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To: Senator Betsy Johnson and Representative David Gomberg, Co-Chairs;
Members of the Joint Ways and Means Subcommittee on Transportation and Economic
Development

Re: Support for Business Oregon Budget, HB 5025

From: Wendy Johnson, League of Oregon Cities

The League of Oregon Cities supports an increase in the overall Business Oregon budget—and specifically applauds several proposals within the agency budget. Cities are the economic engines of the state, and the agency budget recognizes the importance of intergovernmental cooperation between the state and cities in economic development efforts. Now is the time to continue to invest in economic development to keep Oregon on the economic growth trajectory. Importantly, the proposed biennial budget recognizes the differing needs of rural and urban Oregon.

This biennium's proposed budget has an emphasis in investing in infrastructure that supports immediate rural job growth and economic development. The agency's programs that provide grants and loans incentives for infrastructure should translate to significant returns on investment in both our large cities and small cities, moving the whole state forward. The proposed agency budget brings real lifelines to struggling cities and communities to assist their growth and the League supports this focus.

Specifically, the League supports the following Business Oregon proposals in the agency's Infrastructure Finance Authority, which are very important for the state as a whole and to cities in particular:

Special Public Works Funds (SPWF) Recapitalization (Policy Option Package 103)

SPWF funds provide grants and loans for infrastructure projects (e.g. water, wastewater, port, roads, rail, emergency services, airports) that support economic and community development. Disadvantaged communities may borrow at below-market rates through this fund. This primarily loan program provides crucial funding for communities; the need is great and the resources are small. Much of Oregon's infrastructure is approximately 70 years old and is failing-- upgrades are greatly needed. **Thus, we strongly encourage fully funding this package at the**

Governor's recommended \$50 million package. Last biennium the fund was recapitalized at only \$18 million. Just in FY 2016, nearly \$39 million was committed for 23 projects. Without critical infrastructure repair and upgrades, businesses also cannot grow.

- Special Works Recapitalization (undesignated), \$40 million
- Levee Funding (designated), \$10 million

Regional Solutions

The Governor's budget recommends \$11 million of lottery revenue bond proceeds for regional solutions projects in 2017-19. Business Oregon will now manage the Regional Solutions project funding and cities participate actively in the Regional Solutions program. The League supports this funding as it makes possible crucial public-private partnership projects on high priority economic development needs. **Full funding at \$11 million is strongly encouraged as this money is spread over the state's 11 regions.**

Water/Waste Water Fund

This fund provides loans and grants to help assist public entities comply with the Safe Drinking Water Act and the Clean Water Act. The money can be used for technical assistance, design, and construction. Grants have a cap of \$750,000. **This fund is crucial to provide safe drinking water, address failing systems, etc. to communities that could not otherwise finance such projects.** The League conducted a water infrastructure needs survey in 2016. Needs are primarily for water and wastewater treatment plants and new, above ground water storage projects. **Total infrastructure needs identified in the study were \$7.6 billion.** We cannot afford delay investing infrastructure as the costs are only going to continue to increase. **Thus, the League supports increasing funding for water projects as much as possible.**

Safe Drinking Water Fund

This is a state and federal program that helps build or improve drinking water systems to meet regulations. Funds can be used for planning, design, engineering, and construction. Grants and loans were used for 33 projects in FY 2016 at \$44 million. **Like the Water/Waste Water Fund, continued investment now is crucial to the health and economic development of our communities.**

Conclusion:

While funding for infrastructure and economic development needs of Oregon cities far exceed the funding levels requested, we believe the programs and investments highlighted above as well as others in the agency budget represent programs that will indeed provide a significant return on investment and reflect the desired state commitment to core economic development and infrastructure. The League of Oregon Cities urges your support for the Governor's recommended budget for Business Oregon (OBDD).