

Capital Budgeting

HIGHLIGHTS FROM TREASURER OF STATE 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, 2001) certified statewide TCV is \$274 billion. The state's maximum general obligation borrowing authority is \$44 billion. The total amount outstanding at June 30, 2002 was \$2.3 billion, or 5.2 percent of the total authorization. Total outstanding bonded indebtedness of the state, including both general obligation and direct revenue bonds, was \$4.5 billion. Of this amount, 51.6 percent was general obligation bonds. Of the outstanding general obligation debt, 92.2 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. Table B provides a summary of the state's debt authority and outstanding debt levels as of September 1, 2002.

Approximately 30 percent of the state's outstanding general obligation debt matures in five years. About 47 percent of this debt matures in 10 years. The remaining debt matures over the following 30 years.

Biennium Issuance

The state sold \$1.4 billion of bonds and Certificates Of Participation (COPs) in the fiscal year ending June 30, 2002. This volume is 24 percent more than the \$1.13 billion sold during the 1999-2000 reporting period. In general obligation bonding, Oregon University System (\$196,087,443) was the greatest use. Housing bonds issued by the Oregon Housing and Community Services Department made up 22 percent of total state revenue bond issuance. Lottery revenue bonds were also a major source of financing, with \$59.7 million of bond issuance in 2001-02. COPs also continued to play a major role in state capital finance. A total of \$25.89 million was issued for new projects and \$302.52 million to refinance previously issued COP's. The remainder of the long-term issuance was for conduit projects, energy conservation, and other government services. During that period, approximately 8.3 percent of the total issuance was for conduit financings.

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 enjoys a rating at the double-A level from all three rating agencies (Moody's: Aa2, Standard and Poor's: AA, and Fitch: AA). The state's credit standing reflects strong financial controls that compensate for low budget reserves and the Legislature's ability to deal with lower forecasted revenues.

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Interest Rates

During the period examined, July 1, 2000 through June 30, 2002, bond interest rates slightly decreased. The AA-rated State of Oregon 20-year Oregon Bond Index had a top rate of 5.65 percent on July 6, 2000 and a low of 4.83 percent on November 8, 2001. Typically, Oregon issuers pay lower interest costs in comparison to their national counterparts. Interest rates remained relatively stable at the end of the two-year period.

Historically, long-term municipal interest rates have been approximately 85 percent of taxable United States Treasury obligations. As interest rates fell, municipal securities experienced greater improvement *vis-a-vis* corporate and government securities and moved closer, but still 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 financing.

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. On the other hand, when demand for tax-exempt issues weakens, yields also rise, narrowing the spread between municipals and comparable maturities of taxable securities.

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CONSTITUTIONAL AND STATUTORY BORROWING AUTHORIZATIONS

The State of Oregon's borrowing program consists of 22 separate authorizations, -- 11 constitutional and 11 statutory. The 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. Certificates of Participation (COPs) or financing agreements, authorized in Oregon Revised Statute 283, 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 COPs 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 authorization follows. *[Bracketed italic references]* refer to the *Oregon Constitution* or *Oregon Revised Statutes [ORS]*. The most recent available True Cash Value (TCV) of all the taxable property in the state, certified by the Oregon Department of Revenue, as of January 1, 2001, is \$274,032,430,944. 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.

General Obligation Bonds -- General Fund Supported

General Purpose: The state is authorized by *[Article XI, Section 7]* of the Oregon Constitution to incur indebtedness of up to \$50,000 for general purposes. This debt may take the form of either long-term or short-term obligations; the proceeds may be used for any lawful purpose. As of June 30, 2002, no debt was outstanding under this authorization.

State Power Development: The Constitution provides that Oregon may incur indebtedness in an amount not to exceed "one and one-half percent (1.5%) of the true cash value" of all taxable property in the state for the purposes of developing hydroelectric power. This authority has not been used since the voters approved it in a constitutional amendment on November 8, 1932. *[Article XI-D]*

Higher Education: 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(1)]*.

[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 (\$123,253,738) greatly exceeds the Community Colleges portion of XI-G debt (\$7,120,000). The combined total of XI-G bonded debt outstanding at June 30, 2002 is \$130,373,738. *[Article XI-F(1)]* debt is discussed in the "Self-Supporting" section.

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Forest Rehabilitation and Reforestation: To provide funds for “forest rehabilitation and reforestation and for the acquisition, management, and development of lands for such purposes,” the state may incur debt not to exceed “three-sixteenths of one percent” (0.1875%) of statewide TCV. Based on current TCV this amount is \$513,810,808. This authority is further restricted by statute to a maximum of \$750,000 per year. Initial security for bonds issued under this authorization is provided by revenue derived from the sale, exchange, or use of forestlands and associated forest products. The full faith and credit of the State of Oregon is also pledged under *[Article XI-E]* of the Constitution. No debt was outstanding under this authorization on June 30, 2002.

Pollution Control: Indebtedness not to exceed one-half percent of statewide TCV may be incurred to finance pollution control facilities *[Article XI-H]*. Any municipal corporation, city, county, or agency of the state may construct projects for pollution control. Because bond proceeds are used for a variety of different pollution abatement projects, including “orphan” site clean ups, an increasing amount of the state’s pollution control debt is General Fund supported.

As of June 30, 2002, \$49,937,000 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.

General Obligation Bonds -- Self-Supporting

Overall, 92 percent of outstanding state general obligation debt is self-supporting. Virtually all of Oregon’s revenue bonded debt, whether direct or conduit, is considered self-supporting, as there is no general obligation pledged, and in most cases no tax revenue support of the debt.¹

Veterans’ Affairs: 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 (TCV) to finance farm and home loans for eligible veterans. As of June 30, 2002, the Department of Veteran’s Affairs had \$1,228,535,000 in outstanding bonds, equal to 6.00 percent of this authorization.

Oregon’s Veterans’ bonds represented 52.7 percent 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: 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, 2002, the program had outstanding 13.4 percent of its authorization. *[Article XI-J]*

¹ Highway User Tax Revenue Bonds are the exception since revenues from the state gasoline tax are used for debt service.

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Higher Education: *[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, 2002, \$449,797,889 or approximately 21.8 percent of this bonding authorization was outstanding.

Water Resources: Indebtedness of up to “one and one-half percent” of TCV may be incurred to raise money for the Water Development Fund. When authorized in 1977, the Water Development Fund was limited to providing financing of water development projects for irrigation and drainage, and for the acquisition of easements and rights of ways for water development projects. In 1982, Oregon voters approved use of these funds to make loans to towns under 30,000 populations to construct municipal water projects. At the May 17, 1988 primary election, voters approved use of this authority to finance loans to Oregonians for fish protection and watershed restoration. All bonds issued for the Water Development Fund are to be self-supporting but are backed by the state’s general obligation, which includes the authority to levy a statewide property tax. As of June 30, 2002, \$2,494,000 of the authorization was outstanding. *[Article XI-I(1)]*

Highway: *[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, 2002, 0.1 percent (\$2,845,000) of authorized debt (\$2,740,324,309) was outstanding.

Elderly and Disabled Housing: The state is empowered to issue bonds in an amount not greater than “one-half of one percent” of TCV (\$1,370,162,155) 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. *[Article XI-I(2)]* As of June 30, 2002, \$275,495,000 or 20.1 percent of authorized debt was outstanding.

Pollution Control: During the period, most of the state’s Pollution Control bonded debt was General Fund supported. The minor portion of this debt, \$8,812,500, was self-supporting. Over time, the ratio of self-supporting vs. General Fund supported debt has changed due to voter commitment of resources to clean up pollution. The amendment to the Oregon Constitution, *[Article XI-H]*, was passed in 1969 and expanded or strengthened in 1970.

Revenue Bonds

Single-Family and Multi-Family Housing: The Oregon Housing and Community Services Department (OHCSA) 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. OHCSA 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, 2002 the amount outstanding for OHCSA is \$1,255,374,827 or 57.5 percent of all State of Oregon direct revenue-bonded debt. *[ORS 456.661]*

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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 street.

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 House Bill 2142 (the “Oregon Transportation Investment Act” or “OTIA”) that authorized the Department to issue highway user tax revenue bonds. Bond proceeds are 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”). House Bill 2142 authorized an aggregate principal amount sufficient to produce net proceeds of not more than \$400 million. OTIA requires the Oregon Transportation Commission (the “Commission”) to select OTIA Projects 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 and approved funding of highest priority projects that could be funded under House Bill 2142.

In the 2002 First Special Session, the Legislature passed 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 the other 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

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\$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, 2002, the outstanding balance in “highway user tax revenue bonds” was \$279,105,000.

The Oregon Mass Transportation Financing Authority (OMTFA): OMTFA has statutory authority to issue \$250 million in revenue bonds to finance programs of the state’s three local mass-transit authorities: Tri-Met Transit District, Lane Transit District, and Salem Area Mass Transit District. Revenues of the applicable transit districts secured bonds issued under this program. This program has not been used since 1982. In addition, all bonds issued under this authorization have been refunded and are no longer outstanding.

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 Session and November General Elections subsequent to that Legislative Session.

The 1999 Legislature enacted Senate Bill 200, which combined the existing Lottery bond programs into a single program. In addition, the 1999 Legislature authorized issuance of bonds sufficient to produce net proceeds of \$127 million for public education, local government infrastructure, Columbia River dredging, and state fairground improvements.

The 2001 Legislature 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 System building improvements.

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As of June 30, 2002, the total amount outstanding for Lottery-backed projects was \$486,955,000.

Student Assistance Commission: The 1987 Legislature authorized the issuance of up to \$30 million per year in revenue bonds to fund loans to “eligible students.” Eligibility, as defined by ORS 348.665, is a student who is enrolled in an eligible Oregon Higher Education institution or an Oregon resident enrolled in an eligible Higher Education institution elsewhere. The Student Assistance Commission, in Oregon Administrative Rule 575-031-0015, defines eligible institutions. To date, no debt has been issued under this authorization.

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; \$2,535,000 of these bonds remained outstanding, as of June 30, 2002. The State Fair and Exposition Center had \$7,465,000 (approximately 75 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 (OECDD). 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, 2002, \$158,165,000 of this authorized debt was outstanding. Just over seven 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 subject to the limitations of [Article XI] of the Oregon Constitution.

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Conduit Revenue Bonds

Oregon Facilities Authority Bonds: The Oregon Facilities Authority (OFA), 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 OFA are “conduit” or “pass-through” revenue bonds. OFA reviews proposed projects and makes recommendations to the State Treasurer on 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 its debt service requirements. The Legislature authorized OFA to issue up to \$250,000,000 per year for fiscal years 1999-2000 and \$300,000,000 per year for fiscal years 2001-02. OFA issued \$97,465,000 between July 1, 2001 and June 30, 2002. As of June 30, 2002, \$533,764,157 in bonds were outstanding. [ORS 289]

Oregon Economic and Community Development Department: The Oregon Economic and Community Development Commission is empowered to issue Industrial Development Revenue Bonds (IDB’s) 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 which 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 Oregon Economic and Community Development Commission has issued bonds on the behalf of 182 companies (not including refundings) with a bond amount totaling over \$1.2 billion. The Department estimates that as of June 30, 2002 the projects financed through the program have created over 14,361 jobs and saved an additional 2,749 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 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. In the present reporting period, the amount issued was \$21,420,000. As of June 30, 2002, IDB’s totaling \$714,345,955 were outstanding. [ORS 285B.344]

Certificates of Participation (COPs)

[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 COPs evidencing these financing agreements, subject to Legislative approval. Further, the Oregon Supreme Court has ruled that COP financings 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 2001 Legislature authorized \$319,375,000 in COP financing during the 2001-03 biennium. Of that amount, the majority was used for correctional facilities and the acquisition of and the construction or

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improvements to state buildings. The balance was used for other state business, including computer system components. Of that authorization, \$178,455,000 was issued in January 2000, primarily to finance the acquisition and construction of a Women's Corrections and Intake Center. As of June 30, 2002, \$822,200,000 in COPs remained outstanding.

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PRIVATE ACTIVITY BOND VOLUME

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 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 2004 and 2005 calendar year volume cap authorizations are based on \$80 per capita and the 2002 Oregon population estimates.

The budget recommends the following volume cap allocation for calendar years 2004 and 2005:

Recommended Private Activity Bond Allocation for Calendar Years 2004 and 2005

<u>Allocation For</u>	<u>2004 Calendar Year</u>	<u>2005 Calendar Year</u>
Economic Development Commission	\$ 40,000,000	40,000,000
Economic Development Department	7,000,000	7,000,000
Housing and Community Services Department	124,500,000	124,500,000
Office of Energy	10,000,000	10,000,000
Oregon Facilities Authority	13,000,000	13,000,000
Private Activity Bond Committee	85,876,000	85,876,000
TOTAL	\$ <u>280,376,000</u>	<u>280,376,000</u>

In the event that an increase in the state's population, a sufficient increase in the region's consumer price index or a change in federal tax laws the PAB limit as set by the Internal Revenue Code of 1986, as amended, to exceed \$280,376,000 during the 2004 calendar year or during the 2005 calendar year, the increase shall be allocated to the PAB Committee.

