

**THEODORE R. KULONGOSKI**  
Governor



**March 24, 2008**

**Governor's Office of Rural Policy**  
Report to the Governor  
Rural Policy Advisory Committee

***I. Executive Summary***

Oregon's strength is found in our geographic and economic diversity. While the overall economy of the state has improved, this is not the case for many of our rural communities. At the heart of this problem is the reality of our changing relationship with the natural resource base as a fundamental economic driver. Global economics and federal policies have positioned rural communities for transition to a more diversified economy. Rural communities in Oregon and America are experiencing economic and social challenges in employment rates, access to quality health care, transportation, water, access to finance, workforce development, sanitation, global competition in agricultural commodities, and environmental policies. Additionally, far too many rural communities lack administrative means, infrastructure, and capacity to address their growing needs. While the talent and skills of our rural citizens are evident, the ability to gather resources and collaborate toward solving these problems is often lacking.

For these reasons, the Office of Rural Policy and the Rural Policy Advisory Committee focus on developing policies to meet the unique challenges faced by rural communities. At the same, we recognize that Oregon's diversity requires attention to meeting both urban and rural needs, therefore, process related recommendations are crafted to apply to communities of all sizes. Our goal is to support the vision of One Oregon with sustainable economic prosperity statewide.

The Office was created in 2004 by Executive Order 07-02 and is charged with three important responsibilities: 1) coordinating the development of long-term, sustainable rural policy, 2) serving as a clearinghouse for the collection and dissemination of information about rural issues and available resources, and 3) evaluating the impacts of state policies on rural economic sustainability. For the first two years, the Office and Advisory Committee held dozens of fact finding meetings across rural Oregon.

Input from these meetings, completion of an infrastructure funding process investigation, policy discussions and analysis by the Office of Rural Policy Advisory Committee led to two priorities that are key to sustainable rural policies. First, promoting **capacity-based policy** as a tool to replace the ineffective "one-size-fits-all" approach that will make a real difference in successfully addressing a broad range of complex, interconnected issues discussed in Section IV. Second, creating an **effective infrastructure funding process** to meet the urgent infrastructure backlog, with water projects deemed of highest priority. An **integrated asset management system** is recommended as the key process to prioritize projects and allocate limited resources for the greatest infrastructure benefit to citizens over time. Infrastructure needs vital to

competing in the global economy and the substantial costs of delays are examined in Section V with recommendations offered in Section VI.

There are innumerable ways to measure the disproportional economic problems facing rural Oregon. In a small snapshot of economic prosperity, the latest measure we have from the Oregon Employment Department shows that the state's 2007 seasonally adjusted unemployment rate was 5.6%; the rate for all urban areas ranged between 3.8% to 5.9%; and the highest unemployment rates were experienced in Grant County at 9.7%, Harney County at 9.6%, Douglas County at 8.4%, and Jefferson County at 8.3%. The US Department of Commerce, Bureau of Economic Analysis reports that in 2005, Oregon's per capita income was \$32,289; with a range for urban counties between \$26,870 and \$39,729 and for rural counties between \$21,609 and \$29,445. When looking at workforce development and retention of professionals, one indicator provided by *Defining Rural Oregon*, a September 2007 publication by Oregon State University Extension Service, confirms that 28.1% of urban residents hold a bachelor's degree while 15.5% of rural residents completed their degree. The goal of the Office of Rural Policy is to develop broad policy concepts to improve the many economic categories by which Oregon's rural economies and citizens are affected.

## ***II. Unique Functions of the Office of Rural Policy***

The Office of Rural Policy was created in response to long standing requests by rural leaders, the Eastern Oregon Rural Alliance and many rural interests to address the distinctive characteristics and struggles faced by rural communities. The Office is the single entity focused on developing a comprehensive long range vision for the future of rural Oregon. It plays a unique ombudsman role often acting as the only link connecting rural needs with multiple funding sources. By facilitating mutual, multi-agency economic development planning and partnerships, the Office stimulates collaboration allowing rural communities much needed access to local, state, federal and private economic development programs, funds, and resources. Further, the Office of Rural Policy is putting energy into unifying urban and rural constituencies into One Oregon by developing policies and processes that will be effective in every corner of Oregon.

The Office further serves as an information clearinghouse. The statewide interaction and ongoing dialogue facilitated by the Advisory Committee and the Rural Policy Director has created a wide network of concerned leadership continuously weighing in on rural issues. This network is essential to the relevancy and effectiveness of recommended rural policies and implementation strategies. The combination of this network, the agency liaison group, and the Oregon University System (OUS) research team working with the Governor's Office of Rural Policy assist in creating a systematic clearinghouse for the collection and dissemination of community based information that will better inform policy in service to healthy rural communities in Oregon.

The Office of Rural Policy is guided by a 14 person advisory committee, including four legislators, who serve without compensation and are not entitled to travel expense reimbursement. Support is received through state agency liaison representatives (See Appendix A for current advisory committee membership and agency liaisons). The Office reports annually to the Legislature on the needs of rural Oregon and proposes for consideration effective long-term policies and implementation strategies to meet those needs. The Office differs from other state economic development organizations in two ways: first, we do not manage state economic development projects, and secondly, we are the only entity responsible for development of

economic policies serving the interests of rural Oregon. Current policy recommendations follow in this report with examples of policy application in Appendices C.

### **III. Funding of the Office of Rural Policy**

The 2007 Legislature approved a budget for the Office of Rural Policy (HB 5026-A; Package 102) funding only nine months of the biennium and directed the Office to return to the 2008 Supplemental Session with this report and a work plan which is attached in Appendix B. The request before the 2008 Legislature was for \$249,375 General Fund, to add 0.94 FTE, and establish a Federal Funds expenditure limitation of \$16,732 (unspent amount of federal EDA grant) to continue the Office of Rural Policy through the remainder of the 2007-09 Biennium. Due to the reduction in the revenue forecast by \$188 million, many programs and proposals were not reviewed for funding, including the Office of Rural Policy. If the Office is restored or its functions continued elsewhere, along with continuing the unique roles described in the previous section, the essential tasks that will need to be completed as soon as possible ( as stated in the work plan attached in Appendix B), include:

- Refine and complete the Capacity-Based Policy for introduction to the Oregon Legislature. The capacity-based policy provides a mechanism to compare how proposed rules and legislation will affect Oregon's diverse community mix and will allow the state to avoid the problems of unintended consequences. The following section describes this policy tool in detail and examples of how it could apply to a multitude of issues are contained in Appendix C.
- Plan and co-sponsor Oregon's state universities' rural research faculty's "Rural-Urban Interdependency Symposium" in 2008. The results of the symposium will be available for the 2009 legislative session.
- Create an electronic website that will serve as a "clearinghouse" of rural resources.
- Analyze rural best practices from rural policy offices in 14 states for inclusion in the website above.
- Work with counties, power companies and the Departments of Revenue and Energy to better understand the interconnections and development of the emerging renewable energy system in urban and rural Oregon and submit a preliminary report to the Governor.
- Provide legislators, rural leaders, businesses and others with information about rural issues, policies and economic sustainability strategies upon request.

### **IV. Key Policy Focus #1 —Capacity-Based Policy**

One of the common themes in discussions about the effect of state policies with rural leaders is the practical application, enforcement or implementation of new laws and rules. An unworkable "one size fits all" approach to lawmaking has been mentioned by rural constituent groups, special districts, and city and county officials throughout the state during fact finding trips to rural Oregon. Small communities must meet complex application and program requirements the same as urban cities. Consider that 168 Oregon cities (70%) have a population of less than 5,000. A case in point, the City of Wheeler has four half-time (2.0 FTE) employees in its total workforce and the whole of Wheeler County has 40.0 FTEs. This means Wheeler County Judge Jeanne Burch serves in all of the following capacities: the Circuit Judge in juvenile court, the County Administrator performing all management tasks, the Risk Manager, and the Custodian to clean the courthouse when needed. Capacity to meet state protocols and rules is a frequent problem in smaller communities.

Capacity-based policies would implement the state's goals, but not necessarily with the same process or detailed management format for all communities. For example, many rural towns rely on a fire department staffed by volunteers. Fire training requirements are the same for rural volunteers and their urban counterparts. This may have made sense in its inception, but rural volunteers have other jobs and sometimes do not have time to learn how to fight fires in tall buildings or other situations which do not exist in rural towns. These volunteers urge more flexibility in training requirements and locations. If the State seeks more effective—and cost effective—implementation of its policies, the capacity of a community to execute a policy should be part of the policy-making and rule-making considerations. The most effective policy implementation should be negotiated in good faith with local jurisdictions. Local government is underutilized in the formulation of implementation strategies. Capacity-based policies can be the vehicle to transition from the “one size fits all” landscape towards more effective and practical implementation of policy goals. (See Appendix C for a table showing how the capacity-based policy filter could be applied to a wide variety of issues for all size communities)

The Office of Rural Policy facilitates exploration of the following type of capacity-based policy questions:

- Can the rule or law be practically implemented by rural volunteers?
- Are funding distribution formulas based on population fair to rural communities that have higher per capita management costs due to distances and economies of scale?
- At what point are the funding obligations greater than the return to a town of four half time employees? Would block grant funding be more practical for rural towns than processes that require the hiring of consultants to complete the legal requirements?
- Will the proposed legislation or administrative rule be perceived as an unfunded mandate?
- Do agency managers understand that the productivity in human services agencies is lower due to the distance between clients in rural areas, that perhaps it takes more time and travel expenses to provide the same quality of service to a rural caseload?
- Can the legislation be more effective if the rules or level of jurisdiction are influenced by “capacity?” Do rural communities have the capacity to implement, manage, or enforce the new rule or law without additional cost to the local taxpayers?

Published research by Oregon State University professors Emery Castle and Bruce Weber will serve as a framework for understanding capacity-based (also referred to as place-based) policy implementation and will be a component of the Rural-Urban Interdependency Symposium in 2008.

## ***V. Key Policy Focus #2—Infrastructure Funding Process***

The 2007 Oregon Legislature directed the Oregon Economic and Community Development Department (OECDD) in a budget note to develop an inventory of infrastructure projects through the Regional Investment Boards. The Legislature requested an immediate list to help qualify local projects for local, state, or federal funds, as available. Please note, for the benefit of clarification, that this OECDD Needs and Issues Program was an infrastructure inventory carried out between June 30 and December 31, 2007—distinct from the Governor's Office of Rural Policy federal EDA grant funding a Needs and Issues Project aimed at developing a more effective process to address infrastructure needs which began in October 2006 and was completed in September 2007. The Office of Rural Policy Advisory Committee's infrastructure

process related recommendations are based on the outcome of the federal grant funded investigation described after the following table.

The January 2008 OECDD report listed a statewide inventory of 3,200 infrastructure projects identified by local jurisdictions costing an estimated \$13.1 Billion with financing needs of \$10.3 billion. Some types of projects in the inventory included water, sewer and storm water systems; industrial site infrastructure; bridge replacements and upgrades; rail spurs; agricultural irrigation systems; and environmental mitigation and restoration projects. OECDD selected 128 highest priority projects and provided an estimated cost for these projects at \$579.5 million. Assuming these top projects received maximum funding from all available sources, the balance needed to complete these projects would total \$163 million. Further, the Department of Environmental Quality reports an estimated \$2.9 billion in projects costs necessary to bring water and wastewater systems into compliance with state and federal regulations. Depending upon the policy goals of the Legislature and the Governor, the table below shows how much funds would need to be dedicated in each biennium through 2023-25 to meet various infrastructure goals.

Infrastructure Backlog Biennial Financing Needs  
Based on OECDD’s Inventory of the Infrastructure Needs in Oregon  
January 15, 2008

Biennium	Funding \$2.575 Billion by 2025 *	Funding \$725 Million by 2025 **	Funding \$163 Million By 2025***
2009-11	\$ 321.875 Million	\$ 90.625 Million	\$ 20.375 Million
2011-13	331.531	93.344	20.986
2013-15	341.477	96.144	21.616
2015-17	351.722	99.028	22.264
2017-19	362.273	101.999	22.932
2019-21	373.141	105.059	23.620
2021-23	384.335	108.211	24.329
2023-25	395.866	111.457	25.059

\*Based on total list of 3,200 projects identified; \$10.3 billion financing needed; funding 25% of need by 2025 equaling \$2.575 billion in current dollars with 3% inflation compounded annually

\*\*Based on total known water and waste water projects; \$2.9 billion project costs; funding 25% of need by 2025 equaling \$725 million in current dollars with 3% inflation compounded annually

\*\*\* Based on list of 128 top priority projects; \$163 million financing needed if all other available funds were granted; funding 100% of unmet financing need by 2025 equaling \$163 million today with 3% inflation compounded annually

The cost of further delay of infrastructure maintenance, repair, replacement and construction are real and significant. Delays and barriers such as those caused by the lack of technical assistance to complete funding applications means inflation and further deterioration escalate project costs. As one illustration of the magnitude of these costs, note that each day adds \$238,350 in increased project costs for the \$2.9 billion in water and wastewater projects awaiting funding. That means during the month of February 2008, the water and wastewater project backlog alone will increase in cost by \$6.9 million dollars.

The Office of Rural Policy Advisory Committee finds that water projects are the highest priority. After months of deliberation of the many issues that have an impact on rural sustainability, the Advisory Committee prioritized the issues and water emerged on top. It was chosen because long range water supply is an issue in almost all of Oregon and it is believed that the urban communities would also benefit from improved statewide water policy. The Governor recognizes the importance of elevating the issue of long range water planning. In a letter to Governor Kulongoski, the Advisory Committee cited 44 declarations of low water and/or drought emergencies statewide in 2006. This last summer, there were an additional five declarations of emergency for low water and/or drought. The 2007 Legislature authorized the Oregon Water Resources Department to embark on a Water Supply and Conservation Initiative investigating Oregon's water situation and possible solutions. If recommendations from this initiative include new water storage projects, the costs of those projects will be added to the infrastructure backlog.

The Advisory Committee further identified an Integrated Asset Management System approach as key to prioritizing and timing infrastructure expenditures. As noted by the Oregon Department of Transportation, Asset Management draws on the principles of engineering, business management, and economics and makes use of current computer and network technology. This approach helps jurisdictions identify ways to leverage their resources to respond to increasing system demands while maintaining adequate levels of service. It provides a means to prioritize funding across different types of assets and over time in the most cost-effective way. A further discussion of asset management is available from the Office of Rural Policy in the October 2007 grant report to the US Department of Commerce, Economic Development Administration.

## ***VI. Infrastructure Funding Process Recommendations***

A grant by the US Department of Commerce, Economic Development Administration, funded an investigation of Oregon's infrastructure funding process. Below are the three fundamental questions that guided the focus of the investigation followed by policy recommendations based on the Rural Policy Advisory Committee findings. **The Advisory Committee hopes that these recommendations will stimulate a focused dialogue among state and local leaders and result in a shift in state policy that will support an integrated asset management system for long-term, prioritized infrastructure funding and project selection.** See October 2007 Office of Rural grant report for findings and recommendations specific to seven key infrastructure process issues.

- A. What policy recommendations can provide a long-term foundation for a systematic approach to manage the backlog of infrastructure projects in Oregon, especially the rural communities with the least capacity to initiate and manage a major project?
  - i. It shall be the Policy of the State of Oregon to address the quality of life and the health of its citizens through the creation of a sufficient funding program designed to measure the performance of the state in its funding of the backlog of infrastructure projects using an Integrated Asset Management approach.
  - ii. It shall be the Policy of the State of Oregon to Fund \_\_\_\_ % of the backlog each biennium.

- iii. It shall be the Policy of the State of Oregon to complete 25% of the backlog by the year 2025.
  - iv. Submit the water/wastewater backlog in terms of project numbers of value to the Progress Board for consideration as an Oregon Benchmark.
  - v. Time and Calendar Management shall be criteria and indicators of the effectiveness of a State infrastructure program.
  - vi. Provide equal access to new broadband web-based or parallel manual systems to allow rural communities to work on their prioritization process within the scope of their respective capacities.
  - vii. Restore counties as the primary authority to submit all special district, city, county, and multi-county regional lists; authorize counties to appoint the most effective facilitator to manage or facilitate the initial process. (A Regional Investment Board, Economic Development District, Chambers of Commerce, community development agency, or a consultant may be the preferred facilitator.)
- B. What types of tools and discussions will enable more effective outcomes to manage a rapidly growing backlog of infrastructure, and build adequate capacity for the future growth?
- viii. Establish a user-friendly, web-based information technology to track all Oregon infrastructure investment housed in DAS, accessible to the Progress Board.
  - ix. Track infrastructure projects, new and old in the new technology, utilizing asset tracking and depreciation methods of standard accounting practices to assist in fact-based budgeting.
  - x. Support flexibility. Authorize capacity-based implementation protocols to match the local business culture. Enable volunteer partnerships to more clearly illustrate which entities support specific projects.
  - xi. Leverage state funds with other resources more effectively by increasing the availability of technical assistance funds, which may increase the number of infrastructure projects and shorten the project application process timeline, saving money.
- C. What processes and systems can be developed to advise the Legislature, Governor, federal, tribal, state and local economic development professionals of the unmet infrastructure needs throughout the state? Can new technology be jointly utilized and developed to create long term tracking systems for increased collaboration towards more efficient program resources to address gaps in needed infrastructure?
- xii. It shall be the Policy of the State of Oregon to invite updated backlog lists every two years with which a long term, fact-based budget concept can be developed by the Governor.

- xiii. It shall be the Policy of the State of Oregon to meet with other economic development agencies to discuss a series of pilot projects in which the pre-application process becomes a state responsibility.
- xiv. It shall be the Policy of the State of Oregon to provide for flexible, capacity-based determination of the appropriate agency to prioritize needs for the county or multi-county region, subject to the approval of the counties.
- xv. The Governor may appoint an advisory committee to review the policies and model programs of other states in the management of their infrastructure backlogs.
- xvi. OECDD may appoint a Users-Committee of information technology stakeholders to meet regularly on elements and performance of the infrastructure data tracking and inventory system.

## **VII. *Priority Tasks for Sustainable Rural Economies***

The Office of Rural Policy Advisory Committee has reviewed more than 35 components that are key factors in the sustainability of rural economies. Oregon communities have evolved at their own pace and capacity, and the remaining economic challenges are unique to each place. The following is a list of priorities based on Advisory Committee deliberations.

- Work with agency liaison representatives regarding a potential impact analysis of the draft Oregon Administrative Rules on rural sustainability.
- Support a statewide water investigation program with technical assistance funds for start up water projects in rural communities.
- Co-sponsor and assist Oregon's state universities to present "Rural-Urban Connections", a 2008 symposium in Portland.
- Find additional funding resources for the affordable and workforce housing deficit in rural Oregon.
- Provide policymakers with capacity-based policy forms of governance which are effective in rural and urban communities.
- Encourage and facilitate economic partnerships between the private sector, local, state, and non-profit organizations and Oregon tribes.
- Assist OECDD to better implement the findings of the Infrastructure Funding Process Investigation Report, for an improved program concept.

## **VIII. *In Transition***

In review, the Rural Policy Advisory Committee has identified several key areas of concern, as discussed throughout this paper. In addition to the specific topics for consideration, there has also been an over-arching theme of the element of "time" in the design and scope of many of Oregon's policies. At a time when the earth and its respective civilizations are in a state of rapid transition, the future becomes the present very quickly. Steve Eldrige, the Chair of the Rural Policy Advisory Committee, offers, "if there is one thing we have learned through this experience, the common thread to many of our issues in Oregon is the inadequacy of long range planning." State agencies are forced to work within two year time increments of consecutive biennium series, and citizen committees and commissions are channeled towards short term policy proposals. So often, agencies and citizen commissions design management concepts to



be implemented immediately. The democratic foundation of our government influences short term policy making. How will long range policy development emerge from this structure when we are reticent to bind our future colleagues to decisions affecting the future?

Long term visionary policy will be needed by the next generation of citizens who volunteer to work towards One Oregon. We will have to capitalize on the greater recognition of the interdependency between the urban and rural parts of the state that will emerge from the academic research of our Oregon University System partners in November of 2008. We respectfully advise Governor Kulongoski and the future governors of Oregon to cultivate an increase of proactive discussions about the long range policy needs of the next generation.

Additional information is available until the end of March at the Office of Rural Policy at [jim.azumano@state.or.us](mailto:jim.azumano@state.or.us) or by calling 503-986-6536. Informal information will be available from Jim Azumano at [azumano@aol.com](mailto:azumano@aol.com) after March 31, 2008. With the closure of the Office of Rural Policy, it is intended that this document shall serve as a starting point for those who work on rural issues in Oregon in the future. It has been an honor to serve and support the dedicated Advisory Committee members of the Office of Rural Policy, and it has been a highlight of my career to serve Governor Ted Kulongoski, who has put Rural Oregon back on the map.

**APPENDIX A**  
**ROSTER -- February 2008**

**Office of Rural Policy**

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**Office of Rural Policy Advisory Committee Members**

Senator Joanne Verger  
Senator Ted Ferrioli  
Representative Deborah Boone  
Representative Patti Smith  
Michael Benedict, Planning Director, Hood River County (Odell)  
Diana Cvitanovich, Executive Director, Linn County Affordable Housing (Lebanon)  
Tammy Dennee, Executive Director, Wheat Growers League (Pendleton)  
Steve Eldrige, General Manager and CEO, Umatilla Electric Cooperative (Hermiston)  
Laura Pryor, Gilliam County Board of Commissioners (Condon)  
David Tovey, Executive Director, Coquille Indian Tribe, (North Bend)  
Bill Wilber, Cattle Rancher, retired health care executive (Burns)

**State Agency Liaisons:**

Oregon University System	Dr. Khosrow Fatemi
OECD	Darrin Fleener
Employment Department	David Allen
Dept. of Health Services	Joel Young
Housing & Community Services	Bruce Buchanan
Department of Education	Pat Burk
Dept. of Land Conservation & Dev	Doug White
Department of State Lands	Kirk Jarvie
Department of Agriculture	Jerry Gardner
Water Resources Department	Debbie Colbert
Dept. of Environmental Quality	Mike Wolf
Dept. of Fish and Wildlife	Roy Elicker
Department of Forestry	Dan Postrel
Department of Energy	Kathy Shinn
ODOT	Jerri Bohard
Department of Aviation	Dan Clem
Public Utility Commission	vacant
Tourism	Karen Mainzer

**APPENDIX B**  
**Work Plan and Performance Measures**  
**Office of Rural Policy**

**Work Objectives for 2008-2009**

- Refine and complete the Capacity Based Policy Filter for introduction to the 2009 legislative session. The concept is based on four degrees of rural defined by population and distance from other communities. It provides a mechanism to compare how proposed rules or legislation will affect Oregon's diverse community mix and will allow the state to avoid unintended consequences. A draft of the tool is attached in Appendix C.
- Plan and co-sponsor Oregon's state universities' rural research faculty's "Rural-Urban Interdependency Symposium" in 2008. The results of the symposium will be available for the 2009 legislative session.
- Continue activity supportive of long range water policy and an asset management system for state funded infrastructure projects.
- Create an electronic website through the Office of Rural Policy that will serve as a "clearinghouse" of rural resources and information. The website will be operational by August, 2008.
- Analyze rural best practices from Rural Policy offices in 14 states for inclusion in the website above.
- Work with counties, power companies and the Departments of Revenue and Energy to better understand the interconnections and development of the emerging renewable energy system in urban and rural Oregon and submit a preliminary report to the Governor by September, 2008.
- Complete pending projects and provide information about policies and rural sustainability upon request.

**Office of Rural Policy Achievements during 2005-2007**

- Advised Governor of the urgency of long range water planning after 44 recent declarations of emergency.
- Awarded two federal grants and in 2006 completed the investigation of the need for a long-term infrastructure funding program.
  - ORP has made recommendations to OECDD, DAS, and the Progress Board to develop a comprehensive infrastructure funding program based on the \$2.9 billion backlog of water/wastewater projects.
- Identified best practices for rural sustainability; created a checklist to help expedite community self assessment
- Planned and facilitated **Rural Oregon Day** and policy forums in Salem, Pendleton, Coos Bay, and Lakeview to develop rural policy concepts in the areas of housing, small business and entrepreneurship, workforce development, water, and health.
  - Supported Water Resources Department budget for the Oregon Water Supply and Conservation Initiative, a statewide water assessment.
- Requested the OR Department of Agriculture to convene meetings to organize provision of Oregon agricultural products to Oregon schools, resulting in successful legislation to fund a position in the ODA to expand Oregon "Farm to Market" activity through legislation sponsored by EcoTrust.
- Facilitated rural policy development meetings in over 32 rural communities to listen to concerns and ideas about rural economic sustainability and a new infrastructure funding program.
- Asked ODOT to reduce contract size to allow smaller contractors (rural) to bid; and, in response to ORP, the Legislature, and Governor's Office of Women, Minorities, and Small Business, ODOT has created a small contracts program for contracts under \$90,000.
- Convened quarterly meetings of the rural research faculty of the Oregon University System; launching the 2008 Urban-Rural Interdependency Symposium to initiate a new era, "*toward one Oregon.*"
- Developed an assessment process for rural policy concepts for consideration.
- Assembled resource documents and links for the Oregon Rural Resources website.

**APPENDIX C**  
**Capacity-Based Policy Applications**

Urban Rural = Geographic area at least 10 miles by road from an urban community  
 Rural = Population of 50,000 or more and at least 30 miles from another community  
 Frontier Rural = Population of less than 2,000 and 75 miles away from another community  
 Isolated Rural = Population of 3,000 or more and 100 miles away from another community

<b>Issue</b>	<b>Urban Rural Communities (URC)</b>	<b>Rural Communities (RC)</b>	<b>Frontier Rural Communities (FRC)</b>	<b>Isolated Rural Communities (IRC)</b>
<b>Land Use</b>	<ul style="list-style-type: none"> <li>- loss of agricultural base</li> <li>- increased development pressure on remaining agricultural land</li> </ul>	<ul style="list-style-type: none"> <li>- stronger agricultural base but with some development demand</li> <li>- some pressure on natural resources depending on the region or county</li> </ul>	<ul style="list-style-type: none"> <li>- agriculture/natural resources base historically is local economy</li> <li>- regulatory pressure on remaining agricultural/natural resource businesses and land</li> </ul>	<ul style="list-style-type: none"> <li>- loss of original agricultural/natural resource base</li> <li>- increased regulatory pressure on remaining agriculture/natural lands</li> </ul>
<b>Water</b>	<ul style="list-style-type: none"> <li>- connecting to an urban system</li> <li>- increased need to respond to growing demand on systems</li> </ul>	<ul style="list-style-type: none"> <li>- experiencing a decline in the water table and in some cases could be becoming serious</li> </ul>	<ul style="list-style-type: none"> <li>- experiencing a decline in the water table and could be mining ancient water source that does not recharge.</li> </ul>	<ul style="list-style-type: none"> <li>- experiencing a decline in access to water; water table dropping, and mining ancient water source with lack of recharge and water access</li> </ul>
<b>Emergency Management</b>	<ul style="list-style-type: none"> <li>- increased demand</li> <li>- access to ongoing urban planning for system response with greater resources</li> <li>- increased dependence on urban system</li> </ul>	<ul style="list-style-type: none"> <li>- lesser demand</li> <li>- area specific concerns such as in coastal communities</li> <li>- no access to or inclusion in an urban system/plan/resources</li> <li>- no dependence on urban system</li> </ul>	<ul style="list-style-type: none"> <li>- lesser demand</li> <li>- area specific concerns such as remote coast at risk of Tsunami</li> <li>- no access to or inclusion in an urban system/plan/resources</li> </ul>	<ul style="list-style-type: none"> <li>- limited demand</li> <li>- no access to or inclusion in an urban system/plan with greater resources</li> </ul>
<b>Finance</b>	<ul style="list-style-type: none"> <li>- loss of locally owned financial</li> </ul>	<ul style="list-style-type: none"> <li>- attempting to retain locally owned financial institutions</li> </ul>	<ul style="list-style-type: none"> <li>- may have a locally owned financial institution</li> </ul>	<ul style="list-style-type: none"> <li>- may have a locally owned financial institution within</li> </ul>

	institutions - greater access to a range of urban financial institutions	- little access to urban financial institutions		the region or county
<b>Issue</b>	<b>Urban Rural Communities (URC)</b>	<b>Rural Communities (RC)</b>	<b>Frontier Rural Communities (FRC)</b>	<b>Isolated Rural Communities (IRC)</b>
<b>Business</b>	- decline in local small businesses  -increase number big-box stores  - greater access to greater variety urban businesses  - competition for industrial parks  - some increase to agricultural micro enterprise	- decline in local small business  - little access to greater variety of urban businesses  - competition for industrial parks	- decline in local small business  - Very limited access to start-up financing  - declining business in agriculture/natural resource areas	-decline in local small business  - decline in agriculture and natural resource based businesses
<b>Fire Fighting</b>	- increased demand  - increased access to urban systems with greater resources  - increased dependence on urban system	- some increased demand  - no dependence on urban system	- local volunteer organization  - declining volunteers  - increased demand due to forest fires	- local volunteers  - increased demand due to forest fires
<b>Medical</b>	- decline in dependency on locally based medical system	- limited local-based medical systems  - little access to urban medical system depending on the	- little or no locally based medical system  - no access to urban medical system	- no locally based medical system

	<ul style="list-style-type: none"><li>- increased access to urban medical system</li><li>- greater efficiencies = lower medical costs/more choices</li></ul>	region or county		
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## APPENDIX D

### Infrastructure Funding Process Findings and Recommendations

US Department of Commerce, Economic Development Administration Grant Report  
Office of Rural Policy  
October 2007

#### Issue # 1      Infrastructure Funding

Budget notes by the 2007 Ways and Means Committee required the Oregon Economic Community Development Department to immediately develop the protocols to create an updated inventory of pending infrastructure projects throughout the state using the 13 Regional Investment Boards to quickly aggregate and prioritize the project lists. The Inventory of projects were collected from cities, counties, tribes, ports and special districts to better understand the unmet need to fund infrastructure and community facilities in Oregon. This provided an unexpected opportunity to use these “laboratory” findings and recommendations to supplement the findings of this investigation.

The Legislature is to be commended for recognizing the urgency of an infrastructure funding process and their intent to fund some high priority projects. It was unfortunate that the project calendar of this investigation project did not conform to the legislative calendar. The input by local economic development agencies could have been useful, but perhaps the findings will be useful to the agency for the 2009 session. Recommendations will also be made to the Governor to develop a programmatic approach to track the progress of Oregon’s investment in infrastructure.

In the state of Oregon, the legislature funds the Oregon Economic Community Development Department on a biennial cycle. Funding requests in the agency budget are submitted through the Governor to the Legislature for appropriations to the established menu of programs. In the past, the proposed budget for infrastructure has not been connected to the backlog data of the known infrastructure needs. There has been an absence of comprehensive, updated data. Members of the Ways and Means Committee have recently expressed a concern for the process of funding in their hearings at the end of the 2007 Legislative session.

LOC Streets Survey -- In March of 2007, the League of Oregon Cities published a report on the status of municipal streets. They explain the increased cost of replacement of pavement and the inability of cities to fund the more cost effective maintenance alternatives. They estimate that 20,000 lane miles of local roads are failing, and an additional \$160 million is needed to support this critical piece of economic sustainability.<sup>1</sup>

The consistent funding of infrastructure projects is critical and primary to the long term sustainability of Oregon. The growth of a backlog of infrastructure funding is not acceptable in a State which expects to be competitive in today’s global economy.

#### ➤ **Findings Issue #1: Infrastructure Funding**

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<sup>1</sup> League of Oregon Cities, Stephanie Foley and Andy Shaw, 503-588-6550.

- The appropriated amount of lottery funds for statewide infrastructure in the current biennium is a fraction of the total infrastructure deficit in Oregon, but this is understandable since the data was not commonly distributed.
- The Oregon Economic Community Development Department manages a number of programs including, but not limited to, the Rural Investment Fund, the Special Public Works revolving loan fund, and the Safe Drinking Water fund, comprised of federal funds within the revolving loan fund to support technical assistance, including project development, project management and cost analysis.
- Federal programs in Oregon provided an increase of \$90 million last year, a significant resource.<sup>1</sup> Successful outreach efforts have resulted in an increase of USDA investment in Oregon of 235% over previous agency<sup>2</sup> allocations and has consistently been above \$100,000,000 each year.<sup>3</sup>
- The Oregon Economic and Community Development Department (OECDD) provides 100% of the funding for some projects and can finance projects at an interest rate as low as 1% and federal funds are untapped at 4%. USDA Rural Development Director Mark Simmons indicates the federal programs are willing to fund parts of those state applications in a new collaborative model.

➤ **Recommendation #1 Cap the growth of the infrastructure backlog.**

- Prioritize the funding of infrastructure as a strategic component to job creation and job retention. Increase the utilization of federal programs by Oregonians by increasing the availability of technical assistance funds in an expedited timeline thereby allowing a project proponent to demonstrate readiness to proceed. Explore collaborative relations with federal agencies on applications to increase the total number of funded infrastructure projects with leveraged approaches.

### **Issue #2: Information Technology**

Feedback -- Many constituents around the State have lamented to the Office of Rural Policy and to members of its advisory committee that the state's (OECDD) informational technology had expired and upgrades to the software were unavailable. Some data remains from the 2002 Needs and Issues activities, and was useful as an exhibit for the purposes of discussion to investigate the public sentiment to revive support for pending local infrastructure projects. The expired state of the former data base was confirmed by agency staff and ERT team coordinators in the Governor's Office. Given the rapid obsolescence of technology in the age of technology, the absence of a system provided an opportunity to discuss the requirements and criteria for a new system in discussions around the state. In cases where the members of a community responded affirmatively that there was a need for a program to fund infrastructure, virtually all commented about the opportunity to upgrade the information technology to a more universally acceptable medium and collaborative process. Virtually all communities affirmed the need for a tool to communicate the needs of Oregon communities in a user friendly way to policymakers.

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<sup>2</sup> Jeff Deiss, USDA Rural Development program data – see endnote “i”.

<sup>3</sup> Letter to Gov Kulongoski from USDA Rural Development April 18,2007.



Recent New Web Application -- OECD's recent addition to their website during the term of the investigation provided a foundation to work with new technology, which was not available in 2002.

*A web-based system has been developed for organizations to enter information about their infrastructure and other capital improvement projects. A User Name and Password is required to access the system and can be obtained from the regional board staff for your region.<sup>4</sup>*

Discussions in rural Oregon noted that technology is efficient and effective where broadband is available. Unfortunately, many rural communities that need state and federal assistance the most do not have compatible technology or broadband fiber for access to state systems. These communities want equal access to the federal and state programs whether or not they have access to broadband. Although Oregon has over 60% universal coverage, it is important to make public programs available to all.

It also appears that Oregon needs to consider changing the inconsistent methodology that infrastructure projects are funded to recognize that there is a tremendous backlog of projects needing funding.<sup>5</sup> It would be effective to create an ongoing inventory of projects and assets for future legislative bodies to age, classify, sort, prioritize, and schedule into the state budget. By dealing with the total combination of assets and projects, funding policies can be designed to meet the policy goals of a Governor and the Legislature. It will be beneficial for a Governor to know and understand the urgency of projects and the degree of performance towards particular state and federal policy goals when creating a budget for legislative consideration.

A New Role for DAS – BAM<sup>6</sup> -- The Governor has the responsibility and authority to manage the state's affairs, and it appears appropriate to the leadership role of the Governor to require a central depository of proposed infrastructure projects, identification of systems that are at capacity without technical assistance, and a clearinghouse for all infrastructure proposals that request assistance from the State.

State agencies have diverse approaches and decentralized systems to track infrastructure assets. Infrastructure and related depreciation is included in the audited CAFR every year.<sup>7</sup> The Department of Transportation utilizes an Integrated Asset Management System.

“These increased demands present a significant challenge to many agencies, especially where budget and personnel constraints force them to do more asset enhancement and preservation work with less staff and less money. Asset Management helps agencies identify ways to leverage their resources to respond to increasing system demands while maintaining adequate levels of service. It provides a means to prioritize requirements and allocate funds across different assets and over time in the most cost-effective way.

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<sup>4</sup> Current [www.oregon.gov/OECD](http://www.oregon.gov/OECD) web site comment on the new information technology.

<sup>5</sup> DEQ: The backlog in water/ wastewater systems alone – \$1.4 billion in 2000 and \$2.9 billion in 2004.

<sup>6</sup> DAS-BAM” is the acronym for the Oregon Department of Administrative Services, Budget and Management division.

<sup>7</sup> Jack Kenny, State Department of Administrative Services.

Asset Management also allows agencies to take advantage of increasingly powerful and generally affordable computers, sophisticated analytical tools, and advances in information technology. The new technology provides quicker and improved ways to gather, process, and analyze data as well as to make sound management decisions affecting the assets.”

Successful asset management systems with certain state agencies raises the question as to the potential application of similar principles to the infrastructure backlog. In discussions with OECDD staff, an asset management system which includes depreciation components is an intriguing idea. The Governor’s Office or their designee (“DAS-BAM”) can track and monitor a comprehensive inventory of infrastructure investments to be included in an appendix to the Governor’s Budget proposal to the legislature. Each respective Governor will be in a position to include an affordable budget proposal in the future Capital Projects and Acquisitions section of the state budget to fund a portion of the backlog, subject to the review and approval of the Legislature.

Paper and Manual Systems Still Needed in Rural Oregon -- Should we develop an information system which utilizes information technology that is basic and available to all jurisdictions in the state? Rural leaders support the use of technology if they have access, and they also want to remind policy makers to provide an equally efficient, **non-electronic document management system** to parallel the electronic system to provide equal access to all Oregonians, not just the ones with computers.

GIS -- Several rural leaders noted the value of investigation of the practical opportunities and benefits of existing state mapping technology to identify capacity-based rural economic trends, clusters, and economic factors related to general economic sustainability. Continue discussions with the Oregon Progress Board for potential mutual benefits and to ensure a system is developed to map and track the above ( benchmarks).

Asset-Based Approaches Exist -- This investigation has given the state a new opportunity to review and to make a new commitment to use the infrastructure backlog data as the justification for a new approach to infrastructure management. Taking a page from private businesses or public works and transportation agencies accounting systems, there are many existing asset-based depreciation systems.

➤ **Finding #2**

- There is a decentralized approach towards tracking the total statewide inventory of locally determined infrastructure projects. That is, public, private not-for-profit, and private economic development agencies have different information technology systems related to state projects. DAS is charged with the administration of the State’s facilities, maintains a GIS statewide system required of all state agencies, and needs to manage an overall state Capital Projects Plan that includes those of OECDD, DEQ and the Health Division of DHS.

➤ **Recommendation #2**

- Set state standards for a GIS based infrastructure tracking system which includes updated depreciation schedules for all state and locally funded capital construction investments.
- Provide hard copy documents of program descriptions, forms, and instructions for those who live in areas where information technology is not available or are unable to adapt to electronic communications.
- Establish a user group of the new information technology which is representative of the diverse users of the system to provide feedback necessary to sustain the system, improve its utility to all, and extend its useful shelf life to prevent its obsolescence or provide continuity to transition to the next technology format.
- Evaluate the functionality of a web-based system which enables a local municipality to update its list of infrastructure projects by way of a password; allowing access to member agencies by way of subscription.
- Incorporate into the existing statewide GIS system the capacity to map the rural economic and sustainability factors.
- Find a way to allow local jurisdictions to share a place in the system to display their list of needs and to control the security of their list (password) to update their list efficiently.

### **Issue #3: Infrastructure Inventory**

Sustain a Comprehensive Inventory of All Capital Assets -- Local and state transportation agencies administer pavement management systems in which the age and estimated “shelf life” of capital assets are tracked and accounted.<sup>ii</sup> Non-pavement infrastructure assets are sometimes not included in these inventories even though they may share the same rights of way. This investigation confirmed the following:

- Funding is made available to projects in an inventory of completed project descriptions on a “first come – first serve” basis;
- This causes state resources to be encumbered and not available to other communities, when in fact, the project may not proceed for two-three years from time of award.
- Federal, state, and local resources are inconsistently applied to the inventory;
- Access to technical assistance funding takes time and the extended delays minimizes the progress of the infrastructure backlog;<sup>8</sup>

At the beginning of this investigation there was no comprehensive policy for the funding of infrastructure based on backlog data. In June, the Legislative Ways and Means Committee asked for a list of projects. This was an excellent indication of the importance of infrastructure. Unfortunately, infrastructure backlog data is not an indicator of the Oregon Progress Board.

DEQ Backlog Doubled to \$2.9 Billion -- Preliminary information of the status of pending water and wastewater systems out of compliance is sent to the US Environmental Protection Agency (EPA) by the Oregon Department of Environmental Quality (DEQ). This information is subject to a review and ratification process by EPA. In 2004, DEQ estimated

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<sup>8</sup> The Windmaster Corner project did not appear on the DEQ list until the 2004 inventory, a lag time of over 25 years in the pre-application process.

that \$2.9 billion in Oregon water and waste water systems projects are yet unfunded. DEQ also explained the factors that escalated project costs from the 2000 estimate of \$1.4 billion pointing to the fact that further delay is not an option. Infrastructure project needs are obviously far beyond the current funding level under consideration in the State budget.

New Paradigm Needed -- This investigation has also confirmed that the rapid growth of failing infrastructure is a malignant economic development bruise. If Oregon is to successfully assert that it is globally competitive, Oregon will have to consider a more effective approach towards comprehensive infrastructure maintenance. This will require the consideration of a new paradigm in which a nexus is established between a) infrastructure, b) job retention and c) new job growth. The backlog of infrastructure will not shrink without some kind of significant funding to hold the backlog in remission.

Project Costs Rise -- Even when the number of failing systems waiting for technical assistance and funding no longer increase, the basic project cost of remediation of each unfunded project will continue to grow exponentially with inflation as the project costs of design professionals, and technical assistance consultants rise. This backlog has become the hidden financial deficit of Oregon and each community with a dysfunctional stressed system will never be competitive with other communities. It will never be cheaper to fund the backlog, and has long gone beyond the ability of the state without increased support from Federal agencies.

- **Finding #3: Statewide performance on the infrastructure backlog is not a measured benchmark.**
  
- **Recommendation #3.**
  - Open discussions with the Progress Board to determine if the presence of basic infrastructure data meets the criteria of the agency for inclusion as a benchmark in Oregon Shines.
  - Open discussions with the universities of OUS to investigate their interest in researching the economic cost to the state.<sup>9</sup>
  - Track the data submitted by DEQ to EPA every fourth year as an appendix to the draft budget document available to the Governor and the Legislature for long- term budget planning.
  - Legislate a GIS asset tracking system of past, present, and future infrastructure projects in which the state regulates, funds, or partially invests its funds to enable oversight by the Governor and Legislature of the state's investments and assets.
  - Investigate and implement a principles of depreciation schedule utilized in standard accounting practices of several state agencies.
  - Other states have incorporated alternative methods to address their infrastructure backlogs, and Connecticut is one state using fees to help balance the old with the new. More time and resources should be applied to consider how other states manage their aging infrastructure.

#### **Issue #4: Revenue**

Develop New Revenues – The infrastructure backlog is growing to epic proportions and is an obstacle to business retention and economic growth. The multi-billion dollar deficit is equal to or greater than the entire state budget, so new revenue policies will have to be considered by the legislature. The Governor has additionally created a task force on comprehensive revenue restructuring.

It appears that a joint panel of private citizens and state staff to work with OECDD, the Oregon Department of Revenue and the Oregon Lottery is required to explore a new policy concept in which a financial resource can be identified to move the infrastructure backlog towards remission to prevent further growth of the project backlog. This financial plan will have to include new goals to answer new questions:

- By what year should Oregon have 10% of the backlog funded?
  - By what year do Oregonians want their water in compliance with the Clean Water Act?
  - How do we intend to finance the cost of water and other key infrastructure elements for the next generation?
  - Can we afford to relieve developers of increased infrastructure demands?
- **Findings #4:** The cost of the backlog is beyond the traditional scope of the revenue capacity of the biennial budget and challenges the capacity of the State to develop a plan to provide infrastructure that is in complete compliance with federal mandates.
- **Recommendation #4.**
- Provide our Federal economic development agency partners with a copy of the draft backlog of infrastructure projects by DEQ, LOC, and OECDD related to federal program requirements and mandates to enable the Oregon Congressional delegation to seek additional appropriations in applicable programs.
  - Appoint a commission to explore new revenue concepts to manage the backlog of infrastructure projects.

#### **Issue #5: Application Calendar Management**

Turn Around Time – Time is money. Capping or minimizing the growth of the cost of the infrastructure backlog due to inflationary increases would greatly reduce the aggregate cost over time. This would require Oregon to fund an appropriate portion of its key infrastructure projects at a level slightly greater than the biennial inflationary growth of the cost of the projects in the backlog. If the pre-application process can be expedited, and reasonable construction timelines are followed, the inflationary cost to the rate-payers will be less. Response time (delay) increases the cost of a closed or stable list of projects to the taxpayers. Ultimately, one of the potential benefits of an expedited Needs and Issues process is the reduction of the process time and the subsequent lower cost from earlier remediation. If it takes less time to distribute state resources to approved applicants in a more streamlined format, the State will make progress on reducing the backlog.

Tip of the Iceberg -- Additionally, the following recommendations may cause the legislature to examine the way in which it funds the implementation of the Clean Water Act and the Safe Drinking Water Act in Oregon. Through the investigation of the old process, it is clear that there is an untold amount of need for state assistance. This DEQ data indicates there are many systems out of compliance that are not yet in the grant stream due to their lack of capacity to complete the pre-application process.

➤ **Findings #5**

- Delays and barriers increases the time and the inflationary cost of each project and the entire backlog. Aging of pending projects increases the costs.

➤ **Recommendation #5**

- It shall be the Policy of the State of Oregon to establish TIME and calendar management as a criteria for determining the effectiveness of infrastructure construction programs.

**Issue #6: Flexibility**

More Flexibility in Program Definitions -- If Oregon is to reduce its backlog of infrastructure needs, state agencies will have to collaborate with other state, federal, tribal, and private resources in which there are revenues or a combination of revenues to fund certain parts of proposals in the inventory of needs. Each application may take a different combination of programs. For example, OECDD may have the resources to implement technical assistance under certain conditions, and the federal government may utilize certain technical assistance funds in certain situations. At the same time other agencies may be funded to support infrastructure mandated by federal laws.

On paper, technical assistance funds exist, but the inflexibility of dedicated funds leave many projects partially funded, and the delays to find the bridge funds or gap funds increase the costs of the project due to inflation from the passage of time. Technical assistance programs are valued highly at the local level.<sup>10</sup>

Participants indicated at each public meeting they did not understand the need to go through the entire process to add just one project, and they often just had a hearing and added one new project to the list.

This review also heard several comments for a central database and user friendly information technological environment. Several state agencies have experienced staff that currently work efficiently together within the Economic Revitalization Team (ERT) framework. These statewide partners understand the need for this type of program in moving a community along the continuum of developmental revitalization. The ERT can serve very effectively if they are invited and attend meetings to discuss priorities. They can bring feasibility factors into the discussion for consideration and advise proponents towards concepts that have the highest likelihood of success.

In almost every meeting with local economic development professionals across the state, local citizens asked for more flexibility, capacity-based or place-based processes. Since the

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<sup>10</sup> Pam Sibernagel, Oregon Cascades West Council of Government recommendations, 4-9-07.

state terminated the Needs and Issues Program in 2002, many regions in Oregon developed their own prioritization process. In the creation of a new system, it would maximize continuity if the State would permit local officials to determine their process facilitator and for the county to determine the final approval of a list of needs.

Participants expressed dissatisfaction with partnerships based on political subdivision boundaries rather than by projects. Partnerships and affiliations did not necessarily translate to agreement on priorities and smaller communities priorities were often not the county or region's priorities. Ports sometimes have a different agenda than that of a region.

➤ **Findings #6**

- The inflexible specificity of funding programs delays the pre-application process and inadvertently elevates the cost of projects due to inflation. There is insufficient access to grant writers and technical assistance for some projects. Economic development partnerships need more emphasis on mutual interests similar to private sector partnerships. Partnerships can be capacity-based to allow for unique business cultural differences across the state.

➤ **Recommendation #6**

- Consider broader definitions and flexibility of programs to allow economic development professionals the opportunity to find a way to expedite important projects.
- Support the county's designation of the lead economic development agency to facilitate the prioritization of the list of infrastructure needs.
- Accept separate lists by cities and other municipalities, tribes and special districts to supplement county or multi-county regional lists.
- Authorize and support volunteer partnerships, flexing to support only projects of mutual interest.
- Authorize local governments to define a capacity-based, "fair" and "thorough" public process.

**Issue #7: Mutual Objectives**

Inability to Fund the Pre-Application Requirements -- Representatives from many small jurisdictions remarked about the inability to complete the application process. Programs designated for the needs of smaller communities are not easily accessed by the targeted subjects due to the requirements for professional services that are not available in the targeted communities. Often, the target communities do not have the resources to complete the application requirements, so time passes and the cost of the projects grows due to inflation.

Role Reversal -- Agencies duplicate each others inflexibility and sometimes there are only a few more requirements but there are no programs for certain key requirements. In a project flow chart, if the State assumes more responsibility in the early stages of the challenging projects with unfunded application requirements, and the federal government continues to accept the subsequent project funding later in the project calendar, will the project move to the point of completion sooner?

In agreement -- In approaching USDA Rural Development with this hypothetical project calendar, it was found that Jeff Deiss, USDA Cooperative Programs project manager, and Mark Simmons, Director of the Oregon regional office, concur that if the state provided more

flexible technical assistance in the early phases of a project, that it would position their agency to fund more projects (“first-come-first-serve”). At a time when Federal programs are declining, assertive proactive efforts by agency staff in Oregon are producing an increase in the net federal investment to the Oregon region. Therefore, it is possible for Oregon to increase a combination of state and federal resources applied to the backlog of infrastructure projects by approaching some projects as pilot projects in which the state is effective with its management of technical assistance programs.

A Team Approach -- USDA Director Simmons also noted that Oregon sometimes funds an entire project, and that perhaps Oregon’s funds can be stretched further, if Oregon works together in a team approach with the Federal resources to fund a project. The National Governor’s Association has endorsed increased collaboration between federal and state economic funding programs.<sup>11</sup>

If Oregon is able to expedite more projects to a shovel-ready status earlier, through more flexible technical assistance funding, the inflation factor to the cost of projects will be reduced. The total cost of investment into infrastructure should also be minimized or reduced.

➤ **Finding #7**

- Economic Development Programs often operate concurrently and simultaneously, and some projects become delayed or indefinitely incomplete due to unfunded application requirements.

➤ **Recommendation: #7**

- The State should consider several pilot projects in which the state funds more technical assistance requirements early in the project calendar to complete the pre-application phase. This moves more Oregon applications to the in-basket of project funding agencies sooner; increasing the distribution of federal funds to Oregon; and reducing the inflation factor on the cost of a project.

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<sup>11</sup> NGA Policy Position EDC-15 The Rural Economy Policy



## APPENDIX E - POLICY RECOMMENDATIONS

### GOVERNOR'S RURAL POLICY ADVISORY COMMITTEE POLICY RECOMMENDATION NO. 07-01

**I. TITLE; INFRASTRUCTURE INVENTORY AND ASSET DEPRECIATION POLICY**

**II. SUMMARY:**

This policy recommendation addresses both the known and growing number of infrastructure projects including unfunded water/wastewater capital improvement projects and the lack of information regarding the total number of such projects within the State of Oregon.

**III. BACKGROUND:**

The Departments of the Oregon Economic and Community Development, Oregon Water Enhancement Board, Oregon Department of Environmental Quality (DEQ), Oregon Water Resources Department and others maintain a list of infrastructure projects pending funding, including \$2.9 billion in water and wastewater. The League of Oregon Cities and the Association of Oregon Counties have also conducted surveys of pending infrastructure needs, and they have identified \$600 million in projects.

**IV. PROBLEM:**

Information about infrastructure needs is decentralized without common definitions or parameters. The Rural Policy Advisory Committee has had a number of citizens and agency representatives speak to them about the difficulties involved in trying to secure necessary funding to install, upgrade or repair ageing infrastructure. The Committee was unable to determine the Statewide severity of the problem due to the nonexistence of a comprehensive list of those projects. It is the Committee's opinion that the State can never properly plan to get ahead or get even with our infrastructure project needs if we don't even know how big the problem really is. Such a list will also be valuable as part of the comprehensive water planning process that the Department of Water Resources is embarking on; strategies for water conservation may involve the reuse of treated effluent in irrigations systems, and the mitigation of water loss from broken or obsolete water systems.

**V. RECOMMENDATION:**

The Oregon Rural Policy Advisory Committee recommends that the Governor adopt the following policy:

*It is the policy of the Governor of Oregon that the State of Oregon:*

- a. *Wants Clean Water by \_\_\_\_\_ and must establish the scope of the needs.*

- b. *Will maintain a comprehensive, updatable, web-based infrastructure inventory system, through DAS, OECDD, and the Progress Board.*
- c. *The infrastructure inventory shall include:*
  - i. *All pending, unfunded infrastructure projects of all state agencies;*
  - ii. *All completed state investments utilizing an integrated asset management system with a depreciation schedule for all public water and wastewater systems in the State of Oregon for the purpose of identifying and scheduling the replacement costs for those systems*
- d. *The state shall search for more flexible program definitions to enable increased technical assistance projects.*

**VI. DESIRED RESULT:**

The Committee expects that, in developing a comprehensive infrastructure backlog data base in DAS and the Progress Board, Oregon will have a greater understanding of the funding challenges to sustain existing Clean Water policies.

- a. Comprehensive backlog data will enable policy makers and budget and management specialists to assess current state funding practices and consider the exponential growth of the hidden deficit in infrastructure, which is vital to job retention, economic sustainability or expansion.
- b. A depreciation schedule, to enable long term management, upgrading, or replacement.
- c. the State would first have to identify all existing and planned public water and wastewater systems;
- d. Increased technical assistance will expedite more projects, reducing cost increases due to inflation, potentially reducing project costs to the taxpayers.
- e. Develop new dialogue to discuss collaborative roles between the State and Federal Funding agencies to finding ways to initiate jointly funded infrastructure projects more efficiently in terms of time, streamlining and money.

**VII. Governor’s Chief and/or Assistant Chief of Staff Comments:**

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Signature

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Date

**VIII. Governor’s comments or position on the proposed Policy Recommendation:**

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IX. \_\_\_\_\_  
Signature

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Date

**GOVERNOR'S RURAL POLICY ADVISORY COMMITTEE**  
**POLICY RECOMMENDATION**  
NO. 07-02

**I. TITLE: CAPACITY-BASED POLICY**

**II. SUMMARY:**

This policy recommendation provides a proactive model for new policies, rules, or laws to be more effective to more Oregonians in communities of all sizes and places. It is intended to make the implementation of policy more flexible, effective, and potentially, cost effective. It is intended to reduce the cost of implementation by streamlining implementation to the level of the capacity of the community.

**III. BACKGROUND:**

“One size fits all” policies, laws, and rules have been a long standing challenge in Rural America and Rural Oregon. It is easy to understand how the convenience of quality over-arching policies work for the majority of the larger jurisdictions, and such concepts are scrutinized in terms of cost to the state. In 1986, Professor Emeritus Emery Castle of Oregon State University and Bruce Weber of the OSU Rural Studies Program submitted a paper to the Rural Policy Research Institute which was published, regarding “Place-Based Policy.” This policy proposal is based on input from the local community to custom design policy that can match local capacity. A key part of the process in the development of more effective implementation of rules and practices include the unique factors of “place” and distinct leadership relationships of each community.

**IV. PROBLEM:**

Policy and rule-making agencies follow the traditional model of a state system and design rules to convenience the administration of rule-making. When applied, the implementation strategies of new laws and rules may not be compatible with the unique character of local business culture, geography, capacity of local resources, rural small business, and/or the extent of public process required to be fair and effective in small communities. Prescriptive rules designed by and for larger jurisdictions that can afford extended processes can waste time and money in communities with less capacity and smaller budgets.

**V. RECOMMENDATION:**

The Oregon Rural Policy Advisory Committee recommends that the Governor adopt the following policy:

*It is the policy of the Governor of the State of Oregon that the state agencies will train in the attributes of a capacity-based implementation model (“Place-based”) and to support management in places in which there are unique resources, diminished capacity, distressed budgets, geographic features, small business cultures, and low population.*

**VI. DESIRED RESULTS:**

The Committee expects that the State will engage in a fact-finding process to create a training module for respective agencies, and DAS may be in the best position to develop an internal professional training module. University resources may be available. Professor Emeritus Emery Castle and Bruce Weber of OSU is currently engaged in the OSU School of Rural Studies.

- A. Following a professional training process, State agencies would determine which policies could be implemented in a place-based or community-based model. Many agencies already engage in local participation in the development of action plans. For example, the Commission on Children and Families, CDBG Block Grant, Public Health, Regional Investment Boards, ODOT’s ACT, ODOT’s STIP and Fish and Wildlife all work with unique regional, local geographic and natural resource differences.
- B. The State should define policy by way of “desired outcomes” and implementation processes should be designed by a state-local partnership to match the capacity of the local governments to achieve the outcomes.
- C. Regulatory agencies will discover more practical and efficient ways to implement over-arching policies in which local citizens and leaders can “buy in” if methods of implementation can be discussed prior to a draft rule is distributed within the legal calendar requirements.
- D. The state may find new ways to streamline implementation in local or regional discussion with local governments, and one of the performance objectives should be to reduce the costs of implementation in communities with the lease resources.
- E. Local and State government serve the same taxpayers, and if State and local government agencies jointly assessed the cost of implementation of proposed policies by local citizens and communities, they could scope of the capacity of its constituents. The State would find that spending more time on the quality of policies would provide increased support by the taxpayers when the government at any level asks the voters for additional revenues.

VI. Approved and recommended to the Governor by the Rural Policy Advisory Committee,

\_\_\_\_\_ 200\_\_

\_\_\_\_\_, Chair

**VII. GOVERNOR’S CHIEF OF STAFF Comments and recommendation:**

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Signature

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Date

**VIII. GOVERNOR'S COMMENTS - APPROVAL**

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Signature

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Date

**GOVERNOR'S OFFICE OF RURAL POLICY ADVISORY COMMITTEE**  
**POLICY RECOMMENDATION**  
NO. 07-03

**I. CLEAN WATER FOR ALL BENEFICIAL USES**

**SUMMARY:** This policy recommendation confirms the 2006 advisory to the Governor regarding the urgency of Long Range Water Planning for storage and conservation.

**II. BACKGROUND:**

The Rural Policy Advisory Committee met with people, leaders, and agency staff in all parts of Oregon, and each place had a long range water issue, many similar, some unique.

**III. PROBLEM:**

The structure of the government process lends itself to two-year activities due to the biennium structure of the State's general fund, and a long term vision from which to shape our policies and management objectives had not emerged to provide policy guidance. Legislative sessions are marked with regional proposals, which are difficult to assess in the absence of a statewide water supply assessment. The Oregon Progress Board stated in 2000 that Oregon's water supply is inadequate. As science debates to classify the current status of water into the dimensions of millennia, the recent two Oregon Governors have declared a state of emergency due to low water and drought conditions more than 49 times and sustainable clean water is not currently available for life requirements of fish, agriculture, or people when they most need it..

**IV. RECOMMENDATION:**

The Oregon Rural Policy Advisory Committee recommends that the Governor consider adoption of the following objectives in order to initiate actions aimed at resolving current and future water crisis, regardless of the cause:

*It is the policy of the Governor of Oregon that:*

*The state shall reduce, avert, and mitigate low water, drought conditions to provide sustainable clean water for all beneficial uses.*

**V. DESIRED RESULTS**

- a. Based on estimates for the population of Oregon residents in the long term, e.g. 2035, develop a long range water plan, including supply and conservation concepts, estimated costs, and an action plan from which to implement key strategies and recommendations.
- b. Train and direct state agency staff to provide remedial technical assistance to communities, counties, or water basins that have experienced low water or drought conditions to:
  - \* expedite their access to funding for water projects;
  - \* provide technical assistance funds
- c. Will increase the water supply to communities, counties, and places that have declared a state of emergency in an effort to mitigate future low water conditions.
- d. Will assess the impact to Oregon waters as regional demand intensifies.

e. increased collaboration and lessen litigation in the creation of a long term water supply, conservation protocol, and effective recommendations.

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V. Governor's Chief and/or Assistant Chief of Staff Comments:

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VI. Governor's comments or position on the proposed Policy Recommendation:

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**GOVERNOR'S OFFICE OF RURAL POLICY ADVISORY COMMITTEE**  
**DRAFT POLICY RECOMMENDATION**  
NO. 07-04\_\_

**I. TITLE: ACCESS TO FINANCE**

**II. SUMMARY:**

Rural Oregon needs to access funds to invest in agricultural technological development and developmental technology for natural resource economic activity. It is proposed to investigate policy concepts that will reduce "leakage" of rural funds, and retain capital in rural communities for re-investment.

**III. BACKGROUND:**

One of the consistent rural development "best practices" across rural America is "access to funds." Local rural banks, government programs, leasing companies, and private loans have limited assets in smaller communities. Banks are closing in smaller communities due to the lack of financial activity, regulated towards urban transactions.

Some local governments deposit funds in local banks to retain the economic vitality of local banks. Financial management policy is becoming very sophisticated and the performance could also be measured by the economic impact of the distribution of the proceeds in addition to project completion. Investment into smaller communities can create an increase in state income tax revenue. The Office of Rural Policy Advisory Committee seeks to examine this concept.

The investment policies and practices of the state revenue pool are authorized by statute and is designed to minimize risk.

The largest local public works projects are financed by bonds. The bonds help provide a mechanism to deliver infrastructure to smaller communities. The small community gains infrastructure, while the urban communities gain banking activity.

**IV. PROBLEMS:**

The State pool does not invest in rural agricultural technology.

Some state investments go out of state and the return on investment is limited to the dividend.

The state definition on return on investment is limited in scope, and does not recognize the redistribution of local revenue and the income taxes paid from rural businesses. Rural communities are regulated out of a share of the financial activity.

Private activity bonds are transacted in larger communities. The bond fees and revenues leak beyond the rural community to the successful bidders' bank, reducing the return on investment in the rural communities that create the bonding opportunity. Bond revenue is



then banked outside of rural Oregon. The contractors are often out of county urban contractors and construction professionals, which minimizes rural business activity on a bonded project to temporary hospitality revenue. Rural banks are left out of the private activity bond loop and subsequently are closed or transferred to a larger community, thereby denying local access to finance.

Smaller municipalities pay a premium on costs by engineers, design professionals, and project managers for isolated, rural projects. Similar projects may occur at the same time somewhere in the state, and the projects are not aggregated to save public funds.

**V. RECOMMENDATION:**

The Oregon Rural Policy Advisory Committee recommends that the Governor investigate the following financial management recommendations:

*It is the policy of the Governor of Oregon that the State:*

- a. will develop legislation which would authorize a pilot project in which the state pool may develop the appropriate conditions to invest in rural Oregon, agriculture, agricultural technological development, and developmental technology for natural resource economic activity.
- b. will commission a project to an OUS university department to estimate and project the economic advantages of more diverse investment policies by in the state pool.
- c. will develop direct and guaranteed farm loan programs in which vulnerability to fraud, waste, abuse, and mismanagement are minimized.
- d. will develop a legislative concept to authorize local governments to order all or a part of their state shared revenues into a local banks, subject to a competitive public process in which criteria of return on investment to the community may be defined by local ordinance.
- e. will authorize local governments, public bond recipients, to determine by ordinance a % of the private activity bond to be deposited in a local bank.
- f. will authorize the combining of several infrastructure projects with common design requirements to aggregate bid phases, improve bond ratings, and lower the cost of finance to smaller communities.
- g. may explore innovative ways for local businesses to increase participation in the activities associated with larger infrastructure projects in smaller communities.
- h. Major Infrastructure construction projects may also be bundled into smaller unit bids to explore the availability of more economical, smaller contractors in the communities in which the infrastructure is constructed.

**VI. DESIRED RESULT:**

An increase in deposits from policy changes and the state investment pool by local governments, may help retain rural banks and their services in rural communities.

- a. Economic sustainability, job retention, economic growth, and proportionate increases to state income tax revenue are potential outcomes.
- b. Inventors and entrepreneurs may expand beyond research and development to a business level

- c. The rural multiplier effect will recirculate those dollars several times in other rural Oregon businesses, and State income tax will be assessed more frequently.
- d. It is anticipated that the difference between a return on investment from the state pool and a rural bank is offset by Oregon income taxes from a rural multiplier effect, not collected from out of state investments.

**VII GOVERNOR'S CHIEF OF STAFF Comments and recommendation:**

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**VIII. GOVERNOR'S COMMENTS - APPROVAL**

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**GOVERNOR'S OFFICE OF RURAL POLICY ADVISORY COMMITTEE**  
**POLICY RECOMMENDATION**  
NO. 07-05

**I. TITLE: CAPACITY OF VOLUNTEERS**

**II. SUMMARY:**

There is a growing concern from rural communities regarding their ability to maintain the trained volunteer forces necessary to perform critical functions regarding fire, life and safety. Part of this concern stems from the perception or reality that training requirements for volunteers, such as fire fighters, are based on one size fits all regulations and that the expenses associated with required training is outpacing the time and fiscal capacities of rural communities and volunteers.

**III. BACKGROUND:**

An area that can significantly differentiate public service in rural Oregon from urban Oregon is that of volunteerism, especially those critical community functions that can only be met with a trained volunteer force. These functions most commonly include such life impacting services as fire suppression, victim rescue, and emergency medical support/ transportation. The majority of these volunteers must achieve some level of certification in their volunteer profession in order to be allowed to work as a volunteer. Most commonly, the sources of certification and the locations of formal training are in the urban areas. It is also common that rural volunteers are working full time jobs in addition to their volunteer work.

There appears to be a direct correlation between the level of dependence a community has on its volunteers and a community's distance from urban services. The level of dependence also quite commonly correlates closely with the financial capacity of the community.

These correlations create a quandary – those volunteers who are the most critical to a community have the longest distances to go to receive training necessary to achieve/maintain certification and are also the ones who are least able to absorb the travel and training costs and time away from their jobs and families.

**IV. PROBLEM:**

- a. Many rural communities do not have paid staff to perform first responder type duties and must rely on volunteers for fire, rescue and emergency medical response.
- b. Most volunteers are not compensated for their volunteer work, training expenses or time away from their day jobs. Some special districts maintain small training budgets – but there appears to be an inverse ratio involved – the most rural communities have the least amount of training funds but are the ones that need funding the most.
- c. The level of training required for the volunteer professionals to remain certified appears to be increasing, making recruitment of volunteers more difficult.
- d. There does not appear to be much differentiation between certification requirements for small rural communities and urban communities.

- e. The amount of funds available for training in rural special districts is not increasing at the same rate as training costs or are nonexistent in some districts.
- f. Training, especially at the higher levels, is often only available in the more urban areas.
- g. The loss of volunteers will translate directly into the loss of lives, property and the economic stability of rural communities.

**V. RECOMMENDATION:**

The Oregon Rural Policy Advisory Committee recommends that the Governor adopt the following policies:

*It is the policy of the Governor of Oregon that the State:  
Will encourage State Agencies and Professional Certifying Organizations to aggressively pursue actions or policies that will serve to support, encourage and increase volunteer participation in those communities that rely on volunteer emergency services for the safety of their communities.*

**VI. DESIRED RESULT:**

- Training required for certifications could be realistically scaled down to address the capacity of the volunteer environment (e.g. create a certification of “Volunteer Firefighter I” for example). This restructuring would essentially be a place-based review of certification requirements that would allow rural communities to retain their certified volunteers.
- Award ‘points’ for years of service for volunteerism in critical areas; the points could be used in the hiring process for State positions or as credit towards State college tuition, for example.
- The Office of Rural Policy could coordinate with State Agencies and Professional Certification Organizations to develop a program where the education providers can receive a significantly higher number of Continuing Education Credits, or annual certification credits, by teaching classes in rural areas. The percentage of increase in credits can be aligned with the Governor’s definitions or Rural that are contained in his current Executive Order re: the Office of Rural Policy. (This program would not have to be restricted to volunteers but could be expanded to other areas to assist rural professionals who need continuing education credits).
- That definitions be developed to determine who would be the recipients of the above benefits to generally restrict them to those volunteering in the area of life and safety.

**VII. GOVERNOR’S CHIEF OF STAFF Comments and recommendation:**

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**VIII. GOVERNOR'S COMMENTS - APPROVAL**

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# GOVERNOR'S RURAL POLICY ADVISORY COMMITTEE

## POLICY RECOMMENDATION NO. 07-06

### **I. TITLE: SUFFICIENTLY FUND AFFORDABLE HOUSING**

### **II. SUMMARY:**

This policy recommendation addresses the growing demand for safe, decent, affordable housing in rural communities throughout the State of Oregon.

### **III. BACKGROUND:**

Oregon Housing and Community Services (OHCS) maintains current demographic data that describes the growing gap between income and housing affordability throughout the State. There is dramatic evidence to show that in our rural areas; especially where we have seen rapid population growth, the need for affordable housing is significant. While the State's economy has grown, within the last generation, the percentage of working families living in poverty has doubled. Affordable housing must be seen as a cornerstone of the economy with larger fiscal impacts in such areas as education, health, agriculture, and employment stability. Evidence will show that; with access to safe, decent, affordable housing, children perform better in school, seniors able to age in place stay healthier with less impact to the health care system; and agriculture, so essential to rural economies, can better rely upon harvest income where farmworker housing exists.

### **IV. PROBLEM:**

The Committee repeatedly heard about the challenge to working families who; while supporting their local economies, can no longer afford housing in their communities. Local government officials, service providers, and other citizens throughout rural Oregon voiced this concern. Larger metropolitan areas often have greater capacity to access development capital with the leverage of being able to commit municipal resources to affordable housing development. Most rural jurisdictions cannot afford such a commitment and must rely exclusively upon Oregon Housing and Community Services to acquire the needed layering of development resources. It is the committee's perception that the coordination of additional funding is needed in order to leverage private equity, federal funds, and expertise to address the growing rural housing need. The Oregon Housing TRUST Fund administered by OHCS provides a vital housing resource in the State and can also serve as the required local match needed to leverage public and private investment funds from Housing and Urban Development (HUD), USDA Rural Development, the Low Income Housing Tax Credit (LIHTC) and the Oregon Affordable Housing Tax Credit programs. In 1989 the State of Oregon legislated an historic commitment to affordable housing by creating the Oregon Affordable Housing TRUST Fund. The Fund, when aligned with its original legislative standard, could assist OHCS in meeting strategic housing goals in rural Oregon.

It is the Committee's opinion that many smaller rural communities, while aware of the unmet housing need, lack the capacity required to compete successfully for OHCS or other funding against keen competition due to very limited resources. Rural communities could benefit by collaborating on a regional basis to create economies of scale. Experienced community development organizations function in parts of rural Oregon but often lack funding to expand capacity sufficient to meet the housing need. Investing in existing rural expertise is vital to addressing the affordable housing gap.

**V. RECOMMENDATION:**

The Rural Policy Advisory Committee recommends that the Governor adopt the following policy:

*It is the policy of the Governor of Oregon that the State recognize affordable housing as fundamental to a healthy statewide economy requiring that the Oregon Housing & Community Services collaborate with rural communities in the assessment of their affordable housing needs. Furthermore it is in the interest of healthy rural economies that the State supports the capacity of experienced community development agencies in rural communities to address the unmet affordable housing need. The Governor recognizing the economic impact of inadequate housing for it rural citizens, requests that adequate funding be made available at the State level for rural communities to access sufficient development capacity to meet this need, including the ability to leverage private and public sources into the State of Oregon for the purpose of affordable housing.*

**VI. DESIRED RESULT:**

The Committee expects that; with a strategic focus toward the economic impact that comes from a serious affordable housing shortage for working households including farmworker households, special needs populations, and senior citizens, the State of Oregon will be proactive in working with affordable housing advocates in rural communities to meet their housing needs by community and/or region. The State will further assess the financial impact of a fully funded Housing TRUST Fund as envisioned by original legislative initiative to leverage available private and public housing resources into the State and to meet the serious affordable housing need in many parts of rural Oregon. The Committee also expects that by supporting the capacity of experienced rural community development groups the State will optimize the use of these funds through integrated planning and implementation. The result of this policy commitment would be a strategic and place based approach to meeting housing needs with a strengthened capacity to effectively address the growing affordable housing need in rural Oregon.

**VII. GOVERNOR’S CHIEF OF STAFF Comments and recommendation:**

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**VIII. GOVERNOR’S COMMENTS - APPROVAL**

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