

April 17, 2023

To: Co-Chairs Ways & Means Committee

Re: League of Oregon Cities Budget Priorities



Oregon's 241 cities continue to work tirelessly on a range of challenges in their local communities. These efforts have included: standing up programs during the pandemic to respond to the homeless crisis; diligent use of federal funding to maintain core service delivery; prioritizing local funding from limited revenue sources; and dealing with a range of unfunded mandates from the state Legislature. Cities continue facing a combination of legislative policies that reduce property tax revenue, which is not keeping up with inflation. Cities also face new and more challenging legislative mandates, and legislative action that limits local decision-making authority over the use of local revenue.

In the LOC's 2022 State of the Cities report, 37% of the cities surveyed expected current revenue sources to fall short of current service levels over the next two years. Most of these communities have a population greater than 3,200 residents. Please keep in mind: this survey was conducted in 2021, and we fully expect this percentage to significantly increase given the impacts of inflation on projects at the local level, along with mostly depleted Coronavirus Relief Funds (CRF), which played a critical role in stabilizing services in some communities.

The following budget requests have been prioritized by the LOC and align with the 2023 legislative priorities that were developed in collaboration with our member cities and endorsed by the LOC's Board of Directors. Cities want to be the state's partner in addressing these issues, and the following resources will position cities to respond better to the needs of our shared constituents.

Infrastructure Financing and Resilience and Funding for Critical Infrastructure for Needed Housing

The LOC supports efforts that prioritize the use of existing programs and build upon an increase in the state's investment in key community level infrastructure funding sources. State support for funding infrastructure and providing incentives could improve options to increase affordable housing options.

SPECIAL PUBLIC WORKS FUND

Budget Request: \$100 million – SPWF

Oregon's infrastructure needs are known and rising. LOC's survey identified a statewide estimate of \$23 billion in water infrastructure needs over the next 20 years. The Governor's Recommended Budget requests \$75 million to recapitalize the Special Public Works Fund (SPWF); however, Oregon's need far exceeds this amount of funding.

Passage of the *Infrastructure Investment and Jobs Act* (IIJA) represented a strong step in the right direction in terms of the federal government reinvesting in water and wastewater infrastructure. However, the federal cost share has declined from nearly 70% in 1977 to below 10% today.

Prioritizing the use of existing programs like the Special Public Works Fund (SPWF) and recapitalizing up to \$125 million per year will help communities across the state with critical infrastructure projects. The extent to which the state recapitalizes this program will determine

financing of loans to municipalities for construction and improvement of water, wastewater, and other local infrastructure projects. We recommend recapitalization of the Special Public Works Fund to \$125 (\$50 million over GRB) to close the gap on Oregon's \$23 billion in water infrastructure needs in the next 20 years.

Local Funding to Address Homelessness

Cities are on the front lines of Oregon's homeless crisis, yet the needed response exceeds any one city's individual capacity. Last fall, the Oregon Mayors Association (OMA) proposed a collaborative partnership between the state and its 241 cities to humanely, equitably, and rapidly tackle this state's largest humanitarian crisis to date.

The [OMA proposal](#) is a partnership between the State of Oregon and its 241 cities. This partnership will allow for the establishment and expansion of local, community-based responses that provide immediate shelter, needed services, and secure safety for unhoused Oregonians. The plan has two components:

OMA Proposal

Budget Request: \$193.5 million (\$123.5 million general fund (annual); \$170 million – capital construction)

- An annual, direct allocation of funding, totaling approximately \$123.5 million, to cities for homelessness response and prevention services; and
- A package that provides capital improvement funding of approximately \$170 million for cities to use to build shelters, affordable housing, hygiene stations, safe sleep sites, navigation centers, and food banks.

Water and Sewer Ratepayer Assistance Fund

Budget Request: \$15 million – PDW & SRAF

Prioritizing the use of existing programs, we recommend \$15 million to fund the continuation of Public Drinking Water and Sewer Ratepayer Assistance Fund (PDW & SRAF). This would direct Oregon Housing and Community Services to provide grants from the fund to qualified organizations to distribute water and sewer bill payment assistance to low-income residential households.

Utility costs are a significant component of the overall cost of housing, meaning that the ability to pay for water and sewer service is critical to housing stability.

Community Resiliency & Wildfire Planning

Oregon continues to face challenges related to wildfire risk and recovery along with risk associated with other natural disasters. State funding assistance remains important to many communities because the recovery efforts are ongoing.

Wildfire Resources

Budget Request: \$3 million, MWAP

The state's Emergency Board approved the expenditure of \$2 million for the Municipal Wildfire Assistance Program (MWAP). Business Oregon awarded these funds to communities that were devastated from the 2020 wildfire season. Had these funds not been available, these fire-impacted communities would not have been able to process thousands of permits to start the rebuilding and recovery effort. Full recovery, however, does not happen overnight, and for many cities, the challenge remains a constant need for additional resources.

Wildfire Risk Reduction

Budget Request: \$40 million – CWRR

The League of Oregon Cities supports funding efforts at the federal and state level to reduce wildfire risk in communities across Oregon. The need for a stable, long-term source of funding will remain an important component of state funding for years, if not decades. The LOC is supporting the Governor's Recommended Budget of \$75.8 million, including \$40 million in new funding for Community Wildfire Risk Reduction (CWRR).

Transportation Safety Enhancement

The LOC supports legislation that improves the overall safety of the statewide transportation network. A key outcome of this vision would be the expansion of state funding to expand the "Great Streets" program from Oregon Department of Transportation (ODOT).

Great Streets Program

Budget Request: \$100 million – Expansion of Program

The ODOT Great Streets program is a funding program that addresses safety improvements and increases access to walking, biking, and transit. It focuses on "main streets" in communities around the state. ODOT launched the program with \$50 million of flexible federal transportation funds from the Infrastructure Investment and Jobs Act (IIJA). Initial investments have been limited to highway corridors that the state owns and manages, and the LOC is proposing an expansion of the program to include local street corridors.

Full Funding & Alignment for State Land Use Initiatives

Recent legislation and executive orders have made significant changes to the state's land use planning process, resulting in increasing burdens for local government. While the LOC shares the state's policy goals, these updates have resulted in extensive, continuous, and sometimes

conflicting rulemaking efforts that are not supported by adequate state funding. Cities simply do not have the staff capacity or resources needed to implement current requirements. Existing planning updates should be streamlined to enable simpler, less costly implementation, and any new proposals should be aligned with existing requirements.

Oregon Housing Needs Analysis (HB 2001) Implementation

\$6.3 million FUNDED

The Legislature took historic action by passing the emergency housing package (HB 2001) earlier this session, which established the Oregon Housing Needs Analysis (OHNA) and included funding to support implementation, including critical local technical assistance grants. Thank you!

Local Development Capacity

Budget Request: \$50.5 million – HB 3174

Increasing the capacity and ability of local governments to carry out community development and housing construction activities is essential to increasing the state's overall production of needed housing. To meet ambitious requirements of the OHNA and the governor's housing production goals, Oregon's cities and counties need the following:

- 1) *Regional Development Capacity* – \$5 million to leverage the statewide network of Councils of Government (COGs), Economic Development Districts (EDDs) and Tribes to identify and support needed infrastructure and housing development projects across Oregon.
- 2) *Permit Processing Capacity* – \$45 million to boost local development capacity to ensure prompt processing of development permits and land use decisions over the next three years.
- 3) *Land Use Education Curriculum for Local Decisionmakers* – \$500,000 to fund a partnership between the LOC, the Association of Oregon Counties, and Oregon Department of Land Conservation and Development to design a land use curriculum and educate local land use decisionmakers.

Climate Friendly and Equitable Communities (CFEC) Implementation

Budget Request: \$30 million

The Land Conservation and Development Commission (LCDC) adopted the CFEC rules in July of 2022 as part of Governor Brown's Executive Order 20-04. CFEC is intended to reduce greenhouse gas emissions and plan for more climate friendly and equitable communities in Oregon's eight metropolitan areas. CFEC was not funded in Governor Kotek's recommended budget.

Cities have already begun the process of implementing the CFEC rules, yet lack the staff capacity and resources to implement all state CFEC requirements in the next biennium. Some costs, like those associated with creating a more robust community engagement program to support related planning and development projects, will require both one-time and sustained grant funding.