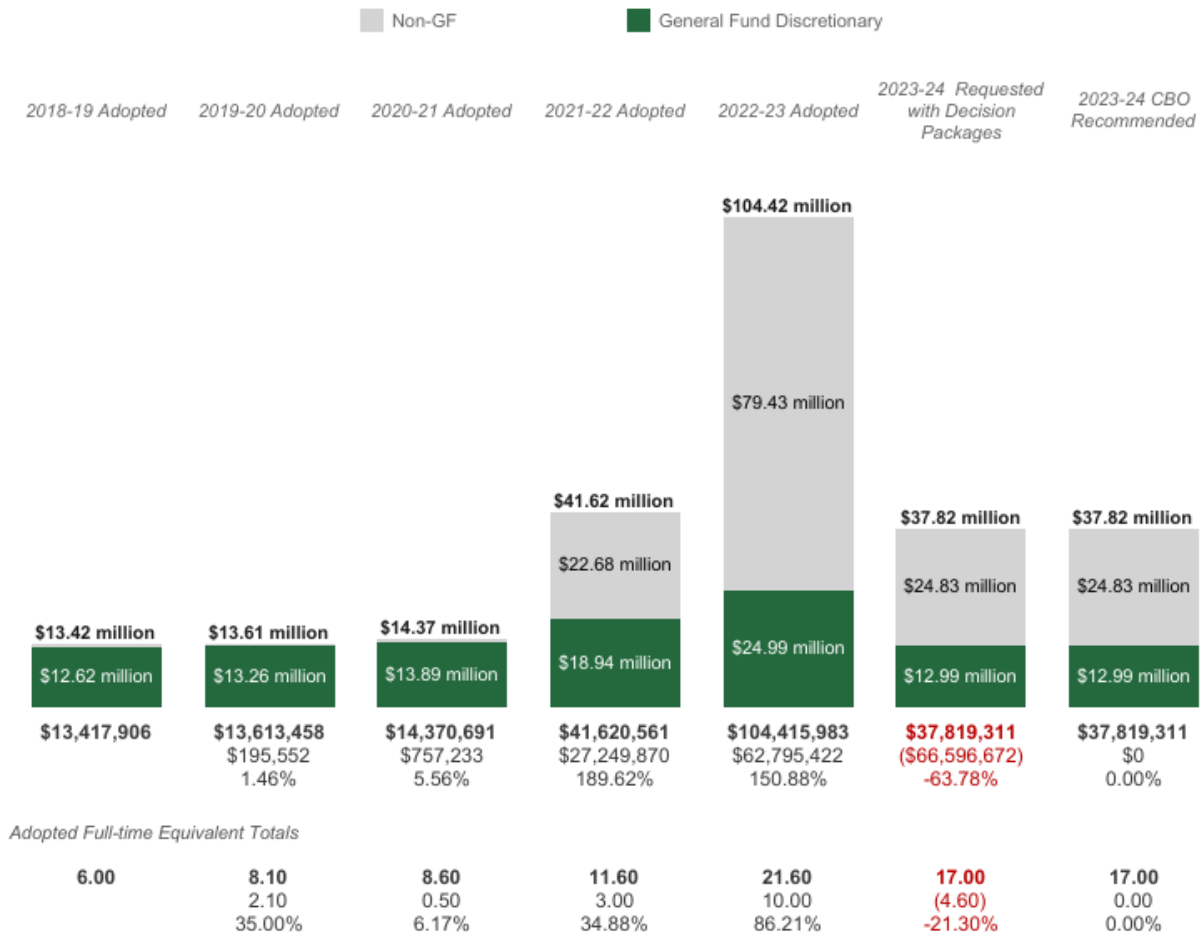




# Special Appropriations

## Adopted Budget Revenues | 5-Year Lookback



## EXECUTIVE SUMMARY

The Special Appropriations FY 2023-24 Requested Budget is \$37.8 million, including \$11.6 million in General Fund and cash transfer resources and \$24.3 million in intergovernmental resource, primarily the continuation of Federal American Rescue Plan Act (ARPA) funds. This review highlights the persistent use of Special Appropriations in a manner contrary to financial policy, the present risk due to historic reliance on one-time funding to support for the Small Donor Elections program and the Portland Metropolitan Levee, a realignment of funding allocated in FY 2022-23 for a Black Youth Leadership grants program, and the continued need to review how the City has added funding and staff to Special Appropriations over the last several years.

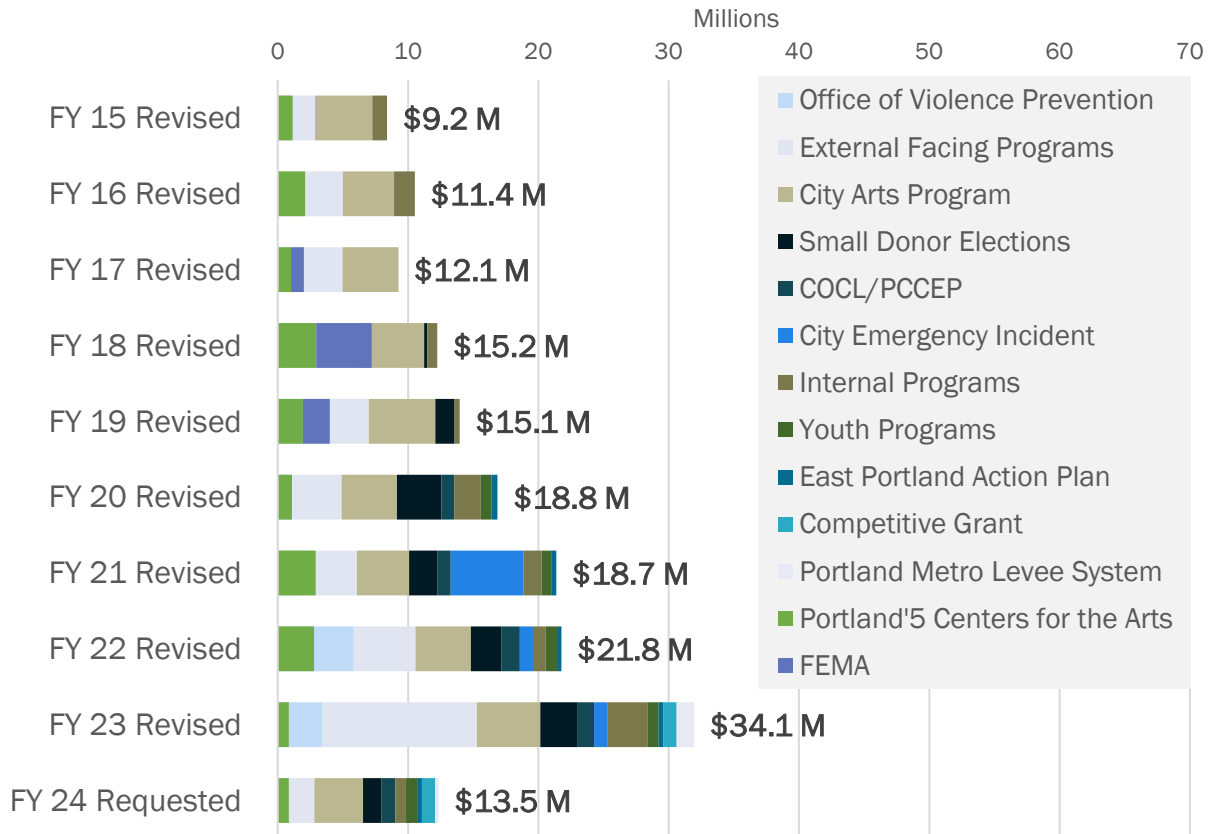
- **The Special Appropriations Fiscal Year 2023-24 Requested Budget includes a realignment of \$1 million ongoing General Fund to establish an External Grants Program**, which would essentially reinstate a competitive grant pool for one-time Special Appropriations. This is a realignment of \$1.0 million ongoing General Fund currently allocated to a Black Youth Leadership program, a competitive grant program administered by a community organization. This realignment will use Fiscal Year 2023-24 appropriations to further align appropriations with financial policy and reallocate a portion (\$25,000) towards the administration of Special Appropriation grant programs. This competitive process can continue to support Black Youth Leadership if this purpose continues to be a priority to City Council.
- **CBO continues to highlight the need to review ongoing allocations in Special Appropriations to determine whether that function remains a priority for the City, where those functions should be housed, and how to increase transparency, accountability, and equity** for the specific bodies of work funded via Special Appropriations. Charter change presents a unique opportunity to move truly ongoing programs into bureaus to be better integrated with citywide efforts.
- **Critical liabilities within Special Appropriations, including the Small Donor Elections program and Portland Metropolitan Levee continue to rely on uncertain funding, risking inability to meet funding demands in the coming fiscal years.**

## BASE BUDGET & KEY ISSUES

Special Appropriations is a “bureaucratic home” for expenditures that are intended to be: not specific to a bureau, represent multi-bureau efforts, or provide Citywide benefits. The majority of these allocations take the form of grants to community organizations, which drove the 2016 transition to place Special Appropriations in the care of the Grants Management Division (GMD) housed in the Office of Management & Finance (OMF). During the current fiscal year, the Grants Management Division has continued the implementation of the Citywide Grants Management System using WebGrants, a web-based system for grants management. This system has now been adopted by some, but not all grantmaking bureaus. Current bureaus utilizing this system are Portland Parks & Recreation, through the administration of their 2022-2024 Community Partnership Program and Teen Collaborative Initiative, the Office of Community & Civic Life Cannabis Program’s Social Equity & Educational Development (SEED) Program for Fiscal Year 2022-23, and the Community Safety Division’s Office of Violence Prevention will utilize it next with their Fiscal Year 2022-23 Grant Program. Bureaus and programs that have not yet adopted the system that could benefit are the Portland Clean Energy Community Benefits Fund (PCEF), the Portland Children’s Levy, and the Portland Housing Bureau. At this point, bureaus are only using it based on their preference, but there is discussion of developing an outgoing grant policy in which using this system would become a policy requirement. CBO recommends a consistent City Policy for using this system, as the current practice is fragmented and does not allow for consistent or transparent reporting. Moving to a central policy and process recognizes the benefit of standardizing grants management citywide, as this would help identify which organizations currently receive grant funding citywide, help break silos in city government, and provide information to further refine and increase transparency of the process in which the City determines grant recipients.

From FY 2014-15 to the current fiscal year (Fiscal Year 2022-23), ongoing General Fund allocated to Special Appropriations increased by \$5.6 million, which is about 45% above inflation. The chart below depicts the increase of programs regularly managed through Special Appropriations and includes one-time resources.

The number of programs and volume of funding regularly managed through Special Appropriations has increased notably since FY 2014-15.



*This chart excludes federal relief dollars and other resources allocated for pandemic response.*

CBO continues to recommend that the City review allocations in Special Appropriations to determine whether that function remains a priority for the City, where those functions should be housed, and develop citywide processes for transparency, accountability, and equity through the development of a citywide grant policy. To help progress this work, the City should consider the following, as also described in [CBO's FY 2022-23 review](#):

- Moving ongoing, internal programs managed by City staff into bureaus with a connection to the work.** Special Appropriations is seen as a viable “home” for programs that require political neutrality, or for which bureaus are not interested in managing. As a result, staff are often left without the administrative and technical support that would be found in a regular bureau and rely on additional assistance from the GMD that falls outside the scope of grants management. In FY 2015-16 and FY 2016-17 several special appropriations were moved into bureaus for oversight and management. Further complicating the practice of having positions assigned in Special Appropriations is that many of these positions are overseen directly by Council Offices and hired as “Commissioner Staff Representatives,” and this is likely not appropriate classification for the type of work these employees are carrying out.
- Reviewing and rebidding ongoing Special Appropriations.** There are a number of allocations that the City has provided to organizations for many years, often championed by a single Commissioner. It is likely that some or all allocations are still aligned with City priorities, but the landscape of the City and Portland more broadly have changed significantly over the last decade and will continue to change moving forward as Charter Reform is implemented. A competitive funding process could help to ensure that allocations are best meeting the needs of Portland, particularly as it relates to equity and effectiveness. CBO also recommends adding a process in Financial Policies to ensure

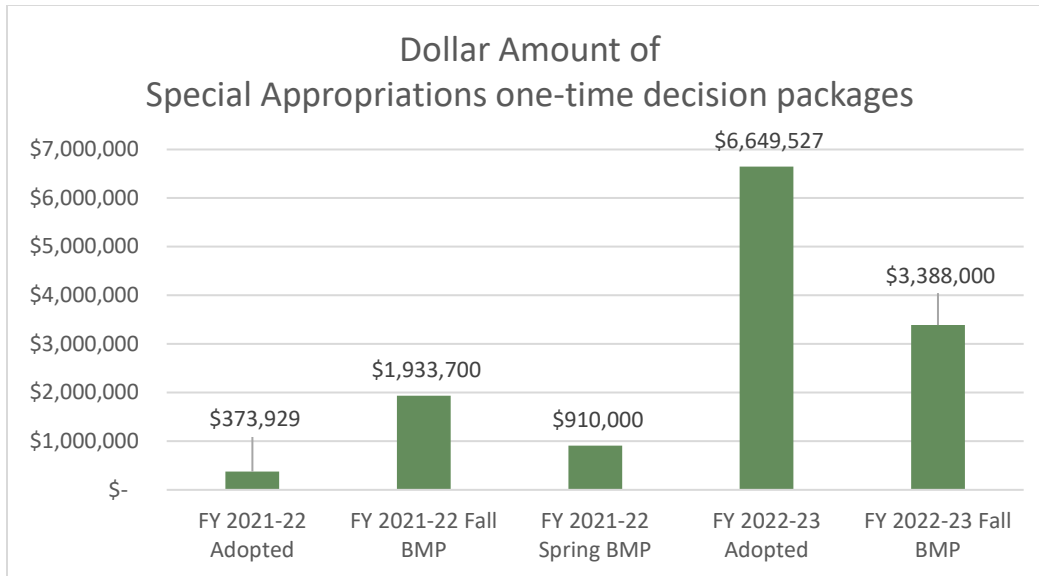
agreement as to how special appropriations are awarded and managed.

- **Providing adequate support and oversight for all City-issued grants.** This includes policies that will help to reduce administrative workload (like master insurance requirement waivers), processes that will help to ensure consistency (such as requiring that all City bureaus utilize the new Grants Management System), and staff to help provide technical support, monitoring, and reporting of outcomes to Council (like the City Grant Advocate which was approved in Fiscal Year 2022-23 but reallocated to the Portland Bureau of Emergency Management in the Fiscal Year 2022-23 Fall Budget Monitoring Process). Although the City includes a 2.5% administrative fee in budgets for ongoing Special Appropriations, this is not allowable for all programs, does not cover the costs associated with one-time Special Appropriations, and does not provide sufficient capacity for support activities like training. Additional resources are likely required for this purpose, such as the reallocation included in the \$1 million realignment in the FY 2023-24 Requested Budget.
- **Developing performance measures for Special Appropriations.** The Grants Management Division worked with CBO several years ago to start developing performance measures for all Special Appropriations, but this work was understandably paused due to the strain on the GMD staff during the pandemic. Moreover, it should not be the responsibility of the GMD to develop and own performance measures for these programs. In the FY 2022-23 analysis of Special Appropriations, CBO suggested that the appropriate program, contract, or grant manager be responsible for identifying at least one performance measure for each Special Appropriation before FY 2023-24 budget development. While this has not occurred, CBO continues to recommend this work to increase transparency and accountability to the public regarding these special projects.
- **Reviewing the outcomes of Special Appropriations through an annual report.** Council has expressed interest in better understanding the results of grant allocations. To this end, the Grants Management Division has proposed a new annual report to Council that would share data from the Citywide Grants Management System. CBO supports this proposal and reiterates the need to ensure that GMD staff have the bandwidth to help support this work.

Any of these recommendations would further stretch the capacity of the Grants Management Division who have continued to handle this dramatic increase in programs and one-time and ongoing grants over the years. Therefore, proper implementation would require additional staff and resources to support this work.

## Grants Policy & One-time funded projects

Special Appropriations has received a significant amount of one-time General Fund resources, including \$10 million of new General Fund one-time appropriations in the current fiscal year alone (Fiscal Year 2022-23). In total, the FY 2022-23 General Fund one-time allocation is \$17.4 million, equivalent of 15% of Special Appropriation's total budget for FY 2022-23.



Financial Policy 2.04 describes that:

- One-time funds “should be used for one-time programs and projects with a defined end date, bridge funding, or to address citywide liabilities that are not included in the City’s five-year forecast”, and
- “Grants shall be issued after a competitive application process, unless Council waives the policy in the grant ordinance.”

The authorization of grants in Special Appropriations has not followed these guidelines and continues to be approved in an uncompetitive process over multiple fiscal years. Serial one-time appropriations have typically been for city obligation funding on an ad-hoc basis. This includes funding for the charter review commission, Portland Metropolitan Levee, and Small Donor Elections.

Much of Special Appropriations is either for one-time grants to specific organizations, or one-time funding for projects that represent an ongoing need. For example, in both the Fall BMP of FY 2021-22 and the Adopted Budget of FY 2022-23, there was a special appropriation to provide \$500,000 in one-time General Fund resources to five cultural institutions (\$100,000 each) to support operating costs and growing infrastructure in Portland.

**Examples of one-time, non-competitive grants:**

Fiscal Year 2021-22

- Wildlife Care Center - \$100,000
- Northwest Abortion Access Fund - \$200,000
- Support to Rohingya Youth Association of Portland - \$50,000
- East Portland Chamber of Commerce - \$100,000

Fiscal Year 2022-23

- Cascade AIDS Project Expanding Prism Health - \$200,000
- Indigenous People’s Waterfront Legacy Project - \$300,000
- Portland Parks Foundation - \$200,000
- Smile Station Building Rehabilitation - \$250,000

- Citywide Marketing for Venture Portland - \$750,000
- Portland Business Alliance (Downtown Marketing Initiative) - \$250,000
- Central East Side Industrial Council (Central East Side Business Retention) - \$100,000

While funding these organizations likely aligns with commissioner priorities, it fails to adhere to grant policy by both lacking a competitive process and by issuing grants to “assist agencies in meeting ongoing service delivery needs.”<sup>1</sup>

Some one-time decision packages represent funding for an ongoing need. This includes funding for the Portland Metropolitan Levee System and small donor elections (as described in more detail later in this analysis), ongoing Charter Review needs, and Gun Violence Reduction grants.

Finally, there are Special Appropriations which are noncompetitive, **ongoing** appropriations for specific organizations. Some of these organizations supported by ongoing funds in past Fiscal Years include:

- All Hands Raised
- Restorative Justice (Resolutions Northwest)
- Village Market
- Voz Workers' Rights Education Project
- Gateway Center for Domestic Violence Services

## Underfunded liabilities

### Small Donor Elections<sup>2</sup>

The Small Donor Elections program (formerly Open & Accountable Elections) provides matching funds from the City for small contributions from Portlanders to certified candidates running for Mayor, Council, and Auditor. The Public Election Fund, now called the Small Donor Elections Fund, was established in 2016 and is funded by an annual transfer limited to 0.2% of the City's General Fund (approximately \$1.2 million at the time and just over \$1.4 million in the current fiscal year).

The program is expecting to need significantly more resources to ensure that all certified candidates receive up to the existing matching cap for every race in the 2024 election. The 2024 Portland election is unique due to the voter approved charter reform package in the 2022 November election.<sup>3</sup> The 2024 election will be the first election without a primary ballot and will have races for all elected positions in Portland's new form of government, including the Mayor, Auditor, and 12 City Council members. Costs for running the program in 2024 have a high level of uncertainty. Afterwards, the 2024 election will provide a preliminary benchmark for voter participation and future elections will likely have a decreased magnitude of costs as fewer races will be occurring each election than this first election post-charter change.

**The Small Donor Elections current estimate of cost for the 2024 election, which occurs during the fiscal year 2024-25, is \$8.4 million.** Match caps in this estimate assume City Council adopts the Portland Election Commissions recommendations for the Charter Alignment Code Update and that the election will have a certain number of candidates participating in the Small Donor Elections program achieving various rates of match caps: 7 candidates for mayor, 1 candidate for auditor, and 8 city council candidates per district. Predicting candidate engagement is not exact, may change due to many factors, and may change over multiple election cycles as the political climate in Portland continues to evolve post-adoption of the new form of government.

<sup>1</sup> Comprehensive Financial management policies, FIN-2.04, “City-issued Grants”

<sup>2</sup> [Small Donor Elections Website](#) and [Frequently Asked Questions](#)

<sup>3</sup> [Ballot Measure 26-228](#)

CBO recognizes the importance of ensuring Small Donor Elections has sufficient resources to meet the goal of removing financial barriers to running for office. In the current budget cycle, with no one-time resources and no requests for ongoing resources during the requested budget phase, the program has limited options to acquire additional funds that they predict will be needed. Any underspending in the Small Donor Elections Fund is automatically carried over to the next fiscal year as beginning fund balance. The program has already accounted for this anticipated \$1.2 million ending fund balance to be carried over in the next fiscal year for their cost estimates.

- The result of the approved charter reform in the 2022 election results in high uncertainty around the needs of the program in the 2024 election. Because of this, there will likely be an increased ongoing need due to the increased number of council members from 4 to 12, and a significant one-time need for resources to cover matching cost in the 2024 election, which takes place during the 2024-25 Fiscal Year.
- Under the current administrative rules, the Program Director may reduce the matching funds or match rate for some or all covered offices if there is a “significant risk” that there will not be sufficient funding available to meet the match cap for participating candidates. In this event, the Program Director may also increase the amount that individual donors may contribute to candidates participating in the program from \$250 to \$500.<sup>4</sup> Each donation is matched on the first \$20 of the donation.

## Portland Metropolitan Levee

The Portland Metropolitan Levee is a complicated multi-bureau, and multi-agency project that receives ongoing funding from Special Appropriations, and in the past few years has received \$1.4 million of one-time resources. Of this amount, approximately \$1.0 million was drawn from a policy set-aside for the Levee, which has a remaining balance of approximately \$600,000. Resources for this program address a variety of purposes, including staff time in the Portland Bureau of Transportation, Bureau of Development Services, and Portland Parks & Recreation, match contributions for various capital projects, and support to mitigate operating deficits in the Peninsula-1 Drainage District.

The system is in the midst of transitioning from being maintained by four distinct drainage districts to management by a single special district with a sustainable funding structure and expanded mission. Until this special district is established, possibly by Spring of 2025, this presents a critical liability that has been mostly funded on an as-needed basis. The creation of a policy set-aside has alleviated some of this uncertainty, but there may still be additional need in the next fiscal year.

## External Grants Program

The Special Appropriations’ Fiscal Year 2023-24 Requested Budget realigns \$1 million ongoing General Fund to reestablish a competitive external grants program. This program is intended to invest in the community through a series of competitive grants based upon Council priorities and includes a 2.5% administration allocation for City internal services. This essentially reinstates a competitive grant pool, within Special Appropriations, which further aligns Special Appropriation resources with [City Financial Policy](#) that states “Grants shall be issued after a competitive application process.” This program will be labor intensive, as the GMD works to run the process and get grants out to recipients.

This \$1.0 million is being somewhat repurposed from the FY 2022-23 allocation to the “Black Youth Leadership Program.” This program was still intended to be a competitive grant program, however, would have been [administered by a community organization](#) rather than by the City itself. If this work is still a priority for council, then criteria for funding could include a component that prioritizes organizations with similar goals, while continuing to follow Financial Policy and ensure a competitive process.

<sup>4</sup> This amount may change pending Council action to revise the Small Donor Elections Code to align with recent Charter amendments passed by voters in the 2022 General Election.

# SUMMARY OF REQUESTS & RECOMMENDATIONS (ALL FUNDS)

## Special Appropriations

		2022-23 Adopted Budget	2023-24 Requested Base (A)	Bureau Decision Packages (B)	CBO Recommended Adjustments (C)	Total Recommended Budget (A+B+C)
Revenue	Miscellaneous	\$5,000	\$0	\$0	\$0	\$0
	Intergovernmental	\$79,077,914	\$24,331,923	\$0	\$0	\$24,331,923
	Interagency Revenue	\$346,833	\$353,954	\$0	\$0	\$353,954
	General Fund Overhead	\$797,027	\$218,157	\$0	\$0	\$218,157
	General Fund Discretionary	\$22,120,839	\$11,349,915	\$0	\$0	\$11,349,915
	Fund Transfers - Revenue	\$2,068,370	\$1,565,362	\$0	\$0	\$1,565,362
Revenue	Sum:	\$104,415,983	\$37,819,311	\$0	\$0	\$37,819,311
Expense	Personnel	\$9,026,672	\$2,821,090	\$0	\$0	\$2,821,090
	Internal Materials and Services	\$366,240	\$230,861	\$0	\$0	\$230,861
	External Materials and Services	\$95,023,071	\$34,767,360	\$0	\$0	\$34,767,360
Expense	Sum:	\$104,415,983	\$37,819,311	\$0	\$0	\$37,819,311