*Connect*Oregon: Grants vs. Loans

Infrastructure for alternative transportation is very expensive, and very important to Oregon's economic vitality. ODOT's recent report on *Connect*Oregon to the legislature says:

> "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."

The lending environment for private business has been horrible in recent times. Well run companies that have never been late on a payment or have never misbehaved, have suffered the following:

- their credit lines slashed by 70%,
- interest rates doubled, and
- loans modified without prior consultation.

Lenders do not always understand nor support wise, long-term business decisions in regard to infrastructure. Generally speaking, lenders want zero risk, quick payback, and high return on investment.

In the words of a private business who received ConnectOregon grant funds:

> "ConnectOregon III grant funding provided us the opportunity to do a project today that would have waited until we had a customer in hand and under contract. Because we had ConnectOregon III, we were able to show customers that we are indeed moving forward…and they moved to us.
>
> "As a result, we have had extraordinary job growth, and the multiplier effect to our customers is more than a hundred-fold….all because we were moving forward. We have eliminated many thousands of truck trips, thereby keeping the environment cleaner by use of rail as well as fuel savings."

Most *Connect*Oregon projects are for infrastructure projects that may not have immediate payback. Good, solid infrastructure that will benefit Oregon for decades to come will likely not meet the litmus test of lenders today.

For example:

- A rail siding in Sherman County that may only be lightly used today, but which positions the region for exports and imports in 2020 and beyond, would not qualify for a business loan.
- Port dock improvements in Florence which nurture the crabbing fleet would not stand the scrutiny of a banker…yet might increase the port use by 200 % over the next three years.
- An airplane de-icing system would not meet lending criteria, but it anchors a dozen airlines to Oregon.
- Repowering the dredge that keeps the Columbia River navigable would not pass muster with lenders.

There is a litany of similar ConnectOregon projects that improve the flow of commerce, build critical infrastructure, and provide intermodal connectivity that commercial lenders would not touch because they demand immediate return on investment.

Loans complicate and hinder day-to-day operations, whether from the state or commercial lenders. Here is an example:

- Even if an entity can find business loans for operating lines of credit, lenders count against those operating lines and loans for infrastructure.
- A company moving chemicals into the region by rail and distributing by truck to the high-tech Silicon industries, would have its credit line reduced by millions to reflect a loan for infrastructure.
- With slow pay and credit management issues, said company may need to have $3mm to $4mm in a line of credit to ensure product delivery.
- The firm may have worked with a $4mm line of credit for a dozen years. Add a $1.2MM infrastructure loan that the lenders will deduct from the operating credit lines…and the firm may no longer be able to fund monthly operations.

Grants resolve the questions above and they improve the visibility of the receiving firm in the eyes of lenders.

Making *Connect*Oregon into a loan program will have devastating effects on those best positioned to invest in Oregon and who can create new opportunity and new jobs. We doubt that loans will be utilized. Many smaller ConnectOregon recipients cannot handle a loan. For those who can, money is available now at very low interest rates in the private financial markets, without the red tape created by the *Connect*Oregon process.

The best way to kill *Connect*Oregon is make it a loan program for municipalities only. That might provide for deferred maintenance and create a few temporary jobs in construction, but will not help create real new opportunities for our children.

The current structure of *Connect*Oregon has produced solid economic benefits for Oregon. The most recent report from ODOT can be downloaded through the home page at: http://www.oregon.gov/ODOT/TD/TP/pages/connector.aspx . Here is an excerpt:

ECONOMIC BENEFITS

*Connect*Oregon staff (ODOT Economist and Oregon Business Development Department staff) performed an Economic Benefits Review for each *Connect*Oregon application. As part of the Economic Benefits Review staff developed and measured short-term job creation utilizing industry accepted jobs multipliers based on total project costs. For all *Connect*Oregon programs approximately 8,800 construction related jobs are attributable to *Connect*Oregon funds expended.

Projects also produce economic benefits through induced jobs, improved business opportunities and flow of commerce, and increased access to regional, national, and international markets.

*Connect*Oregon funding is economic development is an economic development program that is real and produces projects that have long term impacts. The dollars fund improvements that will last for decades. Please be very sensitive to what any changes may mean in terms of actual effects, and keep the vitality of this program alive!

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