*Connect*Oregon: Support for Traditional Grant and Loan Infrastructure Program

Background: In the late 1980s, the American Society of Civil Engineers (ASCE) began compiling an **Infrastructure Report Card** highlighting deficiencies and deterioration of infrastructure across the U.S. in specific categories. The 2005 ASCE report card showed D (poor condition) in nearly every classification, and the estimated cost on a national basis for infrastructure renewal was more than $1.6 trillion. The 2013 ASCE report card shows the national grade has improved slightly to D+, but the cost to further improve and rehabilitate infrastructure across the nation has increased to $3.6 trillion.

In 2005 the Oregon Legislature created the Multimodal Transportation Fund, known as ***Connect*Oregon**, to invest public funds in aviation, marine, rail and public transit infrastructure across Oregon to promote economic development.

- *Connect*Oregon has become a **national model** for public-private partnerships, and has proven to be an innovative infrastructure investment program for the state. It has helped insure that public fund investments and leveraged private-sector participation result in overall benefit to Oregon's multimodal transportation system and the state's critical traded-sector economy.
- In the four *Connect*Oregon cycles since 2005, 203 projects received $340 million, while leveraging $494 million in **additional infrastructure investment**. The program has increased the viability of Oregon's multimodal transportation system and encouraged increased domestic and international commerce that provides greater opportunities for Oregon businesses.
- *Connect*Oregon grants awarded to many public agencies have been necessary to rehabilitate infrastructure needed to sustain commercial activities or transit services in a community or region. While **job creation** will always be important, in challenging economic times **job retention** tied to **infrastructure preservation** needed to insure future system capacity is the reality.
- The Oregon Department of Transportation utilizes a **thorough application and review process**. It stresses accountability by requiring *Connect*Oregon applicants to provide extensive documentation and defensible engineering and financial data to support the need and benefits of projects. Initial eligibility reviews insure that both public and private sector applicants meet the stringent program requirements, demonstrating fiscal responsibility and financial capacity.
- **Application Review**: All *Connect*Oregon applications are subject to modal committee review by competent and knowledgeable professionals who understand the needs and demands of the modal system and are dedicated to protecting the integrity of the program. The Area Commissions on Transportation (ACTs) and "Super ACTs" provide a regional perspective on the need and viability of projects. A Final Review Committee can mediate and facilitate differences that might arise between the rankings of modal committees and the ACTs/Super ACTs. Ultimately the Oregon Transportation Commission makes the final decision on the public fund investments that truly improve transportation infrastructure and support increased trade and commerce in the state.
- **Project Accountability:** Projects are monitored regularly and frequently as they progress through both applicant reports and on-the-ground auditing.

SUPPORT FOR THE EXISTING GRANTS AND LOANS PROGRAM – Senate Bill (SB) 260: The traditional program found in SB 260 allows for grants and loans, and provides flexibility for all types of projects.

Converting *Connect*Oregon to a "forgivable loan" program will seriously limit the viability and utility of *Connect*Oregon for both public and private applicants. Infrastructure is expensive. Timely completion and the ability to meet performance requirements are not always certain in any type of infrastructure development or rehabilitation.

- Even if a loan is "forgivable," private-sector businesses must enter the transaction on the company balance sheet as a liability until it is fully forgiven, and it would be secured by a recorded document as a loan ... not a grant.
- This has a **chilling effect,** particularly on a small business when it needs to seek additional funding from private-sector lenders.
- For public and private projects involving entities which have few or no funds and need a grant, they must consider the possibility of not having the loan forgiven if all criteria are not met, and may not apply as a result of that liability.
- Public entities currently face financial challenges in simply paying for preliminary engineering and design and providing required cost-shares, while still meeting other public service demands. And it is nearly impossible for public entities to secure conventional financing for infrastructure. **The risks of not meeting the criteria of a "forgivable loan" as a project moves forward far outweigh the benefits of accessing public infrastructure investments.**
- Private-sector applicants often are able to **leverage significant additional investment through the financial incentive of a *Connect*Oregon grant**; however the uncertainty of meeting all of the terms of a "forgivable loan" and showing such a "loan" on a balance sheet negates the overall benefit of having a *Connect*Oregon grant serve as an incentive for other private-sector investment. For example, removing incentives for Class I rail to increase its capital investment in Oregon may have a dampening effect on both freight and passenger rail service.

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