

Capital Budgeting

CAPITAL CONSTRUCTION

Capital Construction projects are presented in appropriation bills separate from agencies' budget bills for ongoing operations. "Major Construction" projects are distinguished from "Capital Improvements" based on a cost in excess of \$500,000, and must receive approval by the Legislature before spending begins.

Capital Improvements less than \$500,000 do not require specific legislative approval and are included in an agency's operating budget.

The following tables show the major projects proposed by the Governor for the 2007-09 biennium. They also show identified major project costs for the four years in the subsequent two biennia. This data on projected future project costs is referred to as the "six-year plan" and is a required component of the Governor's Recommended Budget under Oregon law (ORS 291.224).

The recommended major construction projects are included in two appropriation bills. One bill presents projects for the Department of Higher Education and Community Colleges, and another bill for projects of all other state government.

Projects may be funded with proceeds from bonds that are repaid over time or on a "pay-go" basis. Sources for bond repayment and "pay-go" include General Fund, Other Funds, Lottery Funds, and Federal Funds. Income taxes are the primary source of General Fund resources. Other Funds are moneys dedicated by Oregon Law or Constitution. Other Fund revenues are derived from a variety of sources including taxes on fuels, rents, fees for services, grants, and donations. Lottery Funds are net revenues derived from operations of 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, including addressing significant deferred maintenance needs;
- Provide planning and land acquisition for new State Hospital facilities;
- Develop statewide public safety interoperability communications networks;
- Improve National Guard buildings;
- Address priority deferred maintenance needs at adult prisons, and other State facilities;
- Make improvements to state office buildings and add facilities.

MAJOR CONSTRUCTION/ACQUISITION 2007-2009 PROGRAM FUNDING REQUEST SUMMARY

| Program Area | General Fund | Other Funds | Federal Funds | * | Total Funds |
|--------------------|--------------|----------------------|----------------------|----|----------------------|
| Education | \$ -- | \$ 768,786,786 | \$ -- | \$ | 768,786,786 |
| Public Safety | -- | 547,696,938 | 51,566,569 | | 599,263,507 |
| Transportation | -- | 11,815,602 | 2,000,000 | | 13,815,602 |
| Econ. & Comm. Dev. | -- | 2 | -- | | 2 |
| Human Services | -- | 81,584,275 | -- | | 81,584,275 |
| Natural Resources | -- | 4,250,000 | -- | | 4,250,000 |
| Administration | -- | 37,472,551 | -- | | 37,472,551 |
| Legislative | 1 | -- | -- | | 1 |
| | <u>1</u> | <u>1,451,606,154</u> | <u>53,566,569</u> | | <u>1,491,702,242</u> |
| Total | \$ <u>1</u> | \$ <u>4</u> | \$ <u>53,566,569</u> | \$ | <u>2</u> |

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

2007-2009 RECOMMENDED MAJOR CONSTRUCTION/ACQUISITION PROJECTS

| Program Area/Agency | General Fund | Other Funds | Federal Funds | Total Funds |
|---|-----------------|----------------|------------------|----------------|
| EDUCATION PROGRAM | | | | |
| Higher Education University System | | | | |
| System | | | | |
| ORBIS Cascade Alliance Regional Library Services Center | \$ - | \$ 9,200,000 | \$ - | \$ 9,200,000 |
| UO/PSU/Regional's Solar Power | - | 5,000,000 | - | 5,000,000 |
| Capital renewal, code, and safety | - | 113,500,000 | - | 113,500,000 |
| Western Oregon University | | | | |
| New student residence | - | 11,250,000 | - | 11,250,000 |
| Business/Math/Computer Science | - | 14,000,000 | - | 14,000,000 |
| Humanities & Soc. Science Deferred Maintenance/Seismic | - | 4,123,000 | - | 4,123,000 |
| Eastern Oregon University | | | | |
| Eastern Oregon Regional Information Center | - | 25,500,000 | - | 25,500,000 |
| Hermiston University Center Partnership | - | 13,000,000 | - | 13,000,000 |
| Inlow Hall Deferred Maintenance/Seismic | - | 6,242,000 | - | 6,242,000 |
| Oregon State University | | | | |
| Biofuels Lab and Learning Center | - | 4,000,000 | - | 4,000,000 |
| National Wave Energy Research Center | - | 6,000,000 | - | 6,000,000 |
| Wind Farm Project | - | 5,000,000 | - | 5,000,000 |
| OSU Dining Center Renovation: Arnold Catering | - | 3,500,000 | - | 3,500,000 |
| Cross Country Tack | - | 3,000,000 | - | 3,000,000 |
| Athletics/Academic Center | - | 1 | - | 1 |
| Boathouse remodel | - | 3,000,000 | - | 3,000,000 |
| Gill Coliseum renovation | - | 20,000,000 | - | 20,000,000 |
| Mouse Model Organism Facility | - | 1,500,000 | - | 1,500,000 |
| Intramural Field Synthetic Turf project | - | 3,250,000 | - | 3,250,000 |
| Pauling Research & Education Building | - | 62,512,070 | - | 62,512,070 |
| Nash Hall Deferred Maintenance/Seismic | - | 15,574,000 | - | 15,574,000 |
| Building rewiring | - | 5,000,000 | - | 5,000,000 |
| Portland State University | | | | |
| Parking expansion (block 189 development) | - | 12,000,000 | - | 12,000,000 |
| Student housing and land acquisition | - | 1 | - | 1 |
| Peter Stott Center Gym expansion | - | 8,500,000 | - | 8,500,000 |
| Retail development | - | 1 | - | 1 |
| Land acquisition | - | 1 | - | 1 |
| Walk of the Heroines | - | 1,800,000 | - | 1,800,000 |
| Science Research & Teaching Center/Hazardous Waste Facility | - | 19,000,000 | - | 19,000,000 |
| Lincoln Hall Deferred Maintenance/Seismic | - | 29,218,000 | - | 29,218,000 |
| Science Building II Deferred Maintenance/Seismic | - | 26,309,000 | - | 26,309,000 |
| Campus fiber expansion and telecom facility upgrades | - | 1,000,000 | - | 1,000,000 |
| Southern Oregon University | | | | |
| Theater Arts Expansion and Remodel | - | 8,700,000 | - | 8,700,000 |
| University of Oregon | | | | |
| Riverfront Research Park Multi-Tenant Building | - | 19,250,000 | - | 19,250,000 |
| Riverfront Research Park building purchase | - | 14,373,000 | - | 14,373,000 |
| New student housing | - | 1 | - | 1 |
| Food service upgrade | - | 1,000,000 | - | 1,000,000 |
| Residence hall renewal | - | 2,000,000 | - | 2,000,000 |
| Residence hall renewal for marketing | - | 2,000,000 | - | 2,000,000 |
| Gilbert/Peterson Hall phase 3 | - | 5,000,000 | - | 5,000,000 |
| Oregon State Museum of Anthropology | - | 2,500,000 | - | 2,500,000 |
| Integrative Science Complex, Phase 2 | - | 60,000,000 | - | 60,000,000 |
| Fenton Hall Deferred Maintenance/Seismic | - | 8,072,000 | - | 8,072,000 |
| Classroom and laboratory upgrades | - | 5,000,000 | - | 5,000,000 |
| Oregon Institute of Technology | | | | |
| Geothermal Electrical Generation | - | 5,000,000 | - | 5,000,000 |
| Center for Health Professions | - | 20,000,000 | - | 20,000,000 |
| Project Reserves | - | 9,613,711 | - | 9,613,711 |
| Total Department of Higher Education | \$ - | \$ 594,486,786 | \$ - | \$ 594,486,786 |

2007-2009 RECOMMENDED MAJOR CONSTRUCTION/ACQUISITION PROJECTS

| Program Area/Agency | General Fund | Other Funds | Federal Funds | Total Funds |
|--|--------------|----------------|---------------|----------------|
| Dept. of Community Colleges and Workforce Development | | | | |
| Blue Mountain Community College | | | | |
| Hermiston University Center | \$ - | \$ 8,000,000 | \$ - | \$ 8,000,000 |
| Central Oregon Community College | | | | |
| Science & Allied Health Instructional Building | - | 15,000,000 | - | 15,000,000 |
| Chemeketa Community College | | | | |
| Classroom & Health Sciences | - | 15,000,000 | - | 15,000,000 |
| Clatsop Community College | | | | |
| New campus | - | 35,000,000 | - | 35,000,000 |
| Clackamas Community College | | | | |
| Allied Healthcare Center of Excellence | - | 15,000,000 | - | 15,000,000 |
| Columbia Gorge Community College | | | | |
| Workforce building | - | 15,000,000 | - | 15,000,000 |
| Lane Community College | | | | |
| Health & Wellness Building | - | 15,000,000 | - | 15,000,000 |
| Linn-Benton Community College | | | | |
| Library and Student Services Renovation | - | 7,000,000 | - | 7,000,000 |
| Oregon Coast Community College | | | | |
| Expansion - Aquarium S. Co. & Central Campus Ld Purchase | - | 15,000,000 | - | 15,000,000 |
| Portland Community College | | | | |
| Educational Center | - | 15,000,000 | - | 15,000,000 |
| Treasure Valley Community College | | | | |
| Community College/University Center | - | 4,300,000 | - | 4,300,000 |
| Umpqua Community College | | | | |
| Regional Health Occupational Training Center | - | 15,000,000 | - | 15,000,000 |
| Total Community Colleges and Workforce Development | \$ - | \$ 174,300,000 | \$ - | \$ 174,300,000 |
| TOTAL EDUCATION PROGRAM | \$ - | \$ 768,786,786 | \$ - | \$ 768,786,786 |
| HUMAN SERVICES PROGRAM | | | | |
| Department of Human Services | | | | |
| Mental Health Care Facilities | \$ - | \$ 81,584,275 | \$ - | \$ 81,584,275 |
| Total Department of Human Services | \$ - | \$ 81,584,275 | \$ - | \$ 81,584,275 |
| TOTAL HUMAN SERVICES PROGRAM | \$ - | \$ 81,584,275 | \$ - | \$ 81,584,275 |
| PUBLIC SAFETY PROGRAM | | | | |
| Department of Corrections | | | | |
| Deferred Maintenance and Assessments | \$ - | \$ 24,214,548 | \$ - | \$ 24,214,548 |
| Planning & Design - Next Facility | - | 10,599,089 | - | 10,599,089 |
| Total Department of Corrections | \$ - | \$ 34,813,637 | \$ - | \$ 34,813,637 |
| Oregon Youth Authority | | | | |
| Facility Maintenance -Renovation | \$ - | \$ 8,605,000 | \$ - | \$ 8,605,000 |
| Total Oregon Youth Authority | \$ - | \$ 8,605,000 | \$ - | \$ 8,605,000 |
| Oregon State Police | | | | |
| Oregon Wireless Interoperability Network | \$ - | \$ 485,710,834 | \$ - | \$ 485,710,834 |
| Total Oregon State Police | \$ - | \$ 485,710,834 | \$ - | \$ 485,710,834 |
| Military Department | | | | |
| Ontario Readiness Center | \$ - | \$ 3,232,267 | \$ 7,678,153 | \$ 10,910,420 |
| Camp Withycombe Reserve Center | - | 3,887,200 | 43,888,416 | 47,775,616 |
| Woodburn, St. Helens, Newport, Gresham remodels | - | 11,448,000 | - | 11,448,000 |
| Total Military Department | \$ - | \$ 18,567,467 | \$ 51,566,569 | \$ 70,134,036 |
| TOTAL PUBLIC SAFETY PROGRAM | \$ - | \$ 547,696,938 | \$ 51,566,569 | \$ 599,263,507 |

**2007-2009 RECOMMENDED MAJOR
CONSTRUCTION/ACQUISITION PROJECTS**

| Program Area/Agency | General Fund | Other Funds | Federal Funds | Total Funds |
|---|-----------------|-------------------------|----------------------|-------------------------|
| ECONOMIC AND COMMUNITY DEVELOPMENT PROGRAM | | | | |
| Department of Veteran's Affairs | | | | |
| OVH Guest Home | \$ - | \$ 1 | \$ - | \$ 1 |
| OVH Multipurpose Area | - | 1 | - | 1 |
| Total Department of Veteran's Affairs | \$ - | \$ 2 | \$ - | \$ 2 |
| TOTAL ECONOMIC AND COMMUNITY DEVELOPMENT PROGRAM | \$ - | \$ 2 | \$ - | \$ 2 |
| NATURAL RESOURCES PROGRAM | | | | |
| Department of Forestry | | | | |
| Sisters Subunit Relocation | \$ - | \$ 1,250,000 | \$ - | \$ 1,250,000 |
| John Day Unit Relocation | - | 1,500,000 | - | 1,500,000 |
| State Forester's Office Renovation | - | 1,500,000 | - | 1,500,000 |
| Total Department of Forestry | \$ - | \$ 4,250,000 | \$ - | \$ 4,250,000 |
| TOTAL NATURAL RESOURCES PROGRAM | \$ - | \$ 4,250,000 | \$ - | \$ 4,250,000 |
| TRANSPORTATION PROGRAM | | | | |
| Department of Transportation | | | | |
| Highway Facilities - Baker City East Portland | \$ - | \$ 7,000,000 | \$ - | \$ 7,000,000 |
| Transportation Building Renovation | - | 4,710,339 | - | 4,710,339 |
| Total Department of Transportation | \$ - | \$ 11,710,339 | \$ - | \$ 11,710,339 |
| Department of Aviation | | | | |
| Aurora Taxiway | \$ - | \$ 105,263 | \$ 2,000,000 | \$ 2,105,263 |
| Total Department of Aviation | \$ - | \$ 105,263 | \$ 2,000,000 | \$ 2,105,263 |
| TOTAL TRANSPORTATION PROGRAM | \$ - | \$ 11,815,602 | \$ 2,000,000 | \$ 13,815,602 |
| ADMINISTRATION PROGRAM | | | | |
| Department of Administrative Services | | | | |
| Maintenance and Building Improvements | \$ - | \$ 11,472,551 | \$ - | \$ 11,472,551 |
| Capitol Mall Parking Structure | \$ - | \$ 21,500,000 | \$ - | \$ 21,500,000 |
| Executive Building Renovation | - | 4,500,000 | - | 4,500,000 |
| Total Department of Administrative Services | \$ - | \$ 37,472,551 | \$ - | \$ 37,472,551 |
| TOTAL ADMINISTRATION PROGRAM | \$ - | \$ 37,472,551 | \$ - | \$ 37,472,551 |
| LEGISLATIVE BRANCH | | | | |
| Legislative Admin Committee | \$ 1 | \$ - | \$ - | \$ 1 |
| TOTAL LEGISLATIVE BRANCH PROGRAM | \$ 1 | \$ - | \$ - | \$ 1 |
| GRAND TOTAL 2007-2009 BIENNIUM | \$ - | \$ 1,451,606,154 | \$ 53,566,569 | \$ 1,505,172,723 |

**2009-2011 RECOMMENDED MAJOR
CONSTRUCTION/ACQUISITION REQUIREMENTS ***

| Program Area/Agency | General Fund | Other Funds | Federal Funds | Total Funds |
|--|--------------|------------------|---------------|------------------|
| EDUCATION PROGRAM | | | | |
| Higher Education University System | | | | |
| System | | | | |
| Capital Renewal, Code and Safety (Current Needs) | \$ - | \$ 110,000,000 | \$ - | \$ 110,000,000 |
| Deferred Maintenance | - | 245,090,000 | - | 245,090,000 |
| Western Oregon University | | | | |
| Health/Wellness /Recreation Center | - | 22,000,000 | - | 22,000,000 |
| Performing Arts Center | - | 22,000,000 | - | 22,000,000 |
| Eastern Oregon University | | | | |
| Pierce Library Remodel | - | 5,600,000 | - | 5,600,000 |
| Convocation Center | - | 26,500,000 | - | 26,500,000 |
| Oregon State University | | | | |
| Re-pipe of Campus building | - | 7,000,000 | - | 7,000,000 |
| Memorial Union, Phase 3 | - | 7,500,000 | - | 7,500,000 |
| Student Health Services | - | 19,000,000 | - | 19,000,000 |
| COAS Earth Systems Science and Technology Center | - | 75,000,000 | - | 75,000,000 |
| Pauling Research and Education Building (Chemistry Wing) | - | 50,000,000 | - | 50,000,000 |
| Waldo Hall Remodel | - | 1,900,000 | - | 1,900,000 |
| Cascade Campus Expansion | - | 12,000,000 | - | 12,000,000 |
| Bexell Hall Renovation | - | 50,000,000 | - | 50,000,000 |
| LSC Performing Arts Center | - | 25,000,000 | - | 25,000,000 |
| West Greenhouse, Phase One | - | 3,000,000 | - | 3,000,000 |
| Gilbert Hall Remodel | - | 15,000,000 | - | 15,000,000 |
| Strand Agricultural Hall | - | 23,000,000 | - | 23,000,000 |
| Hinsdale Wave Research Lab Addition | - | 3,500,000 | - | 3,500,000 |
| Owen Hall Laboratory | - | 3,100,000 | - | 3,100,000 |
| Instrument and Flow Imaging Lab | - | 11,125,000 | - | 11,125,000 |
| Dearborn Hall | - | 2,000,000 | - | 2,000,000 |
| Chemical, Biological and Environmental Building | - | 27,000,000 | - | 27,000,000 |
| Hatfield Marine Science (HMSC) OCCC 2nd Story Addition | - | 2,400,000 | - | 2,400,000 |
| HMSC Infrastructure Facilities Improvements (various) | - | 9,812,900 | - | 9,812,900 |
| HMSC Infrastructure Site Improvements | - | 1,405,234 | - | 1,405,234 |
| Milam Hall Refurbishment | - | 28,700,000 | - | 28,700,000 |
| Women's Building, add 2nd floor | - | 11,000,000 | - | 11,000,000 |
| Langton Hall | - | 3,500,000 | - | 3,500,000 |
| Fairbanks | - | 9,000,000 | - | 9,000,000 |
| Peavey Hall Instruction Modernization | - | 5,950,000 | - | 5,950,000 |
| Kidder Hall | - | 15,200,000 | - | 15,200,000 |
| Oak Creek Building (envelope) | - | 1,000,000 | - | 1,000,000 |
| Milne Hall 2nd Floor | - | 9,400,000 | - | 9,400,000 |
| Oregon Agricultural Experiment Station - Statewide | - | 20,000,000 | - | 20,000,000 |
| Natural History Museum | - | 24,000,000 | - | 24,000,000 |
| Gleeson Hall | - | 9,000,000 | - | 9,000,000 |
| Nash Hall Microbiological Research Facilities | - | 20,000,000 | - | 20,000,000 |
| Bates Hall | - | 23,000,000 | - | 23,000,000 |
| Radiation Center Addition | - | 10,000,000 | - | 10,000,000 |
| HMSC New Marine Science Building | - | 12,000,000 | - | 12,000,000 |
| HMSC youth and Family Marine Science Education Classrooms | - | 6,500,000 | - | 6,500,000 |
| Weniger Hall Deferred Maintenance | - | 40,000,000 | - | 40,000,000 |
| UHDS Residential Hall Renovation (Cauthom) | - | 16,000,000 | - | 16,000,000 |
| UHDS, Two New Cooperative Student Residences | - | 6,000,000 | - | 6,000,000 |
| UHDS, Residence Hall Renovation | - | 23,000,000 | - | 23,000,000 |
| CH2M Hill Alumni Center | - | 4,200,000 | - | 4,200,000 |
| Portland State University | | | | |
| School of Business Administration Building | - | 40,000,000 | - | 40,000,000 |
| Venture Center, Phase 1 | - | 60,000,000 | - | 60,000,000 |
| Knowledge Commons and Millar Library Annex | - | 65,000,000 | - | 65,000,000 |
| Student Housing | - | 20,000,000 | - | 20,000,000 |
| Land and building Acquisition - Unitus | - | 25,000,000 | - | 25,000,000 |
| Parking Structure | - | 20,000,000 | - | 20,000,000 |
| Retail Development | - | 5,000,000 | - | 5,000,000 |
| Land Acquisition | - | 10,000,000 | - | 10,000,000 |
| Southern Oregon University | | | | |
| Sciences Relocation and Add w/ OHSU Nursing (Construction) | - | 16,000,000 | - | 16,000,000 |
| Central Hall Renovation | - | 7,000,000 | - | 7,000,000 |
| University of Oregon | | | | |
| Student Tennis Center Addition | - | 3,700,000 | - | 3,700,000 |
| Student Recreation Center Expansion and Alterations, Phase 3 | - | 30,000,000 | - | 30,000,000 |
| ERB Memorial Union Expansion and Alterations | - | 59,000,000 | - | 59,000,000 |
| Architecture and Allied Arts Expansion and Alterations | - | 40,000,000 | - | 40,000,000 |
| Prince Lucien Campbell Expansion and Alterations | - | 8,000,000 | - | 8,000,000 |
| Campus Classroom and Teaching Laboratory Improvements | - | 20,000,000 | - | 20,000,000 |
| Allen Hall Addition and Energy Efficient Alterations | - | 6,500,000 | - | 6,500,000 |
| Computing Center Addition and Alterations | - | 3,500,000 | - | 3,500,000 |
| Science Library Expansion and Alterations | - | 13,500,000 | - | 13,500,000 |
| Military Science Facility | - | 3,500,000 | - | 3,500,000 |
| Psychology Facility | - | 22,000,000 | - | 22,000,000 |
| Oregon Institute of Technology | | | | |
| Learning Resources Renovation and Expansion | - | 11,000,000 | - | 11,000,000 |
| Total Department of Higher Education | \$ - | \$ 1,566,083,134 | \$ - | \$ 1,566,083,134 |

**2009-2011 RECOMMENDED MAJOR
CONSTRUCTION/ACQUISITION REQUIREMENTS ***

| Program Area/Agency | General Fund | Other Funds | Federal Funds | Total Funds |
|---|-----------------|------------------|------------------|------------------|
| Dept. of Community Colleges and Workforce Development | | | | |
| Blue Mountain Community College | | | | |
| Emigrant Hall Technology Center | \$ - | \$ 2,000,000 | \$ - | \$ 2,000,000 |
| Central Oregon Community College | | | | |
| Remodeling of Older Instructional Facilities | - | 1,726,987 | - | 1,726,987 |
| Clackamas Community College | | | | |
| Conversion of Classrooms to Science Lab Space | - | 1,100,000 | - | 1,100,000 |
| Lane Community College | | | | |
| Remodel of Forum Building | - | 4,000,000 | - | 4,000,000 |
| Linn-Benton Community College | | | | |
| Student Services Facility | - | 3,000,000 | - | 3,000,000 |
| Mount Hood Community College | | | | |
| Sustainability Program Center | - | 7,500,000 | - | 7,500,000 |
| Portland Community College | | | | |
| Center for Excellence in Education | - | 7,500,000 | - | 7,500,000 |
| Rogue Community College | | | | |
| Redwood Campus | - | 7,500,000 | - | 7,500,000 |
| Treasure Valley Community College | | | | |
| Workforce Training Center | - | 2,000,000 | - | 2,000,000 |
| Southwestern Community College | | | | |
| Health Science & Technology Building | - | 7,500,000 | - | 7,500,000 |
| Umpqua Community College | | | | |
| Regional Industrial Professional Technical Building | - | 7,500,000 | - | 7,500,000 |
| Total Community Colleges and Workforce Development | \$ - | \$ 51,326,987 | \$ - | \$ 51,326,987 |
| TOTAL EDUCATION PROGRAM | \$ - | \$ 1,617,410,121 | \$ - | \$ 1,617,410,121 |

2009-2011 RECOMMENDED MAJOR CONSTRUCTION/ACQUISITION REQUIREMENTS *

| Program Area/Agency | General Fund | Other Funds | Federal Funds | Total Funds |
|--|-----------------|-------------------------|----------------------|-------------------------|
| HUMAN SERVICES PROGRAM | | | | |
| Department of Human Services | | | | |
| Mental Health Care Facilities | \$ - | \$ 90,240,756 | \$ - | \$ 90,240,756 |
| Total Department of Human Services | \$ - | \$ 90,240,756 | \$ - | \$ 90,240,756 |
| TOTAL HUMAN SERVICES PROGRAM | \$ - | \$ 90,240,756 | \$ - | \$ 90,240,756 |
| PUBLIC SAFETY PROGRAM | | | | |
| Department of Corrections | | | | |
| Next Facility Construction | \$ - | \$ 198,500,000 | \$ - | \$ 198,500,000 |
| Deferred Maintenance | - | 33,273,461 | - | 33,273,461 |
| Total Department of Corrections | \$ - | \$ 231,773,461 | \$ - | \$ 231,773,461 |
| Oregon State Police | | | | |
| Oregon Wireless Interoperability Network | \$ - | \$ 106,634,000 | \$ - | \$ 106,634,000 |
| Total Oregon State Police | \$ - | \$ 106,634,000 | \$ - | \$ 106,634,000 |
| Military Department | | | | |
| Multiple Armory Addition/Alteration Phase II | \$ - | \$ 11,772,000 | \$ - | \$ 11,772,000 |
| Boardman Multipurpose Training Range | - | 601,814 | 7,522,680 | 8,124,494 |
| Total Military Department | \$ - | \$ 12,373,814 | \$ 7,522,680 | \$ 19,896,494 |
| TOTAL PUBLIC SAFETY PROGRAM | \$ - | \$ 350,781,275 | \$ 7,522,680 | \$ 358,303,955 |
| NATURAL RESOURCES PROGRAM | | | | |
| Department of Forestry | | | | |
| Forest Grove District - Headquarters Redevelopment Project | \$ - | \$ 13,000,000 | \$ - | \$ 13,000,000 |
| Central Oregon District - Headquarters Redevelopment Project | - | 1,500,000 | - | 1,500,000 |
| Klamath Lake District - Facilities Improvement Project | - | 1,750,000 | - | 1,750,000 |
| Total Department of Forestry | \$ - | \$ 16,250,000 | \$ - | \$ 16,250,000 |
| TOTAL NATURAL RESOURCES PROGRAM | \$ - | \$ 16,250,000 | \$ - | \$ 16,250,000 |
| TRANSPORTATION PROGRAM | | | | |
| Department of Transportation | | | | |
| Design Construction Sisters Maintenance Station | \$ - | \$ 1 | \$ - | \$ 1 |
| Design Construction Meacham Maintenance Station | \$ - | \$ 5,000,000 | \$ - | \$ 5,000,000 |
| Salem Relocation Property Acquisition | - | 2,000,000 | - | 2,000,000 |
| Total Department of Transportation | \$ - | \$ 7,000,001 | \$ - | \$ 7,000,001 |
| Department of Aviation | | | | |
| Bandon State Airport | \$ - | \$ 26,500 | \$ 503,500 | \$ 530,000 |
| Cottage Grove State Airport | - | 30,000 | 570,000 | 600,000 |
| Lebanon State Airport | - | 60,000 | 1,140,000 | 1,200,000 |
| GA Entitlement | - | 1,121,047 | 21,299,903 | 22,420,950 |
| Total Department of Aviation | \$ - | \$ 1,237,547 | \$ 23,513,403 | \$ 24,750,950 |
| TOTAL TRANSPORTATION PROGRAM | \$ - | \$ 8,237,548 | \$ 23,513,403 | \$ 31,750,951 |
| ADMINISTRATION PROGRAM | | | | |
| Department of Administrative Services | | | | |
| Capitol Mall Office Building #3 | \$ - | \$ 45,000,000 | \$ - | \$ 45,000,000 |
| PSOB Expansion Planning | \$ - | \$ 600,000 | \$ - | \$ 600,000 |
| ODFW Building Planning | - | 600,000 | - | 600,000 |
| Total Department of Administrative Services | \$ - | \$ 46,200,000 | \$ - | \$ 46,200,000 |
| TOTAL ADMINISTRATION PROGRAM | \$ - | \$ 46,200,000 | \$ - | \$ 46,200,000 |
| GRAND TOTAL 2009-2011 BIENNIUM | \$ - | \$ 2,129,119,700 | \$ 31,036,083 | \$ 2,160,155,783 |

* Funding in the Governor's Recommend Budget includes only those items identified in capital construction bills. This table presents estimated biennial construction requirements and includes items not yet recommended in capital construction bills.

**2011-2013 RECOMMENDED MAJOR
CONSTRUCTION/ACQUISITION REQUIREMENTS ***

| Program Area/Agency | General Fund | Other Funds | Federal Funds | Total Funds |
|--|--------------|-----------------------|---------------|-----------------------|
| EDUCATION PROGRAM | | | | |
| Higher Education University System | | | | |
| System | | | | |
| Capital renewal, code, and safety (Current Needs) | \$ - | \$ 110,000,000 | \$ - | \$ 110,000,000 |
| Deferred Maintenance | - | 205,880,000 | - | 205,880,000 |
| Western Oregon University | | | | |
| New Science Facility | - | 16,500,000 | - | 16,500,000 |
| Todd Hall Renovation | - | 7,000,000 | - | 7,000,000 |
| Eastern Oregon University | | | | |
| New Academic Building | - | 7,500,000 | - | 7,500,000 |
| Science Center Expansion | - | 7,000,000 | - | 7,000,000 |
| Physical Education Building Renovation and Addition | - | 10,000,000 | - | 10,000,000 |
| Oregon State University | | | | |
| Enology & Fermentation Science Lab | - | 20,660,000 | - | 20,660,000 |
| Engineering Various Office Renovations | - | 5,000,000 | - | 5,000,000 |
| Oak Creek Center for Urban Horticulture | - | 14,000,000 | - | 14,000,000 |
| Merryfield Renovation | - | 5,000,000 | - | 5,000,000 |
| Covell Batchellor Renovation | - | 18,000,000 | - | 18,000,000 |
| Large Scale Structural Engineering Buildings | - | 8,000,000 | - | 8,000,000 |
| Portland State University | | | | |
| Parking Structure | - | 23,000,000 | - | 23,000,000 |
| Retail Development | - | 5,000,000 | - | 5,000,000 |
| Land Acquisition | - | 10,000,000 | - | 10,000,000 |
| Southern Oregon University | | | | |
| Sciences Renovation and Add w/ OHSU Nursing (Construction) | - | 66,000,000 | - | 66,000,000 |
| Britt Hall Renovation | - | 6,000,000 | - | 6,000,000 |
| Churchill Hall Renovation | - | 6,000,000 | - | 6,000,000 |
| Facilities Management and Planning Complex Completion | - | 2,600,000 | - | 2,600,000 |
| Total Department of Higher Education | \$ - | \$ 553,140,000 | \$ - | \$ 553,140,000 |
| Dept. of Community Colleges and Workforce Development | | | | |
| Blue Mountain Community College | | | | |
| District Wide Upgrade of Energy & Conservation Systems | \$ - | \$ 3,750,000 | \$ - | \$ 3,750,000 |
| Central Oregon Community College | | | | |
| College Centers | - | 2,500,000 | - | 2,500,000 |
| Chemeketa Community College | | | | |
| Replacement Classrooms, University Center | - | 7,218,950 | - | 7,218,950 |
| Clackamas Community College | | | | |
| Center for Natural Resource Sustainability | - | 2,185,584 | - | 2,185,584 |
| Columbia Gorge Community College | | | | |
| River Center Phase 2 | - | 7,500,000 | - | 7,500,000 |
| Lane Community College | | | | |
| Downtown Center | - | 7,500,000 | - | 7,500,000 |
| Linn-Benton Community College | | | | |
| Industrial B Building | - | 1,250,000 | - | 1,250,000 |
| Mount Hood Community College | | | | |
| Workforce Development Center | - | 7,250,000 | - | 7,250,000 |
| Oregon Coast Community College | | | | |
| OCCC Trade & Technology Center | - | 7,000,000 | - | 7,000,000 |
| Portland Community College | | | | |
| District Technology Renovation | - | 7,500,000 | - | 7,500,000 |
| Rogue Community College | | | | |
| Riverside Campus | - | 7,500,000 | - | 7,500,000 |
| Southwestern Community College | | | | |
| Emergency Security & Fire Science Building | - | 7,500,000 | - | 7,500,000 |
| Treasure Valley Community College | | | | |
| Vocational Facility Remodel | - | 2,000,000 | - | 2,000,000 |
| Tillamook Bay Community College | | | | |
| TBCC Workforce Training Center | - | 1,000,000 | - | 1,000,000 |
| Umpqua Community College | | | | |
| College Center | - | 5,950,000 | - | 5,950,000 |
| Total Community Colleges and Workforce Development | \$ - | \$ 77,604,534 | \$ - | \$ 77,604,534 |
| TOTAL EDUCATION PROGRAM | \$ - | \$ 630,744,534 | \$ - | \$ 630,744,534 |

**2011-2013 RECOMMENDED MAJOR
CONSTRUCTION/ACQUISITION REQUIREMENTS ***

| Program Area/Agency | General Fund | Other Funds | Federal Funds | Total Funds |
|--|-----------------|-------------------------|----------------------|-------------------------|
| HUMAN SERVICES PROGRAM | | | | |
| Department of Human Services | | | | |
| Mental Health Care Facilities | \$ - | \$ 115,815,757 | \$ - | \$ 115,815,757 |
| Total Department of Human Services | \$ - | \$ 115,815,757 | \$ - | \$ 115,815,757 |
| TOTAL HUMAN SERVICES PROGRAM | \$ - | \$ 115,815,757 | \$ - | \$ 115,815,757 |
| PUBLIC SAFETY PROGRAM | | | | |
| Department of Corrections | | | | |
| Next Facility Construction | \$ - | \$ 90,500,000 | \$ - | \$ 90,500,000 |
| Total Department of Corrections | \$ - | \$ 90,500,000 | \$ - | \$ 90,500,000 |
| Oregon State Police | | | | |
| Oregon Wireless Interoperability Network | \$ - | \$ 102,928,000 | \$ - | \$ 102,928,000 |
| Total Oregon State Police | \$ - | \$ 102,928,000 | \$ - | \$ 102,928,000 |
| Military Department | | | | |
| Hillsboro Readiness Center | \$ - | \$ 3,936,200 | \$ 9,364,000 | \$ 13,300,200 |
| Camp Withycombe Infrastructure | - | 1,237,120 | 15,464,000 | 16,701,120 |
| Klamath Falls Armed Forces Reserve Center | - | 1,192,184 | 14,902,300 | 16,094,484 |
| Multiple Armory Add'l/Alterations Phase III | - | 15,174,000 | - | 15,174,000 |
| Salem Owen Summers Building Addition/Alteration | - | 6,193,480 | 17,006,000 | 23,199,480 |
| Total Military Department | \$ - | \$ 27,732,984 | \$ 56,736,300 | \$ 84,469,284 |
| TOTAL PUBLIC SAFETY PROGRAM | \$ - | \$ 221,160,984 | \$ 56,736,300 | \$ 277,897,284 |
| NATURAL RESOURCES PROGRAM | | | | |
| Department of Forestry | | | | |
| Forest Grove District - Headquarters Redevelopment Project | \$ - | \$ 2,000,000 | \$ - | \$ 2,000,000 |
| Central Oregon District - Headquarters Redevelopment Project | - | 500,000 | - | 500,000 |
| Western Lane District - Facilities Improvement Project | - | 1,950,000 | - | 1,950,000 |
| Total Department of Forestry | \$ - | \$ 4,450,000 | \$ - | \$ 4,450,000 |
| TOTAL NATURAL RESOURCES PROGRAM | \$ - | \$ 4,450,000 | \$ - | \$ 4,450,000 |
| TRANSPORTATION PROGRAM | | | | |
| Department of Transportation | | | | |
| Design /Construct McMinnville Maintenance Station | \$ - | \$ 5,000,000 | \$ - | \$ 5,000,000 |
| Total Department of Transportation | \$ - | \$ 5,000,000 | \$ - | \$ 5,000,000 |
| Department of Aviation | | | | |
| GA Entitlement | \$ - | \$ 365,012 | \$ 6,935,238 | \$ 7,300,250 |
| Total Department of Aviation | \$ - | \$ 365,012 | \$ 6,935,238 | \$ 7,300,250 |
| TOTAL TRANSPORTATION PROGRAM | \$ - | \$ 5,365,012 | \$ 6,935,238 | \$ 12,300,250 |
| ADMINISTRATION PROGRAM | | | | |
| Department of Administrative Services | | | | |
| PSOB Expansion | \$ - | \$ 16,000,000 | \$ - | \$ 16,000,000 |
| ODFW Building | - | 15,000,000 | - | 15,000,000 |
| Total Department of Administrative Services | \$ - | \$ 31,000,000 | \$ - | \$ 31,000,000 |
| TOTAL ADMINISTRATION PROGRAM | \$ - | \$ 31,000,000 | \$ - | \$ 31,000,000 |
| GRAND TOTAL 2011-2013 BIENNIUM | \$ - | \$ 1,008,536,287 | \$ 63,671,538 | \$ 1,072,207,825 |

* Funding in the Governor's Recommend Budget includes only those items identified in capital construction bills. This table presents estimated biennial construction requirements and includes items not yet recommended in capital construction bills.

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. Most constitutionally authorized GO bond programs have an issuance ceiling based on a percentage of TCV, ranging from 0.2 percent to 8.0 percent. The most recent (January 1, 2005) certified statewide TCV is \$362.8 billion. The total outstanding general obligation debt at June 30, 2006 was approximately \$4.2 billion. Total outstanding bonded indebtedness of the state, including both general obligation and *direct* revenue bonds, was \$8.8 billion. Of the outstanding general obligation debt, 71 percent is structured to be fully self-supporting from various program revenues; that is, no state General Fund revenues are planned to pay debt service. Generally, 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 11 percent of the state's outstanding general obligation debt matures in five years, and 24 percent matures in 10 years. The remaining debt matures over the following 30 years. This maturity structure is caused primarily by required principal payments for pension obligation bonds in 2017 – 2027.

Certificates of participation (COPs) are not debt and therefore cannot include a pledge of the general obligation of the state. However, COPs rely on legislative appropriations from the state General Fund as the primary source of payment and therefore are considered an appropriation credit. Total appropriation credits outstanding as of June 30, 2006, were more than \$1.4 billion.

Biennium Issuance

The State will sell approximately \$2.02 billion of bonds and COPs in the 2005-07 biennium. This is a decrease of over \$1.5 billion from 2003-05 issuance, when over \$2 billion in pension obligation bonds were sold. However the Oregon Transportation Infrastructure (OTIA) program has significantly expanded its activities, and is expected to sell approximately \$300 million in revenues bonds annually for the next several years.

The prolonged period of historically low rates has resulted in fewer refunding opportunities than the State experienced in recent biennia. The Veterans' Welfare Bond program, however, continued to achieve significant present value savings through refundings in 2005-07.

As previously noted, the Department of Transportation's OTIA program has become a significant issuer of bonds, projected to comprise approximately 38 percent (\$741.8 million) of new debt in 2005-07, excluding conduit bonds. Housing revenue bonds issued by Housing and Community Services Department are expected to total approximately 20 percent new debt issuance. Lottery revenue bonds and COPs were also a major source of financing projected to sell \$231.6 million and \$305.5 million respectively in 2005-07.

Capital Budgeting

The remainder of the long-term issuance provided funding for Oregon University System and Community College projects, energy conservation, and other government services. Issuance of conduit, or pass-through revenue bonds, for which the State has no legal obligation for debt service payments, is expected to total approximately \$85.8 million in 2005-07, which represents 4.25 percent of total State issuance.

Oregon's gross long-term debt has increased to \$8.84 billion as of June 30, 2006, excluding conduit bonds. This is approximately 7.97 percent higher than fiscal year 2004 levels, with the most significant increase from issuance of OTIA bonds. The \$2.0 billion in pension obligation bonds issued in 2003 to virtually eliminate the State's unfunded pension liability remains the largest single component of the State's debt.

Credit Rating Considerations

Most of Oregon's general obligation debt is paid from non-tax sources, that is, the debt is self-supporting. 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. Significantly, Standard and Poor's upgraded the Lottery Bond program from A+ to AAA and ODOT's Highway User Tax Bonds from AA to AAA in 2006.

The 2005 recovery and a continued stable economy are positive factors for the State's credit rating. However, ratings agencies continue to note that Oregon is unique in its lack of a structural reserve, such as a "rainy day" fund to weather economic downturns or other financial challenges. Oregon continues to be well received in the national credit market. Currently, the state's General Obligation is rated Aa3, AA-, and Aa- 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 July 1, 2005 through June 30, 2006, bond interest rates have been relatively stable and remained at levels that are low compared to historic standards. The Aa-rated State of Oregon 20-year Oregon Bond Index, began the fiscal year at 4.20 percent, had a top rate of 4.86 percent, and at June 29, 2006 stood at 4.70 percent. 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.

During fiscal year 2006, Oregon generally enjoyed the "right" measure of supply and demand, for efficient and cost-effective new financings. Because the supply of bonds in the market generally has an impact on the prices paid, 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 consist 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 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 (\$195,088,993) greatly exceeds the Community Colleges portion of XI-G debt (\$1,700,000) as of June 30, 2006. Significant new authority was granted for Community Colleges in 2005-07 and is recommended in 2007-09. The combined total of XI-G bonded debt outstanding at June 30, 2006 is \$196,788,993. 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. Principal outstanding is \$192,605,000 as of June 30, 2006.

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 its 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; it 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 it 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 by PERS, plus an amount determined by the State Treasurer to pay estimated bond-related costs. House Bill 3659 (2003) 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, 2006, \$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); \$791,904,800 (38 percent) is considered to be General Fund-supported debt. The State does not currently anticipate issuing 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 bonds may be either General Fund supported or self-supporting from revenues generated by the program the bonds 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, 2006, \$38,655,000 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 may be directed to provide payment of bond principal and interest. While under the Constitution, well over \$1.0 billion 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, 71.3 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, 2006, the Department of Veterans' Affairs had \$764,935,000 in outstanding bonds equal to 2.6 percent of this authorization.

Oregon's Veterans' bonds represent approximately 18.1 percent of all State of Oregon general obligation bonds outstanding. Veterans' bonds are self-supporting from loan repayments, but carry the additional security of the Legislature's ability to levy an annual statewide property tax of up to \$2.00 per \$1,000 of TCV.

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, 2006, the program had bonds outstanding \$123,545,000, or 6.8 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, 2006, approximately \$635.7 million or 23.4 percent of this bonding authorization 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, 2006, no outstanding debt remained for this program.

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 (\$1,814,184,612) 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, 2006, approximately 11 percent (\$199,580,000) 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, \$5,798,250, 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, 2006, \$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 issuing 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 2005 Legislative Assembly authorized \$445,890,000 in certificates of participation financing during the 2005-2007 biennium. Of that amount, the majority was used for correctional facilities, information technology systems, and improvements to state buildings, including university facilities. As of June 30, 2006, \$1,102,640,000 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, it 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 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, 2006, \$385,865,000 in appropriation bonds remain outstanding. Together, the COPs and appropriation bonds equal a total appropriation credits outstanding for the state of \$1,488,505,000.

Active Revenue Bond Authorizations

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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. Project rental revenues, mortgage payments, and fees are the sole source of support for these bonds. Statutes limit total outstanding debt under these programs to \$2.0 billion. As of June 30, 2006, the amount outstanding for OHCS D is \$1,681,253,110 or approximately 48 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.

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. They are awarded based on project merit.

State Highway Fund. In 2001, the Legislature took the first two of three major steps toward upgrading Oregon roads. House Bill 2142, also referred to as the Oregon Transportation Investment Act I (OTIA), increased several Driver and Motor Vehicle fees to secure \$400 million in bonds to increase lane capacity and improve interchanges (\$200 million), repair and replace bridges (\$130 million), and preserve road pavement (\$70 million). OTIA requires the Oregon Transportation Commission (the “Commission”) to select OTIA projects.

In the first 2002 Special Session, the Legislature passed into law House Bill 4010 (OTIA II) that added \$50 million for projects to increase lane capacity and improve highway interchanges, \$45 million for additional bridge projects, and \$5 million to preserve road pavement. There is currently \$174.5 million outstanding Highway User Bonds under OTIA I and II.

In 2003, the Legislature passed House Bill 2041, which provides \$1.3 billion for the replacement and repair of bridges on State highways (OTIA III). Work is expected to continue on the bridges and related

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road work through 2012. There is currently \$746.9 million in Highway User Bonds outstanding under the OTIA III program.

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.

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.

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.

The 2007-09 Governor's Recommended budget includes a significant investment using Lottery Bonds to address deferred maintenance for the Oregon University System and other State agencies. In addition, a substantial investment in Oregon's infrastructure through ODOT's Connect Oregon II and a continued investment in industrial improvements through OECDD.

As of June 30, 2006, the total amount outstanding for Lottery-backed projects was \$543,625,000.

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

Capital Budgeting

used for land acquisition, capital construction and improvement, and Fair expenses, including operations. There are currently no bonds outstanding in this program.

Economic Development Department Bond Bank: Under ORS 285B.410 to 285.479, the Treasurer may issue revenue bonds 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, 2006, \$171,150,000 of this authorized debt was outstanding. Slightly more than eight percent of the State's outstanding revenue debt supported 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, 2006, \$532,422,681 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. 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 allows unlimited issuance of these bonds. The Governor recommended and the Legislature authorized \$250 million for this program in 2005-07. The Governor’s budget recommends an increase to \$400 million for 2007-09, based on job-creation potential and federal law changes that enhance program flexibility. As of June 30, 2006, IDB’s totaling \$713,101,655 were outstanding.

Housing Development Revenue Bonds – ORS 456.692. The Oregon Housing and Community Services Department (OHCSA) 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 low 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 \$18,625,000 as of June 30, 2006.

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 (PAB) Committee is a statutory body 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. The PAB Committee is charged with re-allocating a portion of the state’s PAB authority 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 volume-cap authorizations for CY 2008 and 2009 are based on \$85 per capita and the 2005 Oregon population estimates.

The budget recommends the following volume cap allocation for calendar years 2008 and 2009:

Recommended Private Activity Bond Allocation for 2008 and 2009 Calendar Years

| Allocation For | 2008 Calendar Year | 2009 Calendar Year |
|---|--------------------------|--------------------------|
| Economic Development Commission | \$ 30,000,000 | \$ 40,000,000 |
| Housing and Community Services Department | 120,000,000 | 125,000,000 |
| Department of Energy | 10,000,000 | 10,000,000 |
| Oregon Facilities Authority | 8,000,000 | 8,000,000 |
| Private Activity Bond Committee | 141,489,760 | 126,489,760 |
| TOTAL | <u>\$ 309,489,760</u> | <u>\$ 309,489,760</u> |

In the event an increase in the state's population, a sufficient increase in the region's CPI, or a change in federal tax laws causes the private activity bond limit to exceed \$309,489,760 during the 2008 calendar year or during the 2009 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 2007-09 biennium and the Treasurer's advice are shown below.

| Program Designation | 2003-05 Actual | 2005-07 Estimated | Recommended 2007-09 Maximum Limit | Treasurer's Advice 2007-09 |
|--|-------------------------|-----------------------|---|----------------------------------|
| GENERAL OBLIGATION BONDS (Constitutional Authority) | | | | |
| General Fund Obligations | | | | |
| Department of Higher Education and Community Colleges (Art. XI-G) | \$ 22,515,000 | \$ 79,400,000 | \$ 238,981,035 | \$ 238,981,035 |
| Department of Environmental Quality (Art. XI-H) (85% of the total amount) | 6,702,250 | -- | 10,455,000 | 10,455,000 |
| Oregon Health & Science University, Oregon Opportunity Bonds (Art. XI-L) | 109,565,000 | -- | -- | -- |
| DAS Pension Obligation Bonds (Art. XI-O) (38% of the total amount) | 791,904,800 | -- | -- | -- |
| Sub-total General Fund Obligations | \$ 930,687,050 | \$ 79,400,000 | \$ 249,436,035 | \$ 249,436,035 |
| Dedicated Fund Obligations | | | | |
| Department of Veterans' Affairs (Art. XI-A) | -- | \$ 5,000,000 | \$ 100,000,000 | \$ 100,000,000 |
| Department of Higher Education [Art. XI-F(1)] | \$ 115,865,000 | 108,895,000 | 430,511,514 | 430,511,514 |
| Department of Environmental Quality (Art. XI-H) (85% of the total amount) | 1,182,750 | -- | 1,845,000 | 1,845,000 |
| Housing and Community Services Department [Art. XI-I(2)] | 2,930,000 | -- | 100,000,000 | 100,000,000 |
| Department of Energy (Art. XI-J) | 8,845,000 | 50,970,000 | 150,000,000 | 150,000,000 |
| DAS Pension Obligation Bonds (Art. XI-O) (62% of the total amount) | 1,292,055,200 | -- | -- | -- |
| Sub-total Dedicated Fund Obligations | \$ 1,420,877,950 | \$ 164,865,000 | \$ 782,356,514 | \$ 782,356,514 |
| Total All General Obligation Bonds | \$ 2,351,565,000 | \$ 244,265,000 | \$ 1,031,792,549 | \$ 1,031,792,549 |

REVENUE BONDS

Direct Revenue Bonds

| | | | | | | | | |
|---|----|--------------------|----|----------------------|----|----------------------|----|----------------------|
| Housing and Community Services Department | \$ | 323,050,000 | \$ | 392,545,000 | \$ | 600,000,000 | \$ | 600,000,000 |
| Department of Transportation | | | | | | | | |
| Highway User Tax | | 284,750,000 | | 741,775,000 | | 888,725,000 | | 888,725,000 |
| Oregon Transportation Infrastructure Fund | | 19,295,000 | | -- | | 50,000,000 | | 50,000,000 |
| Economic Development Department | | 35,165,000 | | 18,000,000 | | 200,000,000 | | 200,000,000 |
| Department of Administrative Services | | | | | | | | |
| Lottery Revenue Bonds | | 76,940,000 | | 231,635,000 | | 443,390,000 | | 443,390,000 |
| Sub-total Direct Revenue Bonds | \$ | <u>739,200,000</u> | \$ | <u>1,383,955,000</u> | \$ | <u>2,182,115,000</u> | \$ | <u>2,182,115,000</u> |

Pass-Through Revenue Bonds

| | | | | | | | | |
|---|----|----------------------|----|----------------------|----|----------------------|----|----------------------|
| Economic Development Commission | \$ | 3,880,000 | \$ | 13,400,000 | \$ | 400,000,000 | \$ | 400,000,000 |
| Industrial Development Bonds | | 280,865,000 | | 48,650,000 | | 500,000,000 | | 500,000,000 |
| Oregon Facilities Authority | | 57,989,664 | | 23,798,921 | | 250,000,000 | | 250,000,000 |
| Housing and Community Services Department | | | | | | | | |
| Sub-total Pass-Through Revenue Bonds | \$ | <u>342,734,664</u> | \$ | <u>85,848,921</u> | \$ | <u>1,150,000,000</u> | \$ | <u>1,150,000,000</u> |
| Total All Revenue Bonds | \$ | <u>1,081,934,664</u> | \$ | <u>1,469,803,921</u> | \$ | <u>3,332,115,000</u> | \$ | <u>3,332,115,000</u> |

CERTIFICATES OF PARTICIPATION AND OTHER FINANCING AGREEMENTS

| | | | | | | | | |
|---------------------------------------|----|--------------------|----|--------------------|----|--------------------|----|--------------------|
| Department of Administrative Services | \$ | <u>189,435,000</u> | \$ | <u>305,480,000</u> | \$ | <u>519,115,000</u> | \$ | <u>519,115,000</u> |
|---------------------------------------|----|--------------------|----|--------------------|----|--------------------|----|--------------------|

Amounts do not include refundings.

**TABLE B
OUTSTANDING LONG-TERM FINANCIAL OBLIGATIONS
AND CONSTITUTIONAL AND STATUTORY PROVISIONS
AS OF JUNE 30, 2006**

| General Obligation Bonds | Purpose/Department | Constitutional [Statutory] Provision | % True Cash Value(1) | Constitutional Debt Limit(1)(2) | Statutory Debt Limit | Amount Outstanding(3) | Authorization Remaining | 2007-09 Governor's Recommend Budget |
|---|--------------------|--------------------------------------|----------------------|---------------------------------|----------------------|--------------------------|--------------------------|-------------------------------------|
| General Fund Supported | | | | | | | | |
| General Purpose Bonds (2) | | ARTICLE XI, SEC 7 | 0.0000% | \$ 50,000 | -- | -- | \$ 50,000 | -- |
| State Power Development Bonds | | ARTICLE XI-D | 1.5000% | \$ 5,442,553,835 | -- | -- | \$ 5,442,553,835 | -- |
| Forest Rehabilitation Bonds | | ARTICLE XI-E (ORS 530.230) | 0.1875% | \$ 680,319,229 | 750000Yr | -- | \$ 680,319,229 | -- |
| Higher Education Facility XI-G Bonds (4) | | ARTICLE XI-G | 0.7500% | \$ 2,721,276,918 | -- | \$ 195,088,993 | \$ 2,524,487,925 | \$ 139,231,035 |
| Community College Bonds | | ARTICLE XI-G | -- | -- | -- | \$ 1,700,000 | -- | \$ 98,750,000 |
| Pollution Control Bonds (5) | | ARTICLE XI-H (ORS 468.195) | 0.5000% | \$ 1,542,056,920 | \$ 221,000,000 | \$ 32,856,750 | \$ 188,143,250 | \$ 10,485,000 |
| (85% of total amount) | | ARTICLE XI-K | 0.5000% | \$ 1,814,184,612 | -- | -- | \$ 1,814,184,612 | -- |
| Oregon School Bond Guaranty | | ARTICLE XI-L | 0.5000% | \$ 1,814,184,612 | \$ 203,175,000 | \$ 192,605,000 | \$ 10,570,000 | -- |
| Department of Administrative Services, (6) | | ARTICLE XI-M | 0.2000% | \$ 725,673,845 | -- | -- | \$ 725,673,845 | -- |
| Seismic Retrofit - Public Education Buildings | | ARTICLE XI-N | 0.2000% | \$ 725,673,845 | -- | -- | \$ 725,673,845 | -- |
| Seismic Retrofit - Emergency Service Bldg | | ARTICLE XI-O | 1.0000% | \$ 1,378,780,395 | -- | \$ 791,904,800 | \$ 586,875,595 | -- |
| Pension Obligation (38% of total amount) | | | | | | | | |
| Total General Fund Supported | | | | \$ 12,141,155,543 | | \$ 1,214,155,543 | \$ 12,698,532,046 | \$ 249,436,035 |
| Fully Self-Supporting | | | | | | | | |
| State Highway Bonds | | ARTICLE XI, SEC 7 | 1.0000% | \$ 3,628,369,223 | -- | -- | \$ 3,628,369,223 | -- |
| Veterans' Welfare Bonds (4) | | ARTICLE XI-A | 8.0000% | \$ 29,026,953,788 | -- | \$ 764,935,000 | \$ 28,262,018,788 | \$ 100,000,000 |
| Higher Education Building projects XI-F Bonds (4) | | ARTICLE XI-F(1) | 0.7500% | \$ 2,721,276,918 | -- | \$ 635,653,724 | \$ 2,085,623,194 | \$ 430,511,514 |
| Pollution Control Bonds (5) | | ARTICLE XI-H (ORS 468.195) | 0.5000% | \$ 272,127,692 | \$ 39,000,000 | \$ 5,798,250 | \$ 33,201,750 | \$ 1,845,000 |
| (15% of total amount) | | ARTICLE XI-I(1) | 1.5000% | \$ 5,442,553,835 | -- | -- | \$ 5,442,553,835 | -- |
| Water Resources Bonds | | ARTICLE XI-H(2) | 0.5000% | \$ 1,814,184,612 | -- | \$ 199,580,000 | \$ 1,614,604,612 | \$ 100,000,000 |
| Elderly & Disabled Housing Bonds | | ARTICLE XI-J | 0.5000% | \$ 1,814,184,612 | -- | \$ 123,545,000 | \$ 1,690,639,612 | \$ 150,000,000 |
| Alternate Energy Project Bonds | | ARTICLE XI-O | 1.0000% | \$ 2,249,588,918 | -- | \$ 1,292,055,200 | \$ 957,533,718 | -- |
| Pension Obligation (62% of total amount) | | | | | | | | |
| Total Self-Supporting | | | | \$ 3,021,567,174 | | \$ 43,714,544,732 | \$ 43,714,544,732 | \$ 782,366,514 |
| Total General Obligation Bonds | | | | \$ 56,413,076,778 | | \$ 56,413,076,778 | \$ 56,413,076,778 | \$ 2,964,471,514 |
| Revenue Bonds | | | | | | | | |
| Housing and Community Services Department | | [ORS Chapter 456] | 0.0000% | -- | \$ 2,000,000,000 | \$ 1,481,673,110 | \$ 518,326,890 | \$ 600,000,000 |
| Single & Multi-Family Housing Programs | | | | | | | | |
| Department of Transportation | | [ORS Chapter 367] | 0.0000% | -- | \$ 2,228,000,000 | \$ 746,860,000 | \$ 1,481,140,000 | \$ 888,725,000 |
| Highway User Tax II | | | | | | | | |
| Highway User Tax (7) | | [ORS Chapter 367] | 0.0000% | -- | \$ 200,000,000 | \$ 174,500,000 | \$ 200,000,000 | \$ 50,000,000 |
| Transportation Infrastructure Bank | | | | | | | | |
| Lottery Revenue Bond Program(s) | | [ORS Chapter 286.560-585] | 0.0000% | -- | \$ 10,000,000 | \$ 543,025,000 | \$ 10,000,000 | \$ 443,390,000 |
| State Fair & Exposition Center | | [ORS Chapter 585] | 0.0000% | -- | -- | -- | -- | -- |
| Economic Development Department | | | | | | | | |
| Economic Development - Bond Bank | | [ORS Chapter 285B] | 0.0000% | -- | -- | \$ 171,150,000 | -- | \$ 200,000,000 |
| Total Revenue Bonds | | | | \$ 3,117,608,110 | | \$ 3,117,608,110 | \$ 2,209,466,890 | \$ 2,182,115,000 |
| Conduit Revenue Bonds | | | | | | | | |
| Oregon Facilities Authority | | [ORS Chapter 289] | 0.0000% | -- | \$ 532,422,681 | -- | -- | -- |
| Economic Development Department | | | | | | | | |
| Industrial Development Revenue Bonds | | [ORS Chapter 285] | 0.0000% | -- | \$ 713,101,655 | -- | -- | -- |
| Housing and Community Services Department | | [ORS Chapter 456.515-725] | 0.0000% | -- | \$ 18,625,000 | -- | -- | -- |
| Total Conduit Revenue Bonds | | | | \$ 1,264,149,336 | | \$ 1,264,149,336 | \$ 1,264,149,336 | \$ 1,264,149,336 |
| Certificates of Participation (COP) | | | | | | | | |
| Appropriation Credit | | [ORS Chapter 283] | 0.0000% | -- | -- | \$ 51,102,640,000 | \$ 64,135,000 | \$ 519,115,000.00 |
| Oregon Appropriation Bonds | | SB 886 - 2003 Legislature | 0.0000% | -- | 450,000,000 | \$ 385,865,000 | \$ 64,135,000 | \$ 519,115,000.00 |
| Total Appropriation Credits | | | | | | \$ 1,488,505,000 | \$ 64,135,000 | \$ 519,115,000.00 |

1. Percentages listed are of True Cash Value (TCV) of all taxable real property in the state. The True Cash Value on September 6, 2006 was \$362,836,922,347. Total authorization remaining may not agree due to rounding.
2. The State of Oregon may not incur indebtedness exceeding \$50,000 without a constitutional amendment approved by the voters.
3. Excludes refunded and defeased bonds.
NOTE: Totals may not agree with sum of components due to rounding.
Information Source: Debt Management Division, Oregon State Treasury.

4. Outstanding Veterans' Welfare and Higher Education general obligation debt reflect the proceeds amount of original issue discount bonds.
5. In this exhibit, Pollution Control debt is reported at the 85% General Fund supported and 15% self-supporting rates.
6. Authorized to finance capital costs of Oregon Health and Science University biotechnology research efforts.
7. Authorization repealed in 2001 Oregon Laws Ch. 689

TABLE C

GENERAL OBLIGATION DEBT SUMMARY

| | June 30, 2001 | June 30, 2002 | June 30, 2003 | June 30, 2004 | June 30, 2005 | June 30, 2006 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Gross General Obligation (GO) Debt (1) | \$ 2,232,308,926 | \$ 2,332,465,626 | \$ 2,250,123,030 | \$ 4,299,681,190 | \$ 4,273,948,691 | \$ 4,235,722,717 |
| Revenue Supported GO Debt | \$ 2,078,759,987 | \$ 2,152,154,389 | \$ 1,983,985,371 | \$ 3,098,274,661 | \$ 3,062,494,767 | \$ 3,021,567,174 |
| Net GO Debt | \$ 153,548,939 | \$ 180,311,237 | \$ 266,137,659 | \$ 1,201,406,529 | \$ 1,211,489,924 | \$ 1,214,155,543 |
| Population (2) | 3,504,700 | 3,541,500 | 3,582,600 | 3,631,440 | 3,631,440 | 3,690,160 |
| Gross Debt per Capita | \$ 637 | \$ 659 | \$ 628 | \$ 1,184 | \$ 1,177 | \$ 1,148 |
| Net Debt per Capita | \$ 44 | \$ 51 | \$ 74 | \$ 331 | \$ 334 | \$ 329 |
| True Cash Value [TCV] (3) | \$ 274,032,430,944 | \$ 287,281,387,981 | \$ 305,371,097,660 | \$ 305,371,097,660 | \$ 362,836,922,347 | \$ 362,836,922,347 |
| Gross Debt as Percent of TCV | 0.81% | 0.81% | 0.74% | 1.41% | 1.18% | 1.17% |
| Net Debt as Percent of TCV | 0.06% | 0.06% | 0.09% | 0.39% | 0.33% | 0.33% |
| Total Personal Income (4) | \$ 96,900,000,000 | \$ 101,400,000,000 | \$ 104,400,000,000 | \$ 110,300,000,000 | \$ 116,052,000,000 | \$ 124,211,000,000 |
| Revenue Supported GO Debt as Percent of Total Personal Income | 2.15% | 2.12% | 1.90% | 2.81% | 2.64% | 2.43% |
| Net GO Debt as Percent of Total Personal Income | 0.16% | 0.18% | 0.25% | 1.09% | 1.04% | 0.98% |

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. Sources: Department of Administrative Services, Office of Economic Analysis

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.

TABLE D

AGGREGATE GENERAL OBLIGATION DEBT SERVICE AS OF JUNE 30, 2006

| Payment Year | Principal | Interest | Total Requirements |
|----------------|-------------------------|-------------------------|-------------------------|
| 2007 | \$ 124,322,528 | \$ 222,643,716 | \$ 346,966,244 |
| 2008 | 129,772,515 | 216,787,661 | 346,560,176 |
| 2009 | 111,164,585 | 210,563,150 | 321,727,735 |
| 2010 | 76,821,309 | 206,188,086 | 283,009,395 |
| 2011 | 84,947,687 | 203,243,442 | 288,191,129 |
| 2012 | 94,200,818 | 200,104,889 | 294,305,707 |
| 2013 | 100,487,360 | 196,893,052 | 297,380,412 |
| 2014 | 108,719,060 | 191,338,805 | 300,057,865 |
| 2015 | 118,066,440 | 183,820,994 | 301,887,434 |
| 2016 | 132,251,434 | 179,063,311 | 311,314,745 |
| 2017 | 235,495,162 | 172,419,174 | 407,914,336 |
| 2018 | 247,327,240 | 159,505,209 | 406,832,449 |
| 2019 | 262,918,074 | 145,204,030 | 408,122,104 |
| 2020 | 277,074,966 | 132,997,561 | 410,072,527 |
| 2021 | 202,553,352 | 117,935,526 | 320,488,878 |
| 2022 | 218,455,187 | 106,092,258 | 324,547,445 |
| 2023 | 238,090,000 | 92,739,148 | 330,829,148 |
| 2024 | 252,475,000 | 79,695,526 | 332,170,526 |
| 2025 | 266,490,000 | 65,541,153 | 332,031,153 |
| 2026 | 289,010,000 | 50,322,404 | 339,332,404 |
| 2027 | 314,430,000 | 33,739,843 | 348,169,843 |
| 2028 | 45,340,000 | 15,848,768 | 61,188,768 |
| 2029 | 40,580,000 | 13,689,090 | 54,269,090 |
| 2030 | 39,235,000 | 11,711,258 | 50,946,258 |
| 2031 | 34,575,000 | 9,898,541 | 44,473,541 |
| 2032 | 35,185,000 | 8,186,843 | 43,371,843 |
| 2033 | 25,090,000 | 6,698,469 | 31,788,469 |
| 2034 | 25,845,000 | 5,483,674 | 31,328,674 |
| 2035 | 19,935,000 | 4,402,266 | 24,337,266 |
| 2036 | 21,020,000 | 3,447,944 | 24,467,944 |
| 2037 | 13,320,000 | 2,669,651 | 15,989,651 |
| 2038 | 11,630,000 | 2,138,239 | 13,768,239 |
| 2039 | 12,440,000 | 1,636,578 | 14,076,578 |
| 2040 | 11,720,000 | 1,101,203 | 12,821,203 |
| 2041 | 8,345,000 | 636,226 | 8,981,226 |
| 2042 | 4,275,000 | 276,875 | 4,551,875 |
| 2043 | 2,030,000 | 60,258 | 2,090,258 |
| 2044 | 85,000 | 2,146 | 87,146 |
| TOTALS: | \$ 4,235,722,717 | \$ 3,254,726,964 | \$ 7,490,449,681 |

Veterans' Affairs Series 73E, 73F, 73G, and 73H Variable Rate Bonds were calculated in this report using an interest rate of 6%.

NOTE: Totals may not agree with sum of components due to rounding.

Information Source: Debt Management Division, Oregon State Treasury.

TABLE E

SUMMARY OF DEBT SERVICE REQUIREMENTS FOR STATE BONDED INDEBTEDNESS BY FUND

| Description | 2007-09 | | | | | |
|--|-------------------------|----------------------------------|---------------------------------|--------------------------------|--|--------------------------------|
| | 2003-2005 Actual (4) | 2003-2005 COPs Included(3) | 2005-07 Leg. Adopted (2),(4) | 2005-07 COPs Included(3) | 2007-09 Governor's Balanced Budget(1) | 2007-09 COPs Included(3) |
| General Fund and Lottery Supported | | | | | | |
| Community College Services, Office of | \$ 3,316,055 | \$ 5,606,750 | \$ 2,258,575 | \$ 2,344,988 | \$ 5,172,745 | |
| Higher Education, Department of | 26,406,270 | -- | 30,238,004 | 2,344,988 | 43,350,014 | 2,188,700 |
| Higher Education, Department of, Lottery | 3,212,379 | -- | 5,673,311 | -- | 18,008,612 | -- |
| Human Services, Department of | 84,565 | 84,565 | 4,880,033 | 4,880,033 | 11,784,833 | 11,784,833 |
| Corrections, Department of | 101,010,754 | 101,010,754 | 101,640,940 | 101,640,940 | 133,828,118 | 133,828,118 |
| Economic Development Department - Lottery | 38,212,931 | -- | 49,390,212 | -- | 57,998,536 | -- |
| Environmental Quality, Department of | 4,442,085 | -- | 4,387,306 | -- | 4,388,503 | -- |
| Dept. of Geology & Mineral Industries | -- | -- | -- | -- | 116,903 | 116,903 |
| Education, Department of - Lottery | 55,699,162 | -- | 56,466,744 | -- | 56,415,089 | -- |
| State Fair and Exposition Center - Lottery | 3,950,847 | 3,950,847 | -- | -- | -- | -- |
| Youth Authority, Department of | 10,579,564 | 10,579,564 | 6,567,593 | 6,567,593 | 7,211,684 | 7,211,684 |
| Forestry, Department of | 2,041,904 | 2,041,904 | 2,038,541 | 2,038,541 | 2,545,419 | 2,545,419 |
| Military Department | 516,410 | 516,410 | 921,911 | 921,911 | 2,060,991 | 2,060,991 |
| Transportation, Department of - Lottery | 20,876,823 | -- | 22,162,072 | -- | 54,777,424 | -- |
| Parks and Recreation, Department of - Lottery | 3,165,128 | -- | 7,795,125 | -- | 4,235,070 | -- |
| Water Resources Department | 275,000 | -- | -- | -- | -- | -- |
| Police Standards & Training, Department of | -- | -- | 8,515,784 | 8,515,784 | 11,342,003 | 11,342,003 |
| State Police | 969,566 | 969,566 | 2,233,066 | 2,233,066 | 18,951,887 | 18,951,887 |
| Legislative Administration | 956,217 | 956,217 | 1,428,927 | 1,428,927 | 2,118,691 | 2,118,691 |
| Administrative Services, Department of Lottery | 1,618,965 | -- | 1,619,166 | -- | 1,619,313 | -- |
| Judicial Department | -- | -- | -- | -- | 6,911,963 | 6,911,963 |
| Administrative Services, Department of Pension - 38% | 42,375,715 | -- | 91,042,203 | -- | 97,757,713 | -- |
| Housing and Community Services Department - Lottery | 4,462,310 | -- | 4,460,538 | -- | 6,085,943 | -- |
| Total General Fund Supported | \$ 324,172,650 | \$ 125,716,577 | \$ 403,720,051 | \$ 130,571,783 | \$ 546,681,454 | \$ 199,061,192 |

TABLE E

SUMMARY OF DEBT SERVICE REQUIREMENTS FOR STATE BONDED INDEBTEDNESS BY FUND

| Description | 2007-09 | | | | 2007-09 COPs Included(3) |
|---|-------------------------|----------------------------------|---------------------------------|--------------------------------|--------------------------------|
| | 2003-2005 Actual (4) | 2003-2005 COPs Included(3) | 2005-07 Leg. Adopted (2),(4) | 2005-07 COPs Included(3) | |
| Other Funds Supported | | | | | |
| Higher Education, Department of | \$ 89,045,679 | \$ 5,606,750 | \$ 112,890,858 | \$ 4,965,523 | \$ 132,034,637 |
| Human Services, Department of | -- | -- | -- | -- | 8,094,520 |
| Corrections, Department of | 22,741,043 | 22,741,043 | 26,309,561 | 26,309,561 | -- |
| Police Standards & Training, Department of | 1,977,966 | 1,977,966 | 1,359,642 | 1,359,642 | 16,410 |
| State Police | -- | -- | 100,650 | 100,650 | -- |
| Youth Authority, Department of | -- | -- | 61,585 | 61,585 | -- |
| Education, Department of | 1,335,206 | -- | 2,193,726 | -- | 2,248,343 |
| Economic Development Department | 83,706,727 | -- | 45,322,557 | -- | 67,735,549 |
| Employment Department | 368,426 | 368,426 | 369,915 | 369,915 | 374,383 |
| State Fair and Exposition Center | 1,642,167 | 1,642,167 | -- | -- | -- |
| Forestry, Department of | 1,243,268 | 1,243,268 | 5,360,010 | 5,360,010 | 1,810,745 |
| Military Department | 24,006 | 24,006 | 752,919 | 752,919 | 110,935 |
| Housing and Community Services Department | 1,265,403,557 | -- | 1,802,276,595 | -- | 1,456,053,600 |
| Veterans' Affairs, Department of | 415,611,318 | -- | 399,937,095 | -- | 418,744,525 |
| Department of Energy | 70,598,133 | -- | 58,752,873 | -- | 76,876,586 |
| Public Employees' Retirement System | 3,563,459 | 3,563,459 | 5,720,950 | 5,720,950 | 5,709,200 |
| Human Resources Director's Office, Department of | -- | -- | -- | -- | -- |
| Environmental Quality, Department of | 23,522,067 | -- | 13,830,428 | -- | 8,865,167 |
| Fish and Wildlife, Department of | 2,919,970 | 2,919,970 | -- | -- | 222,982 |
| Water Resources Department | 909,102 | -- | 645,638 | -- | -- |
| Transportation, Department of | 64,013,377 | 1,639,125 | 147,550,479 | 1,640,688 | 205,455,862 |
| Administrative Services, Department of | 29,475,499 | 29,475,499 | 62,770,605 | 62,770,605 | 78,014,202 |
| Administrative Services, Department of Pension - 62% | 69,139,325 | -- | 148,542,542 | -- | 159,499,426 |
| Administrative Services, Department of Appn. Bonds | 41,818,040 | -- | 86,694,855 | -- | 112,470,493 |
| Administrative Services, Department of, GO OHSU Bonds | 9,719,444 | -- | 31,907,550 | -- | 31,912,194 |
| Total Other Funds Supported | \$ 2,198,777,779 | \$ 71,201,679 | \$ 2,953,351,033 | \$ 109,412,048 | \$ 2,766,249,759 |
| Grand Total Debt Service Requirements | \$ 2,522,950,429 | \$ 196,918,256 | \$ 3,357,071,084 | \$ 239,983,831 | \$ 3,312,931,213 |
| | | | | | \$ 306,021,769 |

(1) Amounts shown are for outstanding bonds as of November 1, 2006.
(2) Legislatively approved debt service excluding refunding debt payments.
(3) Certificates of participation (COPs) are financing agreements. Repayment of COPs 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**

| OTHER TAX-SUPPORTED DEBT PROGRAMS | 2007-09 REPAYMENT SOURCE | | | 2008-11 REPAYMENT SOURCE | | | 2011-13 REPAYMENT SOURCE | | | STATUTORY NET DEBT CAPACITY |
|--|--------------------------|----------------|---------------|--------------------------|----------------|---------------|--------------------------|----------------|---------------|-----------------------------|
| | GENERAL FUND | OTHER FUNDS | LOTTERY FUNDS | GENERAL FUND | OTHER FUNDS | LOTTERY FUNDS | GENERAL FUND | OTHER FUNDS | LOTTERY FUNDS | |
| <i>CONTINUED</i> | | | | | | | | | | |
| Debt capacity limited by statute | | | | | | | | | | \$ 2,039,644,223 |
| REVENUE BONDS | | | | | | | | | | |
| Transportation Highway User Tax | | | | | | | | | | |
| - Capital Construction | | \$ 888,725,000 | | | \$ 600,000,000 | | | \$ 600,000,000 | | |
| Transportation Infrastructure Fund | | | | | | | | | | |
| - Grants and loans | | 50,000,000 | | | 50,000,000 | | | 50,000,000 | | |
| Less total for revenue bonds | | 938,725,000 | | | 650,000,000 | | | 650,000,000 | | |
| Remaining transportation revenue debt capacity | | | | | | | | | | \$ 2,039,644,223 |
| | | | | | | | | | | \$ 2,039,644,223 |
| | | | | | | | | | | \$ 1,389,644,223 |
| | | | | | | | | | | |
| OTHER NON TAX-SUPPORTED DEBT PROGRAMS | | | | | | | | | | |
| GENERAL OBLIGATION BONDS | | | | | | | | | | |
| Veterans' Welfare-Article XI-A | | | | | | | | | | |
| - Grants and loans | | 100,000,000 | | | 100,000,000 | | | 100,000,000 | | 100,000,000 |
| Elderly & Disabled Housing Article XI-(2) | | | | | | | | | | |
| - Grants and loans | | 100,000,000 | | | 100,000,000 | | | 100,000,000 | | 100,000,000 |
| Higher Education Bonds-Article XI-F(1) | | | | | | | | | | |
| - Capital Construction | | 430,511,514 | | | 299,069,000 | | | 84,775,000 | | 84,775,000 |
| Alternate Energy | | | | | | | | | | |
| Bonds-Article XI-J | | | | | | | | | | |
| - Grants and loans | | 150,000,000 | | | 100,000,000 | | | 100,000,000 | | 100,000,000 |
| Pollution Control | | | | | | | | | | |
| Bonds-Article XI-H (15%) | | | | | | | | | | |
| - Grants and loans | | 1,845,000 | | | | | | | | |
| Total G.O. bonds | | 782,356,514 | | | 599,069,000 | | | 384,775,000 | | 384,775,000 |
| REVENUE BONDS | | | | | | | | | | |
| Single and Multi-family Housing Bonds | | | | | | | | | | |
| - Grants and loans | | 600,000,000 | | | 600,000,000 | | | 600,000,000 | | 600,000,000 |
| Economic Development Dept. | | | | | | | | | | |
| Bond Bank & Safe Drinking Water | | | | | | | | | | |
| - Grants and loans | | 200,000,000 | | | | | | | | |
| Total revenue bonds | | 800,000,000 | | | 600,000,000 | | | 600,000,000 | | 600,000,000 |
| Total other non tax-supported debt forecast | | 1,582,356,514 | | | 1,199,069,000 | | | 984,775,000 | | 984,775,000 |