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| **From:** | osu_supporters-bounces@lists.oregonstate.edu on behalf of Mills, Jock |
| **To:** | osu_supporters@lists.oregonstate.edu; CAS DeanStaff; CAS Unit Leaders; Salem Update Listserv |
| **Cc:** | ASOSU State Affairs |
| **Subject:** | [OSU Supporters] Capital spending concerns and more |
| **Date:** | Friday, February 16, 2007 4:14:36 PM |
| **Attachments:** | LB wk 6 2.16.07.doc<br>ATT3738611.txt |

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In this issue:
Concerns emerge over capital spending
Rainy day fund may create a drought for those seeking to patch budget holes
Students gear up for a rally on February 22

**Capital spending**
In meetings with key legislators on the Ways and Means Education Subcommittee over the last two weeks, it has become clear that they are concerned over the degree of debt financing in the Governor's proposed budget for higher education. Indeed, it is a large number. For example, the Governor has budgeted approximately $170 million for deferred maintenance an capital repair.

The are a number of ways to slice and dice the capital budget, including money for new capital projects financed under provisions of Article XI-G of the state constitution and funding for deferred maintenance. XI-G funds typically include a match raised by private donors – such as the approximately $30 million OSU is seeking to raise for the Linus Pauling Institute/science complex that would be matched by $30 million in bonded debt. The debt will be repaid over time through appropriations to OSU and legislators are concerned that the $6 million per year over the next 30 years needed to finance XI-G debt for the new projects is too spendy. Likewise they are concerned that deferred maintenance costs – which don't require a match but do require debt financing – are also steep. If legislators do not finance the deferred maintenance, the backlog merely gets bigger and the problems get worse. In testimony before the Subcommittee last week, OUS Chancellor George Pernsteiner indicated that across the state, 20% of the universities' facilities are sub-standard and in need in repair. He asked legislators to consider what it would be like to live in a house where a fifth of it is need of repair – leaking roofs, broken pipes, etc.

**Rainy day fund may create a drought for those patching holes in the budget**
In line with concerns over the "sustainability" of the Governor's proposed budget for the current biennium, legislators are also seeking to sweep various streams of revenues into a rainy day fund to provide stability into future biennia. The corporate kicker, which would provide a couple of hundred million this biennium to be carried forward into future biennia, has already been identified as one potential source for these revenues.

Another revenue source appears to be interest earned on various state accounts, including interest earned on tuition. During each of the last three sessions, universities have unsuccessfully sought to capture tuition from interest. This session the Governor has proposed HB 2198 which would allow universities to hold onto the

interest rather than having it seep into the state's general fund. (He has also reduced the OUS general fund budget by the $19 million the interest is expected to generate.)

Last week as the House Revenue Committee considered the bill, a number of ideas emerged. The future of the tuition interest bill continues to be clouded by macro economic issues

**Students gear up for a rally on February 22**

On Thursday, February 22, public university students from across the state will be converging on Salem to rally in support of the Governor's budget and increased investments in higher education. ASOSU has chartered a number of busses and is seeking to turn out at least 200 students for the noon rally. Those wishing to ride the bus to Salem, or who would like additional information about the rally, contact Megan Driver at ASOSU. She is cc'd on this e-mail. (ASOSU State Affairs)

**Odds and ends**

Next week I will try to provide a more comprehensive review of the various revenue plans working their ways through the legislative process. Right now it appears that none of the revenue raising schemes – increased cigarette taxes, car insurance premium taxes, increased corporate minimum taxes, and retaining the corporate kicker -- is facing slam dunk approvals. In fact, their futures are all uncertain. Most eyes are looking to the March Forecast -- due March 1 -- to determine the next steps. The co-chairs budget is expected to follow the forecast by 2 weeks.

Attached is the most recent OUS update.
<<LB wk 6_2.16.07.doc>>
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