

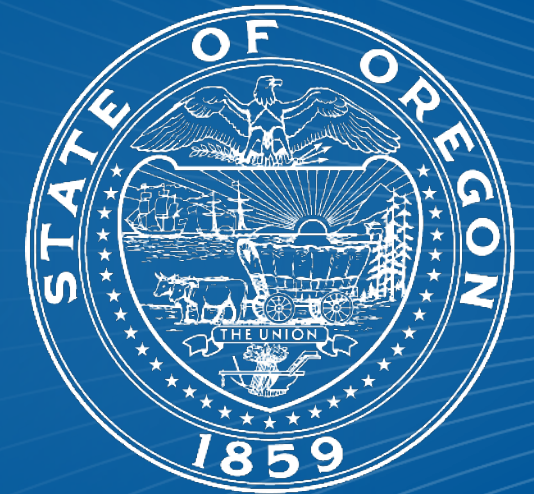
Department of Administrative Services



Chief Financial Office, Capital Finance Section

Lottery Revenue Bonds

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Legal Authority



- Oregon Constitution, Article XV, Section 4
- Oregon Revised Statutes (ORS) 286A.560 – 286A.585
- Oregon Administrative Rules 122-075-0100 through 122-075-0160

Allowable Uses

Same Purposes as Operation of State Lottery



- Creating Jobs
- Furthering Economic Development
- Financing Public Education
- Restoring and Protecting Oregon Parks, Beaches, Watersheds, and Native Fish and Wildlife

Legislation



- Authorizing Legislation
 - Contains findings that the project or program funded is a lawful use of lottery revenues
 - Includes a specific project or program description detailing the legislative intent for the proceeds

Tax-Exempt Bonds



Whenever possible, the Department of Administrative Services elects to issue tax-exempt bonds to minimize the costs of borrowing.

In general, tax-exempt bonds can only be used for “capital expenditures” for federal income tax purposes within the meaning of Section 1.150-1(b) of the IRS Tax Code.

Pre-Issuance Due Diligence



- Questions
 - Will grantees spend their own funds prior to bond sale?
 - Declaration of Intent
 - Will funds be spent within three years of bond issuance?
 - Does the project or program align with legislative intent?
- Tax-Exempt Restrictions
 - All grant agreements must be reviewed by both DOJ and Bond Counsel
 - Some tax-exempt restrictions that need to be included in the grant agreement:
 - No more than 5% of the project to be used for private use
 - Prior DAS approval required to sell, transfer, encumber, lease or dispose of property paid for with lottery bond proceeds
 - Prior DAS approval required for repayment of interim financings



Eligible vs Non-Eligible Expenses

Eligible Expenses

- Acquisition Costs
 - Leasehold Improvements
 - Land and Land Improvements
 - Buildings
 - Machinery and Equipment
 - Furniture and Fixtures
 - Transaction Costs
- Direct Construction Costs (including improvement and rehabilitation)
 - Material Costs
 - Labor Costs

Non-Eligible Expenses

- Pre-Acquisition Costs (to determine which property to purchase)
- Certain Construction Costs
 - Research and experimental, certain taxes, strike expenses, warranty and product liability costs, unsuccessful bidding expenses, and deductible service costs
- Pollution Remediation
 - Unless required to complete a larger, capital project
- Related Party Costs
- Repair/Maintenance Costs
- Indirect/Administrative Costs
- Operational Costs

Expenditure Timeframe



- Expenses must be reimbursed within 18 Months of:
 - Original expense being paid; or
 - Date project was placed in service, whichever is later.
- Expenses paid prior to bond issuance must be reimbursed within three years of when the expenditure was paid

Post Issuance Compliance



OWEB Responsibilities

- Ensure expenditure of funds within three years
- Ensure proceeds are expended only on eligible expenses
- Provide completion certificate
- Retain records as required (usually 23 years)
- Pay annual bond-related fees (~\$3,000/year)
- Comply with DAS requests for information

Questions?

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