



## Maximizing Oregon's Long-Term Benefits from American Rescue Plan Investments

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The response to the COVID-19 pandemic and associated stay-at-home orders led to skyrocketing unemployment and other health and social impacts. The impacts have been felt unequally across the economy, with many sectors thriving during the pandemic while others—particularly leisure and hospitality—experiencing widespread job losses. We did not anticipate at the start of the pandemic a year ago that the Federal Government would step up and provide multiple rounds of economic support to mitigate the impact of lockdown and social distancing policies. Despite the heroic efforts of government agencies and community-based organizations, the pandemic daylighted some critical vulnerabilities of our economic system. With funds from the American Recovery Plan (ARP), Oregon has a unique opportunity to make significant innovative, durable, transformational investments. **We advocate that state and local governments coordinate to make three or four coordinated investments of \$100 Million or more to address areas of pressing need to make lasting, transformative impacts.**

The ARP is the third major round of fiscal stimulus and provides \$1.86 trillion in relief to individuals, businesses, and governments (see chart). Like the previous rounds of aid, the ARP provided direct stimulus payments to low- and middle-income households, unemployment insurance, and various loans and grants for businesses. Some \$18 billion of ARP funding will flow into Oregon in the coming years; more than \$6 billion targets state government, counties, cities, K-12 schools, and postsecondary institutions. The funds will hit soon – the first wave will arrive in May and the rest a year later. The money must be spent by the end of 2024.

Our focus here is on investments by state and local governments. Unlike previous packages, the ARP provides broad, flexible support to state and local governments, and the allocations to Oregon state and local governments are substantial--\$4.3 billion in total: \$2.6 billion for the

state; \$818 million for counties; \$438 million to metropolitan cities; \$242 million to other non-county entities; and \$155 million for state capital projects.

Oregon's Share of ARP Funds				
Total	State	Counties	Metro Cities	Capital Projects
<b>\$4.3B</b>	<b>\$2.6B</b>	<b>\$818M</b>	<b>\$242M</b>	<b>\$155M</b>

The ARP resources provide once-in-a-generation investment opportunities. But the funding also presents unprecedented coordination and allocation puzzles. Questions include:

- What share of the resources are needed to maintain current service levels?
- What is the amount of direct aid to individuals (e.g., stimulus, unemployment insurance, rent assistance) and businesses (e.g., Paycheck Protection Program, disaster loans) and did the ARP leave gaps that need to be addressed?
- What will be the pace of the economic recovery and will assistance for individuals and firms still be needed later in the ARP window—the end of 2024?
- How will neighboring jurisdictions spend their flexible resources and how do jurisdictions complement, rather than duplicate, efforts?

The size of the opportunity and degree of uncertainty demands a strategic approach to the spending. Support of existing programming and service levels has a first call on the resources. However, once lawmakers fill recession-induced shortfalls, they have considerable flexibility in the use of remaining funds. Decision-makers may want to consider three categories of spending:

- **Fast and responsive** (e.g., smaller, numerous investments designed to address clear, agreed-upon gaps)
- **Transformative** (e.g., a limited number of larger, one-time investments that would yield measurable impacts)
- **Contingency** (e.g., resources withheld until the final three quarters of 2024 to address currently unknown gaps)

In the transformative category, we recommend that the state and local governments consider three to four \$100 million or more) investments that are strategic, durable, transformational investments that target Oregon's most pressing problems. We believe these are the critical issues that Oregon will now have the capacity to address:

- **Forest health and resilience.** Timber and wood products manufacturing was the foundation on which the state was built and remain the lifeblood of many rural Oregon communities. The devastation of the 2020 wildfires and its impact on all Oregonians both urban and rural underscores the need to invest in forest health. This need only becomes more pressing as we confront the challenges of climate change. One

place to start: The state could provide funding to thin forests that have already gone through the National Environmental Policy Act (NEPA) approvals. Providing feed stock for the emerging mass timber industry is another opportunity.

- **Housing production.** Housing is arguably Oregon’s most pressing problem. Housing prices continue to rise in many markets, and housing production is not keeping up with demand. ECONorthwest’s report on HB 2003 concluded that Oregon has underproduced housing by more than 110,000 units. Addressing this structural deficit will require thoughtful investments that support multiple elements of the housing production chain. Additional motel-to-housing conversions through an extension of Oregon’s Turnkey could accelerate progress in the supply response.
- **Homelessness.** Homelessness has been a persistent problem in many Oregon communities for decades. Many communities across the state struggle to address an overwhelming number of unhoused individuals and families seeking help. The complexity of the problem contributes to the challenges of eradicating it. A lack of affordable housing has resulted in a disproportionate share of residents living in emergency shelters, vehicles, or on the streets. In 2020, Oregon had 1.3 percent of the U.S. population, 2.5 percent of the nation’s homeless population, and 3.9 percent of its unsheltered population. A robust housing supply response and increased investments in permanent supportive housing models are the ultimate solutions to the crisis. As communities develop their long-term, comprehensive responses, governments could use ARP resources to expand emergency shelter capacity and acquire infrastructure for sanctioned, service-supported encampments.
- **Resilient infrastructure.** Oregon critically needs an immense infrastructure investment package that supports a growing economy that is resilient to natural disasters and climate change. According to a 2016 report by the League of Oregon Cities, the state will need to invest \$7.4 billion in drinking water and wastewater system maintenance and improvements alone over the next 20 years. In 2014, the Oregon Department of Transportation recommended an investment package of over \$4 billion to replace, rehabilitate, or retrofit 718 bridges in the state over five program phases. Despite the apparent financial and societal benefits of infrastructure projects, the barriers are immense. Funding these projects requires political support, money, technical assistance, and coordination between multiple funders and stakeholders to be implemented. Beyond needed backbone infrastructure, investments that support manufacturing jobs should be on the list.

We recognize that the Oregon legislature is taking action on many of these issues and applaud them for their efforts. However, the ARP funding is a once in a generation opportunity to make investments that have real impact. To do this, state and local officials will have to resist the opportunity to spend money on wish lists or politically motivated projects. We ask elected officials broaden their perspectives with a ‘One Oregon’ approach that considers equity and investments that provide the greatest benefit for the issues they are intended to address.

A good place to start is to identify outcomes and to think big. Addressing Oregon's structural shortage of housing is one place to think big. What suite of investments would provide every Oregonian with safe, decent, and affordable housing by 2035? What investments would address racial inequities that are baked into housing markets?

Thinking big and strategically will not be easy – it will require unprecedented coordination and discipline among organizations that do not typically work together. Moreover, the federal government did not provide much time to spend the funds; decisions will need to be made quickly, precluding extensive decision-making processes. We will not get there without strong leadership at all levels of government. None of our capital improvement, environmental, or social service plans envision investments of this level. Leadership should focus on outcomes, not process. A good place to start is to get a set of simple guiding principles that all levels of government can implement, and then direct staff to coordinate at all levels to identify innovative, durable, and transformational projects.

The past year has been difficult for all of us. Recovery from the next crisis begins today. ARPA funding allows us to consider opportunities what were previously unthinkable but only if our elected officials act with the needs of all Oregonians in mind We encourage elected and government officials to start thinking big today.