

**76<sup>th</sup> OREGON LEGISLATIVE ASSEMBLY – 2011 Regular Session  
BUDGET REPORT AND MEASURE SUMMARY**

**MEASURE: SB 5528-A**

**JOINT COMMITTEE ON WAYS AND MEANS**

**Carrier – House: Rep. Huffman**

**Carrier – Senate: Sen. Nelson**

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**Action:** Do Pass as Amended and as Printed A-Engrossed

**Vote:** 21 – 3 – 1

House – Yeas: Beyer, Buckley, Cowan, Freeman, Garrard, Komp, Kotek, McLane, Nathanson, Richardson, G. Smith, Whisnant

– Nays: Thatcher

– Exc: Nolan

Senate – Yeas: Bates, Devlin, Edwards, Johnson, Monroe, Nelson, Thomsen, Verger, Winters

– Nays: Girod, Whitsett

– Exc:

**Prepared By:** Tamara Brickman, Department of Administrative Services

**Reviewed By:** Steve Bender, Legislative Fiscal Office

**Meeting Date:** June 8, 2011

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**Agency**

Oregon Business Development Department

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**Biennium**

2011-13

## **Budget Summary\***

					Committee Change from	
	2009-11 Legislatively <u>Approved Budget (1)</u>	2011-13 Current <u>Service Level</u>	2011-13 Governor's <u>Budget</u>	2011-13 Committee <u>Recommendation</u>	2009-11 Leg Approved \$ Change	% Change
General Fund	\$ 8,926,280	\$ 4,871,796	\$ 4,010,484	\$ 3,852,524	\$ (5,073,756)	-56.8%
Lottery Funds Ltd	40,459,152	32,628,612	69,774,460	55,791,408	15,332,256	+37.9%
Lottery Funds Debt Svc Ltd	70,756,731	90,058,388	90,058,388	86,906,344	16,149,613	+22.8%
Other Funds Non-Ltd	197,420,069	186,559,609	227,128,441	186,559,609	(10,860,460)	-5.5%
Other Funds Debt Svc Non-Ltd	45,564,202	40,742,579	40,742,579	40,742,579	(4,821,623)	-10.6%
Other Funds Ltd	31,604,889	23,846,122	23,646,212	23,462,924	(8,141,965)	-25.8%
Other Funds Debt Svc Ltd	1,816,902	1,797,848	1,797,848	1,797,848	(19,054)	-1.0%
Federal Funds Ltd	41,581,438	29,710,826	32,781,618	50,172,815	8,591,377	+20.7%
	<u>\$ 438,129,663</u>	<u>\$ 410,215,780</u>	<u>\$ 489,940,030</u>	<u>\$ 449,286,051</u>	<u>\$ 11,156,388</u>	<u>\$ +2.5%</u>

## **Position Summary**

Authorized Positions	129	126	130	129	0
Full-time Equivalent (FTE) Positions	127.26	125.50	128.50	128.62	+1.36

(1) Includes adjustments through March 2011.

\* Excludes Capital Construction expenditures

## **Summary of Revenue Changes**

The Oregon Business Development Department (OBDD) is funded through a variety of revenue streams, with direct Lottery Funds and Lottery Bond Funds (Other Funds Nonlimited) becoming increasingly important in recent biennia. The department receives Other Funds (Limited and Nonlimited) revenue from loan repayments and interest earnings, investment income, bond proceeds, application fees, service fees, grants and donations, publication sales, and from reimbursement for partnerships and agreements with other state and private entities. Other Funds are expended using both Limited and Nonlimited expenditure authority. Typically, Nonlimited expenditure authority is used for bond related and revolving loan fund expenditures.

The Community Development Block Grant is the largest source of Federal Funds the department receives on a regular basis. Other federal grant revenues are received from other specific grant sources. The department typically receives other small grants throughout the biennium. Federal Safe Drinking Water Act funds come to the department through an interagency agreement with the Department of Human Services, and are expended as Nonlimited Other Funds.

Excluding Nonlimited Other Funds, Lottery Funds provide the major revenue source for the department's programs. Lottery Funds provide the bulk of funding for the Shared Services, and the Business, Innovation, Trade program units, and are the funding source for the Special Payments to the semi-independent Oregon Film and Video Office. Lottery Funds are also spent on Debt Service payments on Lottery revenue bonds, which in turn are a source of Other Funds Nonlimited revenues. More than 60 percent of the agency's Lottery Funds expenditures are to pay debt service costs on Lottery Bonds issued to support the department's programs and other economic development initiatives. The amount in the budget covers debt service on previously issued Lottery Bonds.

The Arts Commission receives General Fund in addition to Other Funds (largely from private grants) and Federal Funds from the National Endowment for the Arts. Funding for the Cultural Trust comes largely from private contributions received with respect to a related personal income tax credit. Additional funding is also available from the sale of the Cultural Trust license plates to Oregon vehicle owners.

The department may receive federal grants from the United States Small Business Administration for a State Trade and Export Promotion Grant (STEP) program; the United States Department of the Treasury for the State Small Business Credit Initiative (SSBCI); and the United States Department of Energy for a Clean Cities Community Readiness and Planning for Plug-in Electric Vehicles and Charging Infrastructure grant. The department will receive Oregon's non-entitlement share of the Community Development Block Grant from the United States Department of Housing and Urban Development.

## **Summary of Transportation and Economic Development Subcommittee Action**

The Oregon Business Development Department is the state agency charged with maintaining and promoting the economic development policy of the state. The Department's mission is to enable the creation, retention, expansion and attraction of business to provide sustainable, living-wage jobs for Oregonians through public-private partnerships, leveraged funding and support of economic opportunities for Oregon companies and entrepreneurs. OBDD delivers services through the Business, Innovation, and Trade and Infrastructure Finance Authority program units. The Oregon Business Development Commission exists in an advisory capacity for the entire agency. The Commission consists of nine members appointed by the Governor and two ex-officio legislative members.

In 2009, an independent Infrastructure Finance Authority Board was established to assist the Department with oversight of the Infrastructure Finance Authority (IFA) and the state's infrastructure activities. The IFA Board consists of nine members: six appointed by the Governor; a representative from the State Treasurer's office; and two ex-officio legislative members. Recommendations by the Board are reviewed and discussed by the Commission at Commission meetings. The Department is functionally organized into two major divisions: Business, Innovation, and Trade and the Infrastructure Finance Authority. The Arts Commission is part of the agency and receives support from the central Shared Services program unit. The Oregon Film and Video Office is a program unit within the agency's budget, but for funds pass-through purposes only.

The Subcommittee approved a budget of \$449,286,051 total funds and 129 positions (128.62 full-time equivalent) for the department. This is an increase of \$11,156,388 total funds, or 2.5 percent higher than the 2009-11 Legislatively Approved Budget. The Subcommittee recommended that the \$142,697,752 Lottery Funds expenditure be expended as follows:

- \$55,791,408 for programs, and
- \$86,906,344 for debt service.

Lottery Fund allocations are not approved in Senate Bill 5528, but are included in the statewide Lottery Allocation Bill (House Bill 5035).

The recommended budget for this agency includes a reduction of General Fund and Lottery Funds for a supplemental ending balance. The reduction is intended to be applied against spending levels in the second year of the biennium and not to affect program delivery in the first year. To reinforce that intent, the agency's budget bill includes specific language allowing the agency to expend up to 54 percent of its total biennial General Fund appropriation and of its biennial Lottery Funds expenditure limitations in the first year of the biennium, with the exception of the Lottery Funds expenditure limitation for debt service. Because of the timing of debt service payments that need to be made, the agency may spend up to 63 percent of its total biennial Lottery Funds expenditure limitation for debt service in the first year of the biennium.

The amount of the reduction for the supplemental ending balance may be restored during the February 2012 session to the agency for the second year of the biennium depending on economic conditions. Therefore, the Co-Chairs of the Joint Committee on Ways and Means expect the agency director to closely monitor the quarterly revenue forecast and other economic indicators to gauge adequacy of funding in the second year and manage the budget accordingly.

#### Shared Services/Central Pool

The department's shared services functions include:

- The Director's Office, which consists of the department director, deputy director, and an executive assistant. The office is responsible for all activities in support of the Business Development Commission (an agency oversight commission), for supervision of agency operations, and for legislative activities.
- The Policy and Planning Division, which is responsible for the department's strategic planning efforts, internal/external communications, government relations, policy development, performance reporting, and information systems. This division exists to enable processes and implement technology to support the performance of the agency's programmatic service delivery.
- Fiscal and Budget Services, which is responsible for the department's budget development and administration, financial reporting, accounts receivable, accounts payable, employee payroll and agency contracts.

- Employee Services, which is responsible for employee recruitment, human resources, facility services and reception.

The Subcommittee approved the following packages:

- Package 086: Eliminate Inflation, reduces \$42,358 Lottery Funds and \$56,611 Other Funds by eliminating standard inflation in certain accounts that had been included in budget development.
- Package 087: Personal Services Adjustments, eliminates \$330,069 Lottery Funds and \$34,035 Other Funds for a 5.5 percent across-the-board reduction in Personal Services expenditures.
- Package 090: BAM Analyst Adjustments, makes as a technical correction to the Budget and Management analyst's adjustments for positions and FTE only.
- Package 107: I.T. Security/Enhancement, provides \$50,000 Other Funds for agency costs associated with information technology improvements.
- Package 801: Targeted Statewide Adjustments, reduces Lottery Funds by \$111,918 to reduce Services and Supplies 6.5 percent from the Governor's budget level.
- Package 802: Vacant Position Savings, eliminates one vacant Policy Analyst 4 position (\$210,939 Lottery Funds, one position, 1.00 full-time equivalent).
- Package 819: Supplemental Statewide Ending Balance, reduces Lottery Funds by \$247,455 as part of a supplemental statewide ending balance hold back adjustment. This adjustment reduces the Lottery Funds expenditure limitation by 3.5 percent.

### Business, Innovation, Trade

The Business, Innovation, and Trade program includes the staff and funding sources used by the department to provide grants and loans to assist businesses in order to achieve the agency's economic development goals statewide, including job retention and job creation. The division works with new and existing Oregon businesses, and also works to recruit business to the state. The division also works with regional economic development organizations and local government economic development staff. The division has three programs which promote business growth, retention, and job creation. The programs are:

Business Development Services consisting of:

- The Governor’s Strategic Reserve Fund - a forgivable loan program. The funds are used as a strategic investment focused on creating and retaining jobs for Oregon businesses. The terms are negotiated on a case-by-case basis. If a company fails to meet the terms it must repay the loan. This is referred to as a “claw back” provision.
- The Business Expansion and Retention Program is another forgivable loan program with a claw back provision. This program is available to traded-sector industry firms with at least 150 employees, which require the loan to establish at least 50 new full-time jobs with compensation that averages at least 150 percent of the county or state average, whichever is less. The maximum incentive payment to the firm is set at an amount calculated to equal the personal income tax liabilities that the newly-hired employees will incur from two years worth of compensation.
- The Brownfields Program combines state and federal funding to offer low-interest loans with flexible terms to private individuals, local governments and non-profits to determine the impact of brownfields in their community as well as complete evaluation and cleanup.
- The Industrial Site Certification Program certifies lands as “project ready,” which means that the site can be developed within 180 days or less.
- The Lean and High Performance Manufacturing Services program is administered by the Oregon Manufacturing Partnership and assists companies to maintain or gain competitive advantage.

Global Strategies consisting of:

- The International Trade program works to maximize the state’s international presence to better serve Oregon companies. International staff provide one-on-one business counseling, market research and entry strategies, and due diligence assistance to identify or evaluate international partners. The division also operates the Oregon Trade Promotion Program to assist Oregon companies to participate in international trade shows and trade missions.
- The Oregon Innovation Council (Oregon InC) is a public-private board, staffed by the department, that brings together leaders from private businesses and higher education to develop and drive the state’s innovation strategy. Oregon InC develops and implements strategic (through funding) innovative research that leads to new companies built around new discoveries and increases access that start-up companies have to public and private funding.

Business Finance Services consisting of:

- Revolving loan funds for working capital and term loans, loan guarantees on bank loans, loans for startup businesses, and tax-exempt bond financing for manufacturers. The funds include the:
  - Oregon Business Development Fund (OBDF), which provides direct loans that leverage private capital and provide incentives for businesses to expand or locate in Oregon.
  - Oregon Capital Access Program (CAP), which provides a form of loan portfolio insurance so banks may make business loans that carry higher than conventional risks while complying with federal and state banking regulations.
  - Oregon Credit Enhancement Fund (CEF), which provides loan guarantees to banks in order to increase capital availability to small businesses.
  - Oregon Industrial Development Bonds (IDB), which are available to manufacturing projects, exempt facilities and non-profit organizations to help in job creation and access to capital primarily for value-added manufacturing.
  - Entrepreneurial Development Loan Fund (EDLF), which offers direct loans to help new businesses get established.
- Small Business Services works directly with the statewide network of Small Business Development Centers and the Small Business Advisory Council to provide services to Oregon's small businesses and individuals endeavoring to start a small business.
- The Office of Minority-Owned/Women-Owned/Emerging Small Business (OMWESB) program conducts evaluations and certifications of businesses for minority, women-owned, and emerging small businesses. The certification helps the businesses sell products or services to state and local governments.

The Subcommittee approved the following packages:

- Package 083: September 2010 E-Board, eliminates \$205,812 Other Funds and one position (1.00 full-time equivalent), continuing the decision approved by the Emergency Board to transfer the Housing Rehabilitation Program (funded through the Community Development Block Grant) from the Oregon Housing and Community Services Department to OBDD. This position was used to partially finance a position in the Infrastructure Finance Authority.
- Package 086: Eliminate Inflation, reduces \$126,760 Lottery Funds, \$230,966 Other Funds and \$18,480 Federal Funds by eliminating standard inflation in certain accounts that had been included in budget development.

- Package 087: Personal Services Adjustments, eliminates \$474,926 Lottery Funds and \$192,961 Other Funds for a 5.5 percent across-the-board reduction in Personal Services expenditures.
- Package 090: BAM Analyst Adjustments, provides \$200,000 Lottery Funds to increase support for Governor’s trade mission expenses. Approval of this package increases total Lottery Funds for Governor trade missions to \$400,000 prior to adjustments taken in Package 819.. The package was modified to also eliminate one position (1.00 full-time equivalent) as a technical correction to the BAM analyst’s adjustments.
- Package 101: Oregon InC, provides \$16 million Lottery Funds on a one-time basis for the following Oregon Innovation Council (Oregon InC) initiatives:
  - Oregon Nanoscience and Microtechnologies Institute (ONAMI) \$5.2 million
  - Oregon Translational Research and Drug Development Institute (OTRADI) \$2.8 million
  - Built Environment and Sustainable Technologies Center (BEST) \$3.8 million
  - Oregon Wave Energy Trust (OWET) \$2.5 million
  - Northwest Food Processors Innovation Productivity Center \$0.5 million
  - Drive Oregon \$1.2 million

The amounts identified above are prior to reductions taken in Package 819. The Committee also approved the following budget note relating to Oregon Innovation Council initiatives:

**Budget Note:**

The approved budget includes \$16 million of Lottery Funds to support six initiatives approved by the Oregon Innovation Council. The Committee understands that the Department will work with the Oregon Innovation Council to develop plans and timelines for these initiatives to achieve operational sustainability with decreased dependence on state funding. Ultimately, each initiative should mature to gain independence from state support. The Department shall report on these plans and timelines to the Joint Committee on Ways and Means during the 2012 Session of the Legislative Assembly. Further, it should be understood that initiatives that fail to show progress toward making Oregon industries more competitive and sustainable are not guaranteed funding in future biennia. The Committee supports the efforts of the Oregon Innovation Council to develop new initiatives for innovation-based economic development.

- Package 103: Business Development, provides \$759,840 Lottery Funds to increase support for two programs in the Business, Innovation and Trade program area. The two programs are the Small Business Development Center (SBDC) Network under Small Business Assistance Programs, and the Oregon Trade Promotion Program (OTPP). The additional funding increases total Lottery Funds for the SBDC Network to \$2,000,000 and for the OTPP to approximately \$400,000. Each of these total funding levels is prior to reductions taken in Package 819.



- Package 104: OMWESB Travel, adds \$17,000 Other Funds to the OMWESB program for travel associated with site visits made as a requirement of the Disadvantaged Business Enterprise (DBE) program.
- Package 503: Credit Enhancement Fund Investment, adds \$1,000,000 Lottery Funds for deposit to the Credit Enhancement Fund (CEF). The CEF holds moneys that are used, when needed, to pay off business loans that the Department has guaranteed and that have gone into default.
- Package 801: Targeted Statewide Adjustments, reduces Lottery Funds by \$192,967 to reduce Services and Supplies 6.5 percent from the Governor's budget level.
- Package 802: Vacant Position Savings, eliminates one vacant Administrative Specialist 1 position (\$25,757 Lottery Funds, one position, 0.38 full-time equivalent).
- Package 811: LFO Analyst Technical Adjustments, decreases Lottery Funds by \$182,627 and increases Other Funds by the same amount to reverse a fund shift in the Governor's budget to pay Personal Services costs associated with an Economist 2 position. The department determined that the fund shift was no longer needed and will fund the position with Other Funds.
- Package 812: Strategic Reserve Fund/Business Expansion Program, adds \$8,954,839 Lottery Funds to the Strategic Reserve Funds (SRF). This brings total support for new SRF commitments to \$15 million Lottery Funds and Other Funds (prior to reductions in Package 819). Up to \$4 million of the SRF moneys may be transferred, at the Director's discretion, to the Business Expansion and Retention Program (BEP) created in Senate Bill 219 (2011). Under the BEP, the Department is authorized to provide forgivable loans to businesses that, but for this incentive, would be unable to hire 50 or more full-time employees with average compensation in excess of 150 percent of the county or state average. Firms that apply to the Department and are certified by the Department may retain the loan funds upon hiring the new employees. Maximum loan amounts are set to two-years of income tax revenues paid by the newly-hired employees. Participation is limited to firms in traded-sector industries with at least 150 employees prior to expansion. The Committee also approved the following budget note relating to the Strategic Reserve Fund:

**Budget Note:**

The Department shall distribute the funds available in this budget to the Strategic Reserve Fund for the purposes of creating and retaining jobs in this state.

- Package 813: Policy Bill Budget Adjustments, provides \$279,613 Other Funds and one position (0.50 full-time equivalent) for implementation of Senate Bill 56 and Senate Bill 494.

- Senate Bill 56 permits the Department to collect fees to offset the costs associated with the Certified Site program, and to charge for program benefits provided to site owners or lessees. With respect to this bill, Other Funds revenue is increased by \$199,350 and Services and Supplies expenditures by the same amount.
- Senate Bill 494 continues changes to the Oregon Business Development Fund (OBDF) and Entrepreneurial Development Loan Fund (EDLF) programs approved on a temporary basis in the 2010 Session. These changes have expanded activity in these programs. The Legislature added a full-time limited-duration position during the 2010 Session to address the expanded activity. The Subcommittee approved the establishment of a half-time Loan Specialist 1 position (0.50 FTE), and increased the Other Funds expenditure limitation by \$80,263. The position will be funded by Other Funds revenues in the Oregon Business Development Fund and Entrepreneurial Development Loan Fund programs.
- Package 814: Federal Grants, provides \$17,391,197 Federal Funds and three positions (3.00 full-time equivalent) for the implementation of three Federal grants. The Department of Administrative Services agrees to unschedule the limitation pending award of the grants and will reschedule the limitation as the grants are awarded, and as needed under the State Small Business Credit Initiative. The three grants are:
  - The State Small Business Credit Initiative (SSBCI) grant, which provides up to \$16,516,197 Federal Funds and three positions (3.00 full-time equivalent) that the Department would use to enhance funding and activity for the Credit Enhancement Fund, the Capital Access Program, and the Oregon Business Development Fund. The positions are one full-time Loan Specialist 2 and two full-time Loan Specialist 3 positions.
  - The State Trade and Export (STEP) grant, which includes \$375,000 of Federal Funds to expand the Oregon Trade Promotion Program.
  - The Clean Cities grant, which provides up to \$500,000 to support infrastructure development for electric vehicles.
- Package 819: Supplemental Statewide Ending Balance, reduces Lottery Funds by \$1,732,258 as part of a supplemental statewide ending balance hold back adjustment. This adjustment reduces the Lottery Funds expenditure limitation by 3.5 percent.

#### Infrastructure Financing Authority

The Infrastructure Finance Authority's (IFA) mission is to assist communities to build infrastructure capacity to address public health, safety and compliance issues, as well as support their ability to attract, retain and expand businesses. It primarily achieves this mission through revolving loan programs that include state and federal funds. The IFA customers include Oregon cities, counties, ports, special districts, and Indian Tribes. The Programs/Funds include the:

- Special Public Works Fund (SPWF), which provides loans and limited grant funding to municipalities for planning, designing, purchasing, improving and constructing municipally-owned facilities such as water, sewer, road extensions, community buildings or other facilities. The SPWF also includes the Renewable Energy Feasibility Program (REF) providing grant opportunities for existing water and sewer systems to reduce Oregon's dependence on fossil-based energy sources and promote sustainable development.
- Safe Drinking Water Revolving Loan Fund (SDWRLF), which uses federal funds to provide low cost financing for construction and/or improvements of public and private water systems. The program's financing is available to all sizes of water systems that are subject to federal regulations, although 15 percent of the funds are reserved for systems serving a population of fewer than 10,000 people.
- Water/Wastewater Fund (W/WF), which provides technical assistance and construction financing for public water and waste water systems needing to meet state and federal water quality standards.
- Community Development Block Grant (CDBG), which uses federal funds to support community (non-metropolitan) facilities, public works projects, housing rehabilitation and services to micro-enterprises and other businesses. The program's primary objective is to develop viable communities through expanding economic opportunities, providing decent housing, and a suitable living environment for people of low and moderate incomes.
- Ports Program, which consists of the Port Revolving Loan Funds (PRLF), the Port Planning and Marketing Funds (PPMF) and the Marine Navigation Improvement Fund (MNIF). The PRLF provides financing for the planning and construction of facilities and infrastructure that promote maritime shipping, aviation and commercial/industrial activities of ports. The PPMF assists with planning and marketing activities to improve a port's trade and commerce capacity. The MNIF provides funding for (1) federally authorized projects (i.e. Columbia River Channel Deepening Project) for which the federal government provides 75 percent of the funding, and (2) smaller projects that do not qualify for federal funding.

The Subcommittee approved the following packages:

- Package 083: September 2010 E-Board, adds \$146,234 Other Funds, \$3,745,782 Federal Funds and one position (1.00 full-time equivalent) to provide the Department with the resources necessary to administer the Housing Rehabilitation Program (HRP) that was transferred by the Emergency Board from the Oregon Housing and Community Services Department (Housing) to the Oregon Business Development Department. OBDD is the recipient of a Community Development Block Grant (CDGG) from the United States Housing and Urban Development Department (HUD). The Department administers a community development program for the non-entitlement areas of the state (those local governments that do not receive a block grant directly from HUD) to develop livable urban communities. Prior to the Emergency Board action, OBDD contracted with Housing to carry out the HRP portion of the block grant. The HRP provides funding for home repairs for lower income households.
- Package 086: Eliminate Inflation, reduces \$61,810 Other Funds and \$559,460 Federal Funds by eliminating standard inflation in certain accounts that had been included in budget development.

- Package 087: Personal Services Adjustments, eliminates \$287,060 Other Funds and \$53,912 Federal Funds for a 5.5 percent across-the-board reduction in Personal Services expenditures.
- Package 106: Ports Statewide Plan Position, shifts \$191,324 Other Funds Non-Limited to Other Funds Limited in order to provide funding for a position to help with the implementation and oversight of Strategic Business Plans being developed by each of Oregon's 23 ports. In 2009-10, OBDD and the Oregon Department of Transportation engaged Parsons Brinkerhoff (PB) to develop a Statewide Ports Plan, which requires each port to develop a strategic business plan. The revenue source for this position is interest from the Port Revolving Loan Fund.

### Film and Video

The Oregon Film and Video Office focuses on promoting the development of the film, video, and multimedia industry in Oregon. The Office also acts to enhance the industry's revenue, profile and reputation within Oregon and among the industry internationally. It also recruits the industry to film features, movies, and television series in Oregon and actively recruits related businesses to relocate to Oregon permanently. The 1995 Legislature made the Film and Video Office a semi-independent state agency. As such, the Office has no state employee positions. Staff is under direction of a five-member Board appointed by the Governor. The Film and Video Office receives Lottery Funds via a special payment from the Department.

The Subcommittee approved the following packages:

- Package 086: Eliminate Inflation, reduces \$30,039 Lottery Funds by eliminating standard inflation in certain accounts that had been included in budget development.
- Package 819: Supplemental Statewide Ending Balance, reduces Lottery Funds by \$43,810 as part of a supplemental statewide ending balance hold back adjustment. This adjustment reduces the Lottery Funds expenditure limitation by 3.5 percent.

### Arts

The Arts Commission provides leadership, funding and arts programs through grants, special initiatives and services to arts organizations, artists and communities. The Commission was established in 1967. The 1993 Legislature transferred the Commission to the Department to strengthen the development of cultural resources in Oregon communities and to increase the role of the arts in building Oregon's economy. Nine citizen commissioners, appointed by the Governor, are responsible for Commission governance including policy and grant-making decisions. The Commission administers a number of programs, including evaluating the impact of arts on Oregon's economy and providing National Endowment for the Arts funding for programs in Oregon. It also assesses and maintains Oregon's existing public art and supports Oregon's efforts

towards arts education. The Commission is financed with General Fund and receives Federal Funds from the National Endowment for the Arts. Other Funds are received from grants and donations, and from the Percent for Art program.

In 2003, the Legislature transferred management responsibility for the Trust for Cultural Development from the Secretary of State to OBDD, under management of the Arts Commission. Funding for the Trust comes largely from private contributions for which individuals receive an income tax credit. Additional funding is also available from the sale of the Cultural Trust license plates to Oregon vehicle owners. Funding for Trust administration is limited to 7.5 percent of funds distributed from the Account each fiscal year. Distributions themselves are limited to 42 percent of the account's fund balance as of July 1 of each year. Because of these restrictions, and the emergent state of the Trust itself, funds available from the Trust have been insufficient to cover administrative costs. As a result, the Commission has solicited Other Funds from alternative sources. Efficiencies from the "merger" of administration for the Arts Commission and the Trust for Cultural Development, as well as an improved donation revenue stream, should lessen the need for additional, non-Trust resources over time.

The Subcommittee approved the following packages:

- Package 085: 2009-11 Allotment Reduction roll-ups, eliminates \$713,442 General Fund continuing budget reductions that were taken in 2009-11 to address the General Fund revenue shortfall.
- Package 086: Eliminate Inflation, reduces \$86,395 General Fund, \$140,551 Other Funds and \$43,138 Federal Funds by eliminating standard inflation in certain accounts that had been included in budget development.
- Package 087: Personal Services Adjustments, eliminates \$61,475 General Fund and \$40,190 Other Funds for a 5.5 percent across-the-board reduction in Personal Services expenditures.
- Package 801: Targeted Statewide Adjustments, reduces General Fund by \$18,231 to reduce Services and Supplies 6.5 percent from the Governor's budget level.
- Package 819: Supplemental Statewide Ending Balance, reduces General Funds by \$139,729 as part of a supplemental statewide ending balance hold back adjustment. This adjustment reduces General Fund expenditures by 3.5 percent.

#### Lottery Bond Debt Service

The Lottery Bond Debt Service program unit is used to track the payment of Lottery Bond Debt Service, including both principal and interest payments. The revenue in this program unit is almost entirely made up of transfers from the Department of Administrative Services Economic Development Fund. OBDD retains the interest on those transfers and uses them as Other Funds to pay a portion of the debt as well.

The Subcommittee approved the following package:

- Package 819: Supplemental Statewide Ending Balance, reduces Lottery Funds by \$3,152,044 as part of a supplemental statewide ending balance hold back adjustment. This adjustment reduces the Lottery Funds expenditure limitation by 3.5 percent.

### **Summary of Performance Measure Action**

See attached Legislatively Adopted 2011-13 Key Performance Measures form.

**DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION**

**SB-5528-A**

**Oregon Business Development Department  
Tamara Brickman -- (503) 378-4709**

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
2009-11 Legislatively Approved Budget at March 2011 *	\$ 8,926,280	\$ 111,215,883	\$ 33,421,791	\$ 242,984,271	\$ 41,581,438	\$ 0	\$ 438,129,663	129	127.26
2011-13 ORBITS printed Current Service Level (CSL)*	\$ 4,871,796	\$ 122,687,000	\$ 25,643,970	\$ 227,302,188	\$ 29,710,826	\$ 0	\$ 410,215,780	126	125.50
2011-13 Governor's Recommended Budget*	\$ 4,010,484	\$ 159,832,848	\$ 25,444,060	\$ 267,871,020	\$ 32,781,618	\$ 0	\$ 489,940,030	130	128.50

SUBCOMMITTEE ADJUSTMENTS (from GRB)

Shared Services/Central Pool

Package 090: BAM Analyst Adjustments										
Personal Services	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0	1	0.50
Package 107: I.T. Security/Enhancement										
Personal Services	\$ 0	\$ 0	\$ (71,769)	\$ 0	\$ 0	\$ 0	\$ (71,769)	(1)	(1)	-0.50
Services & Supplies	\$ 0	\$ 0	\$ (196,000)	\$ 0	\$ 0	\$ 0	\$ (196,000)			
Package 801: Targeted Statewide Adjustments										
Services & Supplies	\$ 0	\$ (111,918)	\$ 0	\$ 0	\$ 0	\$ 0	\$ (111,918)			
Package 802: Vacant Position Savings										
Personal Services	\$ 0	\$ (210,939)	\$ 0	\$ 0	\$ 0	\$ 0	\$ (210,939)	(1)	(1)	-1.00
Package 819: Supplemental Statewide Ending Balance										
Personal Services	\$ 0	\$ (191,109)	\$ 0	\$ 0	\$ 0	\$ 0	\$ (191,109)			
Services & Supplies	\$ 0	\$ (56,346)	\$ 0	\$ 0	\$ 0	\$ 0	\$ (56,346)			

Business, Innovation, Trade

Package 090: BAM Analyst Adjustments										
Personal Services	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0	(1)	-1.00
Package 101: Oregon InC										
Special Payments	\$ 0	\$ (2,950,000)	\$ 0	\$ 0	\$ 0	\$ 0	\$ (2,950,000)			
Package 102: Business Assistance for Job Creation										
Special Payments	\$ 0	\$ (10,000,000)	\$ 0	\$ 0	\$ 0	\$ 0	\$ (10,000,000)			
Package 103: Business Development										
Services & Supplies	\$ 0	\$ 0	\$ (199,350)	\$ 0	\$ 0	\$ 0	\$ (199,350)			

\*Excludes Capital Construction Expenditures

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
Special Payments	\$ 0	\$ (240,160)	\$ 0	\$ 0	\$ 0	\$ 0	(240,160)		
Package 503: Credit Enhancement Fund Investment									
Special Payments	\$ 0	\$ (7,000,000)	\$ 0	\$ 0	\$ 0	\$ 0	(7,000,000)		
Package 801: Targeted Statewide Adjustments									
Services & Supplies	\$ 0	\$ (192,967)	\$ 0	\$ 0	\$ 0	\$ 0	(192,967)		
Package 802: Vacant Position Savings									
Personal Services	\$ 0	\$ (25,757)	\$ 0	\$ 0	\$ 0	\$ 0	(25,757)	(1)	-0.38
Package 811: LFO Analyst Technical Adjustments									
Personal Services	\$ 0	\$ (182,627)	\$ 182,627	\$ 0	\$ 0	\$ 0	0		
Package 812: Strategic Reserve Fund/Business Expansion Program									
Special Payments	\$ 0	\$ 8,954,839	\$ 0	\$ 0	\$ 0	\$ 0	8,954,839		
Package 813: Policy Bill Budget Adjustments									
Personal Services	\$ 0	\$ 0	\$ 80,263	\$ 0	\$ 0	\$ 0	80,263	1	0.50
Services & Supplies	\$ 0	\$ 0	\$ 199,350	\$ 0	\$ 0	\$ 0	199,350		
Package 814: Federal Grants									
Personal Services	\$ 0	\$ 0	\$ 0	\$ 0	\$ 452,739	\$ 0	452,739	3	3.00
Services & Supplies	\$ 0	\$ 0	\$ 0	\$ 0	\$ 277,300	\$ 0	277,300		
Special Payments	\$ 0	\$ 0	\$ 0	\$ 0	\$ 16,661,158	\$ 0	16,661,158		
Package 819: Supplemental Statewide Ending Balance									
Personal Services	\$ 0	\$ (278,310)	\$ 0	\$ 0	\$ 0	\$ 0	(278,310)		
Services & Supplies	\$ 0	\$ (97,151)	\$ 0	\$ 0	\$ 0	\$ 0	(97,151)		
Special Payments	\$ 0	\$ (1,356,797)	\$ 0	\$ 0	\$ 0	\$ 0	(1,356,797)		
<u>Infrastructure Financing Authority</u>									
Package 105: Capitalization of SPWF/WWF									
Services & Supplies	\$ 0	\$ 0	\$ 0	\$ (568,832)	\$ 0	\$ 0	(568,832)		
Special Payments	\$ 0	\$ 0	\$ 0	\$ (40,000,000)	\$ 0	\$ 0	(40,000,000)		
<u>Film and Video</u>									
Package 819: Supplemental Statewide Ending Balance									
Special Payments	\$ 0	\$ (43,810)	\$ 0	\$ 0	\$ 0	\$ 0	(43,810)		

\*Excludes Capital Construction Expenditures



DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
<u>Arts</u>									
Package 109: Creative Oregon III									
Personal Services	\$ 0	\$ 0	\$ (68,570)	\$ 0	\$ 0	\$ 0	\$ (68,570)	(1)	-0.50
Services & Supplies	\$ 0	\$ 0	\$ (10,500)	\$ 0	\$ 0	\$ 0	\$ (10,500)		
Package 110: Public Art Project Coordinator									
Personal Services	\$ 0	\$ 0	\$ (82,839)	\$ 0	\$ 0	\$ 0	\$ (82,839)	(1)	-0.50
Services & Supplies	\$ 0	\$ 0	\$ (16,500)	\$ 0	\$ 0	\$ 0	\$ (16,500)		
Package 801: Targeted Statewide Adjustments									
Services & Supplies	\$ (18,231)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (18,231)		
Package 819: Supplemental Statewide Ending Balance									
Personal Services	\$ (36,969)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (36,969)		
Services & Supplies	\$ (9,179)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (9,179)		
Special Payments	\$ (93,581)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (93,581)		
<u>Lottery Bond Debt Service</u>									
Package 819: Supplemental Statewide Ending Balance									
Debt Service	\$ 0	\$ (3,152,044)	\$ 0	\$ 0	\$ 0	\$ 0	\$ (3,152,044)		
TOTAL ADJUSTMENTS	\$ (157,960)	\$ (17,135,096)	\$ (183,288)	\$ (40,568,832)	\$ 17,391,197	\$ 0	\$ (40,653,979)	(1)	0.12
SUBCOMMITTEE RECOMMENDATION *	\$ 3,852,524	\$ 142,697,752	\$ 25,260,772	\$ 227,302,188	\$ 50,172,815	\$ 0	\$ 449,286,051	129	128.62
% Change from 2009-11 Leg Approved Budget	-56.8%	28.3%	-24.4%	-6.5%	20.7%	0.0%	2.5%	0.0%	1.1%
% Change from 2011-13 Current Service Level	-20.9%	16.3%	-1.5%	0.0%	68.9%	0.0%	9.5%	2.4%	2.5%
% Change from 2011-13 Gov's Recommended Budget	-3.9%	-10.7%	-0.7%	-15.1%	53.1%	0.0%	-8.3%	-0.8%	0.1%

\*Excludes Capital Construction Expenditures

## Legislatively Approved 2011-2013 Key Performance Measures

Agency: OREGON BUSINESS DEVELOPMENT DEPARTMENT

Mission: Business Oregon works to create, retain, expand and attract businesses that provide sustainable, living-wage jobs for Oregonians through public-private partnerships, leveraged funding and support of economic opportunities for Oregon companies and entrepreneurs.

Legislatively Proposed KPMs	Customer Service Category	Agency Request	Most Current Result	Target 2012	Target 2013
1 - Number of jobs created		Approved KPM	2,005.00	2,700.00	2,700.00
2 - Number of jobs retained		Approved KPM	5,035.00	7,500.00	7,500.00
3 - Personal income tax generated by the Department's investment in jobs		Approved KPM	13.80	4,800,000.	4,800,000.
4 - New export sales of assisted clients		Approved KPM	9,900,000.	7,000,000.	7,000,000.
5 - Percentage of small businesses that remain in business at least four years after receiving assistance from the Department.		Approved KPM	46.00	60.00	60.00
6 - Number of new industrial sites/acres certified "project ready."		Approved KPM	1.00	6.00	6.00
7 - Number of community capital projects assisted for planning (infrastructure, community and organizational).		Approved KPM	41.00	25.00	25.00
8 - Number of community capital construction financing projects that address public health and safety issues.		Approved KPM	48.00	15.00	15.00
9 - Number of community capital construction financing projects that assist with future economic and community development.		Approved KPM	14.00	15.00	15.00
10 - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, availability of information.	Accuracy	Approved KPM	91.00	90.00	90.00
10 - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, availability of information.	Availability of Information	Approved KPM	90.00	90.00	90.00
10 - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, availability of information.	Expertise	Approved KPM	92.00	90.00	90.00
10 - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, availability of information.	Helpfulness	Approved KPM	92.00	90.00	90.00

Agency: OREGON BUSINESS DEVELOPMENT DEPARTMENT

Mission: Business Oregon works to create, retain, expand and attract businesses that provide sustainable, living-wage jobs for Oregonians through public-private partnerships, leveraged funding and support of economic opportunities for Oregon companies and entrepreneurs.

Legislatively Proposed KPMs	Customer Service Category	Agency Request	Most Current Result	Target 2012	Target 2013
10 - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, availability of information.	Overall	Approved KPM	93.00	90.00	90.00
10 - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, availability of information.	Timeliness	Approved KPM	89.00	90.00	90.00

LFO Recommendation:

The Legislative Fiscal Office recommends approval of the Key Performance measures and KPM targets shown above. Some KPM targets are increased from the targets initially proposed by the agency, to reflect expanded support in the budget for job creation and job retention programs. The 2012 and 2013 targets for KPM #1 - Jobs Created are increased from 1,200 to 2,700. The 2012 and 2013 targets for KPM #2 - Jobs Retained are increased from 3,500 to 7,500. The 2012 and 2013 KPM targets for KPM #3 - Tax Revenue are increased from \$6 million to \$14.8 million. The KPM targets for KPM #8 and KPM #9 are not changed, as the amount of recapitalization in the budget for the Special Public Works Fund and the Water/Waste Water Fund is unresolved at this time. If, however, the budget includes moneys to recapitalize these funds, LFO recommends that the target for each of these KPMs be increased by 1 for each four million dollars of capitalization provided.

Sub-Committee Action:

The Subcommittee approved the Legislative Fiscal Office recommendation.