

A-Engrossed
House Bill 2174

Ordered by the House May 20
Including House Amendments dated May 20

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SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

[Makes certain site preparation and planning costs eligible for payment in economic development projects. Establishes eligibility of essential community facility projects for federal disaster relief funding under certain circumstances. Requires that loan contracts made for funds from Special Public Works Fund be authorized in accordance with local public notice requirements.]

Revises provisions relating to state financial assistance or other assistance available to municipalities for certain economic and community development projects.

A BILL FOR AN ACT

1
2 Relating to economic development; creating new provisions; amending ORS 285A.040, 285A.486,
3 285A.681, 285A.705, 285B.280, 285B.410, 285B.413, 285B.419, 285B.422, 285B.428, 285B.437,
4 285B.440, 285B.455, 285B.458, 285B.467, 285B.470, 285B.473, 285B.476, 285B.482, 285B.563,
5 285B.581, 286.560, 348.701, 348.702, 348.706, 390.063, 431.120, 447.255, 461.540 and 541.845; and
6 repealing ORS 285B.416, 285B.425, 285B.431, 285B.434, 285B.438, 285B.443, 285B.446, 285B.452,
7 285B.461 and 285B.464.

8 **Be It Enacted by the People of the State of Oregon:**

9 **SECTION 1.** ORS 285B.280 is amended to read:

10 285B.280. As used in ORS 285B.280 to 285B.286, unless the context requires otherwise[.],

11 [(1) "*Flexible networks*" means groups of three or more private sector firms working cooperatively
12 to manufacture, sell or market products, develop technologies or create or disseminate information.]

13 [(2) "*High performance manufacturing practices*" means methods for organizing work which
14 devolve greater decision-making responsibility onto front-line workers, including but not limited to em-
15 ployee involvement, total quality control, just-in-time production and other related innovations.]

16 [(3) "*Key industries*" means traded sector industries that make a major contribution to the economy
17 of Oregon, including but not limited to, forest products, agricultural products, high technology, primary
18 and fabricated metals, fisheries, interstate and international tourism, film and video production, graphic
19 communications, biotechnology, software, environmental services, plastics and aerospace.]

20 [(4) "*Network brokers*" means persons who are trained to assist private sector firms to form flexible
21 networks and make other similar efforts to provide for joint manufacturing, marketing, technology de-
22 velopment, information dissemination and other activities.]

23 [(5)] "traded sector" means industries in which member firms sell their goods or services into
24 markets for which national or international competition exists.

25 **SECTION 2.** ORS 285B.410 is amended to read:

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 285B.410. As used in ORS 285B.410 to 285B.482, unless the context requires otherwise:

2 [(1) "Community facilities" means municipal facilities that assist the economic and community de-
3 velopment of the municipality, as specified in rules adopted by the Economic and Community Develop-
4 ment Department, whether operated by the municipality or by a person under a management contract
5 or an operating agreement with the municipality.]

6 [(2) "Community facilities project" means a project for the acquisition, construction or development
7 of community facilities, including the acquisition of land, the mitigation of environmental conditions on
8 industrial lands, the construction, acquisition, renovation or reconstruction of buildings, structures and
9 other real property, and the acquisition or construction of related equipment and fixtures.]

10 [(3) "Direct project management costs" means new expenses incurred by a municipality solely to
11 support, plan for and manage an infrastructure or community facilities project, funded in whole or in
12 part through financial assistance under ORS 285B.410 to 285B.482, during the planning and con-
13 struction phases of the project.]

14 [(4) "Infrastructure project" means:]

15 [(a) A project for the construction of sewage treatment works, solid waste disposal sites, water
16 supply works, roads, public transportation, railroad industrial spurs or sidings, telecommunications
17 infrastructure, storm drainage systems or other facilities that comprise the physical foundation for in-
18 dustrial and commercial activity. The costs of property acquisition directly related to the infrastructure
19 project and acquisition of easements or rights of way necessary to accomplish construction of the
20 infrastructure project are eligible for assistance under ORS 285B.410 to 285B.482. The costs of activ-
21 ities related to performing an environmental action on a brownfield are eligible for assistance under
22 ORS 285B.416 (2) and 285B.455 (5). Purchases of off-site property for project-related purposes such as
23 wetland mitigation or other uses not directly related to the infrastructure are not eligible for assistance.
24 As used in this paragraph, "brownfield" and "environmental action" have the meanings given those
25 terms respectively in ORS 285A.185 and 285A.188.]

26 [(b) A project, in consultation with the Department of Transportation and other affected agencies,
27 for the acquisition, reconstruction or rehabilitation of an abandoned railroad line or railroad line that
28 has been designated by the owner and operator thereof as subject to abandonment within a three-year
29 period pursuant to federal law and regulations governing abandonment of common carrier railroad
30 lines. The project may include operation or maintenance costs if the project also includes acquisition,
31 reconstruction or rehabilitation.]

32 [(c) A safe drinking water project, in consultation with the Water Resources Department, the De-
33 partment of Human Services or the Department of Land Conservation and Development, for improving
34 a drinking water system for the purpose of achieving or maintaining compliance with applicable state
35 or federal drinking water quality regulations.]

36 [(d) A project, as specified by rule of the Economic and Community Development Department, re-
37 sulting from an emergency as defined in ORS 401.025.]

38 [(5) "Municipality" means a city, a county, the Port of Portland created by ORS 778.010, a county
39 service district organized under ORS chapter 451, a tribal council of an Indian tribe in this state or
40 a district as defined in ORS 198.010.]

41 [(6) "Nonurban infrastructure projects" includes all those infrastructure projects which do not meet
42 the definition of urban infrastructure projects.]

43 [(7) "Public transportation" includes public depots, public parking, public docks, public wharves,
44 railroads and airport facilities.]

45 [(8) "Roads" includes:]

1 [(a) *Ways described as streets, highways, throughways or alleys;*]

2 [(b) *Road related structures that are in the right of way such as tunnels, culverts or similar*
3 *structures; and*]

4 [(c) *Structures that provide for continuity of the right of way such as bridges.*]

5 [(9) *“Sewage treatment works” includes all facilities necessary for collecting, pumping, treating and*
6 *disposing of sanitary or storm sewage.*]

7 [(10) *“Solid waste disposal site” has the meaning given to the term “disposal site” by ORS*
8 *459.005.*]

9 [(11) *“Storm drainage systems” means facilities necessary for collecting, controlling, conveying,*
10 *treating and disposing of storm water runoff.*]

11 [(12) *“Telecommunications infrastructure” means real or personal property, structures or equipment*
12 *constructed, used or configured for the electronic transmission or receipt of voice, data, text, images or*
13 *video between sites and facilities.*]

14 [(13) *“Urban infrastructure projects” includes all those infrastructure projects located in whole or*
15 *in part within the acknowledged Portland Metropolitan Area Regional Urban Growth Boundary, and*
16 *the acknowledged urban growth boundaries of the cities of Eugene, Springfield, Salem, Keizer or*
17 *Medford or projects that will principally benefit these areas. The Director of the Economic and Com-*
18 *munity Development Department is authorized to resolve situations left in question by this definition.*]

19 [(14) *“Water supply works” includes all facilities necessary for tapping natural sources of domestic*
20 *and industrial water, treating and protecting the quality of the water and transmitting it to the point*
21 *of sale to any public or private agency for domestic, municipal and industrial water supply service.*]

22 **(1) “Airport” means:**

23 **(a) A runway, taxiway, aircraft parking apron, ramp, auto parking area, access road,**
24 **safety area or runway protection zone;**

25 **(b) An airport-related facility, including a hangar, terminal, air traffic control tower or**
26 **other building;**

27 **(c) A signal, navigational aid or traffic control system; or**

28 **(d) A fuel tank or other physical airport improvement.**

29 **(2) “Development project” means a project for the acquisition, improvement, con-**
30 **struction, demolition, or redevelopment of municipally owned utilities, buildings, land,**
31 **transportation facilities or other facilities that assist the economic and community develop-**
32 **ment of the municipality, including planning project activities that are necessary or useful**
33 **as determined by the Economic and Community Development Department.**

34 **(3) “Direct project management costs” means expenses directly related to a project that**
35 **are incurred by a municipality solely to support or manage a project eligible for assistance**
36 **under ORS 285B.410 to 285B.482. “Direct project management costs” does not include routine**
37 **or ongoing expenses of the municipality.**

38 **(4) “Emergency project” means a development project resulting from an emergency as**
39 **defined in ORS 401.025, to which federal disaster relief has been committed.**

40 **(5) “Energy system” means a facility necessary for the distribution, transmission or**
41 **generation of energy, including but not limited to facilities powered by wind, solar energy or**
42 **biofuel and facilities for the collection, storage, transmission or distribution of a fuel, in-**
43 **cluding natural gas, methane or hydrogen.**

44 **(6) “Marine facility” means:**

45 **(a) A wharf, dock, freight handling or passenger facility;**

1 (b) A navigation channel or structure, including a project funded under ORS 777.267; or

2 (c) Any other physical marine facility improvement.

3 (7) "Municipality" means an Oregon city or county, the Port of Portland created by ORS
4 778.010, a county service district organized under ORS chapter 451, a district as defined in
5 ORS 198.010, a tribal council of a federally recognized Indian tribe in this state or an airport
6 district organized under ORS chapter 838.

7 (8) "Planning project" means:

8 (a) A project related to a potential development project for preliminary, final or con-
9 struction engineering;

10 (b) A survey, site investigation or environmental action;

11 (c) A financial, technical or other feasibility report, study or plan; or

12 (d) An activity that the department determines to be necessary or useful in planning for
13 a potential development project.

14 (9) "Project" means a development, planning or emergency project.

15 (10) "Railroad" means:

16 (a) A main line, siding, yard, connecting or auxiliary track, right of way or easement;

17 (b) An industrial spur or related facility, including a depot, shop, maintenance building
18 or other building;

19 (c) A signal or traffic control system;

20 (d) A bridge or tunnel;

21 (e) A dock, pit, conveyor, bin, crane, piping system, tank or pavement for unloading,
22 loading or transfer of freight, trailers or containers;

23 (f) Any other physical railroad improvement.

24 (11) "Road" means a street, highway or thruway or a road-related structure that provides
25 for continuity of a right of way, including a bridge, tunnel, culvert or similar structure or
26 other physical road-related improvement.

27 (12) "Rural area" has the meaning given that term in ORS 285A.010.

28 (13) "Sewage system" means a facility necessary for collecting, pumping, treating or
29 disposing of sanitary sewage.

30 (14) "Solid waste disposal site" has the meaning given the term "disposal site" in ORS
31 459.005.

32 (15) "Storm water drainage system" means a facility necessary for collecting, controlling,
33 conveying, treating or disposing of storm water runoff.

34 (16) "Telecommunications system" means equipment or a facility for the electronic
35 transmission of voice, data, text, image or video.

36 (17) "Transportation" means a system for movement of freight or passengers.

37 (18) "Utilities" means a solid waste disposal site or a water, sewage, storm water drain-
38 age, energy or telecommunications system.

39 (19) "Water system" means a facility for supplying, treating or protecting the quality of
40 water and transmitting water to a point of sale or to any public or private agency for do-
41 mestic, municipal, commercial or industrial use.

42 **SECTION 3.** ORS 285B.413 is amended to read:

43 285B.413. (1) The Legislative Assembly finds that:

44 (a) The improvement, expansion and new construction of the state's [*sewage treatment works,*
45 *water supply works*] **water and sewage systems**, telecommunications [*infrastructure*] **systems**,

1 roads and public transportation provide the basic framework for continuing and expanding economic
2 activity in this state, thereby providing jobs and economic opportunity for the people of Oregon.

3 (b) It is essential to maintain usable and developable industrial and commercial lands in Oregon.

4 (2) [Since] **Because** municipalities in this state often suffer from a lack of available financing
5 and technical capacity for [such] **these** projects, it is the purpose of ORS 285B.410 to 285B.482 to
6 provide financial or other assistance [in order that they may] **to enable municipalities to** construct,
7 improve and repair those facilities that are essential for supporting continuing and expanded eco-
8 nomic activity. It is the intent of the Legislative Assembly, by providing that assistance, to stimulate
9 industrial growth and commercial enterprise and to promote employment opportunities in Oregon.

10 (3) [The money] **Moneys** in the Special Public Works Fund shall be used primarily to provide
11 loans to municipalities for [infrastructure and community facilities] **development and planning**
12 projects. Grants shall be given only when loans are not feasible due to the [economic] **financial** need
13 of the [applicant] municipality [and] **or** special circumstances of the project. The [Director of the]
14 Economic and Community Development Department is authorized to determine the level of grant or
15 loan funding, if any, on a case-by-case basis.

16 **SECTION 4.** ORS 285B.455 is amended to read:

17 285B.455. (1) There is created the Special Public Works Fund, separate and distinct from the
18 General Fund. All moneys credited to the Special Public Works Fund are appropriated continuously
19 **to the Economic and Community Development Department.** [and shall be used for the purposes
20 outlined in ORS 285A.075 (9) and 285B.410 to 285B.482. There shall be credited to the Special Public
21 Works Fund, money appropriated to the fund by the Legislative Assembly, earnings on the fund, re-
22 payment of financial assistance and bond proceeds as authorized under ORS 285B.410 to 285B.482.]

23 **(2) The fund shall consist of all moneys credited to the fund, including:**

24 **(a) Moneys appropriated to the fund by the Legislative Assembly or the Oregon Economic**
25 **and Community Development Commission;**

26 **(b) Earnings on the fund;**

27 **(c) Repayment of financial assistance, including interest;**

28 **(d) Moneys received from the federal government, other state agencies or local govern-**
29 **ments;**

30 **(e) Bond proceeds as authorized under ORS 285B.410 to 285B.482 or other law; and**

31 **(f) Moneys from any other source, including but not limited to grants and gifts.**

32 [(2)] (3) Moneys in the Special Public Works Fund, with the approval of the State Treasurer,
33 may be invested as provided by ORS 293.701 to 293.820 and the earnings from [such] **the** investments
34 shall be credited to the account in the Special Public Works Fund designated by the [Economic and
35 Community Development] department.

36 [(3)] (4) The [Economic and Community Development] department shall [be the agency for the State
37 of Oregon for the administration of] **administer** the Special Public Works Fund.

38 [(4)] (5) The department may establish [such] other accounts within the Special Public Works
39 Fund for the payment of project costs, reserves, debt service payments, credit enhancement, [ad-
40 ministration] **administrative costs** and operation expenses or any other purpose necessary to carry
41 out ORS 285B.410 to 285B.482.

42 [(5) Out of moneys in the Special Public Works Fund, the department may:]

43 [(a) Make technical assistance grants and loans to municipalities. The department may not expend
44 more than one percent of the value of the Special Public Works Fund for technical assistance grants
45 and loans to municipalities in a biennium.]

1 *[(b) Make grants to municipalities to provide local matching funds for the purposes of a project*
2 *described in ORS 285B.410 (4)(d) in an amount that does not exceed \$2.5 million in any biennium.]*

3 **(6) The department may grant, expend or loan moneys in the fund to:**

4 **(a) Provide financial or other assistance to municipalities for projects determined by the**
5 **department to be appropriate.**

6 **(b) Purchase goods or services related to a project on behalf of the municipality.**

7 **(c) Provide state funds as a match for federal funds available for the administration of**
8 **the Community Development Block Grant program.**

9 **(d) Finance administrative costs of the department pursuant to ORS 285B.410 to 285B.482.**

10 **(e) Provide annual grants on behalf of a municipality in the form of partial repayment**
11 **to bondholders of amounts owed.**

12 **(f) Cover contracts that are issued to guaranty any portion of the obligation of a**
13 **municipality to finance a development project and that are not sold to the State of Oregon.**
14 **Guaranty contracts under this paragraph shall be payable solely from moneys in the Special**
15 **Public Works Fund, and shall not constitute a debt or obligation of the State of Oregon. The**
16 **department may, on behalf of the state, establish a special account in the fund and commit**
17 **to deposit into the account specified portions of existing and future allocations to the fund.**
18 **The commitments shall be made by rule of the department and shall constitute covenants**
19 **of the state for the benefit of the owners of obligations guaranteed by the state pursuant to**
20 **this section.**

21 **(7) As used in this section, “administrative costs” includes the department’s direct and**
22 **indirect costs for investigating and processing an application, developing a contract, moni-**
23 **toring the use of funds by a municipality, investigating and resolving budget discrepancies,**
24 **closing a project and providing financial or other assistance to a municipality.**

25 **SECTION 5.** ORS 285B.419 is amended to read:

26 285B.419. (1) The Economic and Community Development Department shall adopt rules and
27 policies for the administration of the Special Public Works Fund. *[Insofar as practicable, the depart-*
28 *ment’s rules shall provide that infrastructure projects that meet the following criteria receive priority*
29 *for assistance:]* **All forms of assistance are subject to the rules and policies of the department.**

30 *[(a) Provide for the establishment or enlargement of economically viable industries, with reasonable*
31 *long term growth prospects, including opportunities for innovative new industries or for continuance*
32 *of existing basic industries.]*

33 *[(b) Result in a net benefit to the state in the long term and not require continuing state*
34 *subsidies.]*

35 *[(c) Utilize existing public and private assets, including infrastructure, human resources and plant*
36 *and equipment.]*

37 *[(d) Improve the conditions of the economically disadvantaged and increase the number of jobs that*
38 *increase average incomes.]*

39 *[(e) Support the development of businesses owned by women and members of minority groups.]*

40 *[(f) Harness Oregon’s comparative advantage with emphasis on the growth and development of ex-*
41 *isting, in-state businesses, especially small businesses.]*

42 *[(g) Direct assistance to infrastructure projects that assist businesses selling goods and services in*
43 *markets for which national or international competition exists and prohibit assistance to infrastructure*
44 *projects that primarily focus on relocating business or economic activity from one part of the state to*
45 *another.]*

1 *[(h) Result in the economic revitalization of communities.]*

2 *[(i) Are funded and otherwise supported to the maximum extent possible by private resources.]*

3 *[(j) Result in business growth or expansion which would not occur in Oregon without an invest-*
4 *ment from the Special Public Works Fund.]*

5 (2)(a) The *[Economic and Community Development]* department shall manage the Special Public
6 Works Fund and any expenditures from its accounts and transfers between its accounts so that the
7 fund *[value shall be equal to at least 50 percent of lottery revenues actually transferred to the fund plus*
8 *interest on such amounts compounded annually at five percent]* **provides a continuing source of fi-**
9 **ncancing for development or planning projects consistent with ORS 285B.413.**

10 *[(b) If necessary to ensure repayment of bonds issued under ORS 285B.410 to 285B.482, the Eco-*
11 *nomical and Community Development Department is authorized to reduce the value of the fund to less*
12 *than the limit provided in paragraph (a) of this subsection if the department:]*

13 *[(A) Finds that without such a reduction in fund value, bonds secured by the fund are likely to*
14 *be in default; and]*

15 *[(B) Imposes a moratorium on grants until the requirements of paragraph (a) of this subsection are*
16 *met.]*

17 (3)(a) *Not more than 100 percent of The total cost of any infrastructure or community facilities*
18 *project shall be financed from the Special Public Works Fund.]*

19 *[(b) For purposes of a project described in ORS 285B.410 (4)(d), the total cost described in para-*
20 *graph (a) of this subsection is the total local matching funds requirement for the federal disaster relief*
21 *assistance committed to the project.]*

22 [(4)] (3) The department may commit moneys in the Special Public Works Fund or reserve future
23 income to the fund for disbursement in future years under ORS 285B.440 [(4)]. The department shall
24 commit or reserve moneys under this subsection only after:

25 (a) Allowing for contingencies;

26 (b) Finding that there will be sufficient unobligated net income to the fund to make *[such]* **the**
27 future payments. *Such a finding shall be based on financial plans which are*, consistent with the
28 financial requirements of subsections (2) and [(4)] (3) of this section; and

29 (c) Providing in any contract for *[such]* **the** commitment that the liability of the state to make
30 *[such]* **the** annual payments shall be contingent on the availability of moneys in the Special Public
31 Works Fund.

32 [(5)] (4) In assisting *[local governments with infrastructure and community facilities]* **municipi-**
33 **palities with** projects, the department shall cooperate to the maximum extent possible with other
34 state *[agencies financing similar projects, including but not limited to the Department of Environmental*
35 *Quality, the Water Resources Department and the Department of Transportation]* **and federal agen-**
36 **cies.**

37 [(6) The department shall notify the Housing and Community Services Department of any proposed
38 Special Public Works Fund project with a related workforce increase at the time the department re-
39 ceives the completed application for the project.]

40 **SECTION 6.** ORS 285B.422 is amended to read:

41 285B.422. (1) The Economic and Community Development Department may provide financial or
42 other assistance to *[municipalities]* **a municipality** for *[community facilities projects as described]* **a**
43 **development project as defined** in ORS 285B.410.

44 [(2) Before providing financial assistance for a community facilities project, the Economic and
45 Community Development Department must find that:]

1 *[(a) The municipality has demonstrated that the community facilities project will provide long term*
2 *benefits to the municipality;]*

3 *[(b) The community facilities project will benefit a broad cross-section of the municipality or im-*
4 *prove the local economy;]*

5 *[(c) There is a substantial local commitment to the community facilities to be financed; and]*

6 *[(d) There is a need for the proposed community facilities project, and the municipality's financial*
7 *resources are adequate to provide the working capital needed to ensure success of the project.]*

8 *[(3)(a) Except as provided in this subsection and ORS 285B.455 (5), and notwithstanding any other*
9 *provision of ORS 285B.410 to 285B.482, community facilities projects are not eligible for grants made*
10 *from the Special Public Works Fund.]*

11 *[(b) Grants from the Special Public Works Fund may be made for a community facilities project*
12 *that is an essential community facilities project, as determined in accordance with rules adopted by the*
13 *department after consultation with the League of Oregon Cities, the Association of Oregon Counties, the*
14 *Oregon Public Ports Association and Special Districts Association of Oregon. Loans or grants from*
15 *the Special Public Works Fund and loans from the proceeds of revenue bonds issued under ORS*
16 *285B.467 may be used to pay issuance costs and for the funding of any debt service reserve for any*
17 *revenue bonds issued under ORS 285B.467 to finance essential community facilities.]*

18 *[(c) The department shall determine the maximum amount of a grant to a municipality from the*
19 *Special Public Works Fund for an essential community facilities project. However, a grant may not*
20 *exceed 85 percent of the total project costs.]*

21 *[(4) ORS 285B.413 (1) and (2), 285B.419 (1), 285B.434, 285B.443 (1)(b) and 285B.467 (2) and (8)*
22 *do not apply to a municipality applying for financial assistance for a community facilities project.]*

23 **(2) The project must be municipally owned and operated either by the municipality or**
24 **under a management contract or an operating agreement with the municipality. If the**
25 **project consists:**

26 **(a) Solely of the purchase or acquisition of land by the municipality, the land must be**
27 **identified in the applicable land use or capital plan as necessary for a potential development**
28 **project or be zoned solely for commercial or industrial use.**

29 **(b) Of a privately owned railroad, the railroad must be designated by the owner and op-**
30 **erator as subject to abandonment within three years, pursuant to federal law governing**
31 **abandonment of common carrier railroad lines.**

32 **(c) Of a telecommunications system, the governing body of the municipality shall adopt**
33 **a resolution, after a public hearing, finding that the proposed telecommunications system**
34 **project is necessary and would not otherwise be provided by a for-profit entity within a rea-**
35 **sonable time and for a reasonable cost.**

36 **(3) The department may not use funds to provide assistance for:**

37 **(a) Projects that primarily focus on relocating business or economic activity from one**
38 **part of the state to another, except in cases where the business or economic activity would**
39 **otherwise locate outside of Oregon; or**

40 **(b) Ongoing operations or maintenance expenses.**

41 **SECTION 7.** Sections 8 to 10 of this 2005 Act are added to and made a part of ORS
42 **285B.410 to 285B.482.**

43 **SECTION 8.** (1) The Economic and Community Development Department may provide fi-
44 **ncial or other assistance to a municipality for a planning project as defined in ORS**
45 **285B.410.**

1 (2) The planning project may be a stand-alone project.

2 (3) The planning project may include an environmental action on a brownfield. For pur-
3 poses of this subsection:

4 (a) "Brownfield" has the meaning given that term in ORS 285A.185.

5 (b) "Environmental action" has the meaning given that term in ORS 285A.188.

6 **SECTION 9.** (1) The Economic and Community Development Department may provide fi-
7 nancial or other assistance to a municipality for an emergency project as defined in ORS
8 285B.410.

9 (2) The department may award grant funding to an emergency project only if federal
10 disaster relief assistance has been committed for the emergency project.

11 (3) Assistance from the Special Public Works Fund for an emergency project may not
12 exceed the total local matching funds requirement for the federal disaster relief assistance
13 committed to the project.

14 **SECTION 10.** For purposes of ORS 285B.410 to 285B.482, the allowable costs of a project
15 include:

16 (1) Financing costs, including capitalized interest;

17 (2) Direct project management costs;

18 (3) Costs of consultant services and expenses;

19 (4) Construction costs and expenses;

20 (5) Costs of property acquisition, including any easement or right of way directly related
21 to and necessary for the project;

22 (6) Costs of acquiring off-site property for purposes directly related to the project, such
23 as wetland mitigation; and

24 (7) Other costs that the Economic and Community Development Department determines
25 to be necessary or useful.

26 **SECTION 11.** ORS 285B.428 is amended to read:

27 285B.428. [(1)] Any municipality may [*file an application with the Economic and Community De-*
28 *velopment Department to obtain*] **apply for** financial or other assistance from the Special Public
29 Works Fund **by submitting a completed application and related information as required by the**
30 **Economic and Community Development Department by rule. The application shall be filed,**
31 **reviewed and approved or rejected in accordance with rules adopted by the department.** [*The*
32 *application shall be filed in such manner and contain or be accompanied by such information as the*
33 *department may require.*]

34 [(2)] *In addition to other requirements prescribed by the department, an application filed under this*
35 *section shall:*

36 [(a)] *Describe the nature and purposes of the proposed infrastructure or community facilities project,*
37 *including the need for the project and the reasons why the project is in the public interest.*]

38 [(b)] *Set forth or be accompanied by a feasibility study of the proposed project and an estimate of*
39 *the costs of construction.*]

40 [(c)] *State whether any moneys other than those in the Special Public Works Fund are proposed to*
41 *be used for the project and whether any other moneys are available or have been sought for the*
42 *project.*]

43 [(d)] *Provide, if assistance is to be used for telecommunications infrastructure, a resolution, adopted*
44 *by the governing body of the municipality after a public hearing, that includes findings and states that*
45 *the proposed telecommunications infrastructure project is necessary and would not otherwise be pro-*

1 *vided by a for-profit entity within a reasonable time and for a reasonable cost.]*

2 **SECTION 12.** ORS 285B.437 is amended to read:

3 285B.437. (1) If the Economic and Community Development Department approves assistance from
4 the Special Public Works Fund for *[an infrastructure or community facilities]* a project, the depart-
5 ment, on behalf of the state, and the municipality may enter into a contract¹*[, which shall set forth,*
6 *among other matters]* **to implement the assistance. The contract shall include:**

7 *[(a) An estimate of the reasonable cost of the project.]*

8 *[(b) An agreement by the municipality to proceed expeditiously with, and complete, the project in*
9 *accordance with plans reviewed and approved by the department.]*

10 *[(c) A statement that the liability of the state under the contract is contingent upon the availability*
11 *of moneys in the Special Public Works Fund for use in the project.]*

12 **(a) A provision that the liability of the state under the contract is contingent upon the**
13 **availability of moneys in the Special Public Works Fund for use in the project;**

14 **(b) If any portion of the assistance is in the form of a loan or the purchase of a bond of**
15 **a municipality, a provision granting the department a lien on or a security interest in the**
16 **collateral as determined by the department to be necessary to secure repayment of the loan**
17 **or bond; and**

18 *[(d) Such]* **(c) Other provisions as the department considers necessary** *[to insure expenditure of*
19 *the moneys for the purposes set forth in the approved application]* **or appropriate to implement the**
20 **assistance.**

21 (2) When the department approves financial assistance under ORS 285B.410 to 285B.482 for *[an*
22 *infrastructure or community facilities]* a project, the department shall pay moneys for the project from
23 the Special Public Works Fund in accordance with the terms of the contract.

24 *[(3) The department shall determine and approve a maximum amount of a loan for an*
25 *infrastructure or community facilities project under ORS 285B.410 to 285B.482 based upon a reason-*
26 *able and prudent expectation of the municipality's ability to repay any amount borrowed.]*

27 **(3) Notwithstanding any other provision of law or any restriction on indebtedness con-**
28 **tained in a charter, a municipality may borrow from the Special Public Works Fund by en-**
29 **tering into a contract with the department. The contract may be repaid from:**

30 **(a) The revenues of the project, including special assessment revenues;**

31 **(b) Amounts withheld under ORS 285B.449 (1);**

32 **(c) The general fund of the municipality; or**

33 **(d) Any other source.**

34 **(4) A loan contract authorized under subsection (3) of this section shall be authorized by**
35 **an ordinance, order or resolution adopted by the governing body of the municipality.**

36 **SECTION 13.** ORS 285B.440 is amended to read:

37 285B.440. *[(1) The maximum amount of any grant to a municipality made from the Special Public*
38 *Works Fund under ORS 285B.419 shall not exceed \$1 million.]*

39 *[(2) No grant to a municipality shall be made for an infrastructure or community facilities project*
40 *in an amount that exceeds 85 percent of total project costs. A grant to a municipality for a community*
41 *facilities project shall comply with ORS 285B.422 (3).]*

42 **(1)(a) The moneys in the Special Public Works Fund shall be used primarily to provide**
43 **loans to municipalities for projects as defined in ORS 285B.410 to 295B.482. The Economic and**
44 **Community Development Department may determine the level of grant or loan funding, if**
45 **any, on a case-by-case basis.**

1 (b) If the department approves funding, the department shall determine a maximum
2 amount of the loan based upon a reasonable and prudent expectation of the ability of the
3 municipality to repay the loan.

4 (c) The loan term may not exceed the usable life of the project or 25 years from the year
5 of project completion, whichever is less.

6 (d) Assistance from the fund for a marine facility project otherwise funded under ORS
7 777.267 shall be limited to a loan. The loan may not exceed the amount of the required local
8 matching funds.

9 [(3)] (2) The [*Economic and Community Development*] department shall [*develop*] **by rule adopt**
10 standards for [*determining the maximum proportion of any infrastructure or community facilities*
11 *project which can be funded by grants. Such standards shall at a minimum provide grants equaling*
12 *a larger percentage of total project costs for projects with greatest economic need*] **awarding grants**
13 **from the Special Public Works Fund. The standards may include the award of grants as a**
14 **financial incentive to accomplish the goals of the Special Public Works Fund, to address**
15 **special circumstances of a project or to address the financial need of the applicant.**

16 [(4) A grant contract under ORS 285B.437 (1)(a) to (d) and this section may provide for grants on
17 behalf of the municipality on an annual basis in the form of partial repayment to bondholders of
18 amounts owed them. In such cases, the contract shall provide that moneys are or will be available in
19 the Special Public Works Fund for such annual payments.]

20 (3) The department may make grants to a municipality not to exceed \$1 million per
21 project or 85 percent of the allowable project costs, whichever is less. For purposes of this
22 subsection, allowable project costs do not include capitalized interest, if any.

23 (4) The department may not expend more than one percent of the value of the Special
24 Public Works Fund in any biennium for grants or direct assistance, if any, for planning
25 projects to municipalities.

26 (5) The department may not expend more than \$2.5 million in any biennium for emer-
27 gency project grants. For purposes of this subsection, emergency project grants include
28 grants for essential community facilities, as defined by the department by rule after consul-
29 tation with the League of Oregon Cities, the Association of Oregon Counties, the Oregon
30 Ports Representation Group and the Special Districts Association of Oregon.

31 (6) Except as otherwise limited by this section, not more than 100 percent of the total
32 cost of a project, including capitalized interest, shall be financed from the Special Public
33 Works Fund.

34 **SECTION 14.** ORS 285B.458 is amended to read:

35 285B.458. Not less than 60 percent of the grants awarded from the Special Public Works Fund
36 in any biennium shall be used to provide assistance to distressed [*area or nonurban infrastructure*
37 *projects*] **or rural areas.**

38 **SECTION 15.** ORS 285B.467 is amended to read:

39 285B.467. (1) The Economic and Community Development Department shall **by rule** adopt [*by*
40 *rule*] standards [*by which*] to determine [*the*] eligibility for revenue bond financing under ORS
41 285B.467 to 285B.479 of [*infrastructure and community facilities*] **development** projects that have
42 qualified under ORS 285B.419 to 285B.437 and 285B.449.

43 [(2) In adopting rules establishing guidelines or criteria for awarding loans or grants for drinking
44 water projects, the department shall coordinate the department's rulemaking process with the Water
45 Resources Department and the Department of Human Services in order to assure that rules adopted

1 under this subsection are consistent with rules adopted under ORS 431.120 and 541.845. The rules
2 adopted under this subsection shall:]

3 [(a) Require the installation of meters on all new service connections to any distribution lines
4 funded under ORS 285B.410, 285B.461, 285B.560 to 285B.599, 431.120, 541.700, 541.705, 541.755,
5 541.765, 541.830, 541.845 and this section; and]

6 [(b) Require a plan, to be adopted by the municipality, for installation of meters on all service
7 connections throughout the drinking water system.]

8 [(3)] (2) Upon determining [an infrastructure or community facilities] **that a development** project
9 **is** eligible for revenue bond financing under ORS 285B.467 to 285B.479, the department shall forward
10 [the application] **a request for the issuance of revenue bonds** to the State Treasurer, who shall
11 determine whether to issue revenue bonds.

12 [(4)] (3) [Notwithstanding ORS 285B.410 (4)(a) and 285B.416 (1),] When [an infrastructure or
13 community facilities] **a** project is determined to be eligible for revenue bond financing under ORS
14 285B.467 to 285B.479, [direct project management costs and the costs for preliminary planning or legal,
15 fiscal and economic investigations, reports and studies to determine the economic and engineering fea-
16 sibility of the project are included within the total project costs of the project and] **allowable costs**
17 **as described in section 10 of this 2005 Act** may be paid from bond proceeds.

18 [(5)] (4) Administrative expenses of the department in processing applications and investigating
19 proposed [infrastructure and community facilities] projects and bond sales [shall] **may** not be derived
20 from bond proceeds.

21 [(6)] (5) The department may pledge all or any portion of the existing or future assets and re-
22 cepts of the Special Public Works Fund to pay debt service on bonds issued pursuant to ORS
23 285B.410 to 285B.482. [Such] **The** pledge shall take effect immediately, without delivery of the
24 pledged funds to third parties, and the lien of the pledge shall be superior to all other liens of any
25 nature.

26 [(7)] (6) The department is authorized to establish separate accounts within the fund for separate
27 bond issues.

28 [(8) As used in this section, "service connection" does not include fire hydrants, fire sprinkler sys-
29 tem connections, line blow-offs and drains, stand-by emergency interties, valve controlled drinking
30 fountains and other similar intermittently used connections.]

31 **SECTION 16.** ORS 285B.470 is amended to read:

32 285B.470. In addition to any other powers granted by law in relation to [an infrastructure or
33 community facilities] **a development** project, the Economic and Community Development Depart-
34 ment, acting through the State Treasurer or designee may:

35 (1) Make all contracts, execute all instruments and do all things necessary or convenient in the
36 exercise of the powers granted by this section, or in the performance of its covenants or duties, or
37 in order to secure the payment of its bonds;

38 (2) Enter into and perform [such] contracts and agreements with municipalities as the depart-
39 ment may consider proper and feasible for or concerning the planning, construction, installation,
40 lease or other acquisition, and the financing of projects; and

41 (3) Enter into covenants for the benefit of bond owners regarding the use and expenditure of
42 moneys in the Special Public Works Fund.

43 **SECTION 17.** ORS 285B.473, as amended by section 241, chapter 794, Oregon Laws 2003, is
44 amended to read:

45 285B.473. If the State Treasurer determines that revenue bonds should be issued:

1 (1) The State Treasurer may authorize and issue in the name of the State of Oregon revenue
 2 bonds secured by moneys paid to the Special Public Works Fund pledged therefor to finance or re-
 3 finance in whole or part the cost of acquisition, construction, reconstruction, improvement or ex-
 4 tension of [*infrastructure and community facilities*] **development** projects. The bonds shall be issued
 5 in the manner prescribed by ORS chapter 286, and refunding bonds may be issued to refinance
 6 [*such*] **the** revenue bonds.

7 (2) The State Treasurer shall designate the underwriter and enter into appropriate agreements
 8 with the underwriter to carry out the provisions of ORS 285B.467 to 285B.479. The Economic and
 9 Community Development Department, with the approval of the State Treasurer, shall designate the
 10 trustee and enter into appropriate agreements with the trustee to carry out the provisions of ORS
 11 285B.467 to 285B.479. The department may appoint bond counsel as authorized by ORS 288.523, or
 12 the State Treasurer may enter into an agreement with bond counsel if the services provided under
 13 the agreement comply with the provisions of ORS 288.523 and the appointment is approved by the
 14 Attorney General as required by ORS 288.523. The department may not make an appointment or
 15 enter into an agreement under this subsection unless the State Treasurer has reviewed and approved
 16 the terms and conditions of the appointment or agreement. ORS 279A.140 does not apply to any
 17 appointment or agreement described in this subsection.

18 **SECTION 18.** ORS 285B.476 is amended to read:

19 285B.476. (1) ORS 285B.350 to 285B.362 and 285B.368 apply to revenue bonds issued under ORS
 20 285B.467 to 285B.479.

21 (2) The proceeds of revenue bonds issued and sold under ORS 285B.467 to 285B.479 shall be
 22 deposited in the Special Public Works Fund and used for the payment of a loan to a municipality
 23 for [*an infrastructure or community facilities*] **a development** project and costs of issuing the revenue
 24 bonds.

25 (3) A loan made with money derived from the sale of revenue bonds under this section shall be
 26 made as other loans under ORS 285B.419 to 285B.437[, 285B.443] and 285B.449 are made, except that
 27 the loan contract shall set forth a schedule of payments [*which shall*] **that may** not exceed the us-
 28 able life of the contracted project.

29 **SECTION 19.** ORS 285B.482 is amended to read:

30 285B.482. (1) Notwithstanding any other law relating to revenue bonds issued and sold under
 31 ORS 285B.467 to 285B.479 or ORS 285B.572, 285B.575 and 285B.578, [*such*] revenue bonds may be
 32 issued and sold as parity bonds.

33 (2) Proceeds of revenue bonds issued and sold under ORS 285B.467 to 285B.479 or ORS 285B.572,
 34 285B.575 and 285B.578, together with the investment earnings thereon, may be consolidated into one
 35 or more funds or accounts and may be pledged to the holders of revenue bonds issued to finance
 36 water projects, [*infrastructure projects or community facilities*] **as defined in ORS 285B.560, or de-**
 37 **velopment** projects.

38 (3) Any loan to a municipality made pursuant to ORS 285B.467 to 285B.479, 285B.560 to 285B.569
 39 or 285B.572 to 285B.599, including loans funded in whole or in part with the proceeds of revenue
 40 bonds and loans funded with moneys in the Water Fund or the Special Public Works Fund, may be
 41 pledged to the holders of revenue bonds issued to finance water projects[, *infrastructure projects or*
 42 *community facilities*] **or development** projects.

43 (4) Funds or accounts established by the Economic and Community Development Department or
 44 the State Treasurer in connection with the issuance of revenue bonds under ORS 285B.467 to
 45 285B.479 or ORS 285B.572, 285B.575 and 285B.578 and moneys held in the funds and accounts, to-

1 gether with the investment earnings thereon, may be consolidated into one or more funds or ac-
 2 counts and may be pledged to the holders of revenue bonds issued to finance water projects[,
 3 *infrastructure projects or community facilities*] **or development** projects.

4 (5) Notwithstanding subsections (1) to (4) of this section, moneys held in the Water Fund
 5 [*shall*] **may** not be used to finance or refinance the cost of [*an infrastructure project or a community*
 6 *facilities*] **a development** project unless the [*infrastructure project or community facilities*] **develop-**
 7 **ment** project also qualifies as a water project, and moneys held in the Special Public Works Fund
 8 [*shall*] **may** not be used to finance or refinance the cost of a water project unless the water project
 9 also qualifies as [*an infrastructure project or community facilities*] **a development** project.

10 **SECTION 20.** ORS 285A.681 is amended to read:

11 285A.681. If the Oregon Economic and Community Development Commission approves the
 12 project, the commission, on behalf of the state, and the applicant may enter into a loan contract that
 13 is secured by good and sufficient collateral. The loan contract shall set forth, among other matters:

14 (1) A plan for repayment by the applicant to the Oregon Port Revolving Fund of moneys bor-
 15 rowed from the fund for the project and interest on the moneys at a rate of interest of not less than
 16 one percent less than the prevailing interest rate on United States Treasury bills of comparable
 17 term, as determined by the commission. The repayment plan, among other matters:

18 (a) Shall provide for commencement of repayment by the port district of moneys used for the
 19 project and interest thereon no later than one year after the date of the loan contract or at [*such*]
 20 **any** other time as the commission may provide. However, upon approval by the commission, a re-
 21 payment plan for a flexible manufacturing space project may provide that no interest shall accrue
 22 until the building is at least 25 percent occupied or until three years after the date of the loan
 23 contract, whichever is earlier.

24 (b) May provide for reasonable extension of the time for making any repayment in emergency
 25 or hardship circumstances if approved by the commission.

26 (c) Shall provide for [*such*] evidence of debt assurance of, and security for, repayment by the
 27 applicant as are considered necessary by the commission.

28 (d) Shall [*set forth a schedule of payments and the period of loan which shall*] **specify a loan**
 29 **term that may** not exceed the usable life of the contracted project or [20] **25** years from [*the date*
 30 *of the contract, whichever is less, and shall also set forth the manner of determining when loan pay-*
 31 *ments are delinquent*] **the year of project completion, whichever is less.** The payment schedule
 32 shall include repayment of interest [*which*] **that** accrues during any period of delay in repayment
 33 authorized by paragraph (a) of this subsection, and the payment schedule may require payments of
 34 varying amounts for collection of [*such*] **the** accrued interest.

35 [*(e) Shall set forth a procedure for formal declaration of default of payment by the commission,*
 36 *including formal notification of all relevant federal, state and local agencies; and further, a procedure*
 37 *for notification of all relevant federal, state and local agencies that declaration of default has been*
 38 *rescinded when appropriate.*]

39 [*(f)*] **(e)** Shall provide for partial or complete repayment, in excess of scheduled payments, of any
 40 outstanding principal loan amount without penalty. If any prepayment is made, that amount [*shall*]
 41 **may** not be included in any computation for the purposes of ORS 285A.678 (5).

42 (2) Provisions satisfactory to the commission for field engineering and inspection, the commis-
 43 sion to be the final judge of completion of the contract.

44 (3) That the liability of the state under the contract is contingent upon the availability of mon-
 45 eys in the Oregon Port Revolving Fund for use in the project.

1 (4) [*Such further provisions as*] **Any other provision** the commission considers necessary to
2 ensure expenditure of the funds for the purposes set forth in the approved application.

3 [(5) *That the commission may institute appropriate action or suit to prevent use of the facilities of*
4 *a project financed by the Oregon Port Revolving Fund if the applicant is delinquent in the repayment*
5 *of any moneys due the Oregon Port Revolving Fund.*]

6 **SECTION 21.** ORS 285A.705 is amended to read:

7 285A.705. If the Oregon Economic and Community Development Commission approves an appli-
8 cation for the loan of moneys authorized by ORS 285A.702, the commission shall enter into a loan
9 contract, secured by good and sufficient collateral, with the port district that provides, among other
10 matters:

11 (1) That [*notices*] **a notice** of any [*liens*] **lien** against the property be filed with the recording
12 officer of each county as provided for in ORS 285A.687 (1) and (2).

13 (2) That the loan bear interest at the same rate of interest as provided in ORS 285A.681 (1).

14 (3) [*That the contract shall set forth a schedule of payments including interest and principal for the*
15 *period of the loan, which shall*] **That the loan term may** not exceed the usable life of the contracted
16 project or [*20 years from the date of the contract, whichever is less, and shall set forth the manner of*
17 *determining when loan payments are delinquent*] **25 years from the year of project completion,**
18 **whichever is less.** The same schedule shall include repayment of interest [*which*] **that** accrues
19 during any period of delay in repayment authorized by ORS 285A.666 to 285A.732[, *and*]. The re-
20 payment schedule may require payments of varying amounts for collection of [*such*] accrued interest.
21 However, the commission may make provisions for extensions of time in making repayment if the
22 delinquencies are caused by acts of God or other conditions beyond the control of the port district
23 and the security will not be impaired thereby.

24 (4) [*Such provisions as*] **Any other provision** the commission considers necessary to ensure ex-
25 penditure of the moneys loaned for the purposes provided in ORS 285A.702, including all provisions
26 of ORS 285A.678.

27 (5) That the commission may cause to be instituted appropriate proceedings to foreclose liens
28 as provided for in ORS 285A.690 (1) and (2) for delinquent loan payments and shall pay the proceeds
29 of any [*such*] foreclosure, less [*their*] **the commission's** expenses incurred in foreclosing, into the
30 Oregon Port Revolving Fund.

31 **SECTION 22.** ORS 285B.581 is amended to read:

32 285B.581. (1) Any loan of moneys to a municipality by the state shall include a plan for repay-
33 ment by the municipality of moneys borrowed from the Water Fund for a water project and interest
34 on those moneys at a rate expressly specified. The repayment plan:

35 (a) Shall provide for [*such*] evidence of debt assurance of, and security for, repayment by the
36 municipality as is considered necessary by the Economic and Community Development Department.

37 (b) May set forth the allocation of special assessments or contractual responsibilities among the
38 owners of benefited properties for repayment to the municipality of the amount of the loan.

39 (c) [*Shall provide for repayment during a period that shall not exceed the usable life of the pro-*
40 *posed project or 25 years*] **May not exceed the usable life of the contracted project or 25 years**
41 **from the year of project completion,** whichever is less.

42 (2) Notwithstanding any other provision of law or any restriction on indebtedness contained in
43 a charter, a municipality may borrow from the fund by entering into a loan contract with the Eco-
44 nomic and Community Development Department. [*Moneys borrowed from the fund shall*] **The con-**
45 **tract may** be repaid **from:**

1 (a) *[From]* The revenues of any water project, including special assessment revenues;

2 (b) *[From]* Amounts withheld under ORS 285B.599;

3 (c) *[From]* The general fund of the municipality; **or**

4 **(d) Any other source.**

5 *[(d) From any combination of the provisions of paragraphs (a) to (c) of this subsection; or]*

6 *[(e) From any other sources.]*

7 (3) A loan contract **authorized** under subsection (2) of this section may provide that a portion
8 of the proceeds of the loan be applied to fund a reserve fund to secure the repayment of the loan
9 or secure the repayment of revenue bonds issued to fund the loan.

10 (4) A loan contract **authorized** under subsection (2) of this section shall be authorized by an
11 ordinance, order or resolution *[that is]* adopted *[with prior notice of at least 14 days. Notice shall be*
12 *published at least once in a newspaper of general circulation within]* **by the governing body of the**
13 **municipality.**

14 **SECTION 23.** ORS 285B.563 is amended to read:

15 285B.563. (1) There is established in the State Treasury, separate and distinct from the General
16 Fund, the Water Fund. All moneys in the **Water** Fund are continuously appropriated to the Eco-
17 nomic and Community Development Department for the purposes described in ORS 285B.560 to
18 285B.599, including the direct project management costs and for the purpose specified in ORS
19 285A.075 (9).

20 (2)(a) Moneys in the Water Fund may be obligated to water projects.

21 (b) Moneys shall be used primarily to make loans to municipalities. The department may make
22 a loan only if:

23 (A) The municipality applying for the loan certifies to the department that adequate funds will
24 be available to repay the loan; and

25 (B) The department determines that the amount of the loan applied for is based on a reasonable
26 and prudent expectation of the municipality's ability to repay the loan.

27 (c) The department may award a grant only if a loan is not feasible due to:

28 (A) Financial hardship to the municipality, as determined by the department, based on consid-
29 eration of anticipated water service charges or anticipated waste water service charges that exceed
30 the statewide average for *[such]* **the** charges, the per capita income of the municipality and *[such]*
31 **any** other factors as the department by rule may establish; and

32 (B) Special circumstances of the water project.

33 (d) The department may determine the amount of grant or loan funding on a case-by-case basis.

34 (3) The moneys in the fund may also be used to assist the department in selling revenue bonds
35 on behalf of municipalities in order to carry out the purposes of ORS 285B.560 to 285B.599.

36 (4) With the approval of the State Treasurer, moneys in the Water Fund may be invested as
37 provided by ORS 293.701 to 293.820. The earnings from *[such]* **the** investments and other program
38 income shall be credited to the Water Fund.

39 (5) The Water Fund shall consist of:

40 (a) Moneys appropriated to the fund by the Legislative Assembly.

41 (b) Moneys transferred to the fund by the Economic and Community Development Department
42 from the Special Public Works Fund created by ORS 285B.455.

43 (c) Moneys transferred to the **Water** Fund by the Water Resources Commission from the Water
44 Development Fund created by Article XI-I(1) of the Oregon Constitution.

45 (d) Moneys from any federal, state or other grants.

1 (e) Proceeds of revenue bonds issued under ORS 285B.575.

2 (f) Earnings on the **Water Fund**.

3 (6) The department shall administer the fund.

4 (7) The department shall adopt rules and policies for the administration of the fund. The de-
5 partment shall coordinate its rulemaking regarding safe drinking water projects with the Water
6 Resources Department and the Department of Human Services. The rules adopted under this sub-
7 section for safe drinking water projects shall:

8 (a) Require the installation of meters on all new **active** service connections [*to*] **from** any dis-
9 tribution lines funded with moneys from the fund or from the proceeds of revenue bonds issued un-
10 der ORS 285B.572 to 285B.578.

11 (b) Require a plan, to be adopted by a municipality receiving financial assistance from the fund,
12 for installation of meters on all service connections throughout the drinking water system not later
13 than two years after the completion of a safe drinking water project.

14 (8)(a) The Economic and Community Development Department shall manage the Water Fund and
15 any expenditures from accounts in the fund and transfers between accounts so that the fund [*value*
16 *shall be equal to at least 50 percent of lottery revenues actually transferred to the fund plus interest*
17 *on such amounts compounded annually at five percent*] **provides a continuing source of financing**
18 **consistent with ORS 285B.413.**

19 (b) If necessary to ensure repayment of bonds issued under ORS 285B.560 to 285B.599, the de-
20 partment may reduce the value of the fund [*to less than the limit established in paragraph (a) of this*
21 *subsection*] when the department:

22 (A) Finds that without [*such*] a reduction in fund value, bonds secured by the fund are likely to
23 be in default; and

24 (B) Imposes a moratorium on grants until the requirements of paragraph (a) of this subsection
25 are satisfied.

26 (9)(a) The department may charge administrative costs to the fund, but not to moneys segregated
27 in the account created by subsection (11) of this section, to pay for administrative [*expenses*] **costs**
28 incurred by the department.

29 [*(b) As used in this section, "administrative expenses" includes:*]

30 [(A) *The direct and administrative costs of processing applications, investigating water projects,*
31 *monitoring recipients of financing for water projects and servicing and collecting outstanding financial*
32 *awards made for water projects; and]*

33 [(B) *The costs of contracting for planning and technical assistance services and other support ser-*
34 *vices for municipalities.]*

35 [(c) (b) To the extent permitted by federal law, [*administrative expenses of the department as*
36 *limited in this subsection that are paid from the fund shall not exceed four percent of the total assets*
37 *of the fund reduced by the bonded debt liabilities in any one year.*] administrative [*expenses*] **costs** of
38 the department [*as limited in this subsection*] may be paid from bond proceeds.

39 (10) The department may establish other accounts within the Water Fund for the payment of
40 water projects costs, reserves, debt service payments, credit enhancements, costs of issuing revenue
41 bonds, administrative **costs** and operating expenses or any other purpose necessary to carry out
42 ORS 285B.560 to 285B.599.

43 (11) There is created within the Water Fund a separate and distinct account for the proceeds
44 from the sale of water development general obligation bonds issued for safe drinking water projects
45 and credited to the special account under this section. Any investment earnings thereon shall be

1 segregated in and continuously appropriated to a special, separately accounted for subaccount of
2 this account. Moneys credited to this account shall be maintained separate and distinct from moneys
3 credited to subaccounts created under subsection (10) of this section. Notwithstanding ORS
4 285B.566 or subsection (4) of this section, all repayments of moneys loaned from the account created
5 by this subsection, including interest on *[such]* **the** moneys, shall be credited to the Water Development
6 Administration and Bond Sinking Fund created by ORS 541.830.

7 **(12) As used in this section, “administrative costs” include the department’s direct and**
8 **indirect costs for investigating and processing an application, developing a contract, monitoring**
9 **the use of funds by a municipality, investigating and resolving a budget discrepancy,**
10 **closing a project and providing financial and other assistance to a municipality.**

11 **SECTION 24.** ORS 431.120 is amended to read:

12 431.120. The Department of Human Services shall:

13 (1) Enforce state health policies and rules.

14 (2) Have the custody of all books, papers, documents and other property belonging to the State
15 Health Commission, which may be deposited in the department’s office.

16 (3) Give *[such]* **any** instructions *[as]* **that** may be necessary, and forward them to the various
17 local public health administrators throughout the state.

18 (4) Routinely conduct epidemiological investigations for each case of sudden infant death syn-
19 drome including, but not limited to, the identification of risk factors such as birth weight, maternal
20 age, prenatal care, history of apnea and socioeconomic characteristics. The department may conduct
21 *[such]* **the** investigations through local health departments only upon adoption by rule of a uniform
22 epidemiological data collection method.

23 (5) Adopt rules[,] related to loans and grants awarded under ORS *[285B.410 to 285B.482]*
24 **285B.560 to 285B.599** or 541.700 to 541.855 for the improvement of drinking water systems for the
25 purpose of maintaining compliance with applicable state and federal drinking water quality stan-
26 dards. In adopting rules under this subsection, the Department of Human Services shall coordinate
27 the department’s rulemaking process with the Water Resources Department and the Economic and
28 Community Development Department in order to *[assure]* **ensure** that rules adopted under this
29 subsection are consistent with rules adopted under ORS *[285B.467]* **285B.563** and 541.845.

30 (6) Control health care capital expenditures by administering the state certificate of need pro-
31 gram pursuant to ORS 442.325 to 442.344.

32 **SECTION 25.** ORS 348.701 is amended to read:

33 348.701. As used in ORS 348.701 to 348.710:

34 (1) “Board” means the Oregon Growth Account Board established in ORS 348.707.

35 (2) “Emerging growth business” means a new or small company that has the capacity, upon ob-
36 taining appropriate capital, to generate significant high skill, high wage employment within one or
37 more *[of the key industries, including those described in ORS 285B.280]* **traded sector industries.**

38 (3) “Management company” includes a person, limited partnership, partnership, corporation or
39 other investment company.

40 (4) “Seed capital” means financing that is provided for the initial phases of development, re-
41 finement and commercialization of a product, process or innovation, including but not limited to fa-
42 cilitating technology transfers related to academic research, discoveries or developments for the
43 purpose of commercialization of a product, process or innovation.

44 (5) **“Traded sector” has the meaning given that term in ORS 285B.280.**

45 **SECTION 26.** ORS 541.845 is amended to read:

1 541.845. (1) In accordance with the applicable provisions of ORS chapter 183, the Water Re-
2 sources Commission may adopt rules necessary to carry out ORS 541.700 to 541.855.

3 (2) In adopting rules establishing guidelines or criteria for awarding loans or grants for drinking
4 water projects, the commission shall coordinate the Water Resources Department's rulemaking pro-
5 cess with the Economic and Community Development Department and the Department of Human
6 Services in order to [assure] **ensure** that rules adopted under this subsection are consistent with
7 rules adopted under ORS [285B.467] **285B.563** and 431.120. The rules adopted under this subsection
8 shall:

9 (a) Require the installation of meters on all new **active** service connections [to] **from** any mu-
10 nicipal drinking water distribution lines funded under ORS [285B.461, 285B.467,] 285B.560 to
11 285B.599, 431.120, 541.700, 541.705, 541.755, 541.765, 541.830 and 541.845; and

12 (b) Require a plan, to be adopted by the municipality, for installation of meters on all service
13 connections throughout the drinking water system.

14 (3) As used in this section, "service connection" does not include fire hydrants, fire sprinkler
15 system connections, line blow-offs and drains, standby emergency interties, valve controlled drinking
16 fountains and other similar intermittently used connections.

17 **SECTION 27.** ORS 461.540 is amended to read:

18 461.540. (1) There hereby is established in the General Fund of the State Treasury the Admin-
19 istrative Services Economic Development Fund. All moneys transferred from the State Lottery Fund,
20 interest earnings credited to this fund and other moneys authorized to be transferred to this fund
21 from whatever source are appropriated continuously for any of the following public purposes:

22 (a) Creating jobs;

23 (b) Furthering economic development in Oregon; or

24 (c) Financing public education.

25 (2) Moneys shall be transferred from the Administrative Services Economic Development Fund
26 to the Education Stability Fund established under ORS 348.696 as described in section 4, Article XV
27 of the Oregon Constitution.

28 (3) As used in this section and section 4, Article XV of the Oregon Constitution:

29 (a) "Creating jobs" includes, but is not limited to:

30 (A) Supporting the creation of new jobs in Oregon;

31 (B) Helping prevent the loss of existing jobs in Oregon;

32 (C) Assisting with work transition to new jobs in Oregon; or

33 (D) Training or retraining workers.

34 (b) "Education" includes, but is not limited to, the Education Stability Fund established under
35 ORS 348.696 and specific programs that support the following:

36 (A) Prekindergartens;

37 (B) Elementary and secondary schools;

38 (C) Community colleges;

39 (D) Higher education;

40 (E) Continuing education;

41 (F) Workforce training and education programs; or

42 (G) Financial assistance to Oregon students.

43 (c) "Furthering economic development" includes, but is not limited to, providing:

44 (A) Services or financial assistance to for-profit and nonprofit businesses located or to be lo-
45 cated in Oregon;

1 (B) Services or financial assistance to business or industry associations to promote, expand or
2 prevent the decline of their businesses; or

3 (C) Services or financial assistance for facilities, physical environments or [*infrastructure*] **de-**
4 **velopment** projects, as defined in ORS 285B.410, that benefit Oregon's economy.

5 **SECTION 28.** ORS 285A.486 is amended to read:

6 285A.486. (1) Rural communities participating in the rural revitalization program established by
7 ORS 285A.483 to 285A.495 shall be provided with technical assistance to:

8 (a) Assess their economic strengths, weaknesses, opportunities and threats;

9 (b) Develop short term and long term strategic plans based on the assessment;

10 (c) Assist the communities in developing organizational structures and other activities needed
11 to implement and sustain their strategic plans; and

12 (d) Resolve problems that may arise in communities as they work to implement their strategic
13 development plans.

14 (2) The program of leadership training carried on under ORS 285A.483 to 285A.495 shall develop
15 the skills of individuals enrolled in the program by:

16 (a) Exposing program participants to a broad range of regional, national and international issues
17 affecting rural areas.

18 (b) Teaching participants about effective management techniques, group problem solving meth-
19 ods and consensus building processes.

20 (c) Providing participants with training to improve their technical and analytical skills.

21 (d) Educating participants about the functions of local, state and national governments and the
22 state legislative process.

23 (e) Teaching participants about the elements of effective leadership.

24 (f) Providing participants with opportunities to apply leadership skills to community develop-
25 ment work.

26 (3) The Economic and Community Development Department shall [*insure*] **ensure** that the com-
27 munity development and leadership training efforts carried out under the rural revitalization pro-
28 gram are coordinated with existing state and local community development and leadership training
29 programs in a manner that contributes to the quality and effectiveness of the programs established
30 by ORS 285A.483 to 285A.495, maximizes the use of available resources and expands development
31 and training opportunities for communities and rural residents. The department shall coordinate
32 programs under ORS 285A.483 to 285A.495 with other programs including, but not limited to, federal
33 programs, the regional investment program established under ORS 285B.230 to 285B.269, the special
34 public works program established under ORS [*285B.464 and*] 285B.410 to 285B.482, state workforce
35 and job training programs, programs offered by the Oregon State University Extension Service and
36 leadership training programs offered by local chambers of commerce.

37 **SECTION 29.** ORS 447.255 is amended to read:

38 447.255. (1) It is the intent of the Legislative Assembly that any affected buildings, the con-
39 struction costs of which are paid for in whole or in part by lottery funds, shall be accessible to and
40 usable by persons with disabilities in the manner prescribed in ORS 447.210 to 447.280.

41 (2) Promotional and marketing programs described by this section [*and ORS 285B.464*] shall
42 promote and identify lottery-funded facilities as accessible to and usable by persons with disabilities
43 whenever appropriate.

44 **SECTION 30.** ORS 286.560 is amended to read:

45 286.560. As used in ORS 286.560 to 286.580, 327.700 to 327.711 and 348.716, unless the context

1 requires otherwise:

2 (1) "Appropriated funds" for a particular fiscal year means any moneys, other than unobligated
3 net lottery proceeds, that are specifically appropriated or otherwise specifically made available by
4 the Legislative Assembly or the Emergency Board for a fiscal year to replenish reserves established
5 as additional security for lottery bonds pursuant to the authority granted in ORS 286.580 (6).

6 (2) "Bond-related costs" means:

7 (a) The costs and expenses of issuing, administering and maintaining lottery bonds and the lot-
8 tery bond program, including but not limited to paying or redeeming lottery bonds, paying amounts
9 due in connection with credit enhancements or any instruments authorized by ORS 286.580 (6) and
10 paying the administrative costs and expenses of the State Treasurer and the Oregon Department of
11 Administrative Services, including costs of consultants or advisors retained by the State Treasurer
12 or the Oregon Department of Administrative Services for the lottery bonds or the lottery bond
13 program;

14 (b) The costs of funding any lottery bond reserves;

15 (c) Capitalized interest for lottery bonds;

16 (d) Rebates or penalties due to the United States in connection with lottery bonds; and

17 (e) Any other costs or expenses that the State Treasurer or the Director of the Oregon De-
18 partment of Administrative Services determines are necessary or desirable in connection with issu-
19 ing lottery bonds or maintaining the lottery bond program.

20 (3) "Lottery bonds" means:

21 (a) The state park lottery bonds authorized by ORS 390.060 to 390.067, the infrastructure lottery
22 bonds authorized by ORS 285B.530 to 285B.548 and the education lottery bonds authorized by ORS
23 327.700 to 327.711;

24 (b) Any other bonds payable from the revenues of the Oregon State Lottery unless the legis-
25 lation authorizing those bonds expressly provides that those bonds shall not be issued under ORS
26 286.560 to 286.580 and 348.716; and

27 (c) Any refunding lottery bonds.

28 (4) "Lottery Bond Administrative Fund" means the fund created by ORS 286.573.

29 (5) "Lottery Bond Fund" means the fund created by ORS 286.570.

30 (6) "Lottery bond program" means a financing program authorized by:

31 (a) ORS 285B.530 to 285B.548, 327.700 to 327.711 or 390.060 to 390.067; or

32 (b) Any other Act of the Legislative Assembly authorizing the issuance of bonds that are paya-
33 ble from the revenues of the Oregon State Lottery, unless the legislation authorizing those bonds
34 expressly provides that those bonds shall not be issued under ORS 286.560 to 286.580 and 348.716.

35 (7) "Refunding lottery bonds" means any bonds issued for the purpose of refunding any lottery
36 bonds.

37 (8) "Unobligated net lottery proceeds" means all revenues derived from the operation of the
38 Oregon State Lottery except for:

39 (a) The revenues used for the payment of prizes and expenses of the Oregon State Lottery as
40 provided in section 4 (4)(d), Article XV of the Oregon Constitution, and ORS 461.500 and 461.510;

41 (b) The revenues required to be applied, distributed or allocated as provided in ORS 461.543; and

42 (c) The revenues required to be allocated to pay the Westside lottery bonds and any bonds is-
43 sued to refund the Westside lottery bonds, to fund reserves for any of those bonds and to pay related
44 costs of the Department of Transportation.

45 (9) "Westside lottery bonds" means the bonds issued by this state under the authority granted

1 in ORS 391.140 that, notwithstanding ORS 267.334, 285B.419, 285B.422, [285B.425,] 285B.482, 285B.530
 2 to 285B.548, 286.560 to 286.580, 327.700 to 327.711, 348.716 and 390.060 to 390.067, shall have a claim
 3 on lottery funds that is superior to the claim of the lottery bonds authorized by ORS 286.560 to
 4 286.580 and 348.716.

5 **SECTION 31.** ORS 390.063 is amended to read:

6 390.063. The Legislative Assembly declares that the purpose of ORS 390.060 to 390.067 is to
 7 authorize lottery bonds for state park projects. The lottery bonds authorized by ORS 390.060 to
 8 390.067 shall be issued pursuant to ORS 286.560 to 286.580 and 348.716. The obligation of the State
 9 of Oregon with respect to the bonds and with respect to any grant agreement or other commitment
 10 authorized by ORS 267.334, 285B.410, 285B.422, [285B.425,] 285B.482, 285B.530 to 285B.548 and
 11 390.060 to 390.067 shall at all times be restricted to the availability of unobligated net lottery pro-
 12 ceeds, proceeds of lottery bonds and any other amounts specifically committed by ORS 286.560 to
 13 286.580 and 348.716. Neither the faith and credit of the State of Oregon nor any of its taxing power
 14 shall be pledged or committed to the payment of lottery bonds or any other commitment of the State
 15 of Oregon authorized by ORS 390.060 to 390.067.

16 **SECTION 32.** ORS 348.702 is amended to read:

17 348.702. (1) There is created within the Education Stability Fund the Oregon Growth Account,
 18 to which shall be credited, in the manner provided in subsection (2) of this section, 10 percent of the
 19 funds transferred under section 4, Article XV of the Oregon Constitution, from the Administrative
 20 Services Economic Development Fund to the Education Stability Fund. Separate records shall be
 21 maintained for moneys in the Oregon Growth Account that are available for the purposes specified
 22 in subsection (5) of this section. The account may be credited with such unrestricted appropriations,
 23 gifts, donations, grants or contract proceeds from any source, with investments or funds from any
 24 source, and with returns on investments made from the account.

25 (2) The Oregon Department of Administrative Services may credit to the Oregon Growth Ac-
 26 count from the first funds transferred in a fiscal year to the Education Stability Fund under section
 27 4, Article XV of the Oregon Constitution, an amount up to the amount the department estimates to
 28 be 10 percent of the funds required to be transferred to the Education Stability Fund for that fiscal
 29 year.

30 (3) If at the end of the fiscal year the amount credited to the Oregon Growth Account under
 31 subsection (2) of this section is less than or greater than 10 percent of the amount required to be
 32 transferred under section 4, Article XV of the Oregon Constitution, to the Education Stability Fund,
 33 the amount credited to the Oregon Growth Account shall be adjusted in one of the following ways:

34 (a) The amount credited to the account in the following fiscal year may be adjusted;

35 (b) Any excess may be transferred from the Oregon Growth Account to the Education Stability
 36 Fund; or

37 (c) Any shortage may be transferred from the Education Stability Fund to the Oregon Growth
 38 Account from funds available for that purpose.

39 (4) Adjustments required by subsection (3) of this section shall be made without consideration
 40 of any interest or other earnings that have accrued during the fiscal year.

41 (5) The purpose of the Oregon Growth Account is to earn returns for the Education Stability
 42 Fund by making investments in or by providing seed capital for emerging growth businesses in
 43 [key] **traded sector** industries.

44 (6) The investment of funds in the Oregon Growth Account shall be governed by the Oregon
 45 Growth Account Board.

1 **SECTION 33.** ORS 348.706 is amended to read:

2 348.706. (1) There is created within the Oregon Growth Account the Oregon Resource and
3 Technology Development Subaccount. Separate records shall be maintained for moneys in the sub-
4 account. Subject to investment policies established by the State Treasurer and investment directives
5 or strategies of the Oregon Growth Account Board, moneys in the subaccount shall be used to make
6 seed capital investments in emerging growth businesses in *[key]* **traded sector** industries in Oregon.

7 (2) The board may allocate such amounts from the subaccount as the board determines appro-
8 priate for seed capital investments.

9 **SECTION 34.** ORS 285A.040 is amended to read:

10 285A.040. (1) There is established the Oregon Economic and Community Development Commis-
11 sion consisting of *[five]* **seven** members appointed as follows:

12 (a) **One nonvoting, ex officio member appointed from among the members of the Senate**
13 **by the President of the Senate;**

14 (b) **One nonvoting, ex officio member appointed from among the members of the House**
15 **of Representatives by the Speaker of the House of Representatives; and**

16 (c) **Five members appointed** by the Governor, subject to confirmation by the Senate in the
17 manner prescribed in ORS 171.562 and 171.565. The Governor shall appoint members of the com-
18 mission in compliance with all of the following:

19 *[(a)]* (A) Members shall be appointed with due consideration given to representation of the dif-
20 ferent geographic regions of the state, and at least one member shall be a resident of the area east
21 of the Cascade Range.

22 *[(b)]* (B) Not more than three members shall belong to one political party. Party affiliation shall
23 be determined by the appropriate entry on official election registration cards.

24 *[(c)]* (C) At least one member shall be an individual with substantial experience or training in
25 international trade or an individual who, at the time of appointment, is involved in international
26 trade. *[Such]* **The member's** experience or involvement in international trade may include importing
27 or exporting goods into or from the State of Oregon.

28 (2)(a) The term of office of each member **appointed by the Governor** is four years, but a
29 member serves at the pleasure of the Governor. Before the expiration of the term of a member **ap-**
30 **pointed by the Governor**, the Governor shall appoint a successor whose term begins on July 1 next
31 following. A member **appointed by the Governor** is eligible for reappointment. In case of a vacancy
32 **among the members appointed by the Governor** for any cause, the Governor shall appoint a
33 person to fill the office for the unexpired term.

34 (b) **The term of office of the member appointed by the President of the Senate is four**
35 **years. In case of a vacancy for any cause, the President of the Senate shall appoint a Senator**
36 **to fill the office for the unexpired term.**

37 (c) **The term of office of the member appointed by the Speaker of the House of Repre-**
38 **sentatives is two years. In case of a vacancy for any cause, the Speaker of the House of**
39 **Representatives shall appoint a Representative to fill the office for the unexpired term.**

40 (3) A member of the commission **who is appointed by the Governor** is entitled to compensation
41 and expenses as provided by ORS 292.495.

42 (4) The Governor shall appoint one of the **voting** commissioners as presiding officer of the
43 commission. The presiding officer shall have *[such]* duties and powers as the commission determines
44 are necessary for the office.

45 (5) Three **voting** members of the commission constitute a quorum for the transaction of business.

1 (6) The commission shall meet at least quarterly at a time and place determined by the com-
2 mission. The commission shall also meet at such other times and places as are specified by the call
3 of the presiding officer or of a majority of the **voting members of the** commission.

4 (7) [No] A vacancy [*shall*] **among the voting members of the commission does not** impair
5 the right of the remaining **voting** commissioners to exercise all the powers of the commission. If the
6 **remaining voting** commissioners are unable to agree, the Governor shall have the right to vote as
7 a member of the commission.

8 **SECTION 35. ORS 285B.416, 285B.425, 285B.431, 285B.434, 285B.438, 285B.443, 285B.446,**
9 **285B.452, 285B.461 and 285B.464 are repealed.**

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