

## A-Engrossed Senate Bill 1585

Ordered by the Senate February 17  
Including Senate Amendments dated February 17

Sponsored by Senators MANNING JR, ANDERSON, SOLLMAN, MEEK, PROZANSKI, Representative DIEHL; Senators BROADMAN, GOLDEN, GORSEK, HAYDEN, NASH, SMITH DB, THATCHER, WEBER, Representatives BOICE, EVANS, FRAGALA, GAMBA, HUDSON, MCINTIRE, MCLAIN, RIEKE SMITH, WISE (Pre-session filed.)

### SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure. The statement includes a measure digest written in compliance with applicable readability standards.

Digest: The Act would set a maximum percent required for matching grants made by the state to small cities for capital projects. (Flesch Readability Score: 64.6).

Sets maximum matching fund requirements for state grants to small incorporated cities for **certain** capital construction and municipal infrastructure **and improvements**.

Takes effect on the 91st day following adjournment sine die.

### A BILL FOR AN ACT

Relating to matching grants for cities; creating new provisions; amending ORS 184.742, 285B.420, 285B.421, 367.082, 367.093, 541.561 and 541.666; and prescribing an effective date.

**Be It Enacted by the People of the State of Oregon:**

**SECTION 1.** ORS 184.742 is amended to read:

184.742. (1) The Oregon Transportation Commission may provide matching grants under this section for safety improvement projects near schools.

(2) To qualify for a matching grant an applicant shall:

(a) Demonstrate that a project fits within the applicable plan developed pursuant to ORS 195.115;

(b) Provide a cash match *[of at least 40 percent of the project's costs]* **in an amount determined under subsection (3) of this section;** and

(c) Provide any other information required by the commission.

(3)(a) **Except as provided in paragraphs (b) and (c) of this subsection, an applicant shall provide a cash match of at least 40 percent of the project's total costs.**

(b) **Incorporated cities with a population not greater than 20,000 shall provide cash matches on the following terms, based on population according to the most recent federal decennial census:**

(A) **An incorporated city with a population not greater than 5,000 may be required to provide a cash match of not greater than:**

(i) **Three percent of project costs of \$100,000 or less.**

(ii) **Five percent of project costs greater than \$100,000.**

(B) **An incorporated city with a population greater than 5,000 but not greater than 7,500 may be required to provide a cash match of not greater than seven percent of the project's costs.**

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

**(C) An incorporated city with a population greater than 7,500 but not greater than 10,000 may be required to provide a cash match of not greater than nine percent of the project's costs.**

**(D) An incorporated city with a population greater than 10,000 but not greater than 20,000 may be required to provide a cash match of not greater than 12 percent of the project's costs.**

**(c)** *[Notwithstanding subsection (2) of this section, by rule,]* The commission may reduce the amount *[the]* an applicant must provide for a cash match.

**(d) Notwithstanding any other provision of law restricting the use of the grant award moneys, incorporated cities with a population not greater than 20,000 may use grant moneys awarded for capital construction or municipal infrastructure for all phases of a funded project in addition to construction, including, but not limited to, engineering, planning and support.**

(4) The commission shall prioritize the expenditure of funds as authorized under this section for projects that are located within a two-mile radius of a school that serves students in prekindergarten, kindergarten or grades 1 through 12, or any combination of those grade levels.

(5) The matching grants shall be used to reduce barriers and hazards to children walking or bicycling to and from school, including but not limited to safety improvement projects that:

- (a) Improve sidewalks;
- (b) Reduce vehicle speeds;
- (c) Improve pedestrian and bicycle crossings; or
- (d) Create or improve bicycle lanes.

(6) The commission may adopt rules specifying the application process and the selection criteria that will be used in awarding matching grants.

**SECTION 2.** ORS 367.082 is amended to read:

367.082. (1) Except as provided in subsection (2) of this section, the Department of Transportation may provide, from moneys in the Connect Oregon Fund established under ORS 367.080, grants for transportation projects to public bodies, as defined in ORS 174.109, and to private entities.

(2) Grants may not be made from the Connect Oregon Fund for transportation projects that could constitutionally be funded by revenues described in Article IX, section 3a, of the Oregon Constitution.

(3) The Department of Transportation shall adopt rules specifying the process by which a public body or private entity may apply for a grant under this section and prescribing the terms and conditions of grants.

**(4) Except as provided in subsection (5) of this section,** an applicant receiving a grant must provide the following amounts:

- (a) For public bodies and private entities, other than Class I railroads, 30 percent of the moneys required for the transportation project.
- (b) For Class I railroads, 50 percent of the moneys required for the transportation project.

**(5)(a) Match amounts for grants for transportation projects awarded to incorporated cities with a population not greater than 20,000 shall be offered as follows, based on population according to the most recent federal decennial census:**

**(A) Incorporated cities with a population not greater than 5,000 may be required to provide match amounts of not greater than:**

- (i) Three percent of the moneys required for a transportation project having a project**

1 cost of \$100,000 or less.

2 (ii) Five percent of the moneys required for a transportation project having a project cost  
3 greater than \$100,000.

4 (B) Incorporated cities with a population greater than 5,000 but not greater than 7,500  
5 may be required to provide match amounts not greater than seven percent of the moneys  
6 required for the transportation project.

7 (C) Incorporated cities with a population greater than 7,500 but not greater than 10,000  
8 may be required to provide match amounts not greater than nine percent of the moneys  
9 required for the transportation project.

10 (D) Incorporated cities with a population greater than 10,000 but not greater than 20,000  
11 may be required to provide match amounts not greater than 12 percent of the moneys re-  
12 quired for the transportation project.

13 (b) Notwithstanding any other provision of law restricting the use of the grant award  
14 moneys, incorporated cities with a population not greater than 20,000 may use grant moneys  
15 awarded for capital construction or municipal infrastructure for all phases of a funded  
16 project in addition to construction, including, but not limited to, engineering, planning and  
17 support.

18 **SECTION 3.** ORS 367.093 is amended to read:

19 367.093. (1) The Department of Transportation shall establish the Multimodal Active Transpor-  
20 tation Program. The department may provide, from moneys in the Multimodal Active Transportation  
21 Fund established under ORS 367.091, grants for transportation projects to public bodies and to pri-  
22 vate entities.

23 (2) The department shall adopt rules specifying the process by which a public body or private  
24 entity may apply for a grant under this section and prescribing the terms and conditions of grants.

25 (3) **Except as provided in subsection (4) of this section,** an applicant receiving a grant must  
26 provide 30 percent of the moneys required for the transportation project.

27 (4)(a) **Match amounts for grants for transportation projects awarded to incorporated**  
28 **cities with a population not greater than 20,000 shall be offered as follows, based on popu-**  
29 **lation according to the most recent federal decennial census:**

30 (A) Incorporated cities with a population not greater than 5,000 may be required to pro-  
31 vide match amounts of not greater than:

32 (i) Three percent of the moneys required for a transportation project having a project  
33 cost of \$100,000 or less.

34 (ii) Five percent of the moneys required for a transportation project having a project cost  
35 greater than \$100,000.

36 (B) Incorporated cities with a population greater than 5,000 but not greater than 7,500  
37 may be required to provide match amounts not greater than seven percent of the moneys  
38 required for the transportation project.

39 (C) Incorporated cities with a population greater than 7,500 but not greater than 10,000  
40 may be required to provide match amounts not greater than nine percent of the moneys  
41 required for the transportation project.

42 (D) Incorporated cities with a population greater than 10,000 but not greater than 20,000  
43 may be required to provide match amounts not greater than 12 percent of the moneys re-  
44 quired for the transportation project.

45 (b) Notwithstanding any other provision of law restricting the use of the grant award

**moneys, incorporated cities with a population not greater than 20,000 may use grant moneys awarded for capital construction or municipal infrastructure for all phases of a funded project in addition to construction, including, but not limited to, engineering, planning and support.**

[(3)] (5) The Oregon Transportation Commission shall select transportation projects to be funded with moneys in the Multimodal Active Transportation Fund. Before selecting bicycle and pedestrian transportation projects, the commission shall solicit recommendations from the advisory committee created by ORS 366.112.

**SECTION 4.** ORS 285B.420 is amended to read:

285B.420. (1)(a) The Oregon Infrastructure Finance Authority may provide financial assistance in the form of loans or grants for a levee project to:

[(a)] (A) Municipalities;

[(b)] (B) Corporations or companies for drainage or flood control organized under ORS chapter 554; and

[(c)] (C) For-profit or nonprofit entities and individuals engaged in the ownership, construction, inspection, accreditation, certification or repair of levees.

**(b) Grants awarded under this section shall be paid from available moneys in the Levee Project Grant Fund established under ORS 285B.421.**

(2) To qualify for financial assistance under this section, the municipality, corporation, company, entity or individual must demonstrate, and the authority must find, that the levee project substantially contributes to the improvement, expansion or repair of the state's or a municipality's infrastructure system and is essential for the use or development of farm, industrial or commercial land in Oregon.

**(3) Grant awards for planning projects are limited to a maximum of \$2 million per applicant per biennium.**

**(4) Except as provided in subsection (5) of this section, a grant may not be awarded unless the applicant pledges matching funds to the project of at least 20 percent of the amount of the grant award.**

**(5)(a) For projects to protect cities with a population not greater than 5,000, applicants may be required to provide matching funds of not greater than:**

**(A) Three percent of the amount of a grant award of \$100,000 or less.**

**(B) Five percent of the amount of a grant award greater than \$100,000.**

**(b) For projects to protect cities with a population greater than 5,000 but not greater than 7,500, applicants may be required to provide matching funds of not greater than seven percent of the amount of the grant award.**

**(c) For projects to protect cities with a population greater than 7,500 but not greater than 10,000, applicants may be required to provide matching funds of not greater than nine percent of the amount of the grant award.**

**(d) For projects to protect cities with a population greater than 10,000 but not greater than 20,000, applicants may be required to provide matching funds of not greater than 12 percent of the amount of the grant award.**

**(e) Population shall be determined according to the most recent federal decennial census.**

**(f) Notwithstanding any other provision of law restricting the use of the grant award moneys, municipalities with a population not greater than 20,000 may use grant moneys awarded for capital construction or municipal infrastructure for all phases of a funded**

1 **project in addition to construction, including, but not limited to, engineering, planning and**  
2 **support.**

3 **(6) At least 60 percent of the dollar value of grants awarded under this section for any**  
4 **biennium shall be used to provide assistance with levee projects to rural or distressed areas**  
5 **as those terms are defined in ORS 285A.010.**

6 [(3)] (7) Levee projects that receive financial assistance under this section are subject to the  
7 provisions and requirements of ORS 285B.410 to 285B.482, if applicable.

8 **SECTION 5.** ORS 285B.421 is amended to read:

9 285B.421. (1) The Levee Project Grant Fund is established in the State Treasury, separate and  
10 distinct from the General Fund. Interest earned by the Levee Project Grant Fund must be credited  
11 to the fund. The Levee Project Grant Fund consists of moneys deposited in the fund under section  
12 33, chapter 671, Oregon Laws 2019, and may include moneys appropriated, allocated, deposited or  
13 transferred to the fund by the Legislative Assembly or otherwise and interest earned on moneys in  
14 the fund.

15 (2) Moneys in the fund are continuously appropriated to the Oregon Business Development De-  
16 partment for the Oregon Infrastructure Finance Authority to provide grants under ORS 285B.420 for  
17 levee projects *[as defined in ORS 285B.410]*.

18 [(3)] *Grants from the fund for planning projects are limited to a maximum of \$2 million per appli-*  
19 *cant per biennium.]*

20 [(4)] *Grants from the fund for construction or capital improvement projects may not exceed an*  
21 *amount equal to 80 percent of the total cost of the project.]*

22 [(5)] *A grant may not be awarded from the fund unless the applicant pledges matching funds to the*  
23 *project of at least 20 percent of the amount of the grant.]*

24 [(6)] *At least 60 percent of the dollar value of grants awarded from the fund in any biennium shall*  
25 *be used to provide assistance with levee projects to rural or distressed areas as those terms are defined*  
26 *in ORS 285A.010.]*

27 **SECTION 6.** ORS 285B.421 is added to and made a part of ORS 285B.410 to 285B.482.

28 **SECTION 7.** (1) **Match requirements for grants for projects described in ORS 390.135**  
29 **(2)(c) to incorporated cities with a population not greater than 20,000 shall be offered on the**  
30 **following terms, based on population according to the most recent federal decennial census:**

31 **(a) Incorporated cities with a population not greater than 5,000 may be required to pro-**  
32 **vide matching funds of not greater than:**

33 **(A) Three percent of a total project cost of \$100,000 or less.**

34 **(B) Five percent of a total project cost greater than \$100,000.**

35 **(b) Incorporated cities with a population greater than 5,000 but not greater than 7,500**  
36 **may be required to provide matching funds of not greater than seven percent of the total**  
37 **project cost.**

38 **(c) Incorporated cities with a population greater than 7,500 but not greater than 10,000**  
39 **may be required to provide matching funds of not greater than nine percent of the total**  
40 **project cost.**

41 **(d) Incorporated cities with a population greater than 10,000 but not greater than 20,000**  
42 **may be required to provide matching funds of not greater than 12 percent of the total project**  
43 **cost.**

44 **(2) Notwithstanding any other provision of law restricting the use of the grant award**  
45 **moneys, incorporated cities with a population not greater than 20,000 may use grant moneys**

1 **awarded for capital construction or municipal infrastructure for all phases of a funded**  
2 **project in addition to construction, including, but not limited to, engineering, planning and**  
3 **support.**

4 **SECTION 8.** ORS 541.561 is amended to read:

5 541.561. (1) The Water Resources Department shall establish a grant program to pay the quali-  
6 fying costs of studies performed to evaluate the feasibility of projects related to:

7 (a) Water conservation.

8 (b) Water reuse.

9 (c) Aquifer recharge.

10 (d) Aquifer storage and recovery.

11 (e) Streamflow protection or restoration.

12 (f) Water storage.

13 (g) Other activities identified by rule by the Water Resources Commission.

14 (2) A grant under this section may be made to:

15 (a) A person, as defined in ORS 536.007.

16 (b) A public body, as defined in ORS 174.109.

17 (c) A federally recognized Indian tribe in Oregon that has members residing on a reservation  
18 or tribal trust lands in Oregon.

19 (d) A nonprofit organization.

20 (3) In lieu of grants, the department may pay the cost of providing direct services, including but  
21 not limited to technical services, for a study that is eligible for a grant under this section.

22 (4) **Except as provided in subsection (5) of this section,** a grant may be provided only if the  
23 amount of the grant is matched by an in-kind or cash cost match of not less than 25 percent of the  
24 grant amount. The commission may establish a maximum per project amount of grant funding that  
25 a project may receive or may increase the cost match for upcoming project cycles based on the  
26 availability of funds.

27 **(5) Matching funds for grants or payments for direct services under this section awarded**  
28 **to incorporated cities with a population not greater than 20,000 shall be offered as follows,**  
29 **based on population according to the most recent federal decennial census:**

30 **(a) Incorporated cities with a population not greater than 5,000 may be required to pro-**  
31 **vide matching funds in an amount not greater than:**

32 **(A) Three percent of a grant or the cost of direct services awarded in an amount of**  
33 **\$100,000 or less.**

34 **(B) Five percent of a grant or the cost of direct services awarded in an amount greater**  
35 **than \$100,000.**

36 **(b) Incorporated cities with a population greater than 5,000 but not greater than 7,500**  
37 **may be required to provide matching funds in an amount not greater than seven percent of**  
38 **the amount of the grant or the cost of direct services awarded.**

39 **(c) Incorporated cities with a population greater than 7,500 but not greater than 10,000**  
40 **may be required to provide matching funds in an amount not greater than nine percent of**  
41 **the amount of the grant or the cost of direct services awarded.**

42 **(d) Incorporated cities with a population greater than 10,000 but not greater than 20,000**  
43 **may be required to provide matching funds in an amount not greater than 12 percent of the**  
44 **amount of the grant or the cost of direct services awarded.**

45 **[(5)] (6) Grants and the cost of direct services provided under this section must be paid from**

1 moneys available in the Water Project Feasibility Fund.

2 [(6)] (7) In evaluating above ground storage projects for awards of grants or payments for direct  
3 services under this section, the department shall give priority to projects that include provisions for  
4 using stored water to augment in-stream flows to conserve, maintain and enhance aquatic life, fish  
5 life or other ecological values.

6 **SECTION 9.** ORS 541.666 is amended to read:

7 541.666. (1) Applications for a loan or grant from the Water Supply Development Account must:

8 (a) Be in a form prescribed by the Water Resources Department.

9 (b) Include any information required by the department.

10 (c) Be filed with the department.

11 (2) The department may require an application to include the following:

12 (a) A description of the need, purpose and nature of the project, including what the applicant  
13 intends to complete and how the applicant intends to proceed.

14 (b) Sufficient information to allow evaluation of the application based upon the public benefit  
15 scoring and ranking of the project.

16 (c) Current contact information for the principal contact, fiscal officer and involved landowners.

17 (d) For applications involving physical changes or monitoring on private land, evidence that  
18 landowners are aware of and agree to the proposal and are aware that monitoring information is a  
19 public record.

20 (e) The location of the proposed project, using public land survey reference points, latitude and  
21 longitude, county, watershed, river and stream mile, if appropriate.

22 (f) An itemized budget for the project, including fiscal and administrative costs.

23 (g) A description of funds, services or materials available to the project.

24 (h) A project schedule, including beginning and completion dates.

25 (i) Any conditions that may affect the completion of the project.

26 (j) A completed feasibility analysis if appropriate.

27 (k) Suggestions for interim and long-term project performance benchmarks.

28 (L) **Except as provided in subsection (3) of this section,** if the application is for a grant,  
29 demonstrated in-kind and cash cost match of not less than 25 percent of the amount of the grant  
30 sought from the account.

31 (m) If the application is for a loan, evidence demonstrating ability to repay the loan and provide  
32 collateral.

33 (n) Letters of support for the proposed project.

34 (o) If required by the department, a description of consultations with affected Indian tribes re-  
35 garding the project.

36 (p) Any other information required by the department.

37 **(3)(a) A cost match for grants sought by incorporated cities with a population not greater**  
38 **than 20,000 shall be required as follows, based on population according to the most recent**  
39 **federal decennial census:**

40 **(A) Incorporated cities with a population not greater than 5,000 may be required to pro-**  
41 **vide a cost match in an amount not greater than:**

42 **(i) Three percent of the amount of a grant sought for \$100,000 or less.**

43 **(ii) Five percent of the amount of a grant sought for more than \$100,000.**

44 **(B) Incorporated cities with a population greater than 5,000 but not greater than 7,500**  
45 **may be required to provide a cost match in an amount not greater than seven percent of the**

1    **amount of the grant sought.**

2        **(C) Incorporated cities with a population greater than 7,500 but not greater than 10,000**  
3    **may be required to provide a cost match in an amount not greater than nine percent of the**  
4    **amount of the grant sought.**

5        **(D) Incorporated cities with a population greater than 10,000 but not greater than 20,000**  
6    **may be required to provide a cost match in an amount not greater than 12 percent of the**  
7    **amount of the grant sought.**

8        **(b) Notwithstanding any other provision of law restricting the use of the grant award**  
9    **moneys, incorporated cities with a population not greater than 20,000 may use grant moneys**  
10   **awarded for capital construction or municipal infrastructure for all phases of a funded**  
11   **project in addition to construction, including, but not limited to, engineering, planning and**  
12   **support.**

13        **SECTION 10. This 2026 Act takes effect on the 91st day after the date on which the 2026**  
14   **regular session of the Eighty-third Legislative Assembly adjourns sine die.**