

Recap: November 2021 Legislative Days

November 24, 2021

The following is a summary of legislative committee meetings viewed online by RDI staff, with particular emphasis on issues and potential legislation discussed which may have rural impact.

House Interim Committee on Economic Recovery & Prosperity

The committee heard program updates from Business Oregon about new programs being rolled out, including the dispersal of

- \$10 million to a loan loss reserve fund for CDFIs, set up through HB 2266,
- \$10 million to the Certification Office for Business Inclusion and Diversity (COBID) loan fund,
- \$5 million dollars rolling out for private industry forgivable loans for brownfield redevelopment (rules due out by the beginning of the year), and
- ***\$500,000 in a grant program from state general fund (from HB 2345) to support rural economic development districts in adding capacity for local community grant writing capacity, to apply for and administer grants and other forms of funding available from any source. The application for EDDs around the state will be published in January 2022.***

Business Oregon also spoke to the roll out, funded with ARPA funding, of funding for live venues (coming out in January), live venue support businesses (coming out in March), and movie theaters in Oregon.

Community LendingWorks (CFDI) also provided testimony related to HB2266 implementation (creating a loan loss reserve account, through which certain lenders may, after competitive RFP process, receive award moneys to fund accounts out of which lenders may be reimbursed for principal losses incurred due to defaults on qualified loans to qualified businesses) and the importance of loan guarantees in mitigating risk for lenders so they can better serve businesses in the midst of the pandemic who are in need of capital to expand, pivot, or take advantage of an opportunity in their industry.

Testimony was heard from EDCO, ECONorthwest and Genentech on ***the benefits of community enterprise zones for rural economic development***, with Crook County case studies, for the committee's consideration of this particular tool in the economic development toolbelt.



House Interim Committee on Water

A number of agency staff and rural residents provided information to help the members of the committee understand the scope and impact of the 2021 drought. This year's drought was the 4th worst in state history, resulting from record high temperatures, early snowmelt, and low precipitation. 27% of the state is classified in the worst drought category defined by climatologists – a once-in-a-generation event. Oregon saw the second lowest level of accumulated precipitation in its recorded history, and record low stream flows. 25 counties have formal drought declarations, and it was noted that Oregon has experienced below average precipitation for 16 out of the last 22 years.

Complicating the recovery from this disaster is the nature of assistance provided by FEMA. Because drought conditions do not damage public infrastructure, FEMA programs are not designed to respond to drought disasters, though there are more federal than state sources of funding overall. ***The state will need to identify and address federal funding gaps; the Governor's Office and the Legislature are working on a drought relief package.***

Because over 300 Oregon residents are dealing with dry wells and no drinking water, state staff is considering bringing well-drillers from other states to address the problem more expeditiously.

While conclusive economic data is not yet available to understand the drought impact on agriculture and other sectors, ***we know that the economic impacts are likely more long-term than immediate, because of the time horizon for many Oregon crops.*** "Droughts act as a force multiplier" for other disasters from an economic perspective.

For more information, including a federal funding sources fact sheet, see <https://www.oregon.gov/owrd/programs/climate/droughtwatch/Pages/default.aspx>

House Interim Special Committee on Wildfire Recovery

Matt Garrett, Director of Wildfire Recovery in the Governor's Office, provided an in-depth overview of all the state programs related to recovery from the 2020 wildfire disaster, and funded through HB 5006. Funding has come primarily from the federal American Rescue Plan Act and General Fund dollars, with some additional funds from Lottery Bonds. \$487 million has been obligated to date.

Residents who lost their homes as part of this disaster event are rebuilding according to 2008 building codes to keep costs low, though retroactive grant programs are available to supplement rebuilding projects to 2021 standards for energy efficiency and fire resiliency. The pace and scope of rebuilding will necessitate both carrying funds over to the 2023-25 biennium and an additional request for funding to continue the work.



Grant funding is also available to counties and municipalities; the county program will be in place by the end of the year, while the municipal program will distribute funds by 6/30/2023. It was also noted that expected increases in funding to broadband infrastructure should help improve fire notification processes in remote Oregon communities.

Staff from the Oregon Housing & Community Services Department provided an overview of the effort to provide emergency, interim, and permanent housing, with 340 households still in hotel rooms, and many, many more in FEMA trailers and other temporary housing arrangements. One silver lining is that some of the intermediate housing options under development, including modular and tiny homes, can permanently increase the overall housing stock in these fire-impacted regions. In summary, there are a wide variety of programs addressing the need for housing at various levels, but the number of Oregonians still without permanent housing is considerable and significant.

Agency staff announced that Oregon was awarded a \$422 million in CDBG Disaster Recovery funds on October 31st. The grant administration is significant, so it will take some time to develop programs to get these funds to communities. Representative Marsh and others urged OHCS to put staff on the ground in-community to ensure funding was directed according to the greatest need and in response to specific community priorities.

Many individual fire-impacted areas provided reports of the progress of recovery in their regions, with an overall theme of current wildfire-impacted communities developing a “playbook” for future disaster events – “we need to avoid building the plane as we’re flying it”, and strategic planning to allow for comprehensive regional recovery based on consensus priorities. Lane County Commissioner Buch expressed frustration with the fact that wildfire recovery dollars are not getting to communities; Representative Marsh also mentioned that ***2021 legislation is planned to address the lack of funding to wildfire-impacted school districts.***

House Interim Committee on Revenue

Mark McMullen and Josh Lehner of the Oregon Office of Economic Analysis presented information as part of the December 2021 Economic & Revenue Forecast.

Revenue growth and inflation in Oregon continues to outstrip projections; the expected return to more normal levels of growth has not occurred as anticipated. One primary factor is the extremely strong labor market. Wages and salaries are stronger than even before the onset of the pandemic, as is consumer spending. ***The inflationary pressure is unlike anything economists have seen during the past 30 years.*** Unfortunately, the adverse impacts of these conditions affects low-income households in the state to a higher degree, and are likely to continue for at least the next six months.



Although workers making less than \$20/hour are seeing bigger gains in wage rates overall compared to the rest of earners, real wages are declining when factored for inflation.

State revenues are benefitting from the impacts of inflation nationwide, particularly those states with a disproportionate share of revenue from sales taxes. Consumer demand remains high. With respect to specific sectors, the housing market is less able to respond to demand as compared to durable goods, so a respite from the housing crunch is unlikely in the near future.

In the job market, Oregon is still 70,000 jobs short of pre-pandemic levels, and there are 160,000 job openings in Oregon today. There are opportunities for workers to shift to sectors with higher wages, which is adversely impacting service sector jobs in retail, hospitality, and health care.

“Urban areas trail rural in recovery so far, but drivers of economic growth generally favor urban.” Across the U.S., 98% of counties saw income growth during 2020, primarily because of government payments. Portland is performing similarly to other metropolitan areas of the same size.

Overall, the presenters expressed concern that the currently overheating economy will fuel a traditional boom-bust scenario, such that a corresponding economic downturn will likely lead to a large hole in the 2023-25 biennium. ***The economic outlook at present reflects (1) income growth accelerating faster rather than normalizing, (2) record-setting personal and corporate tax collections, and an estimated \$558 million kicker payment in 2024.***

Joint Committee on Transportation

ODOT Director Kris Strickler noted that the recently passed federal Infrastructure Investment & Jobs Act will increase the department’s budget by 30%. Other updates provided as part of the staff reports included:

A warning that ODOT is having trouble hiring snow plow operators, as are many other states, which may impact their ability to clear roads in a timely manner during the winter months.

The State Transportation Improvement Fund (STIF), tasked with improving public transit among Oregon communities, indicated that new bus routes had been added between Eugene-Florence, Florence-Yachats, Coos Bay-Roseburg, and a route is pending between Junction City-McMinnville.

\$30 million in Safe Routes to School funding will be opening in January for communities interested in adding sidewalk infrastructure that improves safety for school-aged children.



Joint Interim Committee on Ways & Means

Notable among a long list of grant approvals: the committee did not approve the submission of an Oregon Health Authority Climate and Health Program grant to the CDC. The committee did vote yes, though not without comments and questions, on grants for pandemic economic recovery planning, including

- A retroactive submission for \$1 million to US Dept. Of Commerce Economic Development Administration: half of the funding will go to two broadband mapping projects and the other half to fund a statewide recovery coordinator position),
- Seafood processors pandemic assistance (to US Dept. of Agriculture for \$1,532,098 to support eligible seafood processors who have incurred costs related to the COVID-19 pandemic), and
- Broadband infrastructure (\$16.47 million dollars to fund grant eligible projects, focused on Benton, Wasco, Grant, Josephine Counties).

Senate Interim Committee on Labor & Business

The committee heard invited testimony on the following topics: farm worker overtime pay, implementation and regulation issues with cannabis and hemp legalization, the Worker Fairness Act and pandemic unemployment insurance.

For over 80 years, farm workers have been excluded from overtime pay, which now affects a primarily Latinx labor force in the state of Oregon, and continues, from proponents' perspective, to be rooted in racist practices. A workgroup of farmer and farm worker overtime pay advocates has been convening to build an inclusive process that takes all needs into consideration. Washington and California are among a small group of states that have passed and implemented farm worker overtime pay, and we are starting to learn from implementation in California, which began its phase-in in 2019. The workgroup will continue to meet with the goal of getting a farm worker overtime pay bill passed that ideally addresses all stakeholders' needs.

The Senate Labor and Business Committee is one of many that will have some authority in addressing the growing issues in implementation of HB 3000 and hemp legalization. Addressing these issues will require several state agencies and many legislative committees to be coordinated in their efforts and clear about roles in regulation, funding and making policy changes. The top concerns are with worker exploitation, hemp grows being a guise for unregulated cannabis grow operations, THC in CBD products not sold exclusively through dispensaries, and water taking. Funding for law enforcement is needed coming into the 2022 growing season. There is also an expectation to have a bill in the 2023 session after an expanded workgroup meeting to develop solutions.



There was invited testimony about how more restricted use of non-disclosure agreements needs to be employed to improve workplace fairness – we can expect a bill from Sen. Taylor on this topic in the 2022 short session.

The Portland Employment Dept. and Unemployment Insurance Dept. spoke about doubling their agency staff (primarily paid for by federal funding) to meet pandemic resource needs, and the shifts in workloads and focus now as they increasingly return to re-employment support. \$12 billion has been paid out through various programs to people that needed those supports throughout the pandemic thus far, more than has been paid over the last 10 years combined. ***Even while businesses are struggling with having the workforce to maintain regular operations, barriers to employment include childcare, COVID-19 concerns and vulnerability, employees changing industries (which is transforming the labor market in many ways) and the regular mismatch of employers and employees (skills, geography, etc).***

Senate Interim Committee on Natural Resources & Wildfire

Staff from the Oregon Department of Forestry provided an update on the 2021 fire season: \$129 million has been spent so far, with 817,782 acres burned. This represents the second most costly fire season ever in the state, with 2020 being the first. Local agencies worked hard with state agencies to prevent conflagration, though they continue to contend with longer fire seasons over more regions of the state (as presented in a decade over decade analysis of fire activity).

Various agencies responsible for the implementation of SB 762 reported to the committee on their progress, including risk mapping, installation of fire-resistant utility infrastructure, and the activities of the Oregon Youth Conservation Corps. ***Grant programs available as part of this wildfire response legislation include:***

- Community Risk Reduction Fund (\$25 million) targeted to critical infrastructure, vulnerable populations, creating defensible space, and supporting local fire service districts. (OR State Fire Marshal's Office)
- Enhanced Wildfire Readiness Response Fund (\$55 million) to update mutual aid agreements, build capacity, and implement pre-conflagration response programs. (OR State Fire Marshal's Office)
- Forest & Rangeland Restoration & Resiliency Investment Program (\$20 million) for landscape restoration; a public workshop and RFP will be available later this year, and proposals will be due January 7, 2022.
- Small Forestland Grant Program (\$5 million) for fuel reduction on small forestlands; the maximum project award will be \$300K, and proposals are due January 21, 2022.

