

# **Deferred Maintenance & Capital Construction Economic Stimulus Package**

## **Frequently Asked Questions**

### **What is the Legislature's Economic Stimulus Package?**

The Legislature's stimulus plan consists of additional bonding authorizations (SB 338) and corresponding capital construction expenditure limitation for a six-year period beginning July 1, 2007 (SB 5562). In addition, due to a technical problem with the current authority to prevent a budget deficit through an allotment reduction made by the Governor, SB 339 would allow the process to exempt debt service from the calculations. This is necessary in order for the state to sell bonds.

### **How much additional bonding is in the currently proposed economic stimulus package?**

The current package consists of approximately \$90 million in certificates of participation (COPs), \$4.4 million of Article XI-G bonds, \$12.0 million of Article XI-F bonds, and \$16.0 million of SELP bonds.

### **Why target \$100 million in additional COP projects?**

This is the maximum amount that could be added to the currently scheduled certificate of participation sale taking now place in mid-February. This was based on advice from the DAS Capital Investment staff based on the current volatile market conditions.

### **When is the proposed next bond sale for Certificates of Participation?**

The next COP sale is scheduled for February 10<sup>th</sup>. It had been previously scheduled for late January, but was delayed in order for SB 339 that fixes the current allotment reduction process to be passed by the Legislature and signed by the Governor two weeks prior to the next state bond sale. The planned bond sale includes approximately \$160 million of COPs previously authorized by the Legislature during the current biennium for the Oregon State Hospital, the Oregon Wireless Interoperability Network (OWIN), the Department of Corrections, the Military Department, the Oregon University System, and the Judicial Department. The economic stimulus package would be in addition to the previously authorized COPs.

### **Capital Construction is usually a late session action. Why do this early in the 2009 session?**

One of the few ways state government can create and protect non-government jobs is through capital construction projects. The Legislature's economic stimulus package is designed to create and maintain local construction jobs throughout the state as quickly as possible given the deteriorating economic conditions.

### **What are the criteria being used to select projects?**

State agencies were asked to send a list projects to the Legislative Fiscal Office that were a priority on the agency's list of deferred maintenance or new construction and were ready to proceed except for the lack of funding. The initial list supplied by state agencies was sorted for those projects that could start between January and April 2009.

**Why are only eleven agencies on the proposed list?**

Agencies were selected that own state facilities and that have projects meeting the timeline criteria. State-issued COPs can only be used to repair or build facilities owned by the state. Agencies were also selected on the basis of geographic distribution throughout the state. The stimulus package is designed to be a statewide package.

**How will outcomes be measured and tracked?**

All agencies receiving bond proceeds for deferred maintenance or new construction from the economic stimulus package will be required to report through the Department of Administrative Services (DAS) on each project's start and finish date, total cost, number of jobs created, and whether or not they used local employers and vendors. This report will be made available to the Legislative Fiscal Office and the Legislature on a regular basis.

**How will projects be able to be expedited?**

Under current statutory law on contracting and procurement, the DAS Director has the ability to make an Emergency Declaration to expedite contracting. This economic stimulus package would be eligible for such a declaration since it is the Legislature's intent to have the bond proceeds be used as quickly as possible in order to create new and retain existing work opportunities. Agencies would still need to obtain competitive bids and would be directed to offer contracts to minority and women-owned businesses to the extent practicable. All due process requirements would be followed.

**How does this additional COP sale effect bond capacity and debt service?**

Based on preliminary information from the State Debt Policy Advisory Commission, no more than \$1.1 billion of General Fund supported debt and \$400 million of Lottery Bond debt should be issued per biennium over the next three biennia starting with 2009-11. The proposed economic stimulus package would reduce this recommended General Fund supported debt cap for the 2009-11 biennium to approximately \$1 billion. (The 2009-11 Lottery Bond recommended cap does not include amounts necessary to provide reserves on previously authorized bond sales.) It is anticipated that there would be no 2007-09 debt service on the proposed economic stimulus package; in 2009-11, the General Fund debt service would likely be in the \$17 to \$19 million range, depending on interest rates.