HB 2310 *Connect*Oregon $100 million in bonding

Testimony for House Transportation and Economic Development 2.22.2013, Jody Wiser

*Connect*Oregon, started in 2005, as a loan and grant program designed to assist those local governments and businesses that "don't have the financial or technical capacity" to do large transportation projects by themselves. We support the concept of developing infrastructure and job creation as long as it has broad benefits for many Oregonians and assists when capacity is lacking. But the program has developed with too little legislative oversight. There has been only one loan in the $340 million of allocations. The cost to the General Fund for past *Connect*Oregon grants is $95 million this biennium—a week of school.

Decisions made to offer additional grants will affect the General Fund for decades. Some of the projects funded have provided benefit to businesses, by actually eliminate jobs. We wonder why we loan money to a community to improve their sewer system, but give money to a private business to improve its assets.

As you will see on your attachment, under *Connect*Oregon as it is now functioning, the grants to private entities has grown from 29% to 45% of funds distributed in rounds one through four.

With these and other issues we observed in mind, Tax Fairness Oregon offers the following recommendations:

- This program should be primarily a loan or loan guarantee program instead of a grant program.. By providing loans instead of grants, after a time, the program will become self-sustaining with the principle available for additional loans and the interest being used to administer the program and cover any losses.
- Applicants must be credit worthy using standard loan metrics with the state taking a lien until loans are repaid. Grants should give the state an ownership interest.
- A multi-modal system providing broad benefits should take precedence over a single mode system improvement. Examples include providing intersections joining different transportation systems and providing benefits to many businesses, or solving gridlock that affects both vehicular and freight train traffic.
- Grants and forgivable loans should be no more than $10,000 per permanent FTE job created, $1,000 per job retained, $1,000 per construction job and -$1000 for jobs eliminated.
- The regional distribution requirement should be reduced to 5% of total funds available or be eliminated entirely as it is pushing projects of lessor value to the forefront.

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- The applicant shall be required to identify any and all State and Federal funds supporting the project. For Grants, the total of Federal and State funds should be no more than 50% of the project cost. User fees and investors should provide the remainder of the funds.

- Projects related to public entities should take precedence or private owner projects.

- In the case of private entities, tax compliance should be verified for all those with an ownership interest of 10% or more.

- The original scoring by the Department of Transportation should no longer be designed as either x/or y and take the higher score (Example, one doesn't get points for either create jobs or increase safety, but rather gets scored for each item. Minus points should be included for items such as lost jobs.

- Public and/or private entities that have applications under consideration should not be allowed to sit on the decision-making committees in the years they have made applications.

Thank you for your time and consideration. I will be submitting these comments by email later today, and am available for any questions you may have.

*Connect*Oregon Project Funding

*Connect*Oregon I through IV
Public Projects vs. Private Projects
Percentage of Funds Granted
Analysis developed February 22, 2013

The Oregon.Gov site gives the following information about the *Connect*Oregon Program:

In 2005, the Oregon Legislature created this Multimodal Transportation Fund to invest in air, marine, rail, and public transit infrastructure improvements. The fund was designed to provide grants and loans to non-highway transportation projects that promote economic development in Oregon. The legislature authorized issuance of $100 million in lottery-backed revenue bonds to fund the program in each of the 2005-07, 2007-09, and 2009-11 biennia. An additional $40 million was authorized in 2011 for the 2011-13 biennium.

In creating the Multimodal Transportation Fund, the Legislature found that "local governments and businesses often lack sufficient capital and technical capacity (i.e. engineering, planning, labor and/or equipment) to undertake multimodal transportation projects" and that public financial assistance can help support these long-term economic growth and job creation projects. Analysis by Tax Fairness Oregon reveals a trend toward funding private projects.

Year	Public	Percent	Private	Percent	Total
Connect I	71,062,387	71.42%	28,438,942	28.58%	99,501,329
Connect II	67,560,110	67.66%	32,301,700	32.34%	99,861,810
Connect III	61,271,960	63.07%	35,866,923	36.92%	97,138,883
Connect IV	21,841,330	55.24%	17,695,003	44.76%	39,536,333

Public funding of private projects:

Of the 11 private grants in CO IV, 7 covered 80% of project costs, 1 covered 75%. Of the remaining three projects, two were negotiated down, one from 80% to 54% of project cost and the second from 50% to 24% of project cost. This last, a Union Pacific project still received a $4 m grant, making it the second largest grant of the round.

Except for the Union Pacific $4m project, only one region negotiated with applicants to reduce grant amounts. Their choice to work this way was a matter of discussion at the final decisions meeting. While ultimately accepted, they were chastised with "It would take another six months if we all did this." Yet it was in the conversations about these projects that we learned that, for instance, with reduced funding one project wouldn't be able to pave the employee parking lot.