

**74th OREGON LEGISLATIVE ASSEMBLY – 2008 Special Session
BUDGET REPORT AND MEASURE SUMMARY**

MEASURE: HB 5100-A

JOINT COMMITTEE ON WAYS AND MEANS

**Carrier – House: Rep. Morgan
Carrier – Senate: Sen. Schrader**

Action: Do Pass with Amendments and Be Printed A-Engrossed

Vote: 17 – 2 – 0

- House – Yeas: D. Edwards, Galizio, Hanna, Jenson, Morgan, Nathanson, Nolan, Shields, P. Smith
- Nays:
- Exc:
- Senate – Yeas: Bates, Carter, Johnson, Monroe, Nelson, Schrader, Whitsett, Winters
- Nays: Gordly, Verger
- Exc:

Prepared By: Jack Kenny, Department of Administrative Services

Reviewed By: Daron Hill, Legislative Fiscal Office

Meeting Date: February 21, 2008

Agency
Various

Budget Page

LFO Analysis Page

Biennium
2007-09

Summary of Committee Action

House Bill 5100 establishes additional amounts of authority for state agencies to issue bonds and Certificates of Participation (COP's) or third party financing agreements and the amount of revenue state agencies may raise from such issuance. The proceeds from the issuance of bonds and COP's are included as revenues in agency budgets.

The Committee provided authority in House Bill 5100 for the following purposes:

- 1) The Committee approved an increase of \$200,000,000 in the Department of Higher Education, Article XI-F (1) general obligation bond authorization for the construction of a new arena at the University of Oregon approved in Senate Bill 5555.
- 2) The Committee approved an increase of \$4,000,000 to the Department of Community Colleges and Workforce Development, Article XI-G general obligation bond authorization for Oregon Community College capital construction financing projects at Clatsop Community College approved in Senate Bill 5555.
- 3) The Committee approved an increase of \$3,500,000 in the Department of Higher Education, Article XI-G general obligation bond authorization for the Oregon Institute of Technology's Center for Health Professionals (Phase 2).
- 4) The Committee approved an increase of \$113,075,000 in the Department of Administrative Services' authority to issue and approve Certificates of Participation and Other Financing Agreements. This increase will provide \$7,635,000 for three Department of Administrative Services projects (\$4.45 million for the Eugene State Office Building, \$1.03 million for State Data Center space needs, and \$2.155 million for the Oregon Educators Benefit Board computer system); and \$5,000,000 additional authority for other financing agreements.

The increase also provides \$76 million for the Oregon Wireless Interoperability Network (OWIN) project to provide resources for the initial stages of the project to be completed during the 2007-09 biennium and the first few months of the 2009-11 biennium. This estimate of debt financing need was determined based on cost estimates for developing the backbone infrastructure (tower site improvements and microwave system) in three areas – the seven northwest counties including the Portland metropolitan area, the seven southwest counties, and for a loop connecting Bend and Medford. Construction in any of these areas must depend on partnership opportunities and the potential for federal funds. The COP proceeds could also be used to address any other critical infrastructure needs across the state which are at significant risk of failure in the near future. Future decisions will need to be made to approve further funding for the other phases of the project including radio equipment and infrastructure development in other areas of the state. The agency will need to return to the Emergency Board for an increase in the Other Funds expenditure limitation prior to any COPs being issued and before proceeding with any construction. The actual amount of COPs to be issued would be determined at that time.

Prior to approval of any expenditure limitation by the Emergency Board and the issuance of COPs for further OWIN construction, the OWIN project staff must present information on the following:

- A set of performance measures and other indicators which demonstrate the progress of the project during development and construction as well as the overall performance of the project after completion.
- A description of all efforts to seek local participation in the project, specifically in the regions being proposed for development. The project should present a set of local partnership standards to the OWIN workgroup members.
- A description, updated cost estimates and timetable of the overall project plan.
- An estimate of the ongoing operational and maintenance costs for the project, specifically for those areas being funded at the time. This estimate should include what costs should be shared with partner agencies.
- A description of the evaluation of whether expanding beyond the current coverage is cost effective. The marginal benefits (e.g. coverage area added) and costs for tower sites must be factored into the decision of how extensive the system should be built out.

The Joint Committee on Ways and Means approved the first Certificates of Participation sales for the Judicial Department eCourt project in the amount of \$24,440,000. When completed, this project will replace the 25 year old Oregon Judicial Information Network (OJIN) mainframe data system with a web-based electronic court system that would also include electronic document management and web-based financial transactions. While OJIN was initially an innovative statewide electronic data management system, it has become increasingly obsolete. Problems include the inability to readily access person based information, extract statistical data, and modify the system as laws and requirements change. Because OJIN was written in COBOL, it is also difficult to find staff proficient in that computer language to update or repair the system. An additional risk relates to the financial system, which is difficult to modify, and lacks capability to extract data. As a result of these problems, OJD and its public safety partners are required to spend significant staff time manually extracting and entering data into alternative systems, such as agency-specific systems and specially created spreadsheets.

The interest payment on the spring 2008 sale is capitalized, so there is no General Fund impact in the 2007-09 biennium. Expenditure limitation for the project is included SB 5556.

Project

COP Authority

Department of Administrative Services

Eugene State Office Building Renovation	\$	4,450,000
Oregon Educators Benefit Board Benefit Management System		2,155,000
State Data Center		1,030,000
Subtotal:	\$	7,635,000

State Police

Wireless Interoperability Network (OWIN)	\$	76,000,000
Subtotal:	\$	76,000,000

Oregon Judicial Department

eCourts	\$	24,440,000
Subtotal:	\$	24,440,000

Unidentified Financing Needs:

Subtotal:	\$	5,000,000
Subtotal:	\$	113,075,000

House Bill 5100, SECTION 1.

<u>Program Designation</u>	Legislatively Adopted Budget 2007-09	February 2008 Special Session 2007-09	Special Session Adjustments
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**GENERAL OBLIGATION BONDS
(Constitutional Authority)**

General Fund Obligations

Department of Higher Education (Art. XI-G)	\$	131,604,535	\$	135,104,535	\$	3,500,000
Dept of Community Colleges and Workforce Dev (Art. XI-G)		52,640,500		56,640,500		4,000,000

Dedicated Fund Obligations

Department of Higher Education (Art. XI-F(1))		409,356,360		609,356,360		200,000,000
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CERTIFICATES OF PARTICIPATION AND OTHER FINANCING AGREEMENTS

Department of Administrative Services	\$	<u>271,595,000</u>	\$	<u>384,670,000</u>	\$	<u>113,075,000</u>
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