EXECUTIVE ORDER NO. 12-17

INFRASTRUCTURE PLANNING AND INVESTMENT

Creating opportunities for economic growth and jobs through the development of vital infrastructure is a task in which Oregon is fully prepared to engage in. Over the next ten years, it is anticipated that the state will have the financial potential to make nearly five billion dollars of General Fund and Lottery Fund supported capital investments in infrastructure.

Adequate public infrastructure systems are essential to restoring and maintaining a vibrant Oregon economy in the 21st century. Currently, Oregon's infrastructure systems are in need of modernization, expansion and repair. A focus on the planning and development of infrastructure systems provides the opportunity to create sustainable asset management over the life-cycle of investments, to enhance the benefits of capital investments and to pursue opportunities to leverage each state investment with public, private and community partners.

Oregon's economy is recovering from the recession, and as past debts are paid, Oregon will have a growing capacity to invest in capital assets to improve government efficiency, service public needs and support ongoing growth in our economy. This projected capacity for investments is within the limits on debt issuances protecting the state's bond rating.

Investments must be directed across a broad collection of areas that build our economic strength including:

a) Education facilities and learning technology;
b) Community services and thriving investments in the main streets of Oregon;
c) State buildings and information systems that reduce costs;
d) Direct support of business, industrial development and the acceleration of commerce;
e) Regionally identified priority investments, such as the development of multiple-use water storage systems designed to support the needs of the environment and our economy, or the development of rail lines that open access to overseas trade; and
f) Continued and sustained support for development of non-highway multi-modal passenger and freight transportation through a 10-year commitment to *Connect Oregon* V, VI, VII, VIII and IX.

The immediate challenge is to ensure that Oregon is a strategic investor and that our process leads us to make the optimal investments with the greatest return for the citizens of Oregon.

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In order to achieve this objective, Oregon must develop a greater capacity to identify returns and benefits of capital projects and take a strategic long-term view of how our investments work together to support our future.

In the past, Oregon has utilized its ability to invest in capital projects to good effect. However, the state does not have an intentional plan of investment, or common standards for returns on investments, for bond financed projects supported by General and Lottery Funds.

To secure our future, the State of Oregon must pursue the development of new methods for selecting and financing projects. By establishing new financial relationships that optimize capital investment opportunities, the state can control future costs and reduce the risk of excessive borrowing.

Oregon must have an increased capacity to institute best practices for project identification and screening, analysis of returns, procurement and optimization of design, use, and financing. Resources must be directed to create new governance structures and facilitate integrated planning and financial processes.

Integration of investments is vital and has great potential to lower the cost and/or increase benefits of infrastructure investments. The state must provide full strategic coordination between public investments in education, local communities and economic development supported by the General and Lottery Funds and investments in transportation and energy and private business supported by different public funds and the private sector.

As individual consumers of the services and benefits that infrastructure provides, and as taxpayers, Oregonians will see strong returns from the active integration and planning for sustained investment in infrastructure intentionally designed by Oregonians to build a stronger economy for our future.

NOW THEREFORE, IT IS HEREBY DIRECTED AND ORDERED:

1. General Fund and Lottery Fund Infrastructure Planning Requirement. The State of Oregon shall create a capital planning process for General Fund and Lottery Fund projects that prioritizes the utilization of available debt capacity based upon historical categories of use that encompasses: all education system infrastructure; state buildings and technology investments; statewide investments that support the economy and regional communities;

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and the strategic reserving of funds to support emergent economic and other immediate opportunities that leverage capital investment in Oregon.

2. Outcome and Results Accountability for the 10-Year Capital Infrastructure and Investment Plan. The following overall 10-year outcome is established: Over the next ten years, create and direct the development of a capital planning process that strategically identifies Oregon's highest value capital investments and provides a sustained and consistent process for financing projects that align with achievement of statewide strategic outcomes identified in the 10-Year Plan for Oregon.

3. Agency Participation, Coordination and Integration. All Departments that have a role in state and local jurisdictional infrastructure grants and loan programs will participate in joint development of the capital plan. The Departments must be focused on prioritized outcomes and be prepared to focus on new ways to coordinate and integrate planning and implementation of existing diverse portfolios.

4. Establish Prudent Method for Determination of 10-Year Planning Capacity.

    a. The plan shall be based upon projected sustainable financial resources and within prudent financial requirements and conventions to protect the state bond rating including the practice of limiting General Fund debt service to no more than 5% of total General Fund Revenue and limiting new lottery debt to levels where projected future revenues exceed debt service by 3-4 times (300 to 400 percent).

    b. In consultation with the Oregon State Treasurer, it is further required that planning debt capacity is durable across the state's 10-year strategic planning period. The Chief Financial Officer, in consultation with the recommendations of the State Debt Policy Advisory Commission (SDPAC), will be responsible for determining a smoothing methodology that ensures sustained available capacity on an ongoing basis and accounts for cyclical fluctuations related to volatile income tax collections.

    c. Based upon the sustainable methodologies applied for determining planning capacity, the 10-Year Sustainable Planning Capacity is designated as:

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Sustainable Planning Capacity (2013-15 to 2021-23 Budgets)
$1.1 billion for each 2-year budget period
$5.5 billion for the 10-Year capital planning period

5. General Distribution of Debt Planning Capacity.

   a. Total available planning capacity as determined by the Chief Financial Officer shall be allocated and planned according to the following capacity distribution:

Education Infrastructure	25%
State Infrastructure	25%
Regional and Community Infrastructure	30%
Reserving, Innovation, Emergent Opportunities	20%

   b. With the approval of the Chief Operating Officer, distribution percentages may be modified by periodic reviews under the established governing process created by this order.

   c. The capacity distributed shall be accumulated and retained within the area of distribution from biennium-to-biennium and shall be reduced only when the Oregon Legislative Assembly approves funding of projects associated with the area of distribution.

   d. The debt capacity planning, allocation and approval processes are not authorizations to sell bonds to support specific projects identified within an area of capacity distribution. The approval of bond sales for projects rests with the Oregon Legislative Assembly And the State Treasurer and it is through this process that projects and initiatives are made a part of the statewide plan and submitted to the Oregon Legislative Assembly for funding by the executive.

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6. Specific Capacity Allocations with the Plan. The Governor orders that the following capacity allocations be made a part of the plan:

    a. Education Planning Capacity

        i. The central focus for planning education infrastructure shall be to advance Oregon's identified education access, capacity and improvement goals.

        ii. $65 million of available 10-year financial capacity is dedicated to development and implementation of a longitudinal education data system that will be utilized to improve educational outcomes and connect investments, achievements and costs.

        iii. $35 million of available 10-year financial capacity is distributed for infrastructure and information technology communications needs related to the provision of educational services through Student Achievement Centers. The centers will integrate and distribute educational and professional development services between post-secondary institutions, school districts and early learning hubs.

    b. State Infrastructure Planning Capacity

        i. The central focus for planning of state infrastructure shall be to provide effective service to the citizens of Oregon, to provide cost effective delivery of service and to meet the state's goals for improving government.

        ii. $325 million of available 10-year financial capacity is dedicated to lifecycle cost for preservation and maintenance of the value of state infrastructure investments.

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iii. $125 million of available 10-year financial capacity is dedicated to the replacement and modernization of financial systems to account for spending and to improve human resource personnel system's ability to provide current information on total compensation cost associated with the state workforce.

c. Regional and Community Planning Capacity

i. The focus for regional and community planning infrastructure shall be to efficiently plan for strategic capital investments throughout Oregon to support regional and state priorities for economic and community development.

ii. $510 million of available 10-year financial capacity is dedicated to Connect Oregon multi-modal transportation investments.

iii. $115 million of available 10-year financial capacity is dedicated to the Infrastructure Finance Authority for water and waste water treatment.

iv. $100 million of available 10-year financial capacity is dedicated to the Infrastructure Finance Authority and shall be evenly distributed to the ten Oregon Regional Solutions Committees. These planning resources are available for investments as determined within the region. For planning purposes, the resources may be utilized in combination with other capital financing resources and the allocated planning capacity to each committee accumulates from one state budget to the next. Plans for the use of this capacity for regional and local projects are limited by requirements of the specific financing methods to be utilized and any limits or thresholds established for returns on investment and benefit identification created through the governance structure for the statewide plan. A governance panel shall affirm that minimal standards are met and these locally planned projects shall then become a part of the state 10-year capital plan.

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v. $205 million of available 10-year financial capacity is dedicated to the Infrastructure Finance Authority for community and regionally identified economic initiatives, associated projects or other necessary local infrastructure investments. These projects shall be recommended by Oregon Regional Solutions Committees, or state agencies, to the statewide coordinator as designated by the Chief Operating Officer for consideration and prioritization by the designated planning authority for community and regional capacity planning. For plan inclusion, the following requirements and considerations shall guide planning priority, including that planned projects:

1. Meet threshold levels for return on investments and benefits produced;

2. Relate to achievement of statewide outcomes;

3. Provide compelling evidence of linkage to longer-term economic development strategies within the Oregon Regional Solutions Center geographic area; and

4. Serve a public need related to water system development for consumptive or environmental use.

vi. $20 million of available 10-year financial capacity is dedicated to the Infrastructure Finance Authority for the Governor's Strategic Development uses related to leveraging business investments and facilitating job and economic growth.

vii. $180 million of available 10-year financial capacity is dedicated to the development of water infrastructure to store and utilize water efficiently and to provide for related mitigating investments that support the sustainability of habitat for aquatic species.

7. Coordination of the 10-Year Capital Plan.

    a. The Chief Operating Officer of Oregon along with the Chief Financial Officer shall, to the extent resources are made available, provide for the development of the 10-Year Capital Plan and make provision for statewide coordination of the plan within the Office of the Chief Operating Officer. Responsibilities and activities include:

        i. Designation of a statewide coordinator.

        ii. Development of a support structure for the overall planning process and the establishment of protocols for submitting proposals into the formal capital planning process, including the development of capital master plans and a process for capital budgeting.

        iii. Development of return on investment and benefits analysis methodologies that are applicable to all projects and provide a comparative framework utilized to prioritize projects for inclusion within the 10-Year Capital Investment Plan.

        iv. Provisions of technical services, to the extent financial resources are available, for planning related to Regional Solutions Center capital planning efforts.

        v. Retention of expertise to develop analytic methodologies related to return on investment and benefit analysis, and performance contracting processes.

        vi. Retention of expertise to facilitate innovative infrastructure performance partnerships and attract private and institutional investment in public infrastructure through the creation of capital exchanges including participation in the West Coast Infrastructure Exchange.

        vii. Advisory governance oversight and lead responsibility for the planning of capital projects and project plans shall be provided to the Governor and the Chief Operating Officer. The purpose of this process is to consider and plan capital investments to advance statewide outcomes within allocated

debt capacity limitations for each area of the capital planning process, and to structure investment packages for consideration by the Legislative Assembly that optimize capital leverage, return on investments and benefits. The advisory governance processes in each area of debt capacity planning is designated:

1. Education Infrastructure Planning shall reside with the Oregon Education Investment Board (OEIB) and the Chief Education Officer shall work with the OEIB to insure the central focus of educational capital planning is to achieve identified education access, capacity and improvement goals.

2. State Infrastructure Planning shall reside with the Office of the Chief Operating Officer in conjunction with the Chief Financial Officer.

3. Regional and Community Capital Planning shall reside with the designated chairpersons of the Regional Solutions Centers; established processes for planning associated with Connect Oregon will continue to oversee multimodal freight and passenger transportation planning (non-highway transportation investments); and a planning process for statewide water and wastewater development are to be established in conjunction with the Governor's Natural Resources Advisor.

4. Reserving, Innovation, Emergent Opportunities Capital Planning and Management shall reside with the Chief Financial Officer on behalf of the Governor.

viii. The Chief Operating Officer may provide for any additional governance processes to facilitate the planning of capital investments. Further, the Chief Operating Officer may approve periodic changes in the allocations of planning capacity to specific areas with a finding that the changes

enhance the opportunity to optimize the use of state capital finance.

8. Capital Planning Project Integration.

    a. The 10-year capital planning process for General and Lottery Funds should not be isolated from capital planning for highway fund projects or any other state infrastructure investment planning process.

    b. Integration of planning can save millions of dollars of taxpayer cost in the operation of infrastructure assets. Integrated planning also ensures that "other" fund dollars can supplant the use of limited General Funds when projects are planned and financing is leveraged. This includes the possibility of private capital investments to extend the uses of General Fund and Lottery Fund debt to support infrastructure.

    c. As the state's General Fund and Lottery fund planning process matures, the ability to analyze the integration and connection to other state infrastructure investments should also grow in sophistication, detail and utility for project planning and prioritization.

    d. To ensure the objective for development of integrated capital investing, the Chief Operating Officer shall, at the enterprise level of state government, form an advisory committee charged with making recommendations for:

        i. Planning, analysis and process requirements that facilitate the integration of non-General Fund and Lottery Investments with state infrastructure investments supported by General and Lottery Funds.

        ii. This work will result in methods and practices that seek to:

            1. Determine the increased value of investments, or combined investments, that are planned in an integrated manner.

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2. Result in methods to reward coordinated planning in the process of project prioritization and lower the priority of projects that are not advanced in a coordinated manner.

9. Capital Project Innovation, Collaboration, and Performance Partnerships.

   a. Oregon must provide for innovation within capital planning processes to stretch taxpayer investments, manage life cycle and climate risks, enhance the long term performance of our infrastructure assets, and leverage and attract outside capital to Oregon community infrastructure. Performance based partnership and project designed process offer the opportunity to both limit state risk and extend available project capital. This includes the following considerations and requirements:

      i. Oregon will develop the capability to engage and enact performance based partnerships as a primary alternative to traditional infrastructure planning, investment and development processes.

      ii. Capital projects that require more than $20 million of state funding from any source shall be reviewed to determine whether each project is best implemented through traditional financing or performance-based partnerships.

      iii. Oregon shall participate in the West Coast Infrastructure Exchange and work with other states to develop and engage an active exchange structure that will facilitate the identification of capital projects and provide for active project development that facilitates private capital investment.

      iv. Oregon shall consider the formation of an entity to concentrate performance infrastructure expertise and determine if such a structure will advance infrastructure development and financing in Oregon.

v. Oregon shall consult with the public entity Partnerships B.C., through its service agreement with the State of Oregon, to advance consideration and implementation of Oregon's capital plan.

10. Implementation Requirements and Budget Submittal by the Governor.

a. The Governor's Recommended Budget (GRB) will not exceed designated capital planning distributions for any category of capital planning infrastructure as identified in this Executive Order. For the 2013-2015 biennium the capital planning and budget dollar limits for bonding in the GRB by planning area are:

Area	*GRB Limitation 2013-15*
Education Capacity Planning	$275 million
State Infrastructure Capacity Planning	$275 million
Regional and Community Capacity Planning	$330 million
Reserve, Innovation, Emergent Opportunities	$220 million

b. The Governor's Recommended Budget (GRB) will not utilize significant capacity in the area of Reserving, Innovation, Emergent Opportunities in order to provide the Legislative Assembly the opportunity to consider developing proposals for student financial assistance to post-secondary institutions and for other emergent Legislative Assembly priorities.

c. Beginning in 2013, the Chief Operating Officer shall establish a process to identify and plan for projects through a submittal through to the statewide coordinator:

i. Projects or project plans submitted will be assigned to the appropriate planning advisory authority for review, analysis and inclusion within a prioritized statewide plan.

ii. The Chief Operating Officer shall make provision for a process of early submittals and provide allowance for later submittals for projects deemed necessary by the Chief Operating Officer.

iii. The Department of Administrative Services shall utilize its rulemaking authority to facilitate the development of an orderly process of project submittal if deemed necessary.

11. The Chief Operative Officer and the Chief Financial Officer may request modification to the terms of this Executive Order.

12. This Executive Order is a debt capacity planning document only and any dollars dedicated under the Executive Order are not authorizations for spending. The infrastructure planning and investment processes outlined within the Executive Order are contingent on the extent to which financial resources are made available for planning.

13. In the event of a conflict between any provision of Oregon law and this Executive Order, Oregon law will prevail and the remaining terms of this Executive Order shall remain in force and effect.

Done at Salem, Oregon, this 13th day of November, 2012.

John A. Kitzhaber, MD
GOVERNOR

ATTEST:

Kate Brown
SECRETARY OF STATE