

**Docket Item:**

Public University Capital Requests

**Summary:**

The 2017-19 Agency Request Budget development process includes an opportunity for public universities to request funding for capital construction projects, including state-backed debt. In recognition of the limited resource nature of state-funded debt service, a prioritization process was established for projects proposed to be backed in whole or in part by state-funded debt service. Adoption of such a list is an essential element of the HECC Agency Request Budget. This document presents a prioritization of project requests based on July 21, 2016 action by the Funding & Achievement Subcommittee. One proposed adjustment to the priority order is outlined below but not reflected in the docket materials.

**Docket Material:**

Included in this docket item is a prioritized list of brief descriptions for each project, reflecting the priority order adopted by the Funding & Achievement Subcommittee on July 21, 2016. Also attached is a list of university capital requests with project financial details, including the total State debt sought for each project and campus resources and/or campus debt pledged for the projects.

One adjustment to the prioritized list has been requested by Oregon State University-Cascades: Movement of *Cascades Expansion: c. Academic Building 2* above *Cascades Expansion d: Student Success Center*. This action would move the Academic Building 2 project from 18<sup>th</sup> on the prioritized list to 17<sup>th</sup>, producing the opposite effect on the Student Success Center project. OSU-Cascades believes this re-ordering may ease projected capacity constraints in the future and may create a more optimal sequencing of campus development. The requested re-ordering does not directly impact other institutions.

**Staff Recommendation:**

Option 1: Adopt an amended prioritized project list reflecting the request of OSU-Cascades to re-order the Academic Building 2 project from 18<sup>th</sup> to 17<sup>th</sup> and the Student Success Center from 17<sup>th</sup> to 18<sup>th</sup>, advancing the amended prioritized list to the full Commission for Agency Request Budget consideration.

Option 2: Affirm the July 21, 2016 Funding & Achievement Subcommittee prioritized project list for consideration by the full Commission for inclusion in the Agency Request Budget.

<b>Prioritized 2017-19 University Capital Construction Requests Summary</b>					
<b>Priority Rank</b>	<b>Project Name</b>	<b>University</b>	<b>Project Total</b>	<b>University Funding</b>	<b>State Funding</b>
<b>1</b>	<b>Capital improvement and renewal</b>	<b>System wide</b>	<b>\$65,000,000</b>	<b>\$0</b>	<b>\$65,000,000</b>
Capital improvements, capital renewals, compliance with building codes, safety and accessibility improvements. The \$65,000,000 funding level will provide universities the opportunity to generate operational savings and appropriately invest in existing facilities and infrastructure.					
<b>2</b>	<b>4th &amp; Montgomery for Graduate School of Education</b>	<b>PSU</b>	<b>\$103,000,000</b>	<b>\$58,000,000</b>	<b>\$45,000,000</b>
The 4th & Montgomery Project for the Graduate School of Education will result in a new, approximately 205,000 sq. ft., seven to nine story, mixed use building. The project includes partnership commitments from Portland Community College, City of Portland and an educational non-profit organization.					
<b>3</b>	<b>Gilkey Hall Renovation</b>	<b>OSU</b>	<b>\$5,000,000</b>	<b>\$2,000,000</b>	<b>\$3,000,000</b>
The Gilkey Hall renovation project will provide a general interior space renewal for the academic directors for Undergraduate Studies, the Academic Success Center, the Writing Center, Computer Lab, and OSU International Programs. The project scope includes upgrades to the fire and life safety, plumbing and HVAC systems.					
<b>4</b>	<b>Oregon Quality Foods &amp; Beverage Center</b>	<b>OSU</b>	<b>\$18,000,000</b>	<b>\$9,000,000</b>	<b>\$9,000,000</b>
The Oregon Quality Foods and Beverages Initiative will create three new research and learning pilot facilities, for Brewing Science, Wine Science and Dairy Science.					
<b>5</b>	<b>Information Technology Equipment Facility</b>	<b>EOU</b>	<b>\$1,200,000</b>	<b>\$0</b>	<b>\$1,200,000</b>
Construction of a new 3,000 SF technology infrastructure equipment facility serving as the campus hub for all communication and network infrastructure, the facility will include a temperature and humidity controlled server room; fiber distribution rack space; equipment shop space; staff office and support space; equipment and general storage; equipment staging space.					
<b>6</b>	<b>Cordley Hall Renovation Phase I</b>	<b>OSU</b>	<b>\$15,000,000</b>	<b>\$0</b>	<b>\$15,000,000</b>
The Cordley Hall renovation project will include mechanical and electrical systems replacement, upgraded fire and life safety systems including a fire suppression system and modern fire alarms with strobes for the 236,317 square foot research building.					
<b>7</b>	<b>Center For Excellence In Engineering And Technology/Renovation Of Cornett Hall</b>	<b>OIT</b>	<b>\$42,000,000</b>	<b>\$2,000,000</b>	<b>\$40,000,000</b>
The Center for Excellence in Engineering and Technology will feature approximately 61,000 GSF of classroom and laboratory space, 12,000 GSF of office space, 2,000 GSF IT Data Center, and 15,000 GSF of common space. This project will also renovate the Cornett Hall building envelope, mechanical systems, emergency egress ADA accessibility, and seismic improvements.					
<b>8</b>	<b>Classroom and Faculty Office Building</b>	<b>UO</b>	<b>\$85,000,000</b>	<b>\$30,000,000</b>	<b>\$55,000,000</b>
The University Classroom and Faculty Office Building project will be a four-to-five story, approximately 105,000-gsf new building built in the academic core of campus. The space will roughly break down as follows: classrooms 60%, faculty offices 20%; other offices and other support and technical work areas 20%. Additionally, approximately 30,000 GSF of other core academic space will be renovated.					
<b>9</b>	<b>Central Hall Modernization</b>	<b>SOU</b>	<b>\$6,000,000</b>	<b>\$0</b>	<b>\$6,000,000</b>
The Central Hall Modernization project includes replacing the 60-year-old HVAC system, electrical systems, upgrades to the fire alarm system to meet current fire code requirements, and address water penetration of the exterior concrete façade. Additionally, the building needs significant upgrades for current ADA compliance.					
<b>10</b>	<b>Oregon Military Academy – Phase 2 Renovation</b>	<b>WOU</b>	<b>\$8,200,000</b>	<b>\$500,000</b>	<b>\$7,700,000</b>
The scope of the OMA phase 2 renovation project encompasses a redesign and repurpose of the existing military training facility, located within the north perimeter of Western’s campus for year-round academic program use, upgrade ADA accessibility throughout, and modernize mechanical, electrical, and plumbing systems.					

Priority Rank	Project Name	University	Project Total	University Funding	State Funding
11	<b>Information Technology Center – Phase 3 Building Renovation</b>	<b>WOU</b>	\$6,000,000	\$500,000	\$5,500,000
The third and final phase of renovation of the Information Technology Center will address significant life safety concerns with seismic improvements to the structure, replace antiquated mechanical, electrical and plumbing systems, and remodel the first two floors of the building.					
12	<b>Loso Hall Renovation, Phase One</b>	<b>EOU</b>	\$5,500,000	\$0	\$5,500,000
The Loso Hall renovation will repair and replace theater department performance and practice spaces, equipment, lighting and staging systems, stages and support spaces and make accessibility improvements in theater seating and building access.					
13	<b>Fairbanks Hall Renovation</b>	<b>OSU</b>	\$11,000,000	\$0	\$11,000,000
The renovation of Fairbanks Hall, OSU's second-oldest building will create critically needed space in the currently unutilized fourth floor; reduce building energy costs with planned energy conservation measures; and make the building fully accessible.					
14	<b>Athletics, Physical Activity &amp; Health Field House</b>	<b>EOU</b>	\$8,000,000	\$2,000,000	\$6,000,000
Construction of a 30,000 SF field house to support EOU Athletics, Physical Activity & Health education, EOU's Outdoor Program and Outdoor Recreation and Leadership minor, and student recreation.					
15	<b>Cascades Expansion- Site Reclamation</b>	<b>OSU-Cascades</b>	\$9,000,000	\$0	\$9,000,000
Site restoration will include partial fill and compaction of the pumice mine bringing the site to a condition ready for infrastructure development. The property, a 46-acre pumice mine site is adjacent to OSU-Cascades' 10-acre campus and is near downtown Bend.					
16	<b>Cascades Expansion- Campus Infrastructure</b>	<b>OSU-Cascades</b>	\$11,000,000	\$0	\$11,000,000
The Campus infrastructure project includes new roadways, multi-modal pathways, parking, storm water facilities, utilities and building pads in order to accommodate the future building and open space development per the Long Range Development Plan.					
17	<b>Cascades Expansion- Student Success Center</b>	<b>OSU-Cascades</b>	\$15,000,000	\$5,000,000	\$10,000,000
A new 22,500 GSF three-story building including a combination of flexible use spaces for classroom, learning commons or tutoring space, advising or counseling space, arts presentation space, informal gathering spaces, maker spaces, and student involvement spaces (e.g. multicultural/ social/outdoor programs).					
18	<b>Cascades Expansion- Academic Building 2</b>	<b>OSU-Cascades</b>	\$49,000,000	\$10,000,000	\$39,000,000
The new 55,000 square foot academic building will include lab space for bio-sciences, kinesiology and engineering, general purpose classrooms, faculty offices, and other learning support and research spaces. Academic Building 2 will include the development of an outdoor learning and study space. The project will also include structured and surface parking in order to support enrollment growth.					
19	<b>Cascades Graduate &amp; Research Center Renovation</b>	<b>OSU-Cascades</b>	\$490,000	\$0	\$490,000
The renovation of the Graduate and Research Center will create office spaces for teaching and research faculty at OSU-Cascades to accommodate the increase in faculty and staff. Approximately 60% of the Graduate and Research Center was renovated when the building was originally purchased in 2012.					

### Article XI-F (University Paid) Bond Requests

Project Name	University	Project Total	University Funding	State Funding
<b>Track &amp; Field Facilities Restoration Project</b>	<b>EOU</b>	\$750,000	\$750,000	\$0
This project will include removal of the existing track & field athletic surfaces along with the asphalt and concrete underlayments. A new rock base and drainage system will be installed with a permeable asphalt base surface. New permeable track & field competition athletic surfaces will be installed over the permeable asphalt base.				
<b>University Center Building land</b>	<b>PSU</b>	\$15,000,000	\$15,000,000	\$0
PSU is requesting \$15 million authorization for the purchase of land under the university-owned University Center building. The 2015-17 Legislatively Approved Budget reauthorized \$10,220,000 Article XI-F (1) bonds for the purchase originally authorized in the 2013-15 Legislatively Approved Budget. PSU was unable to execute a purchase of the land since the authorization and therefore requests reauthorization along with an additional \$5,000,000 in bonding authority.				
<b>12th and Market Residence Hall</b>	<b>PSU</b>	\$53,500,000	\$53,500,000	\$0
PSU proposes construction of a new 6 story housing building with 201 units and 11,000 sq. ft. for dining services.				
<b>Student Recreation Center</b>	<b>OIT</b>	\$5,000,000	\$5,000,000	\$0
The concept is to re-use the existing Athletics Building lower level for a new Recreation Center. The project would include updating existing locker rooms and showers, a multi-use studio, expanding the existing fitness area and restoration of the tennis courts.				

Project Financial Summary												
Priority Rank	Institution	Project	State-Paid Debt				State Paid Cumulative Total	Campus Paid Debt & Resources			All Sources Total	Cumulative Total (All Prioritized Projects)
			XI-G	XI-Q	Lottery Bonds	State-Paid Total		XI-F	Gifts/Other	Campus Total		
1	All	Capital Improvement & Repair	\$ -	\$65,000,000	\$ -	\$ 65,000,000	\$ 65,000,000	\$ -	\$ -	\$ -	\$ 65,000,000	\$ 65,000,000
2	PSU	4th & Montgomery for Graduate School of Education	\$36,000,000	\$ 9,000,000	\$ -	\$ 45,000,000	\$ 110,000,000	\$ 6,000,000	\$ 52,000,000	\$ 58,000,000	#####	\$ 168,000,000
3	OSU	Gilkey Hall Renovation	\$ 2,000,000	\$ 1,000,000	\$ -	\$ 3,000,000	\$ 113,000,000	\$ -	\$ 2,000,000	\$ 2,000,000	\$ 5,000,000	\$ 173,000,000
4	OSU	Oregon Quality Foods & Beverage Center	\$ 9,000,000	\$ -	\$ -	\$ 9,000,000	\$ 122,000,000		\$ 9,000,000	\$ 9,000,000	\$ 18,000,000	\$ 191,000,000
5	EOU	Information Technology Equipment Facility	\$ -	\$ 1,200,000	\$ -	\$ 1,200,000	\$ 123,200,000	\$ -	\$ -	\$ -	\$ 1,200,000	\$ 192,200,000
6	OSU	Cordley Hall Renovation Phase I	\$ -	\$15,000,000	\$ -	\$ 15,000,000	\$ 138,200,000	\$ -	\$ -	\$ -	\$ 15,000,000	\$ 207,200,000
7	OIT	Center For Excellence In Engineering And Technology/Renovation Of Cornett Hall	\$ 2,000,000	\$38,000,000	\$ -	\$ 40,000,000	\$ 178,200,000	\$ -	\$ 2,000,000	\$ 2,000,000	\$ 42,000,000	\$ 249,200,000
8	UO	Classroom and Faculty Office Building	\$30,000,000	\$25,000,000	\$ -	\$ 55,000,000	\$ 233,200,000	\$ -	\$ 30,000,000	\$ 30,000,000	\$ 85,000,000	\$ 334,200,000
9	SOU	Central Hall Modernization	\$ -	\$ 6,000,000	\$ -	\$ 6,000,000	\$ 239,200,000	\$ -	\$ -	\$ -	\$ 6,000,000	\$ 340,200,000
10	WOU	Oregon Military Academy – Phase 2 Renovation	\$ 500,000	\$ 7,200,000		\$ 7,700,000	\$ 246,900,000	\$ -	\$ 500,000	\$ 500,000	\$ 8,200,000	\$ 348,400,000
11	WOU	Information Technology Center – Phase 3 Building Renovation	\$ 500,000	\$ 5,000,000	\$ -	\$ 5,500,000	\$ 252,400,000	\$ -	\$ 500,000	\$ 500,000	\$ 6,000,000	\$ 354,400,000
12	EOU	Loso Hall Renovation, Phase One	\$ -	\$ 5,500,000	\$ -	\$ 5,500,000	\$ 257,900,000	\$ -	\$ -	\$ -	\$ 5,500,000	\$ 359,900,000
13	OSU	Fairbanks Hall Renovation	\$ -	\$11,000,000	\$ -	\$ 11,000,000	\$ 268,900,000	\$ -	\$ -	\$ -	\$ 11,000,000	\$ 370,900,000
14	EOU	Athletics, Physical Activity & Health Field House	\$ 2,000,000	\$ -	\$ 4,000,000	\$ 6,000,000	\$ 274,900,000		\$ 2,000,000	\$ 2,000,000	\$ 8,000,000	\$ 378,900,000
15	OSUC	Cascades Expansion- a. Site Reclamation	\$ -	\$ 9,000,000	\$ -	\$ 9,000,000	\$ 283,900,000	\$ -	\$ -	\$ -	\$ 9,000,000	\$ 387,900,000
16	OSUC	Cascades Expansion- b. Campus Infrastructure	\$ -	\$11,000,000		\$ 11,000,000	\$ 294,900,000		\$ -	\$ -	\$ 11,000,000	\$ 398,900,000
17	OSUC	Cascades Expansion- d. Student Success Center	\$ 5,000,000	\$ 5,000,000	\$ -	\$ 10,000,000	\$ 304,900,000	\$ -	\$ 5,000,000	\$ 5,000,000	\$ 15,000,000	\$ 413,900,000
18	OSUC	Cascades Expansion- c. Academic Building 2	\$10,000,000	\$29,000,000	\$ -	\$ 39,000,000	\$ 343,900,000		\$ 10,000,000	\$ 10,000,000	\$ 49,000,000	\$ 462,900,000
19	OSUC	Cascades Graduate & Research Center Renovation	\$ -	\$ 490,000	\$ -	\$ 490,000	\$ 344,390,000	\$ -	\$ -	\$ -	\$ 490,000	\$ 463,390,000
N/A	EOU	Track and Field Facilities Restoration Project	\$ -	\$ -	\$ -	\$ -	N/A	\$ 750,000	\$ -	\$ 750,000	\$ 750,000	N/A
N/A	PSU	University Center Building Land Purchase	\$ -	\$ -	\$ -	\$ -	N/A	\$ 15,000,000	\$ -	\$ 15,000,000	\$ 15,000,000	N/A
N/A	PSU	12th and Market Resident Hall	\$ -	\$ -	\$ -	\$ -	N/A	\$ 53,500,000	\$ -	\$ 53,500,000	\$ 53,500,000	N/A
N/A	OIT	Student Recreation Center	\$ -	\$ -	\$ -	\$ -	N/A	\$ 5,000,000	\$ -	\$ 5,000,000	\$ 5,000,000	N/A

Principles to Guide the Prioritization of University Related State General Obligation and State Backed  
Debt Financed Projects

The Higher Education Coordinating Commission (Commission) is tasked by ORS ~~351.735~~350.075 to evaluate and prioritize capital investments of the state of Oregon in its higher education enterprise for recommendation to the Governor for inclusion in the Governor's Recommended Budget. The Commission recognizes that the most cost-efficient means of meeting the State's ambitious 40-40-20 goal is to maintain and increase the utilization and productivity of the current array of university-related capital assets. As necessary in order to meet the education, civic, cultural and research needs of Oregon and Oregon students, the Commission will recommend that additional state capital resources be deployed to support the renovation of existing facilities and the addition of new facilities.

On a biennial basis the Commission will receive from each institution requesting state-backed capital investments a report including how these investments, along with their current capital portfolio, unite the mission and strategy of the institution to key outcomes measures established by the HECC. To these ends the Commission adopts the following statement of principles.

- All state backed debt prioritized and approved by the Commission will support the Commission's strategic plan as well as class, lab, research or student services needs identified by the public university from which the request was received.
- A plan for supporting the ongoing operational and maintenance needs of current and proposed capital assets, including deferred maintenance and building renewal, must be in place if an institution seeks to expand their capital portfolio.
- General Obligation debt incurred by the state on behalf of institutions for the construction, purchase, or refurbishment of real property will principally serve either to (a) ameliorate constraints within the post-secondary system of higher education by expanding institutional capacity to support student access and completion; (b) extend the useful life of capital assets; or (c) develop or extend key competitive advantages that comport with the state's education, civic, cultural, and economic needs.
- The HECC will encourage projects that generate operational cost savings through the refurbishment or repurposing of existing facilities or the construction of new facilities.
- The HECC, in conjunction with the institutions, will evaluate the efficient utilization and proper maintenance of current capital assets in determining the need for the purchase or construction of additional capital assets.
- Collaboration between multiple educational, civic, state and private institutions will be encouraged.
- Where possible the leveraging of non-state resources will be encouraged in order to maximize mission attainment.
- The HECC will advocate for a level of state-paid capital debt that is adequate to provide institutions with the most cost-effective means of addressing deferred maintenance, life-safety, and code compliance needs that rise to the level of capital expenditures.

The Commission will explore the development of a mechanism for rationalizing the total investment of state resources, capital and operating through the state's funding allocation model to institutions. Only state-paid capital debt authorized during the ~~2015-2017~~ legislative session or after will be incorporated into this mechanism. A workgroup including representatives of the HECC and institutions will be convened ~~in July of 2015~~ before the 2017 Legislative Session for the purposes of developing this mechanism, exploring its potential consequences and reporting on its feasibility to the Commission.

On a biennial basis, the Commission will produce a scoring rubric designed to incorporate and operationalize the principles enumerated above.

**2017-19 University Capital Project - Prioritization Scoring**

Presented to the Higher Education Coordinating Commission Funding & Achievement Subcommittee

April 2016

Points	Category	Detail	
<b>A 0 Pts</b>	HECC Strategic Plan & Institutional Master Plan Compliant	The project must relate to the HECC Strategic Plan 2016-2020 (adopted February 2016), as well as the campus's Master Plan and primarily serve class, lab, research or student services needs.	
<b>B 1-30 pts</b>	HECC Priorities (State Priorities)		
	Pts	Priority Category	
	10	Eases capacity constraint within entire system	
	10	Supports student completion	
	5	Supports research & economic development capacity of institution	
	5	Collaboration between education institutions	
<b>C 1-10 pts</b>	Cost Savings	Projects are scored based on cost savings generated by eliminating or limiting deferred maintenance projects, and/or operational savings.	
<b>D 1-10 pts</b>	Life, Safety & Code Compliance	Projects are scored based on the priority of the project to meet life, safety and code compliance needs of mission critical items, including lifecycle cost analysis or projects that support key programs and initiatives.	
<b>E 4-20 pts</b>	Campus Priority		
	Tranche	Pts	
	1	20	
	2	18	
	3	16	
	4	14	
	5	12	
	6	10	
	7	8	
	8	6	
	Each campus will determine the weighted average priority points by projects based on \$20 million dollar priority tranches. Each priority tranche is worth the points indicated in this section.		
<b>F 1-5 pts</b>	Finish what we start	Projects are scored based on how the capital investment could best enhance or complement existing academic and completion program efforts.	
<b>G 1-15 pts</b>	Leveraging Dollars		
	Projects were scored based on the following schedule:		
	% Campus Match	pts	Majority pledged or in-hand
	50% or over	10	100% add
	40%	8	75% add
	30%	6	50% add
	20%	5	25% add
	10%	4	0% ≥ 10% add
	0%	0	
<b>H 1-10 pts</b>	Strategic Priority	Projects are scored based on their ability to bridge gaps and serve identified needs that support the educational, civic, cultural and economic development needs of the state.	

**Potential Points 100 pts**



KATE BROWN  
Governor

June 7, 2016

Higher Education Coordinating Commission  
775 Court Street NE  
Salem, OR 97301

Dear Commissioners,

Thank you for your service to our state and your expertise and leadership in higher education. As members of the Higher Education Coordinating Commission (HECC), you serve the important role of ensuring that our state meets its 40/40/20 goal by advancing higher education priorities.

I write to you to provide guidance for your review of the 2017-2019 public university capital budget requests. As you are aware, state-funded debt is a limited resource and as a result, not all projects will be funded in the 2017-2019 biennium. The recent high-water mark for public university capital requests was approximately \$250 million allocated for the 2015-2017 biennium. As such, I direct you to take that information into consideration as you develop your rankings. In addition, I ask that you ensure that your recommendations prioritize investments that facilitate the ability for underrepresented, first generation and low income students and students from rural areas of the state to pursue their degrees.

It is my expectation that public universities submit all capital requests for which they intend to seek state funding to the HECC for its review and ranking. HECC bears the responsibility for reviewing university capital requests, and I reiterate my support for HECC to fulfill its statutory authority.

Finally, in the longer-term, I look forward to working with the HECC on a long-range planning process that will take a broad view of higher education investments – both operating and capital investments – as we continue along the path to meet the state's 40/40/20 goal.

Thank you for your commitment to the state. I look forward to reviewing your recommendations for public university capital projects.

Sincerely,

  
Governor Kate Brown



## Oregon Public University Council

Post Office Box 751    503-725-4411  
Portland, OR 97207



April 29, 2016

Neil Bryant, Chair  
Higher Education Coordinating Commission  
775 Court Street NE  
Salem OR 97301-3827

Dear Chair Bryant,

We have enclosed a consolidated 2017-19 capital request for consideration by the Higher Education Coordinating Commission (HECC). As requested by HECC staff, each university will separately provide detailed information on each of the projects included on the attached list.

We developed this capital request through a collaborative process conducted by the Vice Presidents for Finance and Administration from each of the seven public universities. This process involved a rigorous consideration that sought to address Oregon's overwhelming need for capital renewal and investment, while balancing campus-specific opportunities and challenges. The attached document lists the projects in three "priority tiers". All of these projects have been reviewed and/or approved by our respective Boards of Trustees, senior administrations, and wide-ranging campus constituencies as the most justifiable investments needed to support and advance student success through the built environment.

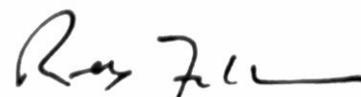
As a matter of perspective, the universities began the process working from an initial list for the 2017-19 biennium that included over \$614 million in state-paid debt. The collaborative effort among the seven universities narrowed the state-paid debt requested for Tier 1 projects to \$284 million. This figure includes \$65 million for Capital Improvement and Renewal. (As a matter of comparison, the consolidated Tier 1 request from the seven universities for the 2015-17 biennium was significantly higher -- \$346 million.)

Within the listing of Tier 1 projects, all seven universities agree that the \$65 million requested for Capital Improvement and Renewal remains our number one priority. We believe the HECC should carefully review and recommend all of the capital projects on the Tier 1 list for inclusion in the Governor's proposed capital budget for 2017-19.

The legislature and the universities work together to invest in infrastructure. Since 2007, the state has authorized \$1.05 billion (58.4%) of state-paid debt accompanied by \$750 million (41.6%) of university funding in the form of privately raised funds or university debt -- a partnership total of \$1.8 billion. (This figure does not include funding for revenue supported debt for non-educational activities such as athletics and residence halls.) We deeply appreciate that the state has been able to keep capital support in pace with the significant enrollment growth we have experienced over this period. These investments are just as crucial for student success as operating support.

We look forward to working collaboratively with you as the HECC considers the universities' priorities for future state capital investments, as well as the appropriate balance between capital and operating expenses for Oregon's public higher education institutions.

Sincerely,



Eastern Oregon University  
President Thomas A. Insko

Oregon State University  
President Ed Ray

Southern Oregon University  
President Roy H. Saigo

Western Oregon University  
President Rex Fuller

Oregon Institute of Technology  
President Chris Maples

Portland State University  
President Wim Wiewel

University of Oregon  
President Michael Schill

cc: Ben Cannon, Executive Director, HECC  
Andrew Rogers, Director of University Finance, HECC

Campus	Public University Project	2017-19 Consolidated Capital Request								
		State-Paid Debt				University-Paid Debt and Other Sources			PROJECT TOTAL (excluding COI)	
		XI-G	XI-Q	SELP	Lottery	State-Paid Total	XI-F	Gifts/Other		Univ Total
<b>TIER 1 PROJECTS:</b>										
ALL	Capital Improvement and Renewal		65,000,000			65,000,000			-	65,000,000
EOU	Information Technology Equipment Facility		1,200,000			1,200,000			-	1,200,000
EOU	Loso Hall Renovation, Phase I		5,500,000			5,500,000			-	5,500,000
EOU	Athletics & Physical Education Fieldhouse	2,000,000			4,000,000	6,000,000		2,000,000	2,000,000	8,000,000
OT	Cornett Hall Renovation/Center for Excellence in Engineering Education	2,000,000	38,000,000			40,000,000		2,000,000	2,000,000	42,000,000
OSU	Cordley Hall Renovation Phase I		15,000,000			15,000,000			-	15,000,000
OSU	Fairbanks Hall Renovation		11,000,000			11,000,000			-	11,000,000
OSU	Gilkey Hall Renovation	2,000,000	1,000,000			3,000,000		2,000,000	2,000,000	5,000,000
OSU	Oregon Quality Foods & Beverage Center	9,000,000				9,000,000		9,000,000	9,000,000	18,000,000
OSU-CC	Cascades Expansion-Site Reclamation		9,000,000			9,000,000			-	9,000,000
OSU-CC	Cascades Graduate & Research Center Renovation		490,000			490,000			-	490,000
PSU	Grad Education Building	36,000,000	9,000,000			45,000,000	6,000,000	45,000,000	51,000,000	96,000,000
SOU	Central Hall Deferred Maintenance		6,000,000			6,000,000			-	6,000,000
UO	Classroom and Faculty Office Building	30,000,000	25,000,000			55,000,000		30,000,000	30,000,000	85,000,000
WOU	Oregon Military Building Renovation	500,000	7,200,000			7,700,000		500,000	500,000	8,200,000
WOU	IT Building Renovation	500,000	5,000,000			5,500,000		500,000	500,000	6,000,000
		82,000,000	198,390,000	-	4,000,000	284,390,000	6,000,000	91,000,000	97,000,000	381,390,000
<b>TIER 2 PROJECTS:</b>										
EOU	Inlow Hall Grand Staircase Reconstruction	1,650,000				1,650,000		1,650,000	1,650,000	3,300,000
OT	Student Services Center/Recreation Center		15,000,000			15,000,000	5,000,000		5,000,000	20,000,000
OSU	Magruder Hall Teaching Hospital and Class Expansion	12,500,000				12,500,000		12,500,000	12,500,000	25,000,000
PSU	School of Art Design Building	25,000,000	25,000,000			50,000,000	10,000,000	25,000,000	35,000,000	85,000,000
SOU	Boiler Replacement		2,700,000			2,700,000			-	2,700,000
UO	Deady Hall Deferred Maintenance		13,500,000			13,500,000			-	13,500,000
WOU	New PE Building Renovation		9,400,000			9,400,000			-	9,400,000
		39,150,000	65,600,000	-	-	104,750,000	15,000,000	39,150,000	54,150,000	158,900,000
<b>TIER 3 PROJECTS:</b>										
EOU	Inlow Hall Seismic, Phase II		4,300,000			4,300,000			-	4,300,000
OT	Boivin Hall Renovation		7,400,000			7,400,000			-	7,400,000
OSU	Art Museum	7,500,000				7,500,000		7,500,000	7,500,000	15,000,000
PSU	Science 1	5,000,000	60,000,000			65,000,000		5,000,000	5,000,000	70,000,000
UO	Huestis Deferred Maintenance		40,000,000			40,000,000			-	40,000,000
UO	Condon Hall Deferred Maintenance		21,000,000			21,000,000			-	21,000,000
WOU	Administration Building Renovation		8,100,000			8,100,000			-	8,100,000
		12,500,000	140,800,000	-	-	153,300,000	-	12,500,000	12,500,000	165,800,000
<b>UNIVERSITY-PAID XI-F PROJECTS:</b>										
EOU	Track & Field Restoration					-	750,000	750,000	1,500,000	1,500,000
PSU	UCB land purchase					-	15,000,000		15,000,000	15,000,000
		-	-	-	-	-	15,750,000	750,000	16,500,000	16,500,000
<b>GRAND TOTAL</b>		133,650,000	404,790,000	-	4,000,000	542,440,000	36,750,000	143,400,000	180,150,000	722,590,000

# State Bond Type Descriptions

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Public universities utilize the following types of debt:

- **General obligation bonded debt** (e.g. XI-G, XI-F, XI-Q, *Alternate Energy Bonds, Pension Obligation Bonds*) – General Obligation (GO) bond debt is secured by the full faith and credit of the State of Oregon. In the State’s case, each GO bond program was created by a constitutional amendment passed by state voters. Therefore, the People of the State have unconditionally pledged to pay debt service (i.e. principal and interest) payments, over the life of each GO issue. This means that, barring the existence of other adequate repayment sources, all unrestricted public revenues must be used as needed to support debt service payments. This may include the levy of a statewide property tax if necessary and allowed by law.
- **Direct revenue bonded debt** (e.g. *Lottery Bonds, Revenue Bonds*) - Unlike GO bonds, direct revenue program debt is not secured by the State’s unlimited pledge to fund debt service with unrestricted public revenues or, where permitted, a statewide ad valorem property tax. Rather, funds to pay debt service are provided by a specific and dedicated revenue stream. Further, revenue programs typically do not require a vote of the People, but must be authorized by the Legislative Assembly. The State Legislature at all times holds the right to refer program approval to Oregon voters. Direct revenue bond programs are each considered fully self-supporting, and have no general obligation backing from the State. However, if program revenues were to become insufficient to support debt service payments, this does not preclude the State from providing a funding stream.
- **Appropriation credits** (e.g. *COPs*) - These credits are special limited obligations of the State payable solely from funds appropriated or otherwise made available by the State Legislative Assembly. The obligation of the State to provide appropriated moneys and to pay the bonds is subject to future appropriation by the Legislature for the fiscal period in which payments are due. As with State direct revenue bond programs, appropriation credits do not require a vote of the People, but must be authorized by the Legislative Assembly. Similar to revenue program debt, appropriation credits are not secured by the State’s unlimited pledge to fund debt service with unrestricted public revenues or, where permitted, a statewide ad valorem property tax. The State currently uses two types of appropriation credits: Appropriation Bonds and Certificates of Participation.

The legislature has been granted the authority by the Oregon Constitution to authorize, on behalf of the HECC and public universities, the issuance of bonds for construction, equipping, rehabilitation, remodeling, and repair of facilities. The Legislature has authorized the following types of debt for public universities: Under the terms of HB 3199<sup>36</sup>, the HECC is responsible for managing these debt types for public universities in concert with the Department of Administrative Services and the Oregon State Treasurer’s Office.

## 1) Article XI-G Bonds

These bonds are general obligation bonds issued for facilities that are of a general classroom and/or laboratory nature including Education & General type buildings (which could include administration buildings such as Kerr or Oregon Hall). Dedicated State General Funds are appropriated each biennium for debt service payments on Article XI-G Bonds for capital construction. Due to the likelihood for a late biennium bond sale, the state does not budget debt service in the biennium an XI-G funded capital project is approved for higher education. The debt service costs are rolled up in the next biennium’s budget. In the biennium for which the bond issuance is approved, the institution for which the bond is issued must fund any debt payment due. XI-G bonds may be structured or timed so that no debt service is due until the following biennium. Alternatively, interest earnings on unspent bond proceeds may be used to pay any interest expense due.

### *Article XI-G Bond History:*

In November 1960, Oregon voters approved a legislatively referred constitutional amendment that authorized the State of Oregon to issue XI-G bonds in order to finance the construction of buildings on Oregon public university and community college campuses. Originally under Article XI-G, the state legislature was required to “match” dollar for dollar the amount of XI-G bonds with upfront general fund appropriations before the state could undertake debt through the sale of bonds. This meant Oregon taxpayers would pay the entire bill, half of which was paid up front with general fund appropriation, and half financed over time. The legislature retires the bonds through general fund appropriations over the 20-30-year lifespan of the bonds. Funding can be used for both new buildings and to maintain or restore existing buildings. Beginning in the late 1980s and following the passage of Ballot Measure 5 in 1990, the legislature essentially eliminated the use of direct appropriations of general funds to be used as the only match for the construction of new buildings financed under Article XI-G. However, after the inception of the state lottery in 1985,

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<sup>36</sup><<https://olis.leg.state.or.us/liz/2015R1/Downloads/MeasureDocument/HB3199/Enrolled>>

the legislature began to use lottery bonds, both as a match for Article XI-G bonds and as an alternative form of financing. In the 1993 session, the legislature also began to use privately raised funds as the match for Article XI-G financing. This approach enabled individual universities to raise the necessary match through philanthropic contributions. Once a project was approved by the legislature, foundations would deposit funds with the State Treasury so that they could be considered as the general fund match for the bonds. In the 2000s the legislature approved XI-G projects matched with proceeds from the sale of COPs and SELP alternative energy bonds.

Historically the legislature has not approved Article XI-G financing for a building until the university demonstrated that it had the money in hand, or would be able to deposit the entire amount in the Treasury at some point during the biennium. The HECC is now responsible for such determinations under HB 3199.

## **2) Article XI-F (1) Bonds**

Article XI-F (1) bonds are general obligation bonds used to finance capital projects on facilities where an individual university has “sufficient revenues to pay the indebtedness and operate the projects financed with the proceeds of the indebtedness” (revenues includes all funds available to the constructing authority except amounts appropriated by the legislative assembly from the General Fund).

Revenues from auxiliaries, gifts, grants, investment earnings and building fees are used for debt service payments. Under HB 3199, the HECC is responsible for conducting revenue sufficiency tests required to issue XI-F (1) bonds.

## **3) Article XI-Q Bonds**

These bonds are general obligation bonds to finance the costs of acquiring, constructing, remodeling, repairing, equipping or furnishing real or personal property that is or will be owned or operated by the State of Oregon. Oregon voters approved a constitutional amendment in November 2010 authorizing the use of general obligation bonds (including XI-Q bonds) to finance or refinance the costs of acquiring, constructing, and equipping real or personal property. Statutory authority to issue XI-Q bonds is provided in ORS 286A.816-826. Article XI-Q bonds are expected to replace certificate of participation debt issuances in the future, resulting in significant savings in borrowing costs. Under HB 3199, the HECC will serve as the “project agency” for XI-Q bonds involving public universities.

## **4) Lottery bonds**

Lottery bonds are direct revenue bonds. Unlike general obligation bonds, revenue bonds are not secured by the state’s unrestricted public revenues (ORS 286A.560 to 286A.585). Lottery bonds have been used to fund a variety of Education & General related deferred maintenance and other projects. Dedicated lottery revenues pay the debt service on these bonds.

### *Lottery Bond History:*

Reliance upon foundations for matching Article XI-G bonds has created disparities in access to capital across public university campuses. Those campuses with larger foundations have been better able to fill the gap created by the elimination of general funds for new capital projects. The legislature responded by using lottery bonds at the regional campuses to fill in some of the gaps. In some instances, lottery bonds have also been used by the state to fund non-deferred maintenance capital projects when there has been a shortage in General Obligation bond debt capacity from other financing instruments.

## **5) Small Scale Energy Loan Program (SELP) loans**

Alternate Energy, or XI-J, bonds are general obligation bonds sold to provide loan funds for energy projects that promote energy conservation and renewable energy resource development. Eligible projects include those involving energy conservation, producing energy from renewable resources, using recycled materials to create new products, or producing or using alternative fuels. Universities have used SELP loans for a variety of deferred maintenance and other energy conservation capital projects in the last decade.

### *State Energy Loan Program History:*

In 1979, the legislature created the Small Scale Energy Loan Program (SELP). In 1980, voters approved an amendment to the Oregon Constitution (Article XI-J) authorizing the sale of general obligation bonds to finance small scale, local energy projects. The self-supporting program often makes loans that conventional lenders will not make. In other cases, SELP’s tax-exempt rates or long-term, fixed-rate loans make a project economically viable.

Campuses request energy loans directly from the Department of Energy for various non-deferred maintenance related SELP projects. Beginning in the 2005 legislative session the OUS began requesting approval through the legislative capital budget process for SELP loans for E&G related deferred maintenance projects. As a result, OUS began receiving General Fund Appropriation for debt service on those deferred maintenance projects whose energy savings were not enough to cover the full debt service payment.

#### **6) Certificates of Participation (COPS) ORS 283.085 to 283.092**

COPs are appropriation credits (tax exempt) and are not secured by the State's unlimited pledge to fund debt service with unrestricted public revenues. These credits are special limited obligations of the State payable solely from funds appropriated or otherwise made available by the State Legislative Assembly. The obligation of the State to provide appropriated moneys and to pay the debt service of the bonds is subject to future appropriation by the Legislature for the fiscal period in which payments are due. Because COPs are not secured by the full faith and credit of the issuer, the Legislature must approve the COP repayment amounts prior to each biennium for which payments are scheduled. In other words, the Legislature could deny a budget request for COP debt service. Should the State fail to make scheduled COP payments, the state may be denied use of the financed building(s) and equipment. Furthermore, the ability of the State to obtain financing for future needs would be lost. COPs were used to finance capital costs related to construction or acquisition and could not be used to finance ongoing operating costs. Universities have used COPs to finance certain equipment, computer software purchases as well as various construction projects. COPs were an attractive debt instrument for financing deferred maintenance projects since there is no requirement for matching funds. While debt service related to technology projects has historically been funded by operating revenues from the campuses (primarily tuition), construction related debt financed with COPs have been primarily funded by state appropriation.

As a result of the 2010 constitutional amendment allowing the use of XI-Q bonds to finance the costs of acquiring, constructing, and equipping real or personal property, XI-Q bonds are expected to replace the Certificate of Participation program and result in significant savings in borrowing costs due in part to a more favorable credit rating of general obligation bonds.