HB 3635 A STAFF MEASURE SUMMARY

House Committee On Higher Education and Workforce Development

Action Date:	03/25/25
Action:	Do pass with amendments and be referred to Ways and Means by prior reference. (Printed A-Eng.)
Vote:	7-0-0-0
Yeas:	7 - Fragala, Harbick, Hudson, McDonald, Munoz, Wright, Yunker
Fiscal:	Fiscal impact issued
Revenue:	Revenue impact issued
Prepared By:	Ellen O'Brien, LPRO Analyst
Meeting Dates:	3/11, 3/25

WHAT THE MEASURE DOES:

The measure raises the limit on the aggregate amount of general obligation bonds that the state is authorized to issue for capital construction projects at a single community college, from $8 million to $15 million. It requires the limit to be adjusted every biennium based on inflation, as calculated by the Consumer Price Index (CPI). It declares an emergency and takes effect July 1, 2025.

ISSUES DISCUSSED:

- Inflation of building construction costs since 2019
- Reasons for initial limitations on community college capital construction requests

EFFECT OF AMENDMENT:

The amendment raises the limit to $15 million instead of $14.25 million. It requires the limit to be adjusted every biennium based on inflation, as calculated by the Consumer Price Index (CPI).

BACKGROUND:

Article XI-G of the Oregon Constitution authorizes the state to incur debt worth up to 0.75 percent of all taxable property in the state, and to use that debt to provide funds for capital construction projects that the Legislative Assembly determines will benefit higher education institutions or activities, including community colleges. The Oregon Constitution further requires any debt incurred in this manner to be matched by funding from another source.

In 2013, as part of the budget measure Senate Bill 5506 (2013), which authorized the issuance of state general obligation bonds for the 2013-15 biennium, the Legislative Assembly enacted limits on the size and number of construction projects at community colleges that could be funded by state debt. Each college is limited to one project per biennium and $8 million total authorization in state bonds, and if a college receives bond funding in one biennium, must skip submitting a request in the next biennium. The Higher Education Coordinating Commission (HECC)'s 2025-27 Community College Capital Guide, published February 2024, summarize these limitations and the process for project approval.

According to the Legislative Fiscal Office's Support of Community Colleges Budget Overview from 2021-23, "[T]he State issues bonds (Article XI-G and Lottery) for projects at the various community colleges. Article G bonds require an equal match to the amount of bond proceeds -- generally these local matches are local revenues from the community colleges such as proceeds of local bond, donations, or federal grants. The amount of state- funded debt service continues to increase for bonds issued on behalf of community colleges. In 2007-09, the General Fund appropriated for debt service for community colleges was just $3.2 million and there was no Lottery Bonds debt service. For 2021-23 CSL, the General Fund appropriation has grown to $39.7 million and there is an additional $13.4 million in Lottery Bonds related debt service."

The 2023-25 legislatively approved budget for the Higher Education Coordinating Commission, House Bill 5025 A, included a budget of $39.9 million General Fund to service debt on Article XI-G bonds.