



Senate Bill 152: State Board of Higher Education to Authorize Article XI-F (1) Capital Construction Bond Projects

Summary of SB 152 Request

Currently, the Oregon University System (OUS) must seek authorization from the Legislature, generally through the Emergency Board, to increase expenditure limitations – how much is spent – on each individual capital construction project funded with Article XI-F bonds. These types of projects receive no state general funds, and are fully self-supporting and self-liquidating, relying on revenues generated from the project, and in some cases donor contributions, to repay debt obligations. Increases in expenditures are sought when the original cost or design estimates change due to unanticipated materials cost increases – such as the recent increases in steel costs – changes in building design due to additional donor funding – such as additional floors, a new wing, or technology improvements – or other changes in the project scope, a fairly common occurrence in most facilities' development and construction.

Because the process of seeking individual authorizations from the Legislature for each increase on a limitation has presented delays and time constraints for all parties involved – OUS, donors, and legislators – the OUS is seeking greater flexibility through approval of an omnibus expenditure limitation, presented through Senate Bill 152, in which the State Board of Higher Education can provide expenditure limitation parameters as part of its biennial approval of the OUS capital construction budget.

Bill Description

Senate Bill 152 will allow for faster response times to meet campus construction schedules, thus reducing the risk of cost inflations due to work stoppage or other delays.

Under SB 152, the Board can expeditiously approve expenditures within the legislatively approved limitation. Board review and approval can be commenced and completed within 30 calendar days, rather than the current practice of 60 days on average. Current practice requires Board approval, Department of Administrative Services review and approval, Legislative Fiscal Office review and approval, and scheduling and meeting for Emergency Board review and approval. These delays can result in work stoppages and unnecessary cost inflation, as well as donor frustration, putting at risk the types and level of non-state funds that the OUS can raise in order to offer quality educational services statewide.

Background

In a 1997 letter to the Ways and Means Co-Chairs, the OUS outlined a recommended approach to clarify two items regarding expenditure limitation for capital projects:

Types of Projects Affected by Senate Bill 152

SB 152 would apply only to projects funded by Article XI-F (1) bonds which are defined within the Oregon Constitution, and limited to Higher Education projects that are self-liquidating and self supporting. Bonds of this type are used to support the construction and renovation of buildings that have a revenue stream to repay the debt. Projects have included:

- **Student Housing**
- **Parking**
- **Athletics**
- **Student Unions**

- Contingency amounts allowed for approved projects
- Projects requiring Legislative approval.

Subsequent to this proposal, the legislature granted authority to the Oregon State Board of Higher Education (Board) to allocate expenditure limitations under certain circumstances. Additionally, the authority to expend additional monies for approved projects is written into capital construction bills, but there has not been formal direction for projects requiring legislative approval.

Senate Bill 152 will clarify this understanding and allow the Board additional flexibility to allocate systemwide expenditure limitation, approved within biennial capital budgets. **One amendment to SB 152 will be sought to clarify the provisions of the bill apply to Article XI-F (1) bonds as well as gifts, grants or other donations.**

Recent Examples

Since 2005, OUS has brought forward 15 projects for Emergency Board approval related to Article XI-F bond or Other Funds expenditure limitation. The following project requests were first evaluated and approved by the Board of Higher Education, and later reviewed and recommended by the Department of Administrative Services Budget Analyst, Legislative Fiscal Office Analyst, and the Legislative Emergency Board. These projects included:

- 4 projects related to purchase of property
- 4 new projects for Athletics and Education
- 3 modifications of funding between bonding and other funds
- 2 projects seeking additional limitation due to construction inflation, and
- 2 projects increased to accept grants or additional donor funding.

Conclusion

Oregon University System campus buildings and property represent 50% of all state-owned facilities and have a \$3.5 billion replacement value. This is a major enterprise requiring professional, effective and efficient management. Senate Bill 152 would bring a greater level of efficiency to the process of capital construction limitations for self-supporting and self-liquidating projects not involving state funds, in turn saving time and money for the state, for generous donors, and for the university as well.



Oregon University System