

2021 Legislative Session

Uncharted Territory Ahead

By Jim McCauley, LOC Legislative Director

Lobbying efforts after the 2020 short session were literally flipped upside down due to the world-wide Coronavirus pandemic. For the LOC's intergovernmental relations team, along with much of the LOC staff and city leaders statewide, the pandemic response has been a 24-7 overlay on our legislative focus. Our efforts throughout the spring were focused on identifying needs of cities across Oregon following a series of executive orders issued by Governor Brown to control the spread of COVID-19 and respond to the public health emergency. Since the pandemic took hold in Oregon, there have been 54 executive orders, 10 Emergency Board hearings, two special sessions, and two line-item vetoes by the governor. These numbers illustrate the extent of decision making that has occurred during this crisis, and the mechanisms used by leadership for determining funding priorities, policy direction, and overall response to COVID-19. While the Legislature is set to convene its next regular legislative session at the end of January 2021, we fully expect additional emergency board hearings and the possibility of another special session before the end of 2020 as the state works to respond to the late season wildfires, while also making sure all federal pass-through funding, via the Coronavirus Relief Fund, is spent before the end of the year.

Throughout this spring, the LOC's seven policy committees met remotely to identify policy recommendations. Twenty-six policy recommendations were compiled on a ballot that was forwarded in June to the full LOC membership. Each city was asked to identify which of the 26 policies were a top priority.

Based on the voting and approval by the LOC Board in August, six legislative priorities will be the focus of the LOC advocacy efforts in 2021. In addition, the LOC Board added a seventh priority at its October meeting related to disaster relief and recovery. To this end, the LOC will be supporting legislation that improves recovery and rebuilding efforts in response to recent wildfires and other disasters, such as floods. The final seven legislative priorities are detailed in the following pages to provide greater detail on the specific issue behind each and the LOC's position on that issue.

In addition to the seven legislative priorities, the LOC Board adopted an overarching organizational priority that will be a focus for both grassroots advocacy between cities and their respective legislators and for the LOC's advocacy team to use as a key message with legislative leadership and the governor's office. The purpose of this organizational priority is to make it clear to the state that cities play an integral role in providing critical core services to our citizens—but are being too asked to do more with fewer resources. We have seen unfunded mandates, attacks on local revenues, and preemption of local control in past legislative sessions. Many cities are facing significant budget challenges that have been exacerbated by recent events, but the need for critical core service delivery remains, and is even more important due to these unprecedented times. The LOC is urging the state to partner with us and, more importantly, to avoid legislation that could further diminish a city's ability to meet core service delivery and address the challenges of city budgets. As

part of this organizational priority, the LOC team will be communicating the following specific principles:

- **Avoid Unfunded Mandates.** In past years, and as a result of legislative action, cities have been inundated with mandates that require additional resources to implement new programs or work without the necessary funding to support these new programs and workload. As a result, city resources are shifted away from important core service delivery.
- **Preserve Local Decision-Making and Problem-Solving Authority.** Local control and decision-making remain core functions of local government and must be preserved in order to most effectively address challenges that Oregonians face. What works in one city may not work in another. While cities often experience similar overall challenges, the factors that drive those challenges are often unique, and, as a result, solutions should be tailored to address the unique aspects of each community.
- **Preserve Local Revenue Streams.** Only a few tools are available for cities when it comes to funding essential, local services. It's critical that cities remain in control of finite resources from state shared revenues, franchise/right-of-way fees, lodging taxes, system development charges, rate revenues and property taxes. These revenue streams should be preserved at all costs. Cuts or limitations to these revenue resources represent cuts to the core services that our citizens rely on and expect.
- **Serve in a Supportive Role to Provide Local Tools and Resources.** We ask the state to partner with us to recognize the budget realities and constraints of local governments, and to work with us to identify opportunities for targeted investments and tools to address needs at the local level. The cost of providing services has increased, and revenues have not kept pace.
- **Avoid Shifting Additional Costs onto Local Government Partners.** Decreased general fund and lottery revenues could result in further shifting of state programmatic costs onto local governments. This includes programmatic and agency funding that currently relies on a split of general fund and fees that may be paid by local governments. Any increase in fees to support state programs should be accompanied by an equitable increase in general fund investment. Increased costs to local governments mean increased costs for our citizens, or further cuts to the services they rely on.

The most important resource LOC member cities can provide is grassroots advocacy and communication outreach with state elected leaders in your communities. It is critical that you continue efforts to reach out to legislators and focus on educating them about your city's priorities along with the LOC's work for 2021. Your past communication efforts have slowed the legislative decision-making process, opened opportunities to either fix poor legislation, or stop efforts in their path. The LOC's advocacy team will need this kind of effort in advance of the 2021 session, and certainly during legislative deliberations that are expected when the Legislature convenes for the 2021 session. ■



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1 Mental Health Service Delivery

While the measurements are subjective and not in general agreement, most surveys of behavioral health and alcohol and drug addiction service availability place Oregon near or at the bottom of national rankings. As a result, Oregon ranks third in the nation for [alcohol-related deaths](#), and above the national average in [suicides](#). Anecdotally, most police chiefs that have participated in LOC conversations on this topic report a growing number of calls for service stemming from people in mental health crisis. The COVID-19 pandemic has exacerbated some of these issues, with the Portland Police Bureau reporting a 41% increase in suicide related calls (including attempts and threats) compared to this time last year.

To address this ongoing crisis, the LOC, through its General Government Committee and a vote of its membership, proposes the following objectives to improve behavioral health service delivery:

- **Investment:** The state of Oregon has never invested sufficiently in behavioral health services. The LOC will work to ensure that Oregon appropriates sufficient funds in the various agencies that provide behavioral and A&D services.
- **Decriminalize Mental Health:** Currently, there is not enough bed capacity to accommodate every person in a

mental health crisis that presents a danger to themselves or others. A priority for the LOC will be diverting mentally ill persons away from jail and into treatment beds or respite care.

- **Alcohol Availability:** Oregon sells beverages through the Oregon Liquor Control Commission for as low as \$6.39 for 750 ml of 80 proof products. Additionally, high alcohol malt beverages and fortified wine are available at low prices in grocery and convenience stores. A minimum price for an International Unit (IU) of alcohol (8 grams of pure spirit) should reflect the cost public agencies incur from alcohol-related public health and safety expenses. Reasonably increasing the price will result in decreased consumptions and increase resources to cities and other service providers.
- **Mental Health Parity:** While Oregon does require health insurers to provide mental health parity in their coverage, meaning that it should be treated differently than physical health needs, implementation of the law remains a problem. Persons with mental health needs who have coverage continue to have challenges getting treatment approved. The LOC will work with providers to provide greater access to treatment by ensuring true parity.



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2 COVID-19 Economic Recovery Investments

Priority

The LOC will advocate for continued economic recovery strategies and investments for small business and workforce assistance in response to the economic impacts of the COVID-19 pandemic. Cities have been on the front-line of the economic response to the pandemic, standing up programs for small business assistance and economic support for affected workers. Many cities have little or no ability to help residents due to COVID-19 related revenue losses (lodging tax, gas tax, park fees, development fees, parking fees, utility charges, and so on). City elected officials know the needs of their individual communities and want to partner with the state in helping our residents through this difficult time, but need resources.

Background

The COVID-19 pandemic has had a devastating impact on Oregon's small businesses and workforce. While the federal government and the state have made investments to support small business and their workers, more resources will be needed to support long-term economic recovery for Oregon's communities. The largest federal program for business support was the Paycheck Protection Program, and while 66,000 Oregon businesses were able to access these funds, the program was only intended to cover eight weeks of limited expenses. Unemployed workers received an additional \$600 in weekly unemployment benefits, but those supplemental benefits only lasted through the end of July. Despite significant gains since unemployment peaked at 14% in April, about 7.5% of Oregonians were still unemployed as of the September revenue forecast. Lower income workers have been disproportionately affected, and this is likely to be exacerbated going into the winter if there is a second wave of infections that leads to additional business closures.

Desired Outcome

The LOC will continue to work in coordination with the business community and state and local economic development partners to advocate for long-term recovery and economic development support. This is likely to take several forms:

- Cities will need additional resources as federal Coronavirus Relief Fund monies and state matching programs will be exhausted by the end of the year. The LOC will work to make sure new resources allow for flexibility so cities can get the funds where they are needed most.
- Existing business incentive programs may need modification to reflect new economic realities. One example is the enterprise zone program, which will likely need allowances to prevent businesses that have suffered COVID-19 related employment losses from being disqualified from the program.
- Displaced workers will need continued assistance, and the LOC will support programs at both the state and local level to assist residents with necessities including food, housing, and utility assistance.



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3 Comprehensive Infrastructure Package

Infrastructure investment can play an important role in overall economic recovery, revitalization and job creation. City needs for infrastructure investment have continued to increase over the course of many decades, and the cost of infrastructure projects has increased as well. This has resulted in a backlog of critical infrastructure maintenance and improvements that are necessary to ensure ongoing community livability, and to support expanded capacity resulting from population growth and higher density housing options. Cities, especially those with smaller populations, simply can't afford to fund needed infrastructure investments alone. Historically, the LOC has worked with the state to ensure investments in infrastructure result in family-wage jobs, fair labor standards and important environmental protections. And while these shared values are important to preserve, we are finding that increased costs

associated with some projects mean that some communities will simply be unable to afford to make investments in infrastructure on their own.

In order to better address this ongoing need and opportunity for economic recovery, the LOC will advocate for an increase in the state's investment in key infrastructure funding sources, including, but not limited to, the Special Public Works Fund (SPWF), the Brownfield Redevelopment Fund, and the Regionally Significant Industrial Site loan program. The LOC's advocacy will include seeking an investment and set-aside through the SPWF for seismic resilience planning and related infrastructure improvements that will help make Oregon water and wastewater systems more resilient.

In addition, the LOC will focus on targeted investments to support the following infrastructure needs:



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Broadband Infrastructure

The deployment of broadband and telecommunications networks and services (public and/or private) throughout Oregon is critical to economic development, education, health and safety and the ability of residents to be linked to their governments. It is estimated that 5% of Oregon's population (about 200,000 Oregonians) does not have access to broadband. A significant barrier to the deployment of broadband infrastructure is funding. Cities need additional funding and support from various sources, including the state and federal government, allocated for increased or new, reliable, low latency broadband infrastructure that reaches speeds of at least 25 Mbps download and 3 Mbps upload or any updated speed standards as adopted by the FCC. Fiber broadband connections will be the backbone of newer technology, so it must be invested in now so that the digital divide is not exacerbated, and areas without a broadband connection do not continue to be left behind.

Additionally, the LOC will work to increase the state technical assistance programs and resources available to cities on broadband planning. Many federal grant programs require localities to have a broadband strategic plan in place before they are eligible for funds. In 2019, HB 2173 created the Oregon Broadband Office within Business Oregon. This office is charged with developing broadband investment and deployment strategies for underserved areas, promoting public-private partnerships, supporting local broadband planning, advocating for policies that remove barriers to broadband deployment, and helping communities access federal and state funds. However, the Oregon Broadband Office is staffed by one person. Additional investment in staffing resources for this office would help provide cities with broadband technical assistance that is needed.

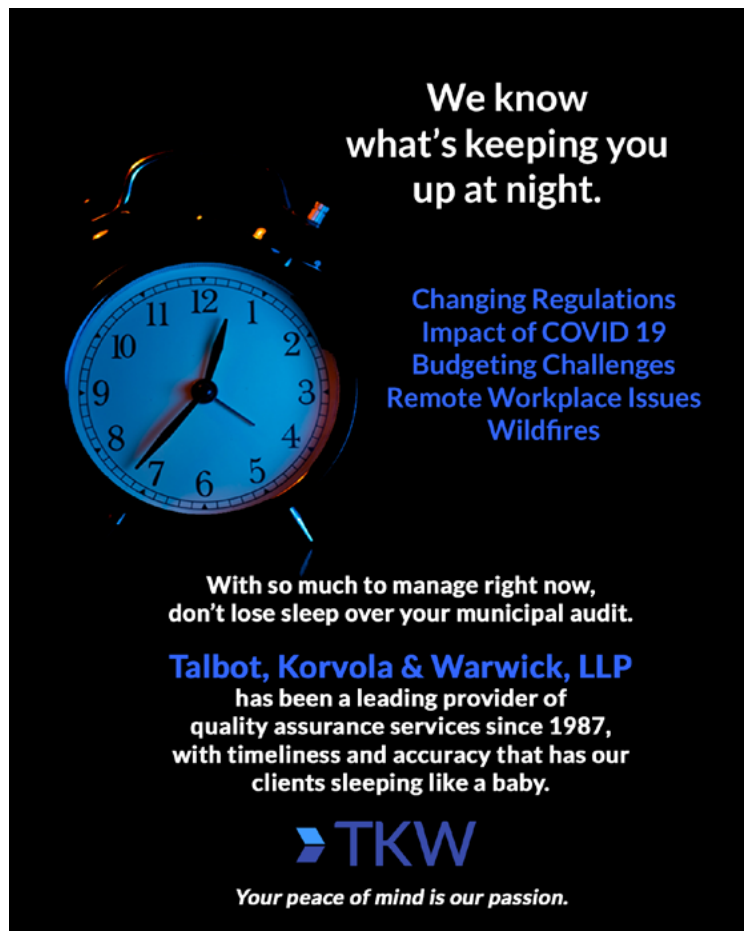
Long-Term Transportation Infrastructure Funding

The LOC will be supporting opportunities for expanded transportation investment related to projects and policy choices that increase resources available to local governments. With the passage of the \$5.3 billion transportation package during the 2017 session, Oregon's State Highway Fund has continued to grow as the Legislature nears its full revenue implementation in 2024. This has meant additional funding for local governments, with a distribution formula that is split 50-30-20 between the state, counties, and cities. The additional \$5 million small city allotment program for cities with a population less than 5,000 has provided important funding for local projects.

Drinking Water & Water Quality Investments

In 2016, the LOC surveyed its membership to better understand infrastructure needs associated with the provision of drinking water, wastewater and stormwater services. That survey, which will be updated in late 2020, identified more than \$7.6 billion in overall need for water-related infrastructure. The survey showed that Oregon's cities were facing unrealistic funding scenarios, with per capita needs ranging from \$2,500 in larger cities to \$10,600 for smaller cities.

The LOC will pursue additional funding through the state's Special Public Works Fund, which provides assistance through Business Oregon for a variety of public infrastructure needs, and will explore state bonding capacity opportunities for water-specific infrastructure needs. In addition, the LOC will pursue targeted grant funding assistance that will benefit smaller communities. This includes additional funding to conduct rate studies, feasibility studies and funding to help communities comply with new regulatory requirements.



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4 Property Tax Reform

Priority

Systemic reform of the state's property tax system has been a longstanding priority for the LOC, and 2021 will again see us advocating in this area. As part of the Legislature's work in 2019, we saw passage of the Corporate Activities Tax, which will bring a significant new funding source for schools and take pressure off the state budget. Local budgetary challenges persist, and the Legislature must now refer a constitutional measure to voters to allow cities and other local governments to adequately fund the services that residents demand. The LOC is not seeking property tax revenue increases from the Legislature for cities or other local government taxing districts. That must remain a local choice for local elected officials and voters, as each community across the state has different needs and revenue circumstances. Instead, the LOC's priority is to ask the Legislature for reforms to the property tax system that would reestablish tax fairness and allow local governments to make real tax choices again. The current caps, permanent rates and growth limits have hamstrung communities arbitrarily. The result has been more city fees, deferred maintenance, and service cuts because cost increases are outpacing revenues. The limits of Measures 5 and 50 on the property tax system simply do not allow cities to work effectively. The LOC will ask the Legislature for reform to allow the property tax system to work again.

Background

Property taxes are the largest source of revenue for cities, with \$1.51 billion imposed in FY 2019-20. Property taxes play a vital role in funding capital projects and the essential services that cities provide, including police, fire, roads, parks and more. They are also a key revenue source for counties, special districts, and school districts. Property tax revenues have been outpaced by rising costs due to the harsh limits and restrictions on the property tax system. This system is broken and in need of repair due to Measures 5

and 50, which are both now more than 20 years old. The tale of two houses (and two businesses) is the norm—this is the phenomenon of two properties with similar values having widely disparate tax bills. Compression is also the norm for most taxing districts—this is the phenomenon of voters approving tax increases, but the tax bill getting reduced due to Measure 5 limits.

Desired Outcome

The LOC will take a leadership role in forming coalitions with the business community and other local government partners to help draft and advocate for both comprehensive and incremental property tax reform option packages that are consistent with principles adopted by its board of directors. The LOC will remain flexible to support all legislation that improves the system, with a focus on a property tax package that includes, but may not be limited to these elements:

- To restore local choice, a system that allows voters to adopt tax levies and establish tax rates outside of current limits and not subject to compression (requires constitutional referral).
- To achieve equity, a system that has taxpayers' relative share tied to the value of their property, rather than the complex and increasingly arbitrary valuation system based on assessed value from Measure 50 (requires constitutional referral).
- To enhance fairness and adequacy, a system that makes various statutory changes, some of which would adjust the impact of the above changes. For example, as a part of comprehensive reform the LOC supports a new reasonable homestead exemption (percentage of Real Market Value with a cap) but also supports limiting or repealing various property tax exemptions that do not have a reasonable return on investment.

5 Housing and Services Investment

Priority

The LOC will support increased investments for affordable housing, homeless assistance, and related services, including funding for: shelter, homeless services, case management, rent assistance, the development and preservation of affordable housing, and permanent supportive housing.

Background

Cities large and small were facing escalating rates of homelessness well before the COVID-19 pandemic began and wildfires damaged multiple communities. The resulting loss of homes and continuing economic downturn will only increase the number of Oregonians facing eviction or experiencing homelessness. State general fund programs like the Emergency Housing Assistance (EHA) program and State Homeless Assistance Program (SHAP) have seen record investments in previous legislative sessions, and significant resources have recently been dedicated to housing and shelter in response to COVID-19 and wildfire. Meanwhile, Oregon's lack of available housing, high rents and high home prices continue to cause housing instability and challenge communities' ability to thrive.

The Legislature has also made record investments to fund the LIFT affordable housing development program and

preserve Oregon's existing affordable housing infrastructure. Permanent Supportive Housing is a key strategy for ending chronic homelessness that reduces downstream costs to public systems like public safety, emergency health care and corrections. The 2019 Legislature invested over \$50M to stand up a three-pronged permanent supportive housing program that includes:

- Development costs to build;
- Rent assistance to keep units deeply affordable; and
- Wrap-around services that are key to ensuring residents' long-term stability.

The state should continue investing in this model to bring more Permanent Supportive Housing across the state and ensure that the housing developed with the original \$50M continues to receive the necessary ongoing funding for rent assistance and supportive services.

Desired Outcome

Recognizing that there is no single solution to solving Oregon's housing challenges, the LOC will advocate for additional state resources across the housing spectrum to address the most pressing housing issues facing Oregon today.



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6 Water Utility Rate and Fund Assistance

In response to economic impacts associated with the spread of COVID-19, many of Oregon's drinking water and wastewater utility providers have offered additional assistance to ratepayers. Water utility providers, for example, temporarily ceased water service shut-offs (disconnections) for nonpayment or past due bill collection.

However, impacts associated with residential ratepayer revenue losses and decreased water consumption from businesses that have either closed or limited operations has resulted in concerning revenue and budgetary impacts for many Oregon water and sewer utility providers. Some of these utilities have outstanding debt from prior infrastructure investments, and have expressed concerns that reductions in revenue may impact their ability to make required debt payments in the future.

In addition, the economic hardships that are being experienced by many Oregonians, especially in low-income and minority communities, will be ongoing—highlighting the need for additional ratepayer assistance investments that

focus on equity and Oregon's most vulnerable populations. Prior to COVID-19, water and sewer affordability has been an issue and concern for many cities and for ratepayers. While there are state and federally-funded low-income assistance and weatherization programs for home heating, there are no state or federally funded programs for water or sewer assistance. Many local governments have local low-income assistance programs, but the funding that is necessary to support those programs comes from ratepayer dollars. As a result, many cities feel limited to increase investments in ratepayer assistance programs, as this will only result in additional rate increases, potentially worsening the affordability challenge.

The LOC will work to identify funding for water utility ratepayer assistance and will work to establish a framework for the distribution of funds. In addition, the LOC will seek to ensure that any assistance programs are targeted to acknowledge existing inequities, especially for Black, Indigenous, other communities of color and for rural Oregonians.



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7 Responding to Natural Disasters

Priority

The League will advocate for adequate resources from state and federal sources to respond to recent and future impacts of natural disasters in communities.

Background

The full impacts of the late season wildfires will have long-lasting impacts in communities throughout Oregon. While the initiative to recognize the importance of supporting communities devastated by wildfire, fire was not the only natural disaster identified or experienced by communities in Oregon. Flooding has presented challenges to communities in Oregon ranging from coastal cities such as Tillamook, the mid-Willamette Valley, and in 2018 and 2019 floods along the Grande Ronde and Umatilla rivers threatened many communities from La Grande, Pendleton, Milton-Freewater, and Hermiston.

LOC will advocate on behalf of impacted communities for legislation that provides additional resources, efficiency

in recovery and rebuilding efforts, support of long-term economic recovery efforts, budgetary flexibility, and re-investment in infrastructure lost due to wildfire, floods and other natural disasters.

Desired Outcome

Investments in infrastructure upgrades, repairs and resiliency will help rebuild communities, better ensure equity and access to critical services, protect public health and the environment, improve community resiliency and promote economic recovery. LOC is hopeful through our advocacy we can provide additional tools and support existing programs that allow communities to rebuild and reduce the impacts and risk of natural disasters.

******The LOC board approved the addition of Responding to Natural Disasters as a legislative priority for the 2021 session at the October board meeting.



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