



NOTICE OF PROPOSED RULEMAKING

INCLUDING STATEMENT OF NEED & FISCAL IMPACT

CHAPTER 731

DEPARTMENT OF TRANSPORTATION

FILED: 09/24/2026 8:37 AM

ARCHIVES DIVISION SECRETARY OF STATE

FILING CAPTION: Amend rules relating to matching grants for cities

LAST DAY AND TIME TO OFFER COMMENT TO AGENCY: 10/21/2026 5:00 PM

The Agency requests public comment on whether other options should be considered for achieving the rule's substantive goals while reducing negative economic impact of the rule on business.

A public rulemaking hearing may be requested in writing by 10 or more people, or by a group with 10 or more members, within 21 days following the publication of the Notice of Proposed Rulemaking in the Oregon Bulletin or 28 days from the date the Notice was sent to people on the agency mailing list, whichever is later. If sufficient hearing requests are received, the notice of the date and time of the rulemaking hearing must be published in the Oregon Bulletin at least 14 days before the hearing.

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NEED FOR THE RULE(S):

The proposed rule amends the required match amounts for transportation projects grants to incorporated cities that have a population not greater than 20,000, as required by Oregon Laws 2026, Chapter 134, section 1. Currently the Connect Oregon selection process requires all public bodies that are applying for a Connect Oregon grant to provide a 30% match towards the total project cost. The amendment will create a tier system for the match amounts for incorporated cities that have a population not greater than 20,000 according to the most recent federal decennial census. Additionally, the proposed rule will allow grant recipients that are incorporated cities with a population not greater than 20,000 may use any grant received through the Connect Oregon Program for all phases of a funded project.

DOCUMENTS RELIED UPON, AND WHERE THEY ARE AVAILABLE:

None.

STATEMENT IDENTIFYING HOW ADOPTION OF RULE(S) WILL AFFECT RACIAL EQUITY IN THIS STATE:

No impact.

FISCAL AND ECONOMIC IMPACT:

This will allow less populated incorporated cities applying for a Connect Oregon program grant to provide a reduced match compared to what is currently required. This tier system will benefit the smaller cities by tying grant match amounts to population which will allow incorporated cities under 20,000 in population to see an economic benefit comparable to incorporated cities above 20,000 in population.

COST OF COMPLIANCE:

(1) Identify any state agencies, units of local government, and members of the public likely to be economically affected by the rule(s). (2) Effect on Small Businesses: (a) Estimate the number and type of small businesses subject to the rule(s); (b) Describe the expected reporting, recordkeeping and administrative activities and cost required to comply with the rule(s); (c) Estimate the cost of professional services, equipment supplies, labor and increased administration required to comply with the rule(s).

(1) This amendment will allow incorporated cities under 20,000 in population to see an economic benefit comparable to incorporated cities above 20,000 in population

(2) None.

(2)(a) None.

(2)(b) Since this is to be part of an existing grant program, the additional costs will be minimal and should be largely absorbed into the regular duties of those already involved with Connect Oregon.

(2)(c) No additional cost for professional services, equipment supplies and labor are expected as part of this amendment. Since this is to be part of an existing grant program, the additional administrative costs will be minimal and should be largely absorbed into the regular duties of those already involved with Connect Oregon.

DESCRIBE HOW SMALL BUSINESSES WERE INVOLVED IN THE DEVELOPMENT OF THESE RULE(S):

Through Oregon Freight Advisory Committee meetings and feedback from previous rounds of Connect Oregon, ODOT staff were informed that smaller incorporated cities experienced challenges coming up with the necessary matching funds to compete for Connect Oregon grants, and that a reduced matching amount would better position these cities for grant awards.

WAS AN ADMINISTRATIVE RULE ADVISORY COMMITTEE CONSULTED? NO IF NOT, WHY NOT?

This amendment is entirely in response to a statutory change to the Connect Oregon program that only impacts a small subset of applicants, and no additional discretion was given to the Agency with respect to match amounts. Applicants for Connect Oregon 10, which took applications in March 2026 were informed of this change and given the option to take advantage of the lower match amounts. Future guidance documents for the program will be updated based upon these new match requirements and applicants will be notified of them during the next solicitation. Given this built in outreach for the current round of applications, and what will automatically be done for future rounds, and the limited scope of the change, no Rule Advisory Committee was necessary.

RULES PROPOSED:

731-035-0070, 731-035-0170

AMEND: 731-035-0070

RULE SUMMARY: This amendment will allow incorporated cities under 20,000 in population to see an economic benefit comparable to incorporated cities above 20,000 in population.

CHANGES TO RULE:

(1) Once the Commission makes a decision to award funding for an eligible project under 731-035-0060 the amount of the grant award is considered allocated from Program Funds. If an Agreement with a Recipient has not been executed within 180 days from the Commission's decision to award funding for an eligible project, the allocation is withdrawn, and those funds may be awarded by the Commission to other eligible projects in a manner consistent with this rule.

(2) Grants will be awarded only when there are sufficient funds available in the Connect Oregon Fund to meet the grant obligation.

(a) ~~C3~~ Match Amounts.

(a) Except as provided in subsection (3)(b), grant awards may not exceed 70 percent of the total eligible Project costs or for Class I railroads, 50 percent of the total eligible Project costs.

(b) Match amounts for grants for transportation projects awarded to incorporated cities with a population not greater than 20,000 shall be offered as follows, based on population according to the most recent federal decennial census:

(A) Incorporated cities with a population not greater than 5,000 may be required to provide match amounts of not greater than:

(i) Three percent of the moneys required for a transportation project having a project cost of \$100,000 or less.

(ii) Five percent of the moneys required for a transportation project having a project cost greater than \$100,000.

(B) Incorporated cities with a population greater than 5,000 but not greater than 7,500 may be required to provide match amounts not greater than seven percent of the moneys required for the transportation project.

(C) Incorporated cities with a population greater than 7,500 but not greater than 10,000 may be required to provide match amounts not greater than nine percent of the moneys required for the transportation project.

(D) Incorporated cities with a population greater than 10,000 but not greater than 20,000 may be required to provide match amounts not greater than 12 percent of the moneys required for the transportation project.

(4) Matching Funds Requirements.

(a) Notwithstanding any other provision of law restricting the use of the grant award moneys, incorporated cities with a population not greater than 20,000 may use grant moneys awarded for capital construction or municipal infrastructure for all phases of a funded project in addition to construction, including, but not limited to, engineering, planning and support.

(b) Matching funds must be provided by the grant recipient in the form of cash on hand, or through monetary outlay for eligible capital project costs that are reasonable, necessary and directly related to the project. Eligible costs may include costs to acquire, construct, or improve property (land, buildings, and fixed equipment) or to adapt the property to a new or different use consistent with the improvements described in the application.

(A) Monetary outlays for subsection (b) above must have been made within 10 years of the application deadline for Connect Oregon grant fund submittals in order to qualify as eligible matching funds. Monetary outlays for land purchases occurring more than 10 years before the application submission deadline may be considered as matching funds only if the extension of time further serves the goals and objectives of the Program and is approved by the Director consistent with OAR 731-035-0080(8).

(B) The acquisition cost of land for a project may only be counted as 50% of the required project match.

(C) Land acquisition costs for the same parcel or parcels of land may not be considered project match for more than one awarded Connect Oregon project.

(D) All project match sources must be identified at the time of application is submitted.-All match sources must be secured in accordance with the timelines identified in OAR 731-035-0060(8)(e) except for match sources from Federal Aviation Administration grants.-Federal Aviation Administrative grants that are used as a match for an eligible project must be awarded within one year of the Commission decision to award funds to eligible projects.

Statutory/Other Authority: ORS 184.619, 367.082, Ch. 816 OL 2005

Statutes/Other Implemented: ORS 367.080 - 367.086, Ch. 816 OL 2005, Ch. 750 OL 2017

RULE SUMMARY: This amendment will allow incorporated cities under 20,000 in population to see an economic benefit comparable to incorporated cities above 20,000 in population.

CHANGES TO RULE:

731-035-0170

Federal Grant Match Application Awards and Match

(1) Once the Commission decides to award funding for an eligible project under OAR 731-035-0160, the amount of the grant award is considered allocated from Program Funds.¶

(a)(A) If the federal agency that administers the federal grant applied for by the Recipient announces a Notice of Grant Award and the Approved Project is not selected, then the Commission's grant award is rescinded without further act of the Commission and the amount of the Commission's grant award is no longer allocated from Program Funds.¶

(B) The Department shall notify the Recipient of this change in Approved Project status within 15 days of the announcement of the relevant federal grant project selection. ¶

(b) If an Agreement with a Recipient has not been executed within 365 days from a federal grant Notice of Grant Award for the Approved Project, the allocation is withdrawn, and those funds may be awarded by the Commission to other eligible projects in a manner consistent with this rule.¶

(2) Grants will be awarded only when there are sufficient funds available in the Connect Oregon Fund to meet the grant obligation.¶

~~(a) C3) Match Amounts.¶~~

~~(a) Except as provided in subsection (3)(b), grant awards may not exceed 70 percent of the total eligible Project costs or for Class I railroads, 50 percent of the total eligible Project costs.¶~~

~~(b) Match amounts for grants for transportation projects awarded to incorporated cities with a population not greater than 20,000 shall be offered as follows, based on population according to the most recent federal decennial census:¶~~

~~(A) Incorporated cities with a population not greater than 5,000 may be required to provide match amounts of not greater than:¶~~

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~~(B) Incorporated cities with a population greater than 5,000 but not greater than 7,500 may be required to provide match amounts not greater than seven percent of the moneys required for the transportation project.¶~~

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~~(4) Matching Funds Requirements.¶~~

~~(a) Notwithstanding any other provision of law restricting the use of the grant award moneys, incorporated cities with a population not greater than 20,000 may use grant moneys awarded for capital construction or municipal infrastructure for all phases of a funded project in addition to construction, including, but not limited to, engineering, planning and support.¶~~

(b) Matching funds must be provided by the Recipient in the form of cash on hand, awarded federal grants for Federal Grant Match Applications, or through monetary outlay for eligible capital project costs that are reasonable, necessary and directly related to the project. Eligible costs may include costs to acquire, construct, or improve property (land, buildings, and fixed equipment) or to adapt the property to a new or different use consistent with the improvements described in the application.¶

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