

**SENATE SPECIAL COMMITTEE ON BUDGET – 2005 SESSION
EDUCATION SUBCOMMITTEE**

TAPE LOG

**Date: May 31, 2005
Tapes: 5B, 6A, 7A**

This tape log summarizes committee proceedings. For complete content and intent, please refer to tapes.

Tape / Counter	Speaker	Comments
Members Present: Senator Devlin, chair; Senators Gordly, Nelson, Walker, Whitsett,		
Members Excused:		
TAPE 5B		
003	Chair Devlin	<p>Calls the meeting to order at 3:30 p.m. Opens a Work Session on SB 5526 – Department of Higher Education – Capital Construction. Explains that no action will be taken.</p> <p>SB 5526 – DEPARTMENT OF HIGHER EDUCATION – CAPITAL CONSTRUCTION – WORK SESSION</p> <p>(Refer to SB 5514 for prior exhibits.)</p>
011	Steve Bender, Legislative Fiscal Office (LFO)	Provides an overview of the Capital Construction request for funding. Refers to (Exhibit #1, Dept. of Higher Education, Capital Construction Funding Overview) . Discusses (Exhibit #2, Senate Bill 5526) . Briefly discusses the fund sources, General Fund, Article XI-G Bonds, Lottery bonds and Article XI-F(1) Bonds.
068	Sen. Gordly	Asks if the 5.4 was included in the 11.8 Governor's Budget.
070	Steve Bender	Responds that it was in addition to it.
072	Steve Bender	Covers discussing the features of the Article XI-G Bonds. Explains that bonds must be matched dollar-for-dollar with a General Fund appropriation and that debt service payments on the bonds are paid by the General Fund.
095	Sen. Nelson	Asks about the Oregon State Student Housing and questions whether they would be designated to general funds.
100	Steve Bender	Responds yes.
103	Sen. Nelson	Asks if the funds are raised.
105	Steve Bender	Replies that some are and some aren't and that institutions continue to seek the necessary donations.
107	Sen. Walker	Comments about the excellent job done by the University of Oregon.
109	Chair Devlin	Indicates that two of the smaller projects have all of the match funds in place.
112	Sen. Whitsett	Believes that Mr. Bender has discussed a slide towards giving the wealthier divisions an advantage regarding the issue of matching funds.
124	Steve Bender	Believes the history would show his concerns to be well founded.
128	Chair Devlin	Indicates that there has been some discussion for the three large universities to retain the existing match requirements and for the regionals to have the match reduced. Indicates it would have to be a constitutional measure.
139	Sen. Walker	Asks if there is a bill.
140	Chair Devlin	Responds no.

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141	Sen. Walker	Believes it could be created.
143	Chair Devlin	Discusses whether it could be passed through both chambers and with the public is the question.
145	Sen. Walker	Believes the voters should be allowed to decide that.
148	Sen. Gordly	Suggests that the microphones be moved closer to the speaker so the public can hear the discussions going on.
153	Steve Bender	Reviews the Lottery Bonds which is found on page one in Exhibit #1.
171	Steve Bender	Covers the Article XI-F(1) bonds.
193	Steve Bender	Moves to page 2 of Exhibit #1 discussing the Other Revenues (Other Funds).
199	Sen. Whitsett	Discusses the cost of servicing the loans. Asks if the interest rates on the 11G, Lottery and 11F are similar.
207	Steve Bender	Responds that the 11G and 11F are both general obligations and are about the same. Explains that the Lottery is a higher interest rate.
215	Steve Bender	Refers to the chart found on page 3 of Exhibit #1. Indicates that he does not have the Senate or House budget included in the figures in the chart because he hasn't received that information yet but only looks at the 2005-07 Governor's Recommended Budget and the 2005-07 Governor's Revised version of the Recommended Budget. Discusses the debt service which is an obligation of the State.
327	Steve Bender	Covers the graph found on page 4 of Exhibit #1 which shows historically the amount of debt service that Oregon is paying. Explains that he is only estimating the debt service because he isn't certain of the interest rates that would apply in the next biennium.
384	Sen. Whitsett	Indicates that it would be helpful to have the graph on a bell curve and then elaborates.
395	Chair Devlin	Asks about the Article 11F bonds and questions if there is a due diligence requirement in terms of determining what percentage of the facility will be paid by revenue generated by the facility.
415	Steve Bender	Responds yes and then elaborates about the sources of revenue that would be available.
TAPE 6A		
003	Chair Devlin	Believes the calculations become very complex.
006	Steve Bender	Explains that it is necessary to look closely at the issue and then elaborates.
011	Steve Bender	Moves to page 5 in Exhibit #1 discussing the Recommended Major Construction Acquisition Projects. Explains the facilities listed in red have either State paid bonds or General Fund.
022	Chair Devlin	Asks if there is a match required on the deferred maintenance.
024	Steve Bender	Responds it depends on what the financing source is and then elaborates.
028	Chair Devlin	Indicates that part of the match might come from specialized purposes.
030	Steve Bender	Explains it depends on whether you are using Article 11G Bonds.
048	Steve Bender	Discusses the SELP program found on page 7 in Exhibit #1.

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069	Sen. Whitsett	Asks where the source of the funds come from for the Dept. of Energy.
072	Steve Bender	Refers back to page 2 in Exhibit #1 indicating that the State issues general obligation bonds to generate the funds that the Dept. of Energy loans out.
083	Chair Devlin	Indicates that they are actually repaying the bonds based on their reduced energy costs.
085	Steve Bender	Explains that the interest rates are low.
089	Sen. Walker	Understands that the Governor has proposed this and questions if he has authority to do this.
094	Steve Bender	Indicates that the bill, if passed, would be sufficient to allow it to occur.
099	Chair Devlin	Explains that he has seen it in some other budgets.
099	Sen. Walker	Asks how long it has been around.
100	Steve Bender	Responds since 1980.
103	Sen. Whitsett	Asks about the general fund obligation and believes it is a matching fund and most is put out by grants or gifts.
109	Steve Bender	Indicates that in the table what he lists as general fund is regular general fund.
131	Steve Bender	Continues explaining the State Energy Loan Program and discusses the savings received from Energy costs.
171	Chair Devlin	Asks if the energy loans are available under the Dept. of Energy to all public entities or only State entities.
176	Steve Bender	Agrees to find that out.
177	Chair Devlin	Wonders about the use of the potential mechanism for the Community Colleges.
181	Steve Bender	Reviews the Business Energy Tax Credits (BETC) found on the bottom of page 2 in Exhibit #1. Discusses the pass-through program.
225	Sen. Gordly	Asks Mr. Bender to provide an existing example of how it works.
228	Steve Bender	Indicates that it would be available for any public institution that makes qualifying conservation expenditures and available to a nonprofit or available to a regular profit business that is operating at a loss and has no tax liability.
237	Sen. Gordly	Clarifies that he is describing an existing program and she is seeking examples of how the program has been implemented.
241	Steve Bender	Asks the agency whether the program has been used in the Oregon University System.
244	Bob Simonton, Director of Capital Construction for the Oregon University System	Replies that they did use the tax credit on their Lewis Business Center for the solar panels installed on the building and then elaborates.
262	Sen. Gordly	Asks if the project that he is describing has been completed.
265	Bob Simonton	Replies yes. Indicates that using the program made it possible for them to obtain the equipment needed.

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271	Sen. Gordly	Comments that it is helpful for her to understand the described program.
281	Chair Gordly	Confirms that it is a State tax credit.
283	Bob Simonton	Agrees.
286	Steve Bender	Discusses the 1.4 million dollar general fund impact.
301	Sen. Gordly	Asks if it is the new steam plant.
303	Steve Bender	Responds yes.
313	Steve Bender	Briefly discusses the way the budget addresses deferred maintenance referring to the last chart in Exhibit #1.
330	Chair Devlin	Asks if CRV is current replacement value.
332	Steve Bender	Responds yes.
339	Chair Devlin	Comments on the cost of replacement.
342	Sen. Walker	Asks what FCI stands for.
344	Steve Bender	Responds Facility Condition Index. Explains that the Governor's budget included Tiers 1 and 2.
356	Chair Devlin	Asks if he included Snell Hall.
358	Steve Bender	Responds yes.
362	Chair Devlin	Discusses Tier 3 projects.
364	Steve Bender	Comments about Inlow Hall moving up to Tier 3.
370	Chair Devlin	Believes that some of the facilities in his index will go higher up the Tiers the longer they wait.
382	Steve Bender	Explains how the projects are ranked in the graph. Explains that the Tier 1 facilities produce energy.
412	Sen. Gordly	Asks if that is how Inlow Hall moved up.
415	Chair Devlin	Believes that Inlow Hall was due to another issue.
419	Steve Bender	Comments about the human remains that were found in the facility.
424	Sen. Walker	Believes there was a joke about that.
TAPE 7A		
001	Sen. Gordly	Doesn't recall the discussion.
002	Sen. Walker	Agrees to find it for her.
003	Steve Bender	Also agrees to locate the information for her.
004	Chair Devlin	Has a question on Tier 3 and asks the agency to come forward. Asks what the numbers really mean regarding Fenton and Lincoln Hall.
010	Bob Simonton	Replies it means that there is not a lot of good left in the building.
013	Chair Devlin	Asks if there is a point where deferred maintenance is in such a state that they couldn't hold classes in the building.
019	Bob Simonton	Responds that there is more wrong with it than what it is worth.
026	Sen. Whitsett	Asks what the value of doing it now is as opposed to waiting on the deferred maintenance. Asks how a difference of 1% in the interest rate would affect the projects.

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032	Bob Simonton	Indicates that many of the buildings have been waiting for many years already.
042	Sen. Whitsett	Comments on a leaking roof.
043	Bob Simonton	Continues discussing the cost of waiting.
045	Sen. Whitsett	Clarifies his question regarding the difference in interest rates looking for the savings.
050	Bob Simonton	Replies the longer you wait and the higher interest rate it ramps up.
052	Sen. Whitsett	Explains he is trying to get the costs because interest rates are lower now. Wants some sense of the savings if they did the repairs now versus waiting and then finding the interest rates have risen.
059	Chair Devlin	Asks them to get back to the committee with some updated information on this issue. Comments on the difficulty obtaining a bid in some past years.
067	Sen. Whitsett	Replies then 1981 came along.
069	Sen. Nelson	Asks if in the calculations the benefit from the income tax for the new projects was figured into the mix.
072	Steve Bender	Responds no.
075	Sen. Nelson	Clarifies and asks if there is a way to quantify that.
079	Steve Bender	Replies that it isn't a part of their fiscal analysis.
083	Sen. Nelson	Confirms that there would be some impact.
085	Steve Bender	Replies that the impacts would be fairly complex but could be many.
091	Chair Devlin	Asks if Mr. Bender has anything additional.
093	Steve Bender	Responds that he was going to speak about some of the lottery funds and SELP funds but agrees to answer any questions.
094	Sen. Nelson	Discusses the community college funds and understands that they split the budget and wonders if a community college capital construction budget has been scheduled for this committee.
099	Chair Devlin	Replies no and then comments on the reason behind splitting the Capital for OUS and the Capital for the Community Colleges.
114	Chair Devlin	Explains that next week they may be doing the Dept. of Education. Closes the Work Session on SB 5526. Adjourns the meeting at 4:40 p.m.