



January 21, 2016

The Honorable Senator Richard Devlin, Co-Chair  
The Honorable Representative Peter Buckley, Co-Chair  
Joint Committee on Ways and Means  
900 Court Street NE  
H-178 State Capitol  
Salem, OR 97301-4048

Dear Co-Chairpersons:

### **Nature of the Request**

The Oregon Business Development Department requests a \$260,514 Lottery Funds allocation and expenditure limitation increase and establishment of two limited-duration positions (1.00 FTE) for administration of the Seismic Rehabilitation Grant Program (SRGP).

The Department's 2015-17 Agency Requested Budget (ARB) and the Governor's Budget (GB) included a policy option package request of \$100 million in Article XI-M and Article XI-N general obligation bonds to fund Seismic Rehabilitation Grants for schools and emergency service buildings. The 2015-17 Legislatively Adopted Budget (LAB) increased the request to \$205 million for the SRGP. The ARB and GB contemplated two \$50 million bond sales and two competitive funding rounds. Staff requirements for these two rounds of funding would be roughly equivalent to present staffing that executed the one \$30 million 2014 funding competition completed by the Department in spring 2015. The 2015-17 LAB more than doubles the funding amount in the GB and includes two unequal bond sales and associated funding competitions (one \$50 million bond sale in Spring 2016 and one \$155 million bond sale funding in Spring 2017).

Additional staff resources and professional services funding are needed to address the significant program funding increase and bond sale structure established by the Legislature. Business Oregon is requesting a limited duration Program Analyst 3 (C0862) and a limited duration Administrative Specialist 1 (C0107). Both positions are anticipated to be hired by July 1, 2016. The Department needs the positions through June 30, 2019, but understands that this request can only extend to the end of the 2015-17 biennium and that the two limited duration positions will need to be re-requested through a policy package in the 2017-19 budget. Personal services costs for the 12 months in the 2015-17 biennium total \$140,314. The Department is also requesting a total of \$120,200 services and supplies expenditures to support program operations, including \$100,000 for benefit cost analysis professional services.

## **Agency Action**

Beginning January 2014, the Seismic Rehabilitation Grant Program has been administered by the Infrastructure Finance Division of the Oregon Business Development Department (OBDD). The legislative transfer of the program from the Military Department to the Infrastructure Finance Division included two full-time permanent positions, a Program Analyst 3 and an Accountant 3, for program administration for the \$30 million of funding for awards to schools and emergency service buildings in 2015. All 2013-15 biennium funding has been awarded and is under contract.

The Program Analyst 3 position was reclassified by the Department to a Program Analyst 4 through an internal permanent finance plan. This position, supplemented by general administrative support in the Infrastructure Division, was able to administer the \$30 million funding in 2014-15. The \$100 million program included in the 2015-17 GB was viewed as twice implementing the one \$30 million 2014 program (two \$50 million competitive funding rounds); hence, existing program staff were deemed adequate to administer the \$100 million program. The 2015-17 LAB included \$205 million in program funding in unequal funding competitions – one \$50 million cycle in spring 2016 and one \$155 million cycle in spring 2017.

The first \$50 million cycle continues to be considered equivalent to the contemplated funding in the GB. However, the second funding cycle of \$155 million more than triples the work load and program demands to execute the funding cycle competition. Additional limited duration staffing is requested in the second fiscal year of the biennium to address the triple number of applications, awards, contracts, and construction draw administration. The expectation that additional staff may be needed associated with the spring 2017 bond sale was noted in the budget report for Senate Bill 5507 (2015).

Through the course of the second fiscal year of the 2015-17 biennium, the staff duties will transition according to the activities required during the summer and fall of 2016 to prepare and conduct the second funding competition in preparation for spring 2017 awards. Activities will include:

- Statewide outreach and workshops will be conducted by existing and requested limited duration staff to assure both schools and emergency service providers are aware of the significant funding available. Fifteen to twenty workshops will be held statewide to provide training at the local level in understanding eligible program activities and completing the application. Each session will provide the opportunity for one-on-one questions with program staff.
- Program materials will be developed for the emergency services applicants in the second year. Only schools related materials have been developed for the first funding round since only school funding is available in the first fiscal year of the biennium.
- Second funding cycle applications will be received, logged, and tracked. Program experience to-date indicates three times as many applications are received than are awarded funding. For the second round of funding, 130 funding awards are anticipated. Staff expects to receive approximately 400 applications to track.

- Each application received will be referred for Benefits Cost Analysis evaluation and the scores added to each application file.
- All eligible applications will be presented to the Seismic Advisory Committee for review and determination of funding recommendations. Reviewing 400 applications will take the staff and Committee several days.
- Once awards have been determined, contracts will be executed for the anticipated 130+- awardees.
- Following contract award, both schools and emergency service building owners can begin construction rehabilitation activities and submit construction project draw requests for reimbursement.
- Through the course of the 2015-17 biennium, approximately 150 construction contracts will be executed and administered for compliance, eligible expenses, timeliness and reimbursement of construction costs. This activity will continue throughout the 2017-19 biennium as well.

The limited duration positions will be requested for approval to continue in the 2017-19 ARB to complete the program contract construction and monitoring related activity.

The chief means to determine the priority projects for receiving grants is to evaluate each application with the Benefit Cost Analysis (BCA) tool. The BCA is a complicated algorithm that takes into account the geographic location of the building, specific building site conditions, and the character of the actual buildings construction. The result of the BCA is a numerical score that identifies the return on investment each grant will provide. The investment return is measured by comparing the cost of the grant investment that creates a building that will functionally survive an event and protect lives, to the costs avoided by making the investment and not incurring a loss of building, commerce and lives during and after a seismic event.

Every application for funding receives a BCA. The Seismic Advisory Committee relies on the BCA scores in identifying recommended projects. Experience with the program to date is that three times as many project applications are submitted for funding than the number of funding awards. The seismic program staff do not have the expertise to conduct a BCA, and rely on consultant services to perform the BCA evaluation. Professional service contractors charge \$370 for each BCA. The seismic program included in the GB contemplated BCA expenses for less than half the program funding approved by the Legislature. Therefore, additional professional services of \$100,000 are requested for the additional \$105 million of project funding. This additional \$105 million will fund approximately 85 project awards (\$1.25 million average award) from 255 applications received (3 X 85).

### **Action Requested**

Business Oregon requests the Joint Committee on Ways and Means to recommend that an increase of \$260,514 in the Lottery Funds allocation and expenditure limitation established for the Infrastructure Finance Authority, and the establishment of two limited-duration positions (1.00 FTE), be included in a budget reconciliation bill during the 2016 legislative session, for administration of the Seismic

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Rehabilitation Grant Program. The two newly-established positions include a Program Analyst 3 (0.5 FTE) and an Administrative Specialist 1 (0.5 FTE). The \$260,514 Lottery Funds expenditure limitation includes \$140,314 for Personal Services at salary range step 2 and \$120,200 in associated Services and Supplies expenditures.

**Legislation Affected**

Increase the Lottery Funds expenditure limitation established for Infrastructure Finance Authority by section 3(6), chapter 694, Oregon Laws 2015; and the allocation of Lottery Funds from the Administrative Services Economic Development Fund provided by section 3(3), chapter 811, Oregon Laws 2015, for the Infrastructure Finance Authority by \$260,514.

Sincerely,



Vince Porter  
Interim Director

c: Patrick Heath, CFO Analyst  
Steve Bender, LFO Analyst