included in this category. Pass-through revenue bonds total \$2.205 billion and include \$600 million in Industrial Development Bonds, \$1.000 billion for the

Oregon Facilities Authority, \$600 million for housing development projects, and \$5 million for the Beginning and Expanding Farmer Loan Program.

A complete list of General Fund projects can be found in Appendix B. General Fund debt service for approved projects is estimated to be \$27.4 million in 2019-21, rolling up to \$164.4 million in 2021-23.

Lottery Revenue Bonds

The State Debt Policy Advisory Commission's 2019 Report recommended that the Legislature and Governor issue no more than \$305.1 million in Lottery Funds supported debt for the 2019-21 biennium. This recommendation is based on the requirement included in the state's lottery revenue bond covenants that limits debt service to no more than 25% of unobligated net Lottery revenues (a four-times coverage ratio) and considered that all lottery bonds authorized in the 2017 and 2018 legislative sessions would be issued by the end of the 2017-19 biennium. However, \$27.9 million of Lottery Funds supported debt, including a \$3.4 million reduction in the authorization for the Portland Harbor Cleanup Fund approved during the 2019 session, as well as lottery bonds approved for the Coos Bay Channel Deepening project and Special Public Works Fund Levee Subaccount, was not issued in 2017-19, increasing the available capacity to \$333 million.

The Legislature authorized \$302.5 million of lottery revenue bonds to generate proceeds for project costs, costs of issuance, and debt service reserves. A total of \$273.2 million of net lottery bond proceeds finance 37 approved projects, including:

- \$30 million to recapitalize the Special Public Works Fund for municipal infrastructure projects.
- \$15 million for levee inspection, accreditation, certification, or repair project grants.
- \$15 million to reauthorize the Oregon International Port of Coos Bay Channel Deepening project.
- \$25 million for affordable housing preservation.
- \$15 million for an affordable market rate housing acquisition loan program.
- \$25 million for water supply development projects.
- \$18 million for planning and rehabilitation of high-hazard dams.
- \$5 million to recapitalize the Brownfields Redevelopment Fund for cleanup and redevelopment of brownfields properties.

Lottery Funds supported debt authorized in the 2019-21 legislatively adopted budget represents an \$84.8 million (or 39%) increase from the \$217.7 million authorized in the 2017-19 legislatively approved budget. Excluding the \$24.5 million of debt authorized but not issued in 2017-19, debt authorized in 2019-21 is \$109.4 million (or 56.6%) more than debt issued in the 2017-19 biennium. There is \$30.5 million in remaining Lottery Funds supported debt capacity for the 2019-21 biennium.

Lottery revenue bonds included in the 2019-21 legislatively adopted budget are scheduled to be issued in the spring of 2021, so no debt service payments are due in the 2019-21 biennium. Beginning with the 2021-23 biennium, the fully phased-in debt service costs are estimated to be \$48.3 million per biennium.

A complete list of lottery bond projects can be found in Appendix B.

Capital Construction

The Legislature provides six-year expenditure limitation for new capital construction projects. Projects in excess of \$1 million for the acquisition of land and the acquisition, planning, constructing, altering,

repairing, furnishing, and equipping of buildings and facilities are categorized as capital construction projects. Projects are funded with proceeds of bonds, as well as other revenues and federal grants received by agencies.

Capital construction projects in the 2019-21 legislatively adopted budget total \$528.8 million. Other Funds capital construction limitation of \$495.1 million and Federal Funds capital construction expenditure limitation of \$33.7 million is included in the budget for the approved projects. Significant capital expenditures include:

- \$150 million for family affordable housing through the LIFT Program.
- \$50 million for permanent supportive housing that combines affordable housing with tenancy supports and other services.
- \$77.7 million for distribution of general obligation bond proceeds to public universities for two new capital projects.
- \$24.9 million for distribution of general obligation bond proceeds to community colleges for three new capital projects and an increase in one reauthorized project.
- \$27.8 million to renovate the Oregon Supreme Court Building.
- \$34.1 million to the Department of Administrative Services for capital projects at state-owned buildings and facilities.
- \$24 million for the Department of Administrative Services to acquire a facility in Wilsonville.
- \$24.5 million to make improvements in several Department of Corrections facilities to address needs identified in the Facility Condition Assessment.
- \$20.6 million for the Military Department to complete Armory Service Life Extension Projects at four facilities through a combination of general obligation bond proceeds and federal grant funds.

A complete list of capital construction projects for all agencies is included in Appendix A.