



HB 2464 ConnectOregon

Testimony House Transportation and Economic Development Jody Wisner 4.13.2015

Members have been watching, testifying and evaluating the *ConnectOregon* program through two cycles of funding, and we are quite concerned. Developed as a loan or grant program, it has become almost exclusively a grant program. Of the last \$47 million allocated, \$2000 was in the form of a loan.

Please take a look at the attached chart showing *ConnectOregon's* more than one half billion projected debt service through 2033, with almost half of it -- \$224 million -- in interest alone.¹ Debt service is now costing \$23 million a year, enough for a day of school. If most of these projects were funded with loans, as the original legislation allows, and if the loans were made through an infrastructure bank dedicated to *ConnectOregon*, the interest would accrue back to that program and become a robust revolving fund, reducing the need for such a high level of new Lottery bond funding each cycle.

Further, we question the value to the state of many of the more recently funded projects when compared to the human services and days of school that might otherwise be funded.

We would like to draw your attention to three of the projects funded in the most recent cycle, when, as you may recall, you allocated \$42 million for *ConnectOregon* funded with additional bonds sales. We believe none of these projects should have been offered grants, and members of the review committees raised similar concerns. However, the way *ConnectOregon* is operated, the applicant, not Department of Transportation staff or any representative of the taxpayers, decides if a grant or a loan will be. Clearly some of the projects deserve grants, but there is currently no mechanism to evaluate which applicants should be considered for grants and which for loans. We believe you need to change that.

Teevin Bros.

Privately-owned Teevin Bros. had already received \$6,721,785 in *ConnectOregon* grants, through successful applications in rounds I, II, and IV, and one of the rail spurs they use was also publically funded under the Industrial Rail Spur Fund, when they applied for more in found V. This is a perfect example of the missing element of judgment in the *ConnectOregon* program: one committer noted in reviewing their Round IV application, "the applicant could finance the improvements with private funds which would be repaid with fees," yet they were given a Round IV grant and yet another in Round V, this grant for another \$2.3 million to purchase land and expand their facilities, bringing the total subsidies for this private port business to over \$9 million dollars.

This business is thriving, has ample customers, and fiscal and technical resources. An interest-bearing loan from *ConnectOregon* might be appropriate, any future grants are not.

¹ This chart is actually from prior to the most recent \$47 million in grants.

Sause Bros. Inc.

The Sause Bros. grant of \$1,113,632 of ConnectOregon V funds will pay for two new cargo handling machines -- rolling stock.

The application raises issues for us, as it did for the NWACT:

- “(1) using public funds to benefit private companies and
- (2) that these private companies compete with public port facilities. . . .
- (3) using grant funds to pay for equipment (rolling stock) rather than infrastructure (fixed assets).”

This is a thriving business. Growing their business is their responsibility. If this is one of the best applications, we’re handing out too much money.

Sisters Airport

The Sisters Airport is within 22 miles of two other fully-adequate public airports that *ConnectOregon* has appropriately been improving – Redmond and Bend. We’ve been troubled since we saw this airport get added to those receiving public support. The same businesses could be located at, and/or flights made to and from, either of the nearby airports. Yet *ConnectOregon* first fully paid to rebuilt the Sisters runway, a \$600k cost, and now has agreed to pay the full cost* of lighting to accommodate folks “arriving home from work elsewhere after nightfall,” a taxiway, and AWOS, for another \$733k. These may be “desirable” improvements, but Oregon simply can’t afford an airport with all amenities every twenty-two miles. Next will *ConnectOregon* fund snow removal equipment and then a building to house the snow removal equipment? Will they want the public to subsidize a pilots' lounge? According to staff notes, the airport averages four flights a day.

The users of this privately-owned airport should pay for the improvements they desire. This project is a perfect example of a *ConnectOregon* applicant that should have been offered no more than a loan. Instead the owner purchased the airport for \$900,000 and has now received gifts of \$1,333,000 from Oregon. In each application, a portion of the airport’s purchase price is claimed for required match, the users and owners have contributed nothing additional to the cost of CO’s improvements.

HB 2464 provides lots of rationale for *ConnectOregon*, but no new legislative guidelines that place an emphasis on determining when a project deserves a loan or a grant. Unless you move to encourage more responsible use of public funds, you should authorize payment of the current debt, but a Round VI funding cycle should receive little or no funds.

We read the bills and follow the money