



## **ConnectOregon: Is this the right priority for grants?**

*ConnectOregon* was passed in 2005 as a loan and grant program for multi-modal transportation projects. Since the programs' adoption, there has been but one loan. Instead, the program has given away virtually all of the \$340 million in bond funds designated for *ConnectOregon* over four biennia. Each lottery-backed bond that has funded *ConnectOregon* will impact the state's budget for 20 years. Bond re-payment for the coming biennium will cost \$95.3 million and the Governor recommends *ConnectOregonV* receive \$60 million.

If we didn't need to repay the largess of the last four biennia, we could budget for an additional week of school or double the budget for Oregon Opportunity Grants.

Two examples from the 38 *ConnectOregonIV* grants made in 2012 for businesses and public entities:

**Grant for 45% of cost -- over \$1million of public funds. Consolidates to one location a private business now in three locations.** The owner was setting up bank financing when the property market crashed. He no longer had adequate equity for the bank loan. The applicant needed a loan or loan guarantee. The *ConnectOregon* process provided a million dollar grant. TARR's application ranked 5<sup>th</sup> of 38 projects recommended for funding.

**Grant for 80% of cost -- for \$600,000. Re-pave and enhance a just-purchased airport.** Used only by small private planes, the airport is 22 miles from two other airports. This proximity was never mentioned during the decision-making process. The airport is surrounded by nine homes (some with business activity) and some business structures used primarily by the new airport owner.\* One home is currently for sale. Ads don't mention the business option for use of its hanger/shop. Letters supporting the application promised new jobs "but for" the Sisters airport improvements. Shortly after buying the airport, the new owner hired a lobbyist/airport manager. The Sisters Eagle Air Airport was ranked 36<sup>th</sup> of the 38 projects recommended for funding.

We watched the many steps of the decision process for *ConnectOregon IV*'s \$40 million in grants. With 20+ individuals involved in each of several steps, it was a layered but generally shallow process. Union Pacific reduced its \$8.2 m application to \$4 m early in the process. One regional committee negotiated revised grant requests. It was chastised for seeking changes from the applicants. Their changes eliminated parts of projects like paving an employee parking lot. Few hard questions were asked by other committees. In conversations, Committee members noted as a problem the fact that a set percentage of funds must be allocated to each of five regions. The percentage of *ConnectOregon* grants to private businesses is up significantly since the first awards. Grants typically support 80% of project cost.

### **Recommendations:**

**We recommend *ConnectOregon* be changed to a loan-only program, using the far more deeply considered decision process used for Oregon's SELP loans and a tighter version of the *ConnectOregon* process for ranking those projects that are loan qualified.**

\*Local articles: <http://www.nuggetnews.com/main.asp?SectionID=7&SubSectionID=88&ArticleID=19141>  
<http://www.nuggetnews.com/main.asp?SectionID=7&SubSectionID=88&ArticleID=20099>