

Capital Budgeting

CAPITAL CONSTRUCTION

Capital Construction includes small and large projects. The projects are for construction, buying land or buildings, and planning. The larger ones are called Major Construction and Acquisition projects. They cost over \$500,000. Each project must be approved by the Legislature before an agency may spend money on it. These large projects are in a separate appropriation bill.

The small projects are called Capital Improvements. These cost less than \$500,000 and the Legislature does not have to approve each project. Capital Improvements may be found within an agency's operating budget. They are not in a separate appropriation bill.

The following tables show the major projects proposed by the Governor for the 2005-07 biennium. They also show projects needed during the four years in the next two biennia. This six years of projects is known as the "six-year plan." This plan is required by Oregon law (ORS 291.224) to be in the Governor's recommended budget.

The recommended projects will be in two appropriation bills. One bill will be for the Department of Higher Education and Community Colleges. Another bill will be for the rest of state government.

This budget will pay for projects with General Fund, Other Funds, Lottery Funds, and Federal Funds. General Fund moneys are mostly from income taxes. Other Funds are moneys dedicated by the Oregon Constitution or law. These are revenues such as taxes on fuels, bond proceeds, and gifts, grants, and donations. Lottery Funds are net revenues produced by the Oregon Lottery. Federal Funds are moneys from the U.S. Government to pay for specific projects such as armories and airport improvements. Important investments in this budget will:

- Improve higher education facilities.
- Improve National Guard buildings.
- Add more capacity to adult prisons.
- Make improvements to state office buildings and add facilities.

MAJOR CONSTRUCTION/ACQUISITION 2005-2007 PROGRAM FUNDING REQUEST SUMMARY

Program Area	General Fund	Other Funds	Federal Funds	Total Funds
Education	\$17,196,329	\$338,174,058	\$0 *	\$355,370,399
Public Safety	--	2,000,000	7,750,000	9,750,000
Transportation	--	9,200,000	--	9,200,000
Administration	--	27,572,003	--	27,572,003
Total	\$ 17,196,329	\$ 376,946,061	\$ 7,750,000	\$ 401,892,402

*The Department of Higher Education will spend Federal Funds under an Other Funds expenditure limitation.

2005-2007 RECOMMENDED MAJOR CONSTRUCTION/ACQUISITION PROJECTS

Program Area/Agency	General Fund	Other Funds	Federal Funds	Total Funds
EDUCATION PROGRAM				
Higher Education University System				
System				
- Capital Repair/Code Compliance Tier 1	\$ 11,796,329	\$ 21,796,329	\$ --	\$ 33,592,658
- Capital Repair/Code Compliance Tier 2	--	10,000,000	--	10,000,000
- Capital Repair/Code Compliance Tier 3	--	10,000,000	--	10,000,000
- Small Capital Projects	--	12,000,000	--	12,000,000
- Miscellaneous Student Building Fee Projects	--	3,000,000	--	3,000,000
Western Oregon University				
- Deferred Maintenance Tier1, WOU Physical Plant	--	4,090,000	--	4,090,000
Eastern Oregon University				
- Deferred Maintenance Tier1, EOU Central Heating Plant	--	3,044,000	--	3,044,000
Portland State University				
- Retail Development Various Locations	--	5,000,000	--	5,000,000
- University Place Redevelopment Phase 1	--	1	--	1
- Parking Structure Construction	--	30,000,000	--	30,000,000
- Student Recreation/Fitness Center and Housing	--	42,000,000	--	42,000,000
- Smith Memorial Student Union Renovation	--	1,500,000	--	1,500,000
- City Tower Building Acquisition	--	1	--	1
- Deferred Maintenance Tier1, PSU Heating Plant	--	1,102,000	--	1,102,000
- Deferred Maintenance Tier2, PSU Sattuck Hall	--	13,695,000	--	13,695,000
University of Oregon				
- Outside Tennis Courts Replacement	--	1,800,000	--	1,800,000
- Earl Residence Hall Complex Accessibility Upgrade	--	750,000	--	750,000
- Food Service Upgrade	--	3,500,000	--	3,500,000
- Erb Memorial Union, International Area Renovation	--	1,134,000	--	1,134,000
- New Education Building and Education Complex	--	2	--	2
- Basketball Arena, land acquisition, parking structure	--	2	--	2
- Deferred Maintenance Tier1, UO Heating/Power Plant	--	13,223,000	--	13,223,000
Oregon State University				
- Cauthorn Hall Housing Remodel	--	10,500,000	--	10,500,000
- Student Family Housing & Childcare Cntr. Construction	--	17,500,000	--	17,500,000
- Student Housing Suites & Apartments Construction	--	17,500,000	--	17,500,000
- Residential Infrastructure deferred maintenance	--	3,000,000	--	3,000,000
- Arnold Dining Center remodel	--	1,000,000	--	1,000,000
- Finley Hall remodel	--	12,500,000	--	12,500,000
- Memorial Union Phase 3 Renovation	--	7,500,000	--	7,500,000
- New Steam Plant/Utility Switch Construction	--	55,000,000	--	55,000,000
- Research Park Multi-tenant #1 and #2	--	1	--	1
- Our Little Village Child Care Center	--	2,200,000	--	2,200,000
- Deferred Maintenance Tier2, OSU Education Hall	--	8,507,000	--	8,507,000
Southern Oregon University				
- JPR Equipment	--	500,000	--	500,000
- Land Acquisition	--	1	--	1
- Theatre Arts Expansion and Remodel	--	4,200,000	--	4,200,000
- Stevenson Union Addition Remodel	--	1,500,000	--	1,500,000
- Medford Instructional Facility with Rogue C.C.	5,400,000	6,400,000	--	11,800,000
- Deferred Maintenance Tier1, SOU Central Heating Plant	--	1,244,000	--	1,244,000
Oregon Institute of Technology				
- Student Housing Project Construction	--	1	--	1
- Deferred Maintenance Tier1, OIT Facilities Services	--	1,128,000	--	1,128,000
- Deferred Maintenance Tier2, OIT Snell Hall	--	1,294,000	--	1,294,000
Project Reserves	--	9,066,720	--	9,066,720
Total Department of Higher Education	\$ 17,196,329	\$ 338,174,058	\$ --	\$ 355,370,387

2005-2007 RECOMMENDED MAJOR CONSTRUCTION/ACQUISITION PROJECTS

Program Area/Agency	General Fund	Other Funds	Federal Funds	Total Funds
Dept. of Community Colleges and Workforce Development				
Columbia Gorge Community College				
- New Health Science Building and Classrooms	\$ --	\$ 2	\$ --	\$ 2
Oregon Coast Community College				
- New Training Facilities in Lincoln, South Beach and Waldport	--	2	--	2
Rogue Community College				
- Medford Instructional Facilities with SOU	--	2	--	2
Clatsop Community College				
- New Training Facilities Campus, collaboration with PSU	--	2	--	2
Tillamook Bay Community College				
- New Training Facilities Campus	--	2	--	2
Klamath Community College				
- New Training Facilities Campus	--	2	--	2
Total Community Colleges and Workforce Development				
	\$ --	\$ 12	\$ --	\$ 12
TOTAL EDUCATION PROGRAM				
	\$ 17,196,329	\$ 338,174,058	\$ --	\$ 355,370,399
PUBLIC SAFETY PROGRAM				
Military Department				
- Camp Rilea Fire Suppression Infrastructure	--	--	1,500,000	1,500,000
- Camp Rilea Training Center Campus	--	--	1,500,000	1,500,000
- Mail Distribution Center	--	2,000,000	750,000	2,750,000
- Camp Withycombe Infrastructure Upgrades	--	--	2,000,000	2,000,000
- Camp Rilea Training Infrastructure Upgrades	--	--	2,000,000	2,000,000
Total Military Department				
	\$ --	\$ 2,000,000	\$ 7,750,000	\$ 9,750,000
TOTAL PUBLIC SAFETY PROGRAM				
	\$ --	\$ 2,000,000	\$ 7,750,000	\$ 9,750,000
TRANSPORTATION PROGRAM				
Department of Transportation				
- Construct East Portland Maintenance Station	\$ --	\$ 4,000,000	\$ --	\$ 4,000,000
- Construct Sylvan Phase 3	--	950,000	--	950,000
- Baker City Maintenance Station, Replacement	--	4,000,000	--	4,000,000
- 2007-09 Project Design	--	250,000	--	250,000
Total Department of Transportation				
	\$ --	\$ 9,200,000	\$ --	\$ 9,200,000
TOTAL TRANSPORTATION PROGRAM				
	\$ --	\$ 9,200,000	\$ --	\$ 9,200,000
ADMINISTRATION PROGRAM				
Department of Administrative Services				
- Roof Replacements	\$ --	\$ 680,000	\$ --	\$ 680,000
- Labor & Indust. Bldg. Electric and HVAC Phase 3	--	860,000	--	860,000
- North Mall Historic District phase 3	--	230,000	--	230,000
- Security Improvements Phase 2	--	475,000	--	475,000

2005-2007 RECOMMENDED MAJOR CONSTRUCTION/ACQUISITION PROJECTS

Program Area/Agency	General Fund	Other Funds	Federal Funds	Total Funds
- General Services Space Conversion Phase 2/Re-roof	--	1,130,000	--	1,130,000
- Revenue Plaza Improvements Phase 4	--	947,000	--	947,000
- Transportation Bldg. Acquisition and Renovation	--	20,000,000	--	20,000,000
- Eugene Office Building Replacement	--	1	--	1
- Planning funds	--	250,000	--	250,000
- Multiple Data Center Conversion	--	2,500,000	--	2,500,000
- Red Lot Parking Structure/Bldg. Planning	--	500,000	--	500,000
- Agriculture Lab Improvements	--	1	--	1
- Space management/acquisition	--	1	--	1
Total Department of Administrative Services	\$ --	\$ 27,572,003	\$ --	\$ 27,572,003
TOTAL ADMINISTRATION PROGRAM	\$ --	\$ 27,572,003	\$ --	\$ 27,572,003
 GRAND TOTAL 2005-2007 BIENNIUM	 \$ 17,196,329	 \$ 376,946,061	 \$ 7,750,000	 \$ 401,892,402

2007-2009 ESTIMATED MAJOR CONSTRUCTION/ACQUISITION REQUIREMENTS

Program Area/Agency	General Fund	Other Funds	Federal Funds	Total Funds
EDUCATION PROGRAM				
Systemwide Projects				
- Orbis Regional Library	5,500,000	5,500,000	--	11,000,000
- Capital Renewal	40,000,000	168,000,000	--	208,000,000
Western Oregon University				
- Housing Renovation	--	2,250,000	--	2,250,000
- Apartment Style Student Housing	--	11,750,000	--	11,750,000
Portland State University				
- Land Acquisition	--	5,000,000	--	5,000,000
- Retail Development	--	5,000,000	--	5,000,000
- Classroom/Tech Center/Auditorium	--	58,000,000	--	58,000,000
- Rehabilitate Science Labs, Science 2	--	10,000,000	--	10,000,000
- Community College Branch Campus Building	15,000,000	15,000,000	--	30,000,000
Oregon State University				
- Hatfield Marine Science Cntr. Student Housing	--	2,940,000	--	2,940,000
- Two New Cooperative/Student Residences	--	4,200,000	--	4,200,000
- Housing Infrastructure Renovations	--	3,000,000	--	3,000,000
- Weniger Hall renovation	18,000,000	22,000,000	--	40,000,000
- Pauling Research & Educ. Bldg.	25,000,000	25,000,000	--	50,000,000
- Mouse Model Organism Facility	350,000	1,150,000	--	1,500,000
- LSC Performing Arts Center	12,500,000	12,500,000	--	25,000,000
- Veterinary Medicine Hospital Expansion	5,000,000	5,000,000	--	10,000,000
- Hatfield Marine Science Cntr. Addition	6,938,500	6,938,500	--	13,877,000
- Hatfield Marine Science Cntr. Renovation Projects	4,984,067	5,665,277	--	10,649,344
- Education Hall	3,000,000	3,000,000	--	6,000,000
- Strand Agricultural Hall Refurbishment	10,000,000	10,000,000	--	20,000,000
- Waldo Hall Renovation	7,500,000	7,500,000	--	15,000,000
- Seismic Upgrades (30 buildings)	--	200,000,000	--	200,000,000
Southern Oregon University				
- Sciences addition/remodel	15,000,000	21,000,000	--	36,000,000
- McNeal Pavilion renovation	3,250,000	3,250,000	--	6,500,000
- Central Hall renovation	2,500,000	2,500,000	--	5,000,000
- Student Housing/Retail Complex	--	8,000,000	--	8,000,000
- Cascade Residence Complex Renovation Ph 1.	--	5,000,000	--	5,000,000
- Student Housing/Retail Complex	--	8,000,000	--	8,000,000
Oregon Institute of Technology				
- PE Addition	2,500,000	2,500,000	--	5,000,000
Total Oregon University System	<u>\$ 177,022,567</u>	<u>\$ 639,643,777</u>	<u>\$ --</u>	<u>\$ 816,666,344</u>
TOTAL EDUCATION PROGRAM	<u>\$ 177,022,567</u>	<u>\$ 639,643,777</u>	<u>\$ --</u>	<u>\$ 816,666,344</u>
PUBLIC SAFETY PROGRAM				
Department of Corrections				
- Junction City Medium Security Men's Prison	--	208,024,325	--	208,024,325
Military Department				
- OMD First Floor Remodel	\$ 1,000,000	\$ --	\$ 3,000,000	\$ 4,000,000
- Camp Rilea Training Center Campus	--	--	750,000	750,000
- Boardman FMS	456,500	--	5,500,000	5,956,500
- Dallas Readiness Center plan/design	71,380	--	860,000	931,380
- Milton-Freewater Readiness Center plan/design	71,380	--	860,000	931,380
- Gresham Readiness Center plan/design	71,380	--	860,000	931,380
- Medford FMS plan/design	45,650	--	550,000	595,650
- Lebanon Readiness Center plan/design	71,380	--	860,000	931,380
- Portland (Kliever) FMS Addition plan/design	24,900	--	300,000	324,900
Total Military Department	<u>\$ 1,812,570</u>	<u>\$ --</u>	<u>\$ 13,540,000</u>	<u>\$ 15,352,570</u>
TOTAL PUBLIC SAFETY PROGRAM	<u>\$ 1,812,570</u>	<u>\$ 208,024,325</u>	<u>\$ 13,540,000</u>	<u>\$ 223,376,895</u>

2007-2009 ESTIMATED MAJOR CONSTRUCTION/ACQUISITION REQUIREMENTS

Program Area/Agency	General Fund	Other Funds	Federal Funds	Total Funds
TRANSPORTATION PROGRAM				
Department of Aviation				
- Aurora State Airport	\$ --	\$ 350,000	\$ 3,150,000	\$ 3,500,000
- General Aviation Entitlement	--	736,553	6,628,973	7,365,526
Total Department of Aviation	<u>--</u>	<u>1,086,553</u>	<u>9,778,973</u>	<u>10,865,526</u>
Department of Transportation				
- Construct Baker City Maintenance Station	\$ --	\$ 3,500,000	\$ --	\$ 3,500,000
- Design Salem Area Office Consolidation	--	2,250,000	--	2,250,000
- 2009-2011 Project Design	--	750,000	--	750,000
Total Department of Transportation	<u>--</u>	<u>6,500,000</u>	<u>--</u>	<u>6,500,000</u>
TOTAL TRANSPORTATION PROGRAM	<u>\$ --</u>	<u>\$ 7,586,553</u>	<u>\$ 9,778,973</u>	<u>\$ 17,365,526</u>
ADMINISTRATION PROGRAM				
Department of Administrative Services				
- L&I Bldg. HVAC Improvements phase four	--	1,500,000	--	1,500,000
- CMOB #3 (Yellow Lot Bldg) planning	--	950,000	--	950,000
-Red Lot Building/Parking	--	21,500,000	--	21,500,000
-PSOB Expansion Planning	--	600,000	--	600,000
-Executive Building Renovation	--	2,500,000	--	2,500,000
-ODFW Building Planning	--	600,000	--	600,000
Total Department of Administrative Services	<u>--</u>	<u>27,650,000</u>	<u>--</u>	<u>27,650,000</u>
TOTAL ADMINISTRATION PROGRAM	<u>\$ --</u>	<u>\$ 27,650,000</u>	<u>\$ --</u>	<u>\$ 27,650,000</u>
GRAND TOTAL 2005-2007 BIENNIUM	<u>\$ 178,835,137</u>	<u>\$ 882,904,655</u>	<u>\$ 23,318,973</u>	<u>\$ 1,085,058,765</u>

2009-2011 ESTIMATED MAJOR CONSTRUCTION/ACQUISITION REQUIREMENTS

Program Area/Agency	General Fund	Other Funds	Federal Funds	Total Funds
EDUCATION PROGRAM				
Systemwide				
- Capital Renewal Rehabilitation	40,000,000	165,000,000	--	205,000,000
Portland State University				
- Retail Development	--	5,000,000	--	5,000,000
- University Place Redevelopment, phase II	--	63,000,000	--	63,000,000
- Classroom Building	--	56,000,000	--	56,000,000
- North Macadam Research Facility	--	70,000,000	--	70,000,000
- Community College Branch Campus Bldg.	--	30,000,000	--	30,000,000
- Land Acquisition	--	5,000,000	--	5,000,000
Western Oregon University				
- New Classroom Building	--	15,000,000	--	15,000,000
- Todd Hall Renovation	500,000	6,500,000	--	7,000,000
- New PE Building Expansion	5,500,000	11,000,000	--	16,500,000
Oregon State University				
- CH2M Hill Alumni Center	--	4,000,000	--	4,000,000
- UHD Infrastructure Upgrades/Replacement	--	2,000,000	--	2,000,000
- Residence Hall Renovation - Finley Hall	--	12,500,000	--	12,500,000
- Apperson Hall Renovation	--	7,200,000	--	7,200,000
- Chemical, Biological & Environmental Bldg.	--	27,000,000	--	27,000,000
- Instrument & Flow Imaging Laboratory	--	864,500	--	864,500
- Milam Hall Refurbishment	--	25,000,000	--	25,000,000
- Women's Building, add Second Floor	--	5,600,000	--	5,600,000
- Langton Hall	--	3,500,000	--	3,500,000
- Fairbanks Classroom and Offices	--	8,000,000	--	8,000,000
- Peavy Hall Instruction Modernization	--	5,950,000	--	5,950,000
- Kidder Hall Classroom and Offices	--	15,000,000	--	15,000,000
- Oak Creek Building	--	1,000,000	--	1,000,000
- Milne Hall 2nd Floor	--	9,400,000	--	9,400,000
- Oregon Agricultural Experiment Stations	--	20,000,000	--	20,000,000
- Bexell Hall Renovation	--	13,750,000	--	13,750,000
- Salmon Center	--	6,500,000	--	6,500,000
- Natural History Museum	--	24,000,000	--	24,000,000
- Gleeson Hall	--	9,000,000	--	9,000,000
- Owen Hall Laboratory	--	2,640,000	--	2,640,000
- Dearborn Hall	--	650,000	--	650,000
- Intramural Sports Field	--	3,000,000	--	3,000,000
- Nash Hall Microbiological Research Fac.	--	20,000,000	--	20,000,000
- Bates Hall Sciences	--	23,000,000	--	23,000,000
- Re-pipe of Campus Buildings	--	7,000,000	--	7,000,000
- Cascade Campus Expansion	--	12,000,000	--	12,000,000
- Enology and Fermentation Science Lab	--	274,954,500	--	274,954,500
- Student Health Sciences	--	19,000,000	--	19,000,000
Southern Oregon University				
- Madrone Student Housing phase II	--	5,000,000	--	5,000,000
- Britt Center renovations	2,160,000	2,160,000	--	4,320,000
- Churchill Hall renovations	2,160,000	2,160,000	--	4,320,000
- Convocation/Instructional Center	4,500,000	5,000,000	--	9,500,000
- Physical Plant Complex completion	893,000	893,000	--	1,786,000
Total Oregon University System	\$ 55,713,000	\$ 1,004,222,000	\$ --	\$ 1,059,935,000
TOTAL EDUCATION PROGRAM	\$ 55,713,000	\$ 1,004,222,000	\$ --	\$ 1,059,935,000

2009-2011 ESTIMATED MAJOR CONSTRUCTION/ACQUISITION REQUIREMENTS

Program Area/Agency	General Fund	Other Funds	Federal Funds	Total Funds
PUBLIC SAFETY PROGRAM				
Military Department				
- Readiness Center - Lebanon	\$ 2,941,970	\$ --	\$ 5,440,000	\$ 8,381,970
- Readiness Center - Dallas	2,941,970	--	5,440,000	8,381,970
- Readiness Center - Milton-Freewater	2,941,970	--	5,440,000	8,381,970
- Readiness Center - Gresham	2,941,970	--	5,440,000	8,381,970
- Readiness Center - Central Oregon	--	--	4,800,000	4,800,000
- Portland (Kliever) OMS Addition/Alteration	224,100	--	2,700,000	2,924,100
- Medford FMS construction	410,850	--	4,950,000	5,360,850
- Camp Withycombe Storage Facility planning	41,500	--	500,000	541,500
- Camp Rilea Storage Facility planning	41,500	--	500,000	541,500
Total Military Department	<u>\$ 12,485,830</u>	<u>\$ --</u>	<u>\$ 35,210,000</u>	<u>\$ 47,695,830</u>
TOTAL PUBLIC SAFETY PROGRAM	<u>\$ 12,485,830</u>	<u>\$ --</u>	<u>\$ 35,210,000</u>	<u>\$ 47,695,830</u>
TRANSPORTATION PROGRAM				
Department of Aviation				
- Independence State Airport	\$ --	\$ 277,750	\$ 2,500,000	\$ 2,777,750
- Joseph State Airport	--	166,650	1,500,000	1,666,650
- Cottage Grove State Airport	--	166,650	1,500,000	1,666,650
- General Aviation Entitlement	--	736,553	6,628,973	7,365,526
Total Department of Aviation	<u>\$ --</u>	<u>\$ 1,347,603</u>	<u>\$ 12,128,973</u>	<u>\$ 13,476,576</u>
Department of Transportation				
- Salem-Woodburn Maintenance Station	\$ --	\$ 5,000,000	\$ --	\$ 5,000,000
- Construct Salem Office Consolidation	--	15,000,000	--	15,000,000
- McMinnville/Newberg Co-Locate	--	4,000,000	--	4,000,000
- 2011-2013 Project Design	--	500,000	--	500,000
Total Department of Transportation	<u>\$ --</u>	<u>\$ 24,500,000</u>	<u>\$ --</u>	<u>\$ 24,500,000</u>
TOTAL TRANSPORTATION PROGRAM	<u>\$ --</u>	<u>\$ 25,847,603</u>	<u>\$ 12,128,973</u>	<u>\$ 37,976,576</u>
ADMINISTRATION PROGRAM				
Department of Administrative Services				
- Central Mall Office Building #3 (Yellow Lot)	\$ --	\$ 45,000,000	\$ --	\$ 45,000,000
- Portland Office Bldg. Expansion	--	16,000,000	--	16,000,000
- Department of Fish & Wildlife Bldg.	--	15,000,000	--	15,000,000
Total Department of Administrative Services	<u>\$ --</u>	<u>\$ 76,000,000</u>	<u>\$ --</u>	<u>\$ 76,000,000</u>
TOTAL ADMINISTRATION PROGRAM	<u>\$ --</u>	<u>\$ 76,000,000</u>	<u>\$ --</u>	<u>\$ 76,000,000</u>
GRAND TOTAL 2007-2009 BIENNIUM	<u>\$ 68,198,830</u>	<u>\$ 1,115,469,603</u>	<u>\$ 47,338,973</u>	<u>\$ 1,231,007,406</u>

Capital Budgeting

HIGHLIGHTS FROM THE OREGON TREASURY BONDED DEBT PROFILE

Debt Structure and Authorization

The state's general obligation bond authority is based on the True Cash Value (TCV) of all taxable property in Oregon. The most recent (January 1, 2003) certified statewide TCV is \$305 billion. The total outstanding general obligation debt at June 30, 2004 was approximately \$4.3 billion. Total outstanding bonded indebtedness of the state, including both general obligation and *direct* revenue bonds, was \$6.7 billion. Of the outstanding general obligation debt, 72 percent is structured to be fully self-supporting from various program revenues; that is, no state General Fund revenues are used to pay debt service requirements. These self-supporting bonds are considered "double-barreled" because they are also general obligation bonds, which carry a pledge of the state's full faith and credit.

Approximately 21 percent of the state's outstanding general obligation debt matures in five years and 38 percent matures in 10 years. The remaining debt matures over the following 30 years.

Certificates of participation (COPs), while not debt and therefore cannot include a pledge of the general obligation of the state, do rely upon legislative appropriations from the state General Fund as the primary source of payment and is an appropriation credit. Total appropriation credits outstanding as of June 30, 2004 were more than \$1.2 billion.

Biennium Issuance

The state sold approximately \$3.3 billion of bonds and COPs in the fiscal year ending June 30, 2004. This volume is more than twice the \$1.5 billion sold during the 2002-2003 reporting period.

Over \$19 million in general obligation bonds were sold to refund and thereby reduced interest costs on state Alternative Energy Project bonds sold in previous years. The state Board of Higher Education sold \$202,100,000 of general obligation bonds to refund higher cost debt (\$101 million) and for capital improvements (\$101 million).

Housing revenue bonds issued by Housing and Community Services Department made up 77.7 percent of total state revenue bond issuance. Lottery revenue bonds were also a major source of financing with \$83.3 million being issued in 2003-2004.

Certificates of participation continued to play a major role in state capital finance with a total of \$45.2 million being issued for new projects. The remainder of the long-term issuance was for conduit projects, energy conservation, and other government services. During the reporting period, approximately 4.2 percent of total issuance was for conduit financings.

Oregon's gross long-term debt has increased to just over \$8 billion. This is an increase of about \$2.7 billion from the end of the 2003 fiscal year. The primary factors causing this increase were 1) the issuance of \$200 million in Oregon Opportunity bonds for Oregon Health & Sciences University and

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2) the issuance in October 2003 of \$2 billion in pension obligation bonds (POBs) used to pay a substantial portion of the state's unfunded actuarial liability with the Public Employees Retirement System (PERS).

Credit Rating Considerations

Most of the state of Oregon's general obligation debt is paid from non-tax sources, that is, the debt is self-supporting. However, because this debt has general obligation backing, some analysts may treat a portion of it as a general fund liability despite its self-supporting character and history.

The State of Oregon's standing as a well-managed issuer of debt was affirmed throughout the period. Forecasts of a decline in economic growth and employment marked the period. However, Oregon continued to be well received in the national credit market. Currently, the state is rated Aa3, AA-, and A+ by the national bond rating agencies of Moody's Investors Service, Standard & Poor's Rating Services, and Fitch Ratings, respectively. The state's credit standing reflects strong financial and debt issuance controls and the Legislature's ability to deal with lower forecasted revenues that help compensate for low budget reserves, and the financial uncertainty of initiative petitions.

Interest Rates

During the period examined, July 1, 2003 through June 30, 2004, bond interest rates have varied, but still remain low compared to historic standards. The Aa-rated State of Oregon 20-year Oregon Bond Index had a top rate of 5.00 percent on May 12, 2004 and a low of 4.23 percent on March 10, 2004. Typically, Oregon issuers pay lower interest costs when issuing tax-exempt municipal bonds in comparison to their national counterparts, due to their exemption from both federal and state income taxes, and Oregon being a relatively high income tax state.

Historically, long-term municipal interest rates have been approximately 85 percent of taxable United States Treasury obligations. As interest rates have changed, municipal securities have experienced greater movement as compared with corporate and government securities, but still remain above past relationships. During the period examined, with brief exceptions, Oregon generally enjoyed the "right" measure of supply and demand, to do efficient and cost-effective new financings and refinancing of older higher cost debt. Because the supply of bonds in the market generally has an impact on the prices paid in the new issue and secondary market, an oversupply results in additional compensation for investors through higher returns. Likewise, when demand for tax-exempt issues weakens, yields also rise, narrowing the spread between municipals and comparable maturities of taxable securities.

Capital Budgeting

CONSTITUTIONAL AND STATUTORY BORROWING AUTHORIZATIONS

The State of Oregon's borrowing programs consists of many different and separate authorizations – including both constitutional and statutory provisions. Constitutional authorizations permit issuance of general obligation bonds that are backed by the full-faith-and-credit of the state. Statutory authorizations provide for the sale of revenue bonds and conduit revenue bonds backed only by the moneys derived from operation of the particular enterprise for which the obligations were issued. Appropriation credits, authorized in ORS 283 and Senate Bill 856 (2003 Legislature), include both certificates of participation and appropriation bonds. Both of these debt finance types are special limited obligations of the state payable solely from funds appropriated or otherwise made available by the state Legislative Assembly. Certificates of participation or financing agreements are instruments under which the state is able to finance real property or equipment purchases using the property or equipment finances as security and a promise to request a legislative biennial appropriation for the repayment of the certificates or agreements.

In addition to these Constitutional and Statutory limits, the Legislative Assembly biennially approves, through the budgetary process, the volume of bonds and finance agreements that may be issued under each authorization during the next biennium.

A general summary of each active authorization follows.

Active General Obligation Authorizations -- General Fund Supported

Higher Education – Article XI-G: The Oregon Constitution grants the state Board of Higher Education authority to issue general obligation bonds under two separate Articles: XI-G and XI-F.

Article XI-G is the governing authority for borrowing for both higher education institutions and activities, and community colleges. Bonds issued for these purposes are secured by appropriations from the state's General Fund and, in addition, by an unlimited *ad valorem* tax levied on all taxable property in the state. While this authorization is *shared* between Higher Education and Community Colleges, the Higher Education portion of XI-G debt (\$158,262,979) greatly exceeds the Community Colleges portion of XI-G debt (\$4,045,000). The combined total of XI-G bonded debt outstanding at June 30, 2004 is \$162,307,979. Article XI-F(1) debt is discussed in the “**Self-Supporting**” section.

Oregon Opportunity Bonds (OHSU) – Article XI-L: Authorizes bonds to finance capital costs of the Oregon Health and Science University (OHSU) in an aggregate principal amount that produces net proceeds for the University in an amount that does not exceed \$200 million. Section 1 of the Article authorizes debt not to exceed one-half of one percent of the real market value of all property in the state. However, the state is not permitted to levy *ad valorem* (property) taxes to pay the bonds. The legislation authorizing the program contemplates that the bonds may be paid from tobacco settlement revenues, but those revenues are not pledged to pay the bonds. Upon the sale of \$109,565,000 Series 2003 bonds, there is no remaining authorization. Principal par amount outstanding, including the cost of issuance, is \$203,175,000 as of June 30, 2004.

Capital Budgeting

Pension Obligations – Article XI-O: Also, House Bill 3659 and Oregon Revised Statutes (ORS) Chapters 238, 286 and 288, as amended. The state required an amendment to the Oregon Constitution in order to issue these bonds. Article XI-O, which amended the Oregon Constitution, was adopted by the Legislative Assembly as House Joint Resolution 18 (Resolution 18) on July 17, 2003 and approved by the voters of the state at a special election held on September 16, 2003.

Article XI-O permits the state to lend its credit and to incur indebtedness to finance the state's pension liabilities and to pay the costs of incurring such indebtedness. Article XI-O provides that all indebtedness incurred pursuant to Article XI-O is a general obligation of the state and must contain a direct promise on behalf of the state to pay the principal, premium, if any, and interest on that indebtedness. Article XI-O also requires the state to pledge its full faith and credit and taxing power to pay such indebtedness but does not permit the state to pledge its ad valorem taxing power. The amount of outstanding indebtedness authorized by Article XI-O is limited to one percent of the real market value of all property in the state.

House Bill 3659 was passed by the Legislative Assembly on August 14, 2003 and approved by the Governor on September 2, 2003. The State Treasurer was thereby authorized to issue Article XI-O Bonds to finance all or a portion of the state's pension liabilities for retirement, health care, or disability benefits in an amount that produces net proceeds that do not exceed the State Treasurer's estimate of the state's pension liabilities based upon information provided to the State Treasurer by PERS, plus an amount determined by the State Treasurer to pay estimated bond-related costs. House Bill 3659 requires the net proceeds of Article XI-O Bonds issued to finance state pension liabilities to be transferred to the Public Employees Retirement Board (PERB) for deposit in the Public Employees Retirement Fund (PERF) established pursuant to ORS 238.660. As of June 30, 2004, \$2,083,960,000 remains outstanding. Of this amount, \$1,292,055,200 (62 percent) is considered to be non-General Fund supported debt (paid from non-General Fund sources) and \$791,904,800 (38 percent) is considered to be General Fund supported debt. The state does not currently anticipate it will issue any additional XI-O Bonds.

Pollution Control Article XI-H: Article XI-H authorizes indebtedness not to exceed one-half percent of statewide TCV to finance pollution control facilities. Any municipal corporation, city, county, or agency of the state may construct projects for pollution control. General Obligation Pollution Control bond may be either General Fund supported or self-supporting from revenues generated by the program the bonds are used to fund. Because bond proceeds are used for a variety of different pollution abatement projects, including "orphan" sites clean up, an increasing amount of the state's pollution control debt may become General Fund supported.

At June 30, 2004, \$42,325,750 in Pollution Control General Fund backed bonded debt was outstanding. As "full-faith-and-credit" debt, if necessary, a statewide property tax may be levied or other revenues designated by the Legislative Assembly to provide payment of bond principal and interest. While under the Constitution, well over a billion dollars in pollution control bonds could be issued; the Legislature has limited the debt that may be issued under this authorization to \$221 million (ORS 468.195). This occurred, in part, because in 1990, voters approved expanded use of this bonding authority for pollution control and disposal activities and exempted pollution control and disposal and hazardous substance facilities from the self-support requirement.

Capital Budgeting

Self-Supporting

Overall, seventy-two percent of outstanding state General Obligation debt is considered self-supporting.

Veterans' Affairs Article XI-A: Under Article XI-A of the Constitution, debt may be incurred in an amount not to exceed eight percent of the state's true cash value to finance farm and home loans for eligible veterans. At June 30, 2004, the Department of Veterans' Affairs had \$882,145,000 in outstanding bonds equal to 3.61 percent of this authorization.

Oregon's Veterans' bonds represent approximately 21 percent [later paragraphs seem to indicate this is use of capacity versus a share of outstanding GO debt] of all State of Oregon general obligation bonds outstanding. Veterans' bonds are self-supporting from loan repayments, but carry the additional security of being able to levy an annual statewide property tax of up to \$2.00 per \$1,000 of TCV by Constitutional measure.

Alternate Energy Projects – Article XI-J: The Small Scale Energy Loan Program may not incur debt in excess of “one-half of one percent” TCV to finance development of small-scale local energy projects. Such projects are funded only if they show a revenue stream adequate to repay the loan obtained from bond proceeds. Additional security is provided by a pledge of the full-faith-and-credit of the state. As of June 30, 2004, the program had outstanding \$156,360,000 or 10.2 percent of its authorization. [Article XI-J]

Higher Education – Article XI-F(1): Article XI-F(1) empowers the state to issue bonds in an amount not to exceed “three-fourths of one percent TCV” for higher education building projects. Bonds issued under this authority are expected to be self-supporting from revenues, gifts, grants, or building fees. If necessary, a statewide property tax may be used to provide for the payment of such indebtedness and the interest thereon. On June 30, 2004, approximately 22.2 percent of this bonding authorization of \$2.3 billion was outstanding.

State Highway – Article XI-7, Section 7: Article XI, Section 7 of the Oregon Constitution approves the issuance of bonds to build and maintain permanent roads. Such bonds may not be issued in excess of “one percent” TCV. Security for the bonds is provided by gasoline and weight-mile tax revenues, and additionally secured by the state's general obligation. As of June 30, 2004, 0.1 percent (\$930,000) of authorized debt (\$3,053,710,977) was outstanding.

Elderly and Disabled Housing – Article XI-I(2): The state is empowered to issue bonds in an amount not greater than “one-half of one percent” of TCV (\$1,526,855,488) to provide financing for multi-family housing for households of elderly low-income persons and for disabled persons. Elderly and Disabled Housing program debt is self-supporting from project revenues and is backed by the state's general obligation pledge which includes property taxing authority. As of June 30, 2004, approximately 16.5 percent (\$251,170,000) of authorized debt was outstanding. [Article XI-I(2)]

Pollution Control – Article XI-H: During the period, most of the state's Pollution Control bonded debt was General Fund supported. The minor portion of this debt, \$7,469,250, was self-supporting. Over time the ratio of self-supporting versus General Fund supported debt is expected to change due to voter commitment of resources to clean up pollution.

Capital Budgeting

Pension Obligations – Article XI-O: As previously noted, Article XI-O permits the state to lend its credit and to incur indebtedness to finance the state’s pension liabilities and to pay the costs of incurring such indebtedness. As of June 30, 2004, \$2,083,960,000 remains outstanding. Of this amount, \$1,292,055,200 (62 percent) is considered to be non-General Fund supported debt (paid from non-General Fund sources) and \$791,904,800 (38 percent) is considered to be General Fund supported debt. The state does not currently anticipate it will issue any additional XI-O Bonds.

Appropriation Credit Authorization

Oregon Revised Statutes 283.085 to 283.092 and ORS 286.515 to 286.525 provides that the state may enter into financing agreements, including lease purchase agreements, installment sales agreements, and loan agreements to finance real or personal property and issue certificates of participation evidencing these financing agreements, subject to Legislative approval. Further, the Oregon Supreme Court has ruled that certificates of participation financings (COPs) do not constitute an issuance of debt or an impermissible lending of credit for state law purposes. Amounts payable by the state under a financing agreement are limited to funds appropriated or otherwise made available by the Legislature for such payment. The principal amounts of such financing agreements are subject to maximum annual issuance levels established by the Legislature under ORS 286.505 to 286.545. The 2003 Legislative Assembly authorized \$211,895,000 in certificates of participation financing during the 2003-2005 biennium. Of that amount, the majority was used for correctional facilities, crime and forensic facilities, and improvements to state buildings. The balance was used for other state business, including computer system components. As of June 30, 2004, \$811,910,000 in COPs remained outstanding.

Appropriation Bonds are special obligations of the state that are payable solely from appropriated moneys. Each fiscal year the Appropriation Bond Act and the Bond Declaration require the state to credit to the Oregon Appropriation Bond Fund any appropriated moneys until the Oregon Appropriation Bond Fund contains an amount sufficient to make all Bond principal and interest payments that are due in that fiscal year. The obligation of the state to provide appropriated moneys and to pay the Bonds is subject to future appropriation by the Oregon Legislative Assembly for the fiscal period in which payments are due. The Bonds are not secured by any lien on, or claim against, any state funds except appropriated moneys and any other amounts that may be credited to the Oregon Appropriation Bond Fund. While the state is not obligated to provide any appropriated moneys, the state has made certain covenants with respect to the appropriations process for the payment of debt service on the Bonds. The Series 2003 Bonds were authorized by and are being issued in accordance with the provisions of the Appropriation Bond Act and applicable provisions of ORS Chapters 286 and 288.

The Series 2003 Bonds were issued to assist the State of Oregon in balancing its budget for the 2001-2003 biennium. Proceeds of the Series 2003 Bonds were credited to the General Fund and used for purposes for which moneys in the General Fund may be expended. As of June 30, 2004, \$431,580,000 in appropriation bonds remain outstanding. Together, the COPs and appropriation bonds equal a total appropriation credits outstanding for the state total of \$1,243,470,000.

Capital Budgeting

Active Revenue Bond Authorizations

Single-Family and Multi-Family Housing: The Oregon Housing and Community Services Department (OHCS D) is the only statewide public body in Oregon serving as a central source of data and program information, training and education, planning and technical assistance, seed-money loans, mortgage financing, and federal tax credits relating to housing within the state. OHCS D may issue revenue bonds to finance both single-family mortgage loans and multi-family housing projects. Solely, project rental revenues, mortgage payments, and fees support these bonds. Statutes limit total outstanding debt under these programs to \$2.0 billion. As of June 30, 2004, the amount outstanding for OHCS D is \$1,436,714,827 or approximately 59 percent of all State of Oregon **direct** revenue-bonded debt. [ORS 456.661]

Highway User Tax: Pursuant to Article IX, Section 3a of the Oregon Constitution and ORS 367.605 to 367.670, as amended, inclusive and ORS Chapter 286 and Chapter 288 (collectively, the “Act”), the state may issue highway user tax revenue bonds to provide proceeds for building and maintaining permanent public roads. These bonds are not general obligation, however, they are unlike other state revenue bonds because they are secured by tax proceeds from fuel sales and various other “taxes” or fees charged for vehicle use and licensing. The Constitution provides that the revenues received shall be used exclusively for public highways, roads, streets, and roadside rest areas in the state. The Oregon Constitution also provides that such revenues may be used for the retirement of bonds for which such revenues have been pledged.

In 2000, the Department issued \$58.4 million in revenue bonds to finance the construction of local street networks, and to finance access management and control features. These programs are known as the Local Street Networks Fund and the Access Management Fund. Both of these programs are key components of the Oregon Livability Initiative.

Local Street Networks Fund. Bond proceeds are deposited to the State Highway Fund for distribution to local government projects throughout Oregon based on a formula that promotes statewide equity. These projects are expected to provide a cost-effective means of reducing congestion on state highways by constructing improvements on local, off-system streets.

Access Management Fund. Bond proceeds are also to be deposited to the State Highway Fund for access management projects that benefit the state highway system. These projects are expected to improve highway safety by limiting and controlling access to state highways through the purchase of access rights, and the construction of medians and other access-control features. Funding is made available for access management projects sponsored by the Department and are awarded based on project merit.

State Highway Fund. The 2001 Legislature passed into House Bill 2142 (the “Oregon Transportation Investment Act” or “OTIA”) that authorized the Department to issue highway user tax revenue bonds in an aggregate principal amount sufficient to produce net proceeds of not more than \$400 million. Bond proceeds are also deposited to the State Highway Fund to pay for highway and bridge preservation and constructing miscellaneous modernization projects (respectively, the “OTIA Preservation Projects” and the “OTIA Modernization Projects”, or collectively, the “OTIA Projects”). The Oregon Transportation Investment Act require the Oregon Transportation Commission (the “Commission”) to select OTIA Projects

Capital Budgeting

as described below in the section entitled “OTIA Project Selection.” In January 2002, the Commission approved a list of 131 projects totaling \$500 million to be funded under OTIA.

In the first 2002 Special Session, the Legislature passed into law House Bill 4010 (the “OTIA Amendments”), which increased the OTIA authorization to an aggregate principal amount sufficient to produce net proceeds of not more than \$500 million. The additional authorization will be used to fund projects previously considered by the Commission, but not selected for funding under House Bill 2142.

In 2002, bonds were issued in the amount of \$221,845,000, representing the first issuance of highway user tax revenue bonds under the total \$500 million net proceeds authorized (the “OTIA Bonds”). These 2002A Bonds are to be payable on parity with the 2000 Bonds and any additional bonds issued under this authorization. When all OTIA projects are complete, it is expected that approximately one-half of the \$500 million net proceeds authorization will have been used to finance OTIA Preservation Projects and one-half will have been used to finance OTIA Modernization Projects.

OTIA Projects. OTIA Preservation Projects include paving, striping, and reconstruction designed to add useful life to existing highways and highway bridge projects. OTIA Modernization Projects include improvements that add capacity to highways including, but not limited to, new or widened lanes and new bypasses.

OTIA Project Selection. OTIA directs the Commission to select projects equitably distributed throughout the state on the basis of certain specified criteria for project selection and prioritization. The Commission is authorized to select projects from among highways that need increased lane capacity, highways and bridges that have weight limitations, other state and local bridges, interchanges on multilane highways, and district highways in cities and counties that need preservation. OTIA further directs the Commission to consult with local governments, metropolitan planning organizations, and regional transportation advisory groups in selecting projects to be funded with proceeds from the issuance of OTIA Bonds.

OTIA Project Delivery. Management and oversight of the OTIA program will be delivered through a combination of design-build contracting, partnerships with local governments, and an OTIA management team charged with accelerating delivery of the OTIA Projects. Various cities and counties have committed to provide matching funds on many of the OTIA Projects.

As of June 30, 2004, the outstanding balance in “highway user tax revenue bonds” was \$246,660,000.

Lottery Revenue Bonds: In 1994, Oregon became the first state in the nation to issue revenue bonds solely backed by lottery proceeds. The first statutory authority, ORS 391.140, permitted the issuance of up to \$115 million in bonds for financing the costs of development, acquisition, and construction of the Westside Corridor Light-Rail project. Three additional Lottery-backed programs, State Parks, Economic Development Safe Drinking Water Funds, and Education activities were authorized during the 1997 Legislative Assembly and November general elections subsequent to that session.

The 1999 Legislative Assembly enacted Senate Bill 200, which combined the existing Lottery bond programs into a single program. In addition, the 1999 Legislative Assembly authorized issuance of bonds sufficient to produce net proceeds of approximately \$200 million for public education, local government infrastructure, Columbia River dredging, and state fairground improvements.

Capital Budgeting

The 2001 Oregon Legislative Assembly authorized issuance of Lottery Revenue Bonds for local government infrastructure, additional improvements to the state fairgrounds, rail improvement projects, public broadcasting equipment upgrades, and Oregon University building improvements.

As of June 30, 2004, the total amount outstanding for Lottery-backed projects was \$553,715,000.

State Fair and Exposition Center: ORS 565.095 grants the Oregon State Fair Director the authority to issue, with the approval of the State Treasurer, up to \$10,000,000 in revenue bonds. Proceeds may be used for land acquisition, capital construction and improvement, and/or Fair expenses, including operations. Revenue bonds with a par value of \$6,500,000 have been issued; \$1,530,000 of these bonds remained outstanding as of June 30, 2004. The Fair had \$8,470,000 (approximately 85 percent) in unused issuance authority.

Economic Development Department Bond Bank: Under ORS 285.700 to 285.750, the Treasurer may issue revenue bonds, not to exceed an outstanding total of \$400,000,000, to finance a Special Public Works Fund (SPWF) administered by the Community Development Section of the Oregon Economic and Community Development Department (OECD). This program was created in 1985 to assist municipalities in financing the infrastructure necessary for economic development. Under the SPWF Act and the Water Act, the SPWF Program, the Community Facilities Program and the Water Program were created so that municipalities, which include cities, counties, port districts, metropolitan service districts or domestic water supply districts, water supply or sanitary authorities, water improvement districts, water control districts, sanitary districts, county service districts, and tribal councils of federally-recognized Indian tribes in the State of Oregon can borrow up to \$10 million in bond proceeds for projects needed to develop infrastructure system capacity. The SPWF Program assists local governments in meeting portions of their infrastructure and economic development needs, based upon the probability that jobs will be created and economic development will occur with the installation of needed public works. The Community Facilities Program is authorized under the SPWF Act, ORS 285B.422 and 285B.425, and assists local governments in meeting portions of their infrastructure and economic development needs by providing funds to acquire, construct, or develop community facilities. Water Program loans are available to assist Oregon municipalities in their efforts to meet federal and State of Oregon mandates for public drinking water systems and wastewater collection and treatment systems. As of June 30, 2004, \$196,945,000 of this authorized debt was outstanding. Just more than eight percent of the state's outstanding revenue debt was for this program.

In general, borrowers from the Oregon Bond Bank have pledged a source or sources of repayment related to the project being financed. Consequently, water project loans are repaid with water system revenues, sewer projects are repaid with sewer system revenues, and so forth. In addition to these sources of repayment, each of the loans is repayable from the borrower's general fund. Except for borrowers that are counties, the borrower's obligation to make payments from its general fund is a full faith and credit obligation of the borrower.

Capital Budgeting

Conduit Revenue

Oregon Facilities Authority Bonds (OFA) – ORS 289: The Oregon Facilities Authority, formerly known as the Health, Housing, Educational, and Cultural Facilities Authority (HHECFA), was created in 1989 and is empowered to issue bonds to assist with the assembling and financing of lands for health, housing, educational, and cultural uses and for the construction and financing of facilities for such uses. All bonds issued by the Authority are “conduit” or “pass-through” revenue bonds. The Authority reviews proposed projects and makes recommendations to the State Treasurer whether to issue bonds, which are secured solely by payments from the entities for which the projects were financed. There is no recourse to the state for payment, should the project be unable to meet debt service requirements. As of June 30, 2004, \$523,652,731 in bonds were outstanding.

Economic & Community Development Department – ORS 285B: The Oregon Economic & Community Development Commission is empowered to issue Industrial Development Revenue Bonds (IDB) through the State Treasurer, issuer of all state bonds. The proceeds are loaned to private businesses to finance various expansion, relocation, retention, and other projects that will stimulate economic development and provide jobs in the state. The Department may also issue a “composite” IDB to finance several projects, each of which would benefit from issuance cost savings brought about by “pooling” a series of smaller individual issues. The bonds are secured solely by payments made by the various private businesses on whose behalf the bonds are issued. Since 1975, the Economic & Community Development Commission has issued bonds on the behalf of 192 companies (not including refundings) with a bond amount totaling \$1,250,730,000. The Department estimates that as of June 30, 2004 the projects financed through the program have created over 14,356 jobs and saved an additional 2,879 jobs. In addition to federal requirements relating to the issuance of tax-exempt bonds, the Department subjects individual projects to a cost effectiveness test to ensure that the public benefits of a project outweigh the public costs.

The authorizing statute (ORS 285B.344) for the Economic Development Revenue Bond Program permits unlimited issuance of these bonds. Historically, the Legislature limited the program’s bond issuance to \$100,000,000 in each fiscal year of the period. However, this amount has been increased to \$250,000,000 per fiscal year. As of June 30, 2004, IDB’s totaling \$710,667,506 were outstanding.

Housing Development Revenue Bonds – ORS 456.692. The Oregon Housing and Community Services Department (OHCS) is authorized pursuant to Oregon Revised Statute 456.692 to issue conduit revenue bonds through the State Treasurer for its Housing Development Program. The multifamily housing program provides financing for developments in which a certain number of the housing units are for persons and families of lower income. Each bond issue finances a single development that is separately secured by revenues and assets specifically pledged by the borrower. Similar to the other state conduit revenue bond programs, as noted above, there is no bondholder recourse to the state for payment should the project be unable to meet its debt service requirements. Principal amount outstanding is \$82,632,088 as of June 30, 2004.

Capital Budgeting

PRIVATE ACTIVITY BOND VOLUME CAP

The Tax Reform Act of 1986 imposed a state-by-state volume cap on certain “private activity bonds” (PAB). The Private Activity Bond Committee, by statute, is a body of three consisting of its Chair, a representative of the Department of Administrative Services; a public member, appointed by the Governor; and a representative of the State Treasurer is charged with re-allocating a portion of the state’s PAB cap allocation to various state and local issuers as appropriate under its rules and governing federal and state law. The Debt Management Division of the State Treasury serves as staff to the PAB Committee. The 2006 and 2007 calendar year volume cap authorizations are based on \$80 per capita and the 2004 Oregon population estimates.

The budget recommends the following volume cap allocation for calendar years 2006 and 2007:

Recommended Private Activity Bond Allocation for 2006 and 2007 Calendar Years

Allocation For	2006 Calendar Year	2007 Calendar Year
Economic Development Commission	\$ 20,000,000	\$ 20,000,000
Housing and Community Services Department	110,000,000	115,000,000
Office of Energy	5,000,000	5,000,000
Oregon Facilities Authority	8,000,000	8,000,000
Private Activity Bond Committee	141,767,680	136,767,680
TOTAL	<u>\$ 284,767,680</u>	<u>\$ 284,767,680</u>

In the event of an increase in the state's population, a sufficient increase in the region's CPI, or a change in federal tax laws, the private activity bond limit as set by the Internal Revenue Code of 1986, as amended, to exceed \$284,767,680 during the 2006 calendar year or during the 2007 calendar year, the increase shall be allocated to the Private Activity Bond Committee.

TABLE A RECOMMENDED STATE BOND ISSUANCE AUTHORIZATION

Each biennium, the Governor must recommend the maximum amount of General Obligation and Revenue bonds, Certificates of Participation, and other financing agreements state agencies may issue (ORS 286.525). The Governor must seek advice from the Treasurer of State. The Governor's recommendation for the 2005-07 biennium and the Treasurer's advice are shown below.

Program Designation	2001-03 Actual	2003-05 Estimated	Recommended 2005-07 Maximum Limit	Treasurer's Advice 2005-07
GENERAL OBLIGATION BONDS (Constitutional Authority)				
General Fund Obligations				
Department of Higher Education and Community Colleges (Art. XI-G)	\$ 71,616,292	\$ 34,515,000	\$ 169,410,329	\$ 169,410,329
Department of Environmental Quality (Art. XI-H) (85% of the total amount)	3,400,000	7,650,000	7,000,000	7,000,000
Oregon Health & Science University, Oregon Opportunity Bonds (Art. XI-L)	93,610,000	109,565,000	--	--
DAS Pension Obligation Bonds (Art. XI-O)	--	791,904,800	--	--
Sub-total General Fund Obligations	\$ 168,626,292	\$ 943,634,800	\$ 176,410,329	\$ 176,410,329
Dedicated Fund Obligations				
Department of Veterans' Affairs (Art. XI-A)	--	--	120,000,000	120,000,000
Department of Higher Education [Art. XI-F(1)]	156,196,151	185,455,000	332,362,696	332,362,696
Department of Environmental Quality (Art. XI-H) (15% of the total amount)	600,000	1,350,000	9,000,000	9,000,000
Housing and Community Services Department [Art. XI-I(2)]	9,090,000	2,930,000	100,000,000	100,000,000
Office of Energy (Art. XI-J)	17,100,000	24,500,000	125,000,000	125,000,000
DAS Pension Obligation Bonds (Art. XI-O)	--	1,292,055,200	--	--
Sub-total Dedicated Fund Obligations	\$ 182,986,151	\$ 1,506,290,200	\$ 686,362,696	\$ 686,362,696
Total All General Obligation Bonds	\$ 351,612,443	\$ 2,449,925,000	\$ 862,773,025	\$ 862,773,025

Program Designation	2001-03 Actual	2003-05 Estimated	Recommended 2005-07 Maximum Limit	Treasurer's Advice 2005-07
REVENUE BONDS				
Direct Revenue Bonds				
Housing and Community Services Department	\$ 325,680,000	\$ 425,000,000	\$ 500,000,000	\$ 500,000,000
Department of Transportation				
Highway User Tax	221,845,000	294,750,000	915,000,000	915,000,000
Oregon Transportation Infrastructure Fund	--	--	50,000,000	50,000,000
Economic Development Department	36,675,000	60,165,000	200,000,000	200,000,000
Department of Administrative Services				
Lottery Revenue Bonds	183,180,000	78,000,000	202,260,000	202,260,000
Sub-total Direct Revenue Bonds	\$ 767,380,000	\$ 857,915,000	\$ 1,867,260,000	\$ 1,867,260,000
Pass-Through Revenue Bonds				
Economic Development Commission				
Industrial Development Bonds	33,680,000	21,420,000	250,000,000	250,000,000
Oregon Facilities Authority	129,635,000	300,000,000	300,000,000	300,000,000
Housing and Community Services Department	38,250,000	80,000,000	200,000,000	200,000,000
Sub-total Pass-Through Revenue Bonds	\$ 201,565,000	\$ 401,420,000	\$ 750,000,000	\$ 750,000,000
Total All Revenue Bonds	\$ 968,945,000	\$ 1,259,335,000	\$ 2,617,260,000	\$ 2,617,260,000
CERTIFICATES OF PARTICIPATION AND APPROPRIATION BONDS				
Department of Administrative Services	\$ 51,120,000	\$ 171,000,000	\$ 407,940,000	\$ 407,940,000
Oregon Appropriation Bonds	431,560,000	--	--	--
Total All Appropriation Bonds	\$ 482,680,000	\$ 171,000,000	\$ 407,940,000	\$ 407,940,000

Amounts do not include refundings.

**TABLE C
GENERAL OBLIGATION DEBT SUMMARY**

	June 30, 2000	June 30, 2001	June 30, 2002	June 30, 2003	June 30, 2004	September 1, 2004
Gross General Obligation (GO) Debt (1)	\$ 2,385,555,644	\$ 2,232,308,926	\$ 2,332,465,626	\$2,250,123,030	\$4,299,681,190	\$ 4,219,971,127
Revenue Supported GO Debt	\$ 2,229,940,936	\$ 2,078,759,987	\$ 2,152,154,389	\$1,983,985,371	\$3,098,274,661	\$ 3,023,151,911
Net GO Debt	\$ 155,614,708	\$ 153,548,939	\$ 180,311,237	\$266,137,659	\$1,201,406,529	\$ 1,196,819,216
Population (2)	3,437,000	3,472,000	3,504,700	\$3,541,500	\$3,579,100	3,579,100.00
Gross Debt per Capita	\$ 694	\$ 643	\$ 666	\$635	\$1,201	\$ 1,179
Net Debt per Capita	\$ 45	\$ 44	\$ 51	\$75	\$336	\$ 334
True Cash Value [TCV] (3)	\$ 258,156,154,746	\$ 274,032,430,944	\$ 287,281,387,981	\$305,371,097,660	\$305,371,097,660	\$ 305,371,097,660
Gross Debt as Percent of TCV	0.92%	0.81%	0.81%	0.74%	1.41%	1.38%
Net Debt as Percent of TCV	0.06%	0.06%	0.06%	0.09%	0.39%	0.39%
Total Personal Income (4)	\$ 94,900,000,000	\$ 96,900,000,000	\$ 101,400,000,000	\$104,400,000,000	\$110,300,000,000	\$ 111,100,000,000
Revenue Supported GO Debt as Percent of Total Personal Income	2.35%	2.15%	2.12%	1.90%	2.81%	2.72%
Net GO Debt as Percent of Total Personal Income	0.16%	0.16%	0.18%	0.25%	1.09%	1.08%

1. Effective September 1, 2000, Pollution Control Debt is reported at 85% General Fund supported and 15% self-supporting.

2. Population figures are as of July 1 each year, except for the 2000 decennial census which is as of April 1, 2000.

No population data is currently available for periods after July 1, 2003. Source: Center for Population Research & Census; Portland State University.

3. For tax years beginning after July 1, 1997, under Article XI, Section 11b of the Oregon Constitution, the property's maximum assessed value shall not increase by more than three percent from the previous tax year.

4. Total personal income includes all classes of income minus Contributions for Social Security.

Source: Oregon Department of Administrative Services, Office of Economic Analysis.

Compiled by Debt Management Division, Oregon State Treasury.

TABLE D
AGGREGATE GENERAL OBLIGATION DEBT SERVICE
AS OF SEPTEMBER 1, 2004

Fiscal Year

Fiscal Year Payment Year	Principal	Interest	Total Requirements
2005	\$ 80,447,000	\$ 183,722,944	\$ 264,169,944
2006	\$ 125,019,974	\$ 211,949,538	\$ 336,969,512
2007	\$ 125,222,871	\$ 206,010,573	\$ 331,233,444
2008	\$ 128,691,972	\$ 199,610,305	\$ 328,302,277
2009	\$ 109,593,942	\$ 193,428,903	\$ 303,022,845
2010	\$ 84,868,767	\$ 188,651,644	\$ 273,520,411
2011	\$ 82,971,979	\$ 185,387,056	\$ 268,359,035
2012	\$ 92,072,127	\$ 182,354,121	\$ 274,426,248
2013	\$ 97,126,926	\$ 179,046,764	\$ 276,173,690
2014	\$ 105,157,686	\$ 173,642,852	\$ 278,800,538
2015	\$ 113,540,114	\$ 166,361,094	\$ 279,901,208
2016	\$ 126,936,434	\$ 161,675,510	\$ 288,611,944
2017	\$ 228,405,162	\$ 156,374,881	\$ 384,780,043
2018	\$ 240,222,240	\$ 145,987,850	\$ 386,210,090
2019	\$ 255,713,074	\$ 134,213,311	\$ 389,926,385
2020	\$ 269,939,966	\$ 124,541,010	\$ 394,480,976
2021	\$ 195,158,352	\$ 110,886,846	\$ 306,045,198
2022	\$ 211,607,540	\$ 99,622,551	\$ 311,230,091
2023	\$ 231,495,000	\$ 86,243,793	\$ 317,738,793
2024	\$ 245,975,000	\$ 73,443,356	\$ 319,418,356
2025	\$ 258,355,000	\$ 59,563,377	\$ 317,918,377
2026	\$ 279,620,000	\$ 44,717,818	\$ 324,337,818
2027	\$ 305,835,000	\$ 28,511,823	\$ 334,346,823
2028	\$ 37,330,000	\$ 10,959,188	\$ 48,289,188
2029	\$ 31,820,000	\$ 9,135,956	\$ 40,955,956
2030	\$ 29,410,000	\$ 7,537,591	\$ 36,947,591
2031	\$ 23,840,000	\$ 6,166,926	\$ 30,006,926
2032	\$ 24,410,000	\$ 4,923,510	\$ 29,333,510
2033	\$ 12,335,000	\$ 3,939,618	\$ 16,274,618
2034	\$ 12,075,000	\$ 3,313,809	\$ 15,388,809
2035	\$ 5,295,000	\$ 2,863,416	\$ 8,158,416
2036	\$ 5,485,000	\$ 2,578,460	\$ 8,063,460
2037	\$ 5,785,000	\$ 2,280,611	\$ 8,065,611
2038	\$ 6,085,000	\$ 1,966,808	\$ 8,051,808
2039	\$ 6,420,000	\$ 1,635,990	\$ 8,055,990
2040	\$ 6,785,000	\$ 1,287,073	\$ 8,072,073
2041	\$ 7,150,000	\$ 918,705	\$ 8,068,705
2042	\$ 7,525,000	\$ 530,361	\$ 8,055,361
2043	\$ 4,085,000	\$ 121,361	\$ 4,206,361
2044	\$ 160,000	\$ 4,040	\$ 164,040
TOTALS:	\$ 4,219,971,126	\$ 3,356,111,343	\$ 7,576,082,469

Information Source: Debt Management Division, Oregon State Treasury.

TABLE E

SUMMARY OF DEBT SERVICE REQUIREMENTS FOR STATE BONDED INDEBTEDNESS BY FUND

Description	2005-07					
	2001-2003 Actual (4)	2001-2003 COP's Included(3)	2003-05 Leg. Adopted (2),(4)	2003-05 COP's Included(3)	2005-07 Governor's Recommended Budget(1)	2005-07 COP's Included(3)
	\$	\$	\$	\$	\$	\$
General Fund and Lottery Supported						
Community College Services, Office of	4,344,935	--	3,316,055	--	2,038,541	--
Higher Education, Department of	21,686,022	--	29,568,937	--	36,674,867	2,344,988
Human Services, Department of	--	--	174,985	174,985	5,769,807	5,769,807
Corrections, Department of	24,892,423	24,892,423	101,529,597	101,529,597	119,157,552	119,157,552
Economic Development Department of - Lottery	17,320,379	--	39,184,724	--	53,608,564	--
Agriculture, Department of	154,431	154,431	--	--	--	--
Environmental Quality, Department of	12,741,045	--	5,744,867	--	4,874,785	--
Education, Department of - Lottery	55,999,998	--	55,699,162	--	56,929,095	--
State Fair and Exposition Center - Lottery	2,510,282	--	3,718,261	--	4,235,235	--
Youth Authority, Department of	11,475,441	11,475,441	10,585,600	10,585,600	6,629,178	6,629,178
Forestry, Department of	1,822,867	1,822,867	2,041,933	2,041,933	2,038,543	2,038,543
Military Department	407,681	407,681	442,467	442,467	921,911	921,911
Transportation, Department of - Lottery	10,108,962	--	21,145,902	--	33,187,224	--
Parks and Recreation, Department of - Lottery	3,160,825	--	3,165,128	--	3,159,890	--
Water Resources Department	--	--	275,000	--	--	--
Police Standards & Training, Department of	--	--	--	--	11,947,797	11,947,797
State Police	38,869	38,869	969,566	969,566	2,333,718	2,333,718
Legislative Administration	25,995	25,995	956,700	956,700	959,950	959,950
Administrative Services, Department of - Lottery	275,805	--	1,622,874	--	1,619,166	--
Administrative Services, Department of - Pension - 38%	--	--	42,375,715	--	91,042,203	--
Administrative Services, Department of - Appn. Bonds	--	--	41,818,040	--	86,694,855	--
Administrative Services, Department of - GO OHSU Bonds	--	--	--	--	--	--
Housing and Community Services Department - Lottery	1,905,233	--	4,432,311	--	4,460,536	--
Total General Fund Supported	\$ 168,871,193	\$ 38,752,843	\$ 368,767,824	\$ 116,700,848	\$ 528,283,416	\$ 152,103,443
Other Funds Supported						
Higher Education, Department of	76,527,747	9,683,921	89,045,677	5,606,749	104,164,334	4,965,523
Corrections, Department of	79,424,058	79,424,058	1,855,775	1,855,775	--	--
Police Standards & Training, Department of	156,283	156,283	2,299,981	2,299,981	216	216
Youth Authority, Department of	804,741	804,741	--	--	--	--
Education, Department of	3,555,414	--	3,853,214	--	1,731,375	--
Economic Development Department	31,334,913	--	39,231,413	--	43,365,785	--
Employment Department	373,460	373,460	373,250	373,250	350,910	350,910
State Fair and Exposition Center	1,311,128	87,125	1,219,565	--	1,039,410	--
Forestry, Department of	1,112,314	1,112,314	1,243,555	1,243,555	1,241,490	1,241,490

**TABLE E
SUMMARY OF DEBT SERVICE REQUIREMENTS FOR STATE BONDED INDEBTEDNESS BY FUND**

Description	2005-07					
	2001-2003 Actual (4)	2001-2003 COP's Included(3)	2003-05 Leg. Adopted (2),(4)	2003-05 COP's Included(3)	Governor's Recommended Budget(1)	2005-07 COP's Included(3)
	\$	\$	\$	\$	\$	\$
Military Department	3,419	3,419	--	--	109,260	109,260
Housing and Community Services Department	801,393,640	--	535,121,038	--	1,818,926,595	--
Veterans' Affairs, Department of	462,603,639	--	582,921,377	--	399,937,095	--
Agriculture, Department of	--	--	--	--	--	--
Dept. of Energy	66,004,578	--	71,478,444	--	58,752,873	--
Public Employees' Retirement System	1,265,900	1,265,900	3,578,210	3,578,210	5,720,950	5,720,950
Human Resources Director's Office, Department of	--	--	--	--	--	--
Environmental Quality, Department of	4,892,400	--	18,772,867	--	13,342,949	--
Fish and Wildlife, Department of	2,242,825	2,242,825	3,000,000	3,000,000	--	--
Water Resources Department	1,120,686	--	614,102	--	614,102	--
Transportation, Department of	57,458,868	4,189,000	64,040,610	1,639,125	147,684,340	1,640,688
Administrative Services, Department of	29,203,678	29,203,678	29,351,860	29,351,860	55,889,330	55,889,330
Administrative Services, Department of - Pension - 62%	--	--	69,139,325	--	148,542,542	--
Administrative Services, Department of - Appn. Bonds	--	--	--	--	--	--
Administrative Services, Department of - GO OHSU Bonds	--	--	--	--	--	--
Oregon Health and Science University	--	--	9,719,444	--	31,907,550	--
Total Other Funds Supported	\$ 1,620,789,691	\$ 128,546,724	\$ 1,526,859,707	\$ 48,948,505	\$ 2,833,321,106	\$ 69,918,368
Grand Total Debt Service Requirements	\$ 1,789,660,884	\$ 167,299,567	\$ 1,895,627,531	\$ 165,649,353	\$ 3,361,604,522	\$ 222,021,811

- (1) Amounts shown are for outstanding bonds as of November 20, 2004.
- (2) Legislatively approved debt service excluding refunding debt payments.
- (3) Certificates of participation (COP's) are financing agreements. Repayment of COP's is limited to funds appropriated or otherwise made available by the Legislative Assembly, and is not contractually or constitutionally guaranteed. These amounts are included in the biennial debt service figures.
- (4) Amounts shown are net of Capitalized Interest for Appropriation Bonds, GO OHSU Bonds, and GO Pension Bonds.

TABLE F CAPITAL FINANCING SIX-YEAR FORECAST SUMMARY

ORS 291.216 requires the Governor's balanced budget to compare state agency capital financing needs to the State Debt Policy Advisory Commission's (SDPAC) six-year estimate of net debt capacity. The capital financing needs are in three categories: capital construction, equipment and technology, and grants and loans. The estimates in Table F are from the SDPAC report of April 1, 2004 with an adjustment for the Lottery Revenue Bonds. Other changes may occur during the legislative process and will be updated from time to time. Net tax supported debt includes three components. The first is General Fund Supported Debt. The second is the Lottery Revenue Bond Program and the third is the Transportation Department Bonds. There are specific debt capacity estimates only for General Fund Supported Debt Programs and Lottery Revenue Bond Programs. The Transportation Department Bond capacity is limited by Oregon law.

The SDPAC did not make specific capacity estimates for Non Tax-Supported Debt Programs. Debt capacity is based on legal limits in the Oregon laws and the Constitution, sound program management, loan demand, need for capital projects, and appropriate reviews by the State Treasury, the Governor, and the Legislative Assembly. This table shows expected debt issuance only.

The SDPAC did not make specific capacity estimates for Conduit Revenue Bond Programs. The conduit borrower is solely responsible to repay the debt. Debt capacity is based on borrowers' ability to repay bonds, market effects on the other state bond programs, legislative authorization, and central debt management review.

The April 1, 2004 report of the SDPAC covers fiscal years 2004 through 2009. The six-year span does not provide estimates for the 2009-11 biennium.

	2005-07 REPAYMENT SOURCE				2007-09 REPAYMENT SOURCE				2009-11 REPAYMENT SOURCE				SDPAC ESTIMATED NET DEBT CAPACITY
	GENERAL FUND	OTHER FUNDS	LOTTERY FUNDS	SDPAC ESTIMATED NET/DEBT CAPACITY	GENERAL FUND	OTHER FUNDS	LOTTERY FUNDS	SDPAC ESTIMATED NET/DEBT CAPACITY	GENERAL FUND	OTHER FUNDS	LOTTERY FUNDS	SDPAC ESTIMATED NET DEBT CAPACITY	
GENERAL FUND SUPPORTED DEBT				\$ 1,000,000,000				\$ 555,422,671					\$ N/A
SDPAC estimated net debt capacity (See NOTE)				\$ 1,000,000,000				\$ 555,422,671					\$ N/A
GENERAL OBLIGATION BONDS	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Higher Education Article XI-G	169,410,329	--	--	--	212,000,000	--	--	--	289,000,000	--	--	--	--
- Capital Construction													
Pollution Control Article XI-H	7,000,000	--	--	--	--	--	--	--	--	--	--	--	--
- Capital Construction													
- Grants and loans	--	--	--	--	--	--	--	--	--	--	--	--	--
Less total for G.O. bonds	\$ 176,410,329	\$ --	\$ --	\$ (176,410,329)	\$ 212,000,000	\$ --	\$ --	\$ (212,000,000)	\$ 289,000,000	\$ --	\$ --	\$ --	\$ --
CERTIFICATES OF PARTICIPATION (COP's)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Dept. of Administrative Services	228,086,500	43,043,500	--	--	217,120,000	14,880,000	--	--	38,180,000	37,820,000	--	--	--
- Capital Construction													
- Equipment and Technology	40,080,500	96,729,500	--	--	--	--	--	--	--	--	--	--	--
Less total for COP's	\$ 268,167,000	\$ 139,773,000	\$ --	\$ (268,167,000)	\$ 217,120,000	\$ 14,880,000	\$ --	\$ (217,120,000)	\$ 38,180,000	\$ 37,820,000	\$ --	\$ --	\$ --
Remaining estimated General Fund supported debt capacity (See NOTE)				\$ 555,422,671				\$ 126,302,671					\$ N/A
OTHER TAX-SUPPORTED DEBT PROGRAMS				\$ 330,000,000				\$ 127,740,000					\$ N/A
SDPAC estimated net debt capacity (See NOTE)				\$ 330,000,000				\$ 127,740,000					\$ N/A
LOTTERY REVENUE BONDS	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Department of Administrative Services	--	--	202,260,000	--	--	--	--	--	--	--	--	--	--
- Capital Construction													
- Equipment and Technology													
- Grants and loans													
Less total for lottery revenue bonds	\$ --	\$ --	\$ 202,260,000	\$ (202,260,000)	\$ --	\$ --	\$ --	\$ (202,260,000)	\$ --	\$ --	\$ --	\$ --	\$ --
Remaining estimated lottery revenue debt capacity				\$ 127,740,000				\$ 127,740,000					\$ N/A

NOTE: For the 2005-07 biennium, updated issuance information will result in additional available capacity that will exceed the April 1, 2004, capacity estimates outlined here. The result will be that the budgetary requests outlined here are expected to be within SDPAC capacity estimates.

