SB 5544: POP 160 *Connect*Oregon in the ODOT budget

Ways and Means Sub-Committee Monday, April 1, 2013, Jody Wiser

The *Connect*Oregon part of the ODOT budget is discretionary money, if you follow House bill 2310-2, it would be provided in loans rather than grants, but mostly forgivable loans. This is a large expenditure in a time of tight budgets, which seems primarily to be aimed at reducing business transportation costs.

The fact that <u>not</u> <u>every</u> loan under 2310-2 will be fully forgivable means that the Multimodal Transportation Fund <u>could</u> possibly someday become somewhat self-sustaining, particularly if the standards to qualify for forgivable loans are clearly defined, meet public vs. private purposes and are not easily met.

In the prior *Connect*Oregon allocations, where there has been one loan and all other monies have been grants, the percentage of grants going to private businesses has increased from 29% to 45%. These grants are costing the state $95.3 million this biennium. When you decide what to allocate, remember that the cost per $100 million of forgivable loans or grants is approximately $26-$28 million per biennium for 20-30 years, whether forgiven or granted.

We urge you to plan to involve yourselves deeply in the rule writing process. For example, on page 4, lines 23-24 of the -2 amendments, “reduces transportation costs for Oregon businesses” is one of the standards in current law. Why is this a public responsibility? But if it is, shouldn’t there be some standards for by how much, and whether the benefits are passed on to customers? In the last round of *Connect*Oregon, a few of the funded projects reduced cost for only one business, for example the project ranked # 5, the Tarr Acquisition.

Even if costs are reduced for several businesses, as were those for the farmers using the project ranked # 18, the Wilco Winfield wheat loading facility, why is this something for which the public should pay up to 50% of the cost as they would with the -2 forgivable state loans? Will the standards for forgiveness meet any real public values?

“There was a time when having an excellent and accessible State System of Higher Education was a matter of pride. The belief was that it attracted good jobs and produced an educated workforce. Now the belief seems to be that we should lower the costs for businesses while we increase the higher education costs for students.” -- Elsa Porter, member Tax Fairness Oregon

What are ODOT's current "project delivery standards"? Are they more than meeting milestones for on time completion? Is that worth forgiving 25% of the loan? If a business borrows $2 million and says they will produce 1 job, and they do so, will they get 37.5% of their loan forgiven whereas if they say they will produce 20 jobs and only produce 18 they will not? What if they say they'll increase safety, how will that be measured?

The three options for forgiving the loans are additive, meaning that a public entity could have 100% of their loan forgiven, while a privately-owned project could get 62.5% of its loan forgiven, and thus 50% of its costs paid for by *Connect*Oregon.

In the past some of the public projects were fully funded with federal and state grants, with zero user support. Shouldn't at least the 20% or more of match funds come from actual users rather than the public at large? For example the Hillsboro Airport, like most smaller airports, is used virtually 100% for private use, much of it for flying lessons and the remainder for transport by private planes. Why wouldn't these users pay at least 20% of the cost for improvements rather than *Connect*Oregon provide the match for federal funds? Landing fees are one option, increased gas taxes are another. The state gas tax for automobiles is 30 cents a gallon, for private planes it is but 9 cents a gallon.

Whatever your choice, a bill or a budget note should clearly state what the legislature wants in terms of qualification for forgiveness of loans and how the statewide priorities will be identified. Obviously, it would best if the applications were actually responsive to a set of priorities for each mode and region rather than choosing amongst whatever applications come forth.

We are pleased to see that the House bill is recommending a loan rather than a grant program. However, we don't understand why an Infrastructure Finance Authority loan for new water or sewer lines to the citizens in the community of Sisters would be a 100% repayable loan while a *Connect*Oregon loan to the privately-owned Sisters Airport for runway repairs should be up to 62.5% forgivable.