

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 2009-11 biennium. They also show identified major project costs for the four years in the subsequent two biennia. This data on projected future project cost 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-as-you-go" (i.e. without borrowing) basis. Sources for bond repayment and "pay-as-you-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 construction funds for new State Hospital facilities and a new prison;
- Develop statewide public safety interoperability communications networks;
- Improve National Guard buildings;
- Make improvements to state office buildings.

MAJOR CONSTRUCTION/ACQUISITION 2009-2011 PROGRAM FUNDING REQUEST SUMMARY

Program Area	General Fund	Other Funds	Federal Funds	*	Total Funds
Education	\$ 18,000,000	\$ 993,559,420	\$ --	\$	1,011,559,420
Public Safety	--	405,155,074	13,825,000		418,980,074
Transportation	--	75,001	1,500,000		1,575,001
Econ. & Comm. Dev.	--	--	--		--
Human Services	--	279,200,000	--		279,200,000
Natural Resources	--	1	--		1
Administration	--	10,651,358	--		10,651,358
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Total	\$ <u>18,000,000</u>	\$ <u>1,688,641,354</u>	\$ <u>15,325,000</u>	\$	<u>1,721,966,354</u>

2009-2011 RECOMMENDED MAJOR CONSTRUCTION/ACQUISITION PROJECTS

Program Area/Agency	General Fund	Other Funds	Federal Funds	Total Funds
EDUCATION PROGRAM				
Higher Education University System				
System				
Capital Repair	\$ -	\$ 51,400,000	\$ -	\$ 51,400,000
South Waterfront Life Sciences Facility	-	250,000,000	-	250,000,000
South Waterfront Corporate Complex	15,000,000	150,000,000	-	165,000,000
Biofuels demonstration project	-	8,000,000	-	8,000,000
Wind demonstration project	-	4,000,000	-	4,000,000
Oregon Center for Sustainability	-	80,000,000	-	80,000,000
Western Oregon University				
Physical Education Building deferred maintenance	-	12,651,000	-	12,651,000
Classroom and office building	3,000,000	3,000,000	-	6,000,000
Health and wellness center	-	12,000,000	-	12,000,000
Eastern Oregon University				
Zabel Hall deferred maintenance	-	6,443,000	-	6,443,000
Oregon State University				
Education Hall deferred maintenance	-	4,000,000	-	4,000,000
Strand Agriculture Hall deferred maintenance	-	24,870,000	-	24,870,000
Bates Hall/Halie Ford Healthy Children and Families Center	-	12,000,000	-	12,000,000
Student Involvement Center	-	55,000,000	-	55,000,000
Cultural Center	-	10,000,000	-	10,000,000
Memorial Union, phase 3	-	14,000,000	-	14,000,000
Student Health Services	-	19,000,000	-	19,000,000
International Residential Hall	-	52,000,000	-	52,000,000
Sports Performance Center	-	12,000,000	-	12,000,000
CH2M Hill Alumni Center	-	4,200,000	-	4,200,000
Portland State University				
Campus steam loop phase 2, deferred maintenance	-	17,500,000	-	17,500,000
Southern Oregon University				
Churchill Hall deferred maintenance	-	5,922,000	-	5,922,000
Theater Arts Expansion and Remodel	-	11,000,000	-	11,000,000
University of Oregon				
Fenton Hall Deferred Maintenance	-	5,000,000	-	5,000,000
Straub Memorial Hall deferred maintenance	-	22,427,000	-	22,427,000
Power Station, phase 2 (waste gasification demonstration project)	-	56,315,000	-	56,315,000
Erb Memorial Union, partial renovation, West Lower Level	-	2,560,000	-	2,560,000
Chiles Center renovations	-	1,000,000	-	1,000,000
Alumni Center project	-	16,800,000	-	16,800,000
Riverfront Research Park, Technology Business Incubator	-	1,500,000	-	1,500,000
Barnhart Hall building envelope restoration	-	900,000	-	900,000
Carson Hall electrical upgrade	-	560,000	-	560,000
Earl Complex building envelope, electrical & mechanical	-	2,924,000	-	2,924,000
Oregon Institute of Technology				
Owens Hall deferred maintenance	-	5,030,000	-	5,030,000
Geothermal renewable energy demonstration project	-	6,600,000	-	6,600,000
Project Reserves	-	21,157,420	-	21,157,420
Total Department of Higher Education	\$ 18,000,000	\$ 961,759,420	\$ -	\$ 979,759,420
Dept. of Community Colleges and Workforce Development				
Blue Mountain Community College				
Hermiston University Center	\$ -	\$ 8,800,000	\$ -	\$ 8,800,000
Treasure Valley Community College				
Ontario University Center	-	6,000,000	-	6,000,000
Umpqua Community College				
Roseburg Regional Health Occupational Training Center	-	17,000,000	-	17,000,000
Total Community Colleges and Workforce Development	\$ -	\$ 31,800,000	\$ -	\$ 31,800,000
TOTAL EDUCATION PROGRAM	\$ 18,000,000	\$ 993,559,420	\$ -	\$ 1,011,559,420

HUMAN SERVICES PROGRAM			
Department of Human Services			
State Hospital Replacement	\$ -	\$ 279,200,000	\$ - \$ 279,200,000
Total Department of Human Services	\$ -	\$ 279,200,000	\$ - \$ 279,200,000
TOTAL HUMAN SERVICES PROGRAM	\$ -	\$ 279,200,000	\$ - \$ 279,200,000
PUBLIC SAFETY PROGRAM			
Department of Corrections			
Junction City Prison	\$ -	\$ 133,906,487	\$ - \$ 133,906,487
Public Safety Bldg Planning	\$ -	\$ 1	\$ - \$ 1
Total Department of Corrections	\$ -	\$ 133,906,488	\$ - \$ 133,906,488
Military Department			
The Dalles Readiness Center	\$ -	\$ 4,056,560	\$ 13,825,000 \$ 17,881,560
Milton Freewater Armory	\$ -	\$ 3,348,000	\$ - \$ 3,348,000
Hood River Armory	\$ -	\$ 1,591,762	\$ - \$ 1,591,762
Grants Pass Armory	\$ -	\$ 2,592,000	\$ - \$ 2,592,000
Albany Armory	\$ -	\$ 1,907,064	\$ - \$ 1,907,064
Salem USAR Center	\$ -	\$ 3,000,000	\$ - \$ 3,000,000
Emergency Preparedness Facil.	\$ -	\$ 14,218,200	\$ - \$ 14,218,200
Total Military Department	\$ -	\$ 30,713,586	\$ 13,825,000 \$ 44,538,586
Oregon State Police			
Oregon Wireless Interoperability Network - Phase 2	\$ -	\$ 240,535,000	\$ - \$ 240,535,000
Total Oregon State Police	\$ -	\$ 240,535,000	\$ - \$ 240,535,000
TOTAL PUBLIC SAFETY PROGRAM	\$ -	\$ 405,155,074	\$ 13,825,000 \$ 418,980,074
NATURAL RESOURCES PROGRAM			
Department of Forestry			
Land Acquisition	\$ -	\$ 1	\$ - \$ 1
Total Department of Forestry	\$ -	\$ 1	\$ - \$ 1
TOTAL NATURAL RESOURCES PROGRAM	\$ -	\$ 1	\$ - \$ 1
TRANSPORTATION PROGRAM			
Department of Transportation			
Transportation Building Renovation	\$ -	\$ 1	\$ - \$ 1
Total Department of Transportation	\$ -	\$ 1	\$ - \$ 1
Department of Aviation			
Joseph Airport	\$ -	\$ 75,000	\$ 1,500,000 \$ 1,575,000
Total Department of Aviation	\$ -	\$ 75,000	\$ 1,500,000 \$ 1,575,000
TOTAL TRANSPORTATION PROGRAM	\$ -	\$ 75,001	\$ 1,500,000 \$ 1,575,001
ADMINISTRATION PROGRAM			
Department of Administrative Services			
Executive Building Replacement	\$ -	\$ 1	\$ - \$ 1
L & I Bldg Water Line Replacement	\$ -	\$ 875,500	\$ - \$ 875,500
Central Point Var. Flow Refrig. Sys	\$ -	\$ 650,000	\$ - \$ 650,000
Human Services Bldg Lighting and VAV	\$ -	\$ 800,000	\$ - \$ 800,000
Roof Replacements	\$ -	\$ 2,113,535	\$ - \$ 2,113,535
PSOB Fire Sys Upgrade - Phase 2	\$ -	\$ 462,282	\$ - \$ 462,282
Planning Funds	\$ -	\$ 250,000	\$ - \$ 250,000
HVAC Improvement Projects	\$ -	\$ 750,357	\$ - \$ 750,357
Rev Bldg Lighting Upgrade	\$ -	\$ 617,329	\$ - \$ 617,329
Clean and Seal Project	\$ -	\$ 1,451,145	\$ - \$ 1,451,145
PSOB Carpet Replacement	\$ -	\$ 1,056,209	\$ - \$ 1,056,209
Justice Bldg Elevator Replacement	\$ -	\$ 875,500	\$ - \$ 875,500
State Data Center Parking Lot	\$ -	\$ 750,000	\$ - \$ 750,000
Total Department of Administrative Services	\$ -	\$ 10,651,858	\$ - \$ 10,651,858
TOTAL ADMINISTRATION PROGRAM	\$ -	\$ 10,651,858	\$ - \$ 10,651,858
GRAND TOTAL 2009-11 BIENNIUM	\$ 18,000,000	\$ 1,688,641,354	\$ 15,325,000 \$ 1,721,966,354

**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)	\$ 40,000,000	\$ 70,000,000	\$ -	\$ 110,000,000
Deferred Maintenance	-	205,880,000	-	205,880,000
Western Oregon University				
New Science Facility	5,000,000	15,000,000	-	20,000,000
Performing Arts Center	7,000,000	17,000,000	-	24,000,000
Business/Computer Science Facility	3,500,000	4,500,000	-	8,000,000
Eastern Oregon University				
Science Center Expansion	-	7,000,000	-	7,000,000
Hoke Union Building	-	11,100,000	-	11,100,000
Eastern Oregon Regional Information Center	4,500,000	21,000,000	-	25,500,000
Oregon State University				
Covell Batchellor Renovation	-	18,000,000	-	18,000,000
Oak Creek Center for Urban Horticulture	7,000,000	7,000,000	-	14,000,000
Enology & Fermentation Science Lab	-	20,840,000	-	20,840,000
COAS Earth Systems Science and Technology Center	-	80,000,000	-	80,000,000
Waldo Hall Remodel	-	8,000,000	-	8,000,000
Cascade Campus Expansion	-	18,000,000	-	18,000,000
West Greenhouse, Phase One	-	3,000,000	-	3,000,000
Gilbert Hall Remodel	-	15,000,000	-	15,000,000
Hinsdale Wave Research Lab Addition	-	3,500,000	-	3,500,000
HMSC Infrastructure Facilities Improvements (various)	4,950,000	6,050,000	-	11,000,000
HMSC Facilities Maintenance Shop	-	2,800,000	-	2,800,000
HMSC Effluent Sea Water Treatment	825,000	825,000	-	1,650,000
Milam Hall Refurbishment	-	1,000,000	-	1,000,000
Women's Building, Interior Expansion	-	9,800,000	-	9,800,000
Langton Hall	-	3,000,000	-	3,000,000
Peavey Hall Instruction Modernization	-	5,950,000	-	5,950,000
Kidder Hall	-	15,200,000	-	15,200,000
Oregon Agricultural Experiment Station - Statewide	-	20,000,000	-	20,000,000
Nash Hall Microbiological Research Facilities	-	10,000,000	-	10,000,000
Radiation Center Addition, East Addition	-	14,100,000	-	14,100,000
HMSC youth and Family Marine Science Education Classrooms	-	6,500,000	-	6,500,000
UHDS Residential Hall Renovation (Cauthorn Hall)	-	16,000,000	-	16,000,000
UHDS, Residence Hall Renovation (Finley or Blass)	-	23,000,000	-	23,000,000
Infrastructure Engineering Lab	-	15,000,000	-	15,000,000
Ocean Atmosphere Tech Center (Expedition Support Center)	-	25,800,000	-	25,800,000
East Greenhouse Range - Phase 1	-	12,000,000	-	12,000,000
Pharmacy Portland South Waterfront/ Schnitzer Campus Building	-	60,000,000	-	60,000,000
Portland State University				
Knowledge Commons and Millar Library Annex	30,000,000	39,000,000	-	69,000,000
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 Additions	-	30,000,000	-	30,000,000
University of Oregon				
Student Recreation Center Expansion and Alterations, Phase 3	-	49,750,000	-	49,750,000
Erb Memorial Union Expansion and Alterations	-	87,500,000	-	87,500,000
Architecture and Allied Arts Expansion and Alterations	-	100,000,000	-	100,000,000
Vivian Olum Child Development Center Expansion and Alterations	-	9,750,000	-	9,750,000
Campus Exterior Enhancements, phase 1	-	8,000,000	-	8,000,000
University Ecological Village	-	100,000,000	-	100,000,000
Integrative Science Complex, phase 3	-	100,000,000	-	100,000,000
Oregon Institute of Technology				
Learning Resources Renovation and Expansion	-	11,000,000	-	11,000,000
Physical Education Building Renovation and Addition	-	10,000,000	-	10,000,000
Total Department of Higher Education	\$ 102,775,000	\$ 1,354,845,000	\$ -	\$ 1,457,620,000

**2011-2013 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				
Equine Center	\$ -	\$ 3,505,600	\$ -	\$ 3,505,600
Chemeketa Community College				
Classrooms University Center	-	8,000,000	-	8,000,000
Clackamas Community College				
Clairmont Facility		7,500,000		7,500,000
Columbia Gorge Community College				
Hood River Center Phase 2	-	6,115,000	-	6,115,000
Lane Community College				
Forum Building	-	5,000,000	-	5,000,000
Linn-Benton Community College				
Industrial Advanced Training Center	-	2,250,000	-	2,250,000
Oregon Coast Community College				
Science & Technology Building	-	4,700,000	-	4,700,000
Treasure Valley Community College				
Workforce Vocational Training Center	-	2,612,000	-	2,612,000
Vocational Facility Remodel		2,348,500		2,348,500
Umpqua Community College				
Industrial Technology Building	-	7,500,000	-	7,500,000
Total Community Colleges and Workforce Development	\$ -	\$ 49,531,100	\$ -	\$ 49,531,100
TOTAL EDUCATION PROGRAM	\$ 102,775,000	\$ 1,404,376,100	\$ -	\$ 1,507,151,100
 HUMAN SERVICES PROGRAM				
Department of Human Services				
State Hospital Replacement	\$ -	\$ 81,898,717	\$ -	\$ 81,898,717
Total Department of Human Services	\$ -	\$ 81,898,717	\$ -	\$ 81,898,717
TOTAL HUMAN SERVICES PROGRAM	\$ -	\$ 81,898,717	\$ -	\$ 81,898,717
 PUBLIC SAFETY PROGRAM				
Department of Corrections				
Junction City Prison	\$ -	\$ 280,646,007	\$ -	\$ 280,646,007
Public Safety Center Complex	-	76,947,818	-	76,947,818
Total Department of Corrections	\$ -	\$ 357,593,825	\$ -	\$ 357,593,825
Military Department				
Salem Armory - Service Life Extension	\$ -	\$ 2,700,000	\$ -	\$ 2,700,000
Corvallis Armory - Service Life Extension		2,160,000		2,160,000
Roseburg Armory - Service Life Extension		2,160,000		2,160,000
McMinnville Armory - Service Life Extension		1,620,000		1,620,000
Burns Armory - Service Life Extension		2,484,000		2,484,000
Dallas Readiness Center	-	669,715	1,669,715	2,339,430
Total Military Department	\$ -	\$ 11,793,715	\$ 1,669,715	\$ 13,463,430
Oregon State Police				
Oregon Wireless Interoperability Network	\$ -	\$ 106,245,385	\$ -	\$ 106,245,385
Total Oregon State Police	\$ -	\$ 106,245,385	\$ -	\$ 106,245,385
Oregon Youth Authority				
Deferred Maintenance Projects	\$ -	\$ 5,612,900	\$ -	\$ 5,612,900
Total Oregon Youth Authority	\$ -	\$ 5,612,900	\$ -	\$ 5,612,900
TOTAL PUBLIC SAFETY PROGRAM	\$ -	\$ 481,245,825	\$ 1,669,715	\$ 482,915,540

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

Program Area/Agency	General Fund	Other Funds	Federal Funds	Total Funds
NATURAL RESOURCES PROGRAM				
Department of Fish & Wildlife	\$ -	\$ -	\$ -	\$ -
Office Space Phase 2	5,000,000		-	5,000,000
Fish Production Phase 2	15,000,000		-	15,000,000
Total Department Fish & Wildlife	<u>\$ 20,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,000,000</u>
TOTAL NATURAL RESOURCES PROGRAM	<u>\$ 20,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,000,000</u>
TRANSPORTATION PROGRAM				
Department of Transportation				
East Portland - phase 2	-	4,000,000	-	4,000,000
Total Department of Transportation	<u>-</u>	<u>4,000,000</u>	<u>-</u>	<u>4,000,000</u>
TOTAL TRANSPORTATION PROGRAM	<u>-</u>	<u>4,000,000</u>	<u>-</u>	<u>4,000,000</u>
ADMINISTRATION PROGRAM				
Department of Administrative Services				
Red Lot Building / Parking Structure	-	146,549,112	-	146,549,112
Total Department of Administrative Services	<u>-</u>	<u>146,549,112</u>	<u>-</u>	<u>146,549,112</u>
TOTAL ADMINISTRATION PROGRAM	<u>-</u>	<u>146,549,112</u>	<u>-</u>	<u>146,549,112</u>
 GRAND TOTAL 2011-2013 BIENNIUM	 <u>\$ 122,775,000</u>	 <u>\$ 2,118,069,754</u>	 <u>\$ 1,669,715</u>	 <u>\$ 2,242,514,469</u>

* 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.

**2013-2015 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)	\$ 40,000,000	\$ 150,000,000	\$ -	\$ 190,000,000
Deferred Maintenance	-	205,880,000	-	205,880,000
Western Oregon University				
New PE Building Expansion	7,500,000	12,500,000	-	20,000,000
Todd Hall Renovation	3,500,000	4,500,000	-	8,000,000
Former Library Remodel	1,750,000	2,250,000	-	4,000,000
Oregon State University				
Linus Pauling Science Center, Chemistry and Life Sciences	-	90,000,000	-	90,000,000
Chem, Biological and Envir Engineering Bldg	-	60,000,000	-	60,000,000
LSC Performing Arts Center	-	27,500,000	-	27,500,000
Veterinary Diagnostic Laboratory	-	10,000,000	-	10,000,000
Mechanical, Industrial & Manufacturing Engineering Building	-	75,000,000	-	75,000,000
Natural History Museum	-	24,000,000	-	24,000,000
UHDS Residential Infrastructure upgrades	-	5,000,000	-	5,000,000
Southern Oregon University				
McNeal Pavilion Renovation	-	8,000,000	-	8,000,000
University of Oregon				
Gerlinger Annex Expansion & Renovations for Dance	-	23,000,000	-	23,000,000
Total Department of Higher Education	\$ 52,750,000	\$ 697,630,000	\$ -	\$ 750,380,000
Dept. of Community Colleges and Workforce Development				
Central Oregon Community College				
General Classrooms Building	-	7,154,154	-	7,154,154
Chemeketa Community College				
Industrial Technology	-	8,000,000	-	8,000,000
Clatsop				
Health & Wellness Center	-	6,150,000	-	6,150,000
Mount Hood Community College				
Energy Performance System	-	4,000,000	-	4,000,000
Portland Community College				
District Technology Renovation	-	8,000,000	-	8,000,000
Rogue Community College				
Riverside Campus	-	8,000,000	-	8,000,000
Southwestern Community College				
Umpqua Hall	-	1,300,000	-	1,300,000
Tillamook Bay Community College				
Career & Technical Workforce Building	-	2,000,000	-	2,000,000
Umpqua Community College				
Campus Center	-	5,960,817	-	5,960,817
Total Community Colleges and Workforce Development	\$ -	\$ 50,564,971	\$ -	\$ 50,564,971
TOTAL EDUCATION PROGRAM	\$ 52,750,000	\$ 748,194,971	\$ -	\$ 800,944,971

**2013-2015 RECOMMENDED MAJOR
CONSTRUCTION/ACQUISITION REQUIREMENTS ***

Program Area/Agency	General Fund	Other Funds	Federal Funds	Total Funds
PUBLIC SAFETY PROGRAM				
Department of Corrections				
New Women's Prison Plan & Development	\$ -	\$ 25,000,000	\$ -	\$ 25,000,000
White City Prison Plan & Development	-	25,000,000	-	25,000,000
Total Department of Corrections	<u>\$ -</u>	<u>\$ 50,000,000</u>	<u>\$ -</u>	<u>\$ 50,000,000</u>
Military Department				
Hillsboro Readiness Center	\$ -	\$ 4,795,560	\$ 11,861,080	\$ 16,656,640
Hillsboro FMS		956,560	12,887,080	13,843,640
Dallas Readiness Center		4,911,245	11,947,760	16,859,005
Camp Withycombe Infrastructure	-	148,454	3,942,840	4,091,294
Klamath Falls Armed Forces Reserve Center	-	244,000	16,590,000	16,834,000
Lebanon Readiness Center	-	697,709	1,855,680	2,553,389
Redmond Readiness Center		707,328	1,659,600	2,366,928
Redmond Barracks		74,880	1,695,240	1,770,120
Salem JFHQ Addition/Alteration	-	6,233,760	30,322,240	36,556,000
Total Military Department	<u>\$ -</u>	<u>\$ 18,769,496</u>	<u>\$ 92,761,520</u>	<u>\$ 111,531,016</u>
Oregon Youth Authority				
Deferred Maintenance Projects	\$ -	\$ 5,086,900	\$ -	\$ 5,086,900
Total Oregon Youth Authority	<u>\$ -</u>	<u>\$ 5,086,900</u>	<u>\$ -</u>	<u>\$ 5,086,900</u>
TOTAL PUBLIC SAFETY PROGRAM	<u>\$ -</u>	<u>\$ 68,769,496</u>	<u>\$ 92,761,520</u>	<u>\$ 166,617,916</u>
NATURAL RESOURCES PROGRAM				
Department of Fish & Wildlife				
Office Space Phase 3	\$ 5,000,000		-	5,000,000
Total Department Fish & Wildlife	<u>\$ 5,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,000,000</u>
TOTAL NATURAL RESOURCES PROGRAM	<u>\$ 5,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,000,000</u>
ADMINISTRATION PROGRAM				
Department of Administrative Services				
Capitol Mall Office Bldg (yellow lot)		159,137,679		159,137,679
Total Department of Administrative Services	<u>\$ -</u>	<u>\$ 159,137,679</u>	<u>\$ -</u>	<u>\$ 159,137,679</u>
TOTAL ADMINISTRATION PROGRAM	<u>\$ -</u>	<u>\$ 159,137,679</u>	<u>\$ -</u>	<u>\$ 159,137,679</u>
GRAND TOTAL 2013-2015 BIENNIUM	<u>\$ 57,750,000</u>	<u>\$ 976,102,146</u>	<u>\$ 92,761,520</u>	<u>\$ 1,131,700,566</u>

* 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, 2007) certified statewide TCV is \$501.2 billion. The total outstanding general obligation debt at June 30, 2008 was approximately \$4.5 billion. Total outstanding bonded indebtedness of the state, including both general obligation and *direct* revenue bonds, was \$8.3 billion. Of the outstanding general obligation debt, 72 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 31 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, 2008, were approximately \$1.43 billion.

Biennium Issuance

The State will sell just under \$2.0 billion of bonds and COPs in the 2007-09 biennium, excluding Pass-Through Revenue Bonds. This is an increase of \$176.8 million from 2005-07 issuance. The change is primarily the result of increased issuance for Department of Higher Education XI-F bonds, including those sold for the new University of Oregon basketball arena; increased issuance of lottery bonds for a variety of projects including Tri-Met's South Corridor Light Rail and non-highway transportation infrastructure projects funded in the Connect Oregon II program; and a large increase in Housing and Community Service mortgage revenue bonds. These increases were offset to some degree by significant decreases in Highway Revenue bonds issued. Large projects using bond financing in 2009-11 include construction of new State Hospital facilities, a new prison in Junction City and continued development of the Oregon Wireless Interoperability Network (OWIN) - a digital wireless statewide system to link daily operations and emergency response capabilities among four state agencies and numerous local partners.

During fiscal year 2008 interest rates continued to decline resulting in refunding opportunities in several state programs. The Board of Higher Education, the Department of Transportation (ODOT), the Department of Veterans' Affairs (ODVA) and the Department of Administrative Services all took advantage of market conditions to achieve significant debt service savings for the State. Conditions have changed dramatically in fiscal year 2009. Interest rates for long term debt increased significantly. Changes in both the number and capacity of liquidity providers caused unusual spikes in the cost of short-

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term borrowing in early fiscal year 2009. If these market conditions persist for short-term variable rate debt, mortgage lending programs at ODVA and Housing and Community Services could be adversely affected. Ongoing evaluation of cash flow management at ODOT will also be required. In recent months, short-term variable rates have returned to levels that permit successful program operations.

DAS's Lottery Revenue Bond program, at \$522.6 million is projected to issue the greatest number of bonds in 2007-09, approximately 27 percent of the state's total excluding conduit bonds. COPs were the next largest individual source of state financing totaling \$340 million (17.6 percent). Housing revenue bonds and Higher Education XI-F bonds were also a major source of financing with projected issuance of \$298.3 million and \$264.4 million respectively in 2007-09.

The remainder of the long-term issuance provided funding for Oregon University System and Community College XI-G projects, energy conservation, pollution control and other government services. Issuance of conduit revenue bonds, for which the State has no legal obligation for debt service payments, is expected to total approximately \$907.2 million in 2007-09, which represents 31.9 percent of total state issuance.

Oregon's gross long-term debt has increased to \$9.70 billion as of June 30, 2008, excluding conduit bonds. This is approximately 9.73 percent higher than fiscal year 2006 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. New OTIA issuance is projected to increase to as much as \$655 million in 2009-11.

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, in August 2007 both Standard and Poor's and Moody's upgraded the State's General Obligation (GO) bonds to AA and Aa2 respectively. At the same time, Oregon COPs were upgraded to AA- (Standard and Poor's) and Aa3 (Moody's). Fitch improved its ratings of Oregon GO debt to AA and COPs to AA- in June 2008. Moody's improved its rating of the Lottery Bond program from A1 to Aa3 in January 2007. Standard and Poor's had previously upgraded the Lottery program to AAA. ODOT's Highway User Tax bonds remain AAA by Standard and Poor's, Aa2 by Moody's and AA by Fitch.

Several factors were cited by the ratings agencies in providing upgrades to Oregon including improved financial performance, creation of the Rainy Day Fund, and favorable funding ratios in the state's pension system following system reforms and issuance of Pension Obligation bonds.

The state's credit standing reflects strong financial and debt issuance controls and the Legislature's ability to deal with the financial uncertainty of initiative petitions and lower forecasted revenues particularly in periods where budget reserves are low.

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Interest Rates

As previously noted, we are currently experiencing unusual volatility in the credit markets. Large disruptions in the credit market are the result of a variety of factors including sharp declines in housing prices, historically high default rates in home mortgages nationally, failures of financial institutions including Lehman Brothers, downgrades of monoline insurers including Ambac and FGIC, the collapse of the auction rate variable note markets and unexpected impacts on supply due to large scale “unwinding” of derivative instruments. Beginning in late October 2008, credit market conditions began to improve although the threat of increased volatility remains.

During the period July 1, 2007 through June 30, 2008, bond interest rates moved in reaction to unique market conditions, particularly in the second half of the fiscal year. Generally, rates remained at levels that were low compared to historic standards. The Aa-rated State of Oregon 20-year Oregon Bond Index began the fiscal year at 4.75 percent, hit a top rate of 5.23 percent on February 28, and at June 29, 2008 stood at 4.84 percent. The rate spiked to 5.42 percent on September 25, 2008. A State GO sale in mid-October was priced to yield 5.735 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 2008, 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.

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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 (\$232.5 million) greatly exceeds the Community Colleges portion of XI-G debt (\$25.6 million) as of June 30, 2008. The combined total of XI-G bonded debt outstanding at June 30, 2008 is \$258.1 million. 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 not to 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. 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 \$177.2 million as of June 30, 2008.

Pension Obligation Bonds – Article XI-O: House Bill 3659 (2003) is the implementing legislation for Oregon's Pension Obligation Bond program. Article XI-O, which amended the Oregon Constitution, was adopted by the Legislative Assembly as House Joint Resolution 18 on July 17, 2003 and approved by the voters of the State at a special election held on September 16, 2003.

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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; and must contain a direct promise on behalf of the State to pay the principal, premium, if any, and interest on that debt. 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 (2003) requires the net proceeds of Article XI-O Bonds issued to finance State pension liabilities 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, 2008, \$2.07 billion remains outstanding. Of this amount, \$1.29 billion (62 percent) is considered to be non-General Fund-supported debt (paid from non-General Fund sources); \$788.4 million (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. Clean Water State Revolving Fund (CWSRF) bonds are primarily Other Fund supported and Orphan Site bonds are primarily General Fund supported.

At June 30, 2008, \$43.0 million 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. Under the Constitution, over \$2.5 billion in pollution control bonds could be issued; however, the Legislature has limited the debt that may be issued under this authorization to \$260 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.

Seismic Rehabilitation Bonds Article XI-M/XI-N: In the November 2002 election, two General Obligation programs were added to the Constitution for the purpose of creating grant programs that will provide funds for seismic structural improvements at public education buildings, hospitals, fire and law enforcement stations. Enabling legislation was enacted in 2005 (Senate Bills 2-5). The Governor’s budget includes a first time authorization of \$15 million each for Article XI-M bonds - Seismic Rehabilitation of Public Education Buildings, and Article XI-N bonds – Seismic Rehabilitation of Emergency Services Buildings. It is anticipated that these bonds will be repaid through General Fund appropriations.

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Self-Supporting

Overall, 71.8 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, 2008, the Department of Veterans' Affairs had \$778.2 million in outstanding bonds, equal to 1.9 percent of its authorization.

Oregon's Veterans' bonds represent approximately 17.2 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.

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. Approximately 85 percent of outstanding Article XI-J bonds are supported from project revenue streams outside the State General Fund. Additional security is provided by a pledge of the full faith and credit of the State. At June 30, 2008, outstanding program bonds totaled \$160.3 million - 6.4 percent of the authorization.

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, 2008, approximately \$838.7 million or 22.3 percent of the available authorization was outstanding.

State Highway – Article XI, 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, 2008, 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 (\$2.5 billion) 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, 2008, approximately 7.6 percent (\$190.3 million) of authorized debt was outstanding.

Pollution Control – Article XI-H: During the period, approximately 52 percent of the State's Pollution Control bonded debt was General Fund-supported. 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. For 2009-11, the General Fund support is expected to increase to 56 percent. XI-H bonds are considered 60 percent General Fund supported for debt capacity purposes. At this level, \$25.81 million in

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outstanding bonds are considered General Fund supported and \$17.21 million is considered self-supporting.

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, 2008, \$2.07 billion remains outstanding. Of this amount, \$1.3 billion (62 percent) is considered to be non-General Fund supported debt (paid from non-General Fund sources) and \$788.4 million (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 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 286A.035 to 286A.095. The 74th Oregon Legislative Assembly authorized \$384.7 million in certificates of participation and other financing agreements during the 2007-09 biennium. Of that amount, the majority was used for the State Hospital replacement project, the Oregon Wireless Interoperability Network, information technology systems, and improvements to state buildings, including university facilities. As of June 30, 2008, \$1.1 billion 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 2001-03 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, 2008, \$332.3 million in appropriation bonds remains outstanding. Together, the COPs and appropriation bonds equal a total appropriation credits outstanding for the state of \$1.4 billion.

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Active Revenue Bond Authorizations

Single-Family and Multi-Family Housing: The Oregon Housing and Community Services Department (OHCS) 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 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. ORS 456.661 limits total outstanding debt under these programs to \$2.5 billion. As of June 30, 2008, the amount outstanding for OHCS is \$1.5 billion - approximately 40 percent of all State of Oregon **direct** revenue-bonded debt.

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 286A 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 (2001), 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.

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 road work through 2012.

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As of June 30, 2008, there is \$1.4 billion in Highway User Bonds outstanding under OTIA.

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 is 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 backed solely 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 Session and November general elections subsequent to that session. The 1999 Legislative Assembly enacted Senate Bill 200 combining the existing Lottery bond programs into a single program.

The 2009-11 Governor's Recommended Budget includes a significant investment using Lottery Bonds to address deferred maintenance construction projects in the university system, provide non-highway transportation infrastructure including passenger rail acquisitions, and support other projects including development of affordable housing and local government infrastructure loans.

As of June 30, 2008, the total amount outstanding for Lottery-backed projects was \$706.3 million.

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 million in revenue bonds. Proceeds may be 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 285B.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 (OECD). This program was created in 1985 to assist municipalities in financing the infrastructure necessary for economic development. The SPWF Act and the Water Act, the SPWF Program, the

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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, 2008, \$165.8 million of this authorized debt was outstanding. This represents just over 4.4 percent of the State's outstanding direct revenue bond debt.

In general, borrowers from the Oregon Bond Bank have pledged a source or sources of repayment related to the project being financed. For example, water project loans are typically repaid with water system revenues, and sewer projects are generally repaid with sewer system revenues. 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.

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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 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, 2008, \$1.0 billion in bonds were outstanding.

Economic & Community Development Department – ORS 285B: The Oregon Economic and 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 issuance of up to \$400 million for this program in 2007-09. The Governor’s Recommended Budget continues that level in 2009-11. As of June 30, 2008, IDB’s totaling \$412.8 million were outstanding.

Housing Development Revenue Bonds – ORS 456.692. The Oregon Housing and Community Services Department (OHCS) 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 specified number of units are provided to low income households. 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 was \$207.0 million as of June 30, 2008.

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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 Office of the State Treasurer; a public member, appointed by the Governor; and a representative of the Department of Administrative Services. 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 calendar year 2010 and 2011 are based on \$90 per capita and the 2007 Oregon population estimates.

The budget recommends the following volume cap allocation for calendar years 2010 and 2011:

Recommended Private Activity Bond Allocation For 2010 and 2011 Calendar Years

Allocation for	2010 Calendar Year	2011 Calendar Year
Economic Development Commission	\$ 40,000,000	\$ 40,000,000
Housing and Community Services Department	125,000,000	125,000,000
Department of Energy	10,000,000	10,000,000
Private Activity Bond Committee	162,270,950	162,270,950
	<u>\$ 337,270,950</u>	<u>\$ 337,270,950</u>

If an increase in the state’s population, a sufficient increase in the region’s CPI, or a change in federal tax law result in an increase in the private activity bond limit above \$337,270,950, such excess 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 286A.035). The Governor must consider the prudent maximum amounts advised by the State Treasurer developed in accordance with ORS 286A.035 (2). The Governor's recommendation for the 2009-11 biennium is shown below.

Program Designation	2005-07 Actual	2007-09 Estimated	Recommended 2009-11 Maximum Limit
GENERAL OBLIGATION BONDS			
(Constitutional Authority)			
General Fund Obligations			
Department of Higher Education (Art. XI-G)	\$ 62,940,000	\$ 82,275,000	\$ 211,113,535
Community Colleges and Workforce Development (Art. XI-G)	25,305,000	52,000,000	23,600,000
Department of Environmental Quality (Art. XI-H) (60% of the total amount)	--	5,580,000	6,000,000
Department of Energy (Art. XI-J)			50,807,000
Military Department - Office of Emergency Management Seismic Rehabilitation Bonds (Art. XI-M)	--	--	15,000,000
Seismic Rehabilitation Bonds (Art. XI-N)			15,000,000
Sub-total General Fund Obligations	\$ 88,245,000	\$ 139,855,000	\$ 321,520,535
Dedicated Fund Obligations			
Department of Veterans' Affairs (Art. XI-A)	5,000,000	\$ 15,000,000	\$ 150,000,000
Department of Higher Education [Art. XI-F(1)]	\$ 94,805,000	264,400,000	743,236,994
Department of Environmental Quality (Art. XI-H) (40% of the total amount)	--	2,790,000	4,000,000
Housing and Community Services Department [Art. XI-I(2)]	26,300,000	--	100,000,000
Department of Energy (Art. XI-J)	69,490,000	45,445,000	74,193,000
Sub-total Dedicated Fund Obligations	\$ 195,595,000	\$ 327,635,000	\$ 1,071,429,994
Total All General Obligation Bonds	\$ 283,840,000	\$ 467,490,000	\$ 1,392,950,529
REVENUE BONDS			
Direct Revenue Bonds			
Housing and Community Services Department	\$ 21,651,985	\$ 298,298,009	\$ 600,000,000
Department of Transportation Highway User Tax	915,000,000	275,000,000	798,514,000
Oregon Transportation Infrastructure Fund	--	--	100,000,000
Economic Development Department	35,805,000	31,000,000	200,000,000
Department of Administrative Services Lottery Revenue Bonds	202,090,000	522,630,000	327,440,000
Sub-total Direct Revenue Bonds	\$ 1,174,546,985	\$ 1,126,928,009	\$ 2,025,954,000
Pass-Through Revenue Bonds			
Economic Development Commission Industrial Development Bonds	\$ 25,000,000	\$ 16,224,000	\$ 400,000,000
Oregon Facilities Authority	56,134,109	787,426,257	950,000,000
Housing and Community Services Department	93,739,000	103,599,154	250,000,000
Sub-total Pass-Through Revenue Bonds	\$ 174,873,109	\$ 907,249,411	\$ 1,600,000,000
Total All Revenue Bonds	\$ 1,349,420,094	\$ 2,034,177,420	\$ 3,625,954,000
CERTIFICATES OF PARTICIPATION AND OTHER FINANCING AGREEMENTS			
Department of Administrative Services	\$ 300,115,000	\$ 339,975,000	\$ 890,860,000

Amounts do not include refundings.

TABLE C

GENERAL OBLIGATION DEBT SUMMARY

	June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008
Gross General Obligation (GO) Debt (1)	\$ 2,250,123,030	\$ 4,299,681,190	\$ 4,273,948,691	\$ 4,235,722,717	\$ 4,352,800,189	\$ 4,520,412,674
Revenue Supported GO Debt	\$ 1,983,985,371	\$ 3,098,274,661	\$ 3,062,494,767	\$ 3,021,567,174	\$ 3,091,596,672	\$ 3,246,866,501
Net GO Debt	\$ 266,137,659	\$ 1,201,406,529	\$ 1,211,489,924	\$ 1,214,155,543	\$ 1,261,203,517	\$ 1,273,546,173
Population (2)	3,541,500	3,582,600	3,631,440	3,690,505	3,745,555	3,796,000
Gross Debt per Capita	\$ 635	\$ 1,200	\$ 1,177	\$ 1,148	\$ 1,162	\$ 1,191
Net Debt per Capita	\$ 75	\$ 335	\$ 334	\$ 329	\$ 337	\$ 335
True Cash Value [TCV] (3)	\$ 287,281,387,981	\$ 305,371,097,660	\$ 330,248,718,696	\$ 362,836,922,347	\$ 434,319,218,596	\$ 501,152,650,155
Gross Debt as Percent of TCV	0.78%	1.41%	1.29%	1.17%	1.00%	0.90%
Net Debt as Percent of TCV	0.09%	0.39%	0.37%	0.33%	0.29%	0.25%
Total Personal Income (4)	\$ 105,161,000,000	\$ 109,717,750,000	\$ 114,703,500,000	\$ 122,909,500,000	\$ 130,623,000,000	\$ 136,769,700,000
Revenue Supported GO Debt as Percent of Total Personal Income	1.89%	2.82%	2.67%	2.46%	2.37%	2.37%
Net GO Debt as Percent of Total Personal Income	0.25%	1.09%	1.06%	0.99%	0.97%	0.93%

1. Pollution Control Debt is reported at 60% General Fund supported and 40% self-supporting.
2. Population figures are as of July 1 each year. Sources: Department of Administrative Services, Office of Economic Analysis
3. True Cash Value is as of January 1 of the preceding year. Source: Oregon Department of Revenue
4. Total personal income includes all classes of income minus Contributions for Social Security and is presented on a calendar year basis. Projected for 2008. Source: Oregon Department of Administrative Services, Office of Economic Analysis.

TABLE D

AGGREGATE GENERAL OBLIGATION DEBT SERVICE AS OF JUNE 30, 2008

Payment Year	Principal	Interest	Total Requirements
2009	\$ 115,084,585	\$ 217,514,159	\$ 332,598,743
2010	78,996,309	217,589,324	296,585,633
2011	88,832,687	214,571,175	303,403,862
2012	103,865,818	211,199,990	315,065,808
2013	110,657,360	207,622,681	318,280,042
2014	119,039,060	201,675,544	320,714,604
2015	128,881,440	193,742,194	322,623,634
2016	143,361,434	188,546,205	331,907,639
2017	247,450,162	182,422,367	429,872,530
2018	262,122,240	170,953,576	433,075,816
2019	278,503,074	157,980,629	436,483,703
2020	295,809,966	146,973,313	442,783,279
2021	221,788,352	132,042,495	353,830,847
2022	234,145,187	119,460,167	353,605,353
2023	253,035,000	105,492,969	358,527,969
2024	266,245,000	91,886,320	358,131,320
2025	280,925,000	77,219,457	358,144,457
2026	305,430,000	61,416,092	366,846,092
2027	331,760,000	44,185,277	375,945,277
2028	64,340,000	25,641,886	89,981,886
2029	58,150,000	22,855,663	81,005,663
2030	57,395,000	20,272,034	77,667,034
2031	53,835,000	17,828,109	71,663,109
2032	56,085,000	15,446,298	71,531,298
2033	46,795,000	13,239,448	60,034,448
2034	48,780,000	11,241,963	60,021,963
2035	44,155,000	9,313,282	53,468,282
2036	46,530,000	7,447,684	53,977,684
2037	40,255,000	5,694,517	45,949,517
2038	40,060,000	4,086,524	44,146,524
2039	36,360,000	2,581,144	38,941,144
2040	21,380,000	1,571,820	22,951,820
2041	15,780,000	1,042,436	16,822,436
2042	11,590,000	578,581	12,168,581
2043	5,055,000	247,781	5,302,781
2044	2,910,000	135,604	3,045,604
2045	2,975,000	86,414	3,061,414
2046	1,640,000	36,756	1,676,756
2047	200,000	17,100	217,100
2048	210,000	7,481	217,481
TOTALS:	<u>\$ 4,520,412,674</u>	<u>\$ 3,101,866,460</u>	<u>\$ 7,622,279,135</u>

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

<i>Description</i>	<i>2005-07 Actuals</i>		<i>2007-09 Leg Approved Budget</i>		<i>2009-11 Governor's Recommended</i>	
	<i>TOTAL</i>	<i>COPS</i>	<i>TOTAL</i>	<i>COPS</i>	<i>TOTAL</i>	<i>COPS</i>
General Fund Supported						
Human Services, Dept. of	3,302,125	3,302,125	11,545,283	11,545,283	30,704,347	30,704,347
Administrative Svcs, Dept of	-	-	-	-	314,183	314,183
Legislative Administration Committee	1,376,239	1,376,239	5,768,124	5,768,124	7,766,596	7,766,596
Judicial Dept	-	-	-	-	18,364,325	18,364,325
Military Dept, Oregon	891,645	891,645	2,060,991	2,060,991	10,919,976	10,919,976
Police, Dept of State	2,207,398	2,207,398	3,703,316	3,703,316	28,327,192	28,327,192
Public Safety Standards & Training, Dept of	8,480,768	8,480,768	11,150,003	11,150,003	11,360,288	11,360,288
Corrections, Dept of	99,926,196	99,926,196	130,202,602	130,202,602	138,379,205	138,379,205
Environmental Quality, Dept of	4,288,817	-	4,770,453	-	5,549,353	-
Oregon Youth Authority	6,557,517	6,557,517	7,263,876	7,263,876	7,653,121	7,653,121
Higher Education, Dept. of	30,087,555	-	37,756,473	2,188,700	57,428,721	1,095,600
Community Coll & Workforce Dvlpmnt, Dept of	2,258,575	-	3,516,206	-	9,961,275	-
Forestry, Dept of	1,952,729	1,952,729	2,495,634	2,495,634	2,806,582	2,806,582
Fish & Wildlife, Oregon Dept of	-	-	222,982	222,982	355,543	355,543
Total General Fund Supported	\$161,329,564	\$124,694,617	\$220,455,943	\$176,601,511	\$329,890,707	\$258,046,958
Lottery Funds Supported						
Administrative Svcs, Dept of	1,619,165	-	1,788,017	-	1,880,325	-
Economic & Community Development Dept	48,907,472	-	58,388,418	-	69,314,146	-
Higher Education, Dept. of	5,673,310	-	13,298,809	-	19,846,756	-
Education, Dept of	56,466,743	-	56,415,089	-	55,834,298	-
Parks & Recreation Dept	13,562,932	-	4,235,070	-	4,093,009	-
Water Resources Dept	-	-	-	-	224,354	-
Transportation, Oregon Dept of	22,819,711	-	46,559,957	-	105,011,065	-
Housing & Community Svcs Dept	4,460,536	-	5,932,768	-	8,996,348	-
Total Lottery Funds Supported	\$153,509,869	-	\$186,618,128	-	\$265,200,301	-

TABLE E
SUMMARY OF DEBT SERVICE REQUIREMENTS FOR STATE BONDED INDEBTEDNESS BY FUND

<i>Description</i>	<i>2005-07 Actuals</i>		<i>2007-09 Leg Approved Budget</i>		<i>2009-11 Governor's Recommended</i>	
	<i>TOTAL</i>	<i>COPS</i>	<i>TOTAL</i>	<i>COPS</i>	<i>TOTAL</i>	<i>COPS</i>
Other Funds Supported						
Human Services, Dept. of	-	-	4,144,380	4,144,380	22,236,656	22,236,656
Administrative Svcs, Dept of	385,684,889	55,453,864	448,770,716	78,947,083	488,623,955	69,912,669
Economic & Community Development Dept	43,877,513	-	69,865,549	-	48,827,984	-
Treasury, Oregon State	-	-	-	-	208,884	208,884
Military Dept, Oregon	752,743	109,074	110,935	110,935	106,885	106,885
Public Safety Standards & Training, Dept of	1,394,658	1,394,658	238,965	238,965	-	-
Veterans' Affairs, Oregon Dept of	244,148,756	-	418,744,525	-	320,161,708	-
Corrections, Dept of	23,236,628	23,236,628	-	-	2,910,092	2,910,092
Energy, Dept of	46,049,536	-	76,876,586	-	67,707,615	-
Environmental Quality, Dept of	6,957,491	-	9,121,427	256,260	14,535,548	240,600
Oregon Youth Authority	61,462	61,462	-	-	-	-
Public Employees Retirement System, Oregon	5,720,950	5,720,950	5,709,200	5,709,200	1,423,075	1,423,075
Employment Dept	351,386	351,386	374,383	374,383	378,700	378,700
Higher Education, Dept. of	111,738,668	3,813,334	132,034,637	10,966,512	157,321,140	14,030,292
Education, Dept of	2,193,726	-	2,248,343	-	2,508,253	-
Community Coll & Workforce Dvlpmnt, Dept of	-	-	-	-	1,350,000	-
Oregon Health and Science University	31,907,550	-	31,912,194	-	31,912,502	-
Forestry, Dept of	5,307,747	1,189,229	1,510,223	1,510,223	1,612,481	1,612,481
Parks & Recreation Dept	1,582,747	-	-	-	-	-
Water Resources Dept	1,521,457	-	-	-	-	-
Transportation, Oregon Dept of	310,665,801	1,640,688	185,530,273	1,640,688	301,690,901	1,635,493
Housing & Community Svcs Dept	1,147,436,514	-	1,456,053,600	-	879,588,523	-
Total Other Funds Supported	\$2,370,590,222	\$92,971,273	\$2,843,245,936	\$103,898,629	\$2,343,104,902	\$114,695,827
Grand Total Debt Service Requirements	\$2,685,429,655	\$217,665,890	\$3,250,320,007	\$280,500,140	\$2,938,195,910	\$372,742,785

TABLE F

CAPITAL FINANCING SIX-YEAR FORECAST SUMMARY

ORS 291.216 requires the Governor's balanced budget to compare state agency capital financing needs to the State Debt Policy Advisory Commission's (SDPAC) six-year estimate of net debt capacity. The capital financing needs are in three categories: capital construction, equipment and technology, and grants and loans. The estimates in Table F reflect changes in capacity based on the December revenue forecast using the SDPAC model. The SDPAC debt capacity estimate as of Jan. 14, 2008 was \$2,047 bil. General Fund supported debt and \$1,086 bil. lottery debt through 2011-13. Other changes may occur during the legislative process and targets may be updated from time to time. Net tax supported debt includes three components. The first is General Fund Supported Debt. The second is the Lottery Revenue Supported Debt. The third is the Transportation Department Bonds. There are specific debt capacity estimates only for General Fund Supported Debt Programs and Lottery Revenue Bond Programs. The Transportation Department Bond capacity is limited by Oregon law.

The SDPAC did not make specific capacity estimates for Non Tax-Supported Debt Programs. Debt capacity is based on legal limits in Oregon laws and the Constitution, sound program management, loan demand, need for capital projects, and appropriate reviews by the State Treasurer, the Governor, and the Legislative Assembly. This table shows expected debt issuance only.

The SDPAC did not make specific capacity estimates for Conduit Revenue Bond Programs. The conduit borrower is solely responsible to repay the debt. Debt capacity is based on borrowers' ability to repay bonds, market effects on the other state bond programs, legislative authorization, and central debt management review.

Capital Financing Needs beyond 2009-11 include only projects for which commitments have been made including the State Hospital Replacement and the Junction City Prison.

	2009-11			2011-13			2013-15			SDPAC Model ESTIMATED NET DEBT CAPACITY
	REPAYMENT SOURCE			REPAYMENT SOURCE			REPAYMENT SOURCE			
	GENERAL FUND	OTHER FUNDS	LOTTERY FUNDS	GENERAL FUND	OTHER FUNDS	LOTTERY FUNDS	GENERAL FUND	OTHER FUNDS	LOTTERY FUNDS	
General Fund Supported										
NET TAX-SUPPORTED DEBT PROGRAMS										
SDPAC estimated new net debt capacity										\$ 1,088,176,000
Projected Debt Capacity Carryforward										\$ 3,000
GENERAL OBLIGATION BONDS										
- Capital Construction										
Art. XI-G Higher Ed & Comm. Col.	\$ 130,506,000	--	--	--	--	--	--	--	--	
Art. XI-J Alternate Energy Projects	50,807,000	--	--	--	--	--	--	--	--	
- Grants and Loans	6,000,000	--	--	--	--	--	--	--	--	
Art. XI-H Pollution Control (60%)	30,000,000	--	--	--	--	--	--	--	--	
Art. XI-MN Seismic Bonds	217,313,000	--	--	--	--	--	--	--	--	
Less total for G.O. bonds										\$ (217,313,000)
CERTIFICATES OF PARTICIPATION (COP's)										
Dept. of Administrative Services										
- Capital Construction	\$ 788,695,600	6,294,400	--							\$ 468,789,000
- Equipment and Technology	71,263,800	4,606,200	--							--
Less total for COP's	\$ 859,959,400	10,900,600	--							\$ (468,789,000)
Remaining estimated net tax-supported debt capacity.										\$ (870,860,000)
										\$ 3,000
										\$ N/A
										\$ 619,390,000

NOTE: For the 2009-11 biennium, updated issuance information may result in a reduction from capacity model amounts shown here. However, Governor's budget totals do not exceed total capacity from most recent SDPAC report.

	2009-11			2011-13			2013-15			SDPAC Model ESTIMATED NET DEBT CAPACITY
	REPAYMENT SOURCE			REPAYMENT SOURCE			REPAYMENT SOURCE			
	GENERAL FUND	OTHER FUNDS	LOTTERY FUNDS	GENERAL FUND	OTHER FUNDS	LOTTERY FUNDS	GENERAL FUND	OTHER FUNDS	LOTTERY FUNDS	
Lottery Supported										
NET TAX-SUPPORTED DEBT PROGRAMS										
SDPAC estimated net new debt capacity.										\$ 364,966,000
Projected Debt Capacity Carryforward										\$ 623,000
LOTTERY REVENUE BONDS										
Department of Administrative Services										
- Capital Construction	--	--	\$ 85,060,000	--	--	--	--	--	--	
- Equipment and Technology	--	--	--	--	--	40,000,000	--	--	--	
- Grants and Loans	--	--	275,283,000	--	--	--	--	--	--	
Less total for lottery revenue bonds			\$ 364,343,000			\$ (40,000,000)				\$ (40,000,000)
Remaining estimated lottery revenue debt capacity										\$ 623,000
										\$ N/A
										\$ 325,589,000

