

BUSINESS DEVELOPMENT DEPARTMENT

The Oregon Business Development Department (OBDD) provides economic and community development and cultural enhancement throughout the state, and administers programs that aid businesses and communities. The Oregon Business Development Department receives General Fund, Lottery Funds, Federal Funds, and Other Funds primarily from the Oregon Bond Bank and other bonding programs, and uses the funds to provide grants, loans, and direct and contract services. Program focuses include business and industry development; support of in-state innovation efforts to improve economic competitiveness; trade and arts promotion; community development; and ports.

| BUSINESS DEVELOPMENT DEPARTMENT | 2009-11 Actuals | 2011-13 Leg. Approved | 2013-15 Current Service Level | 2013-15 Governor's Budget | 2013-15 Co-Chairs' Budget (1.0) | % Change 2011-13 LAB to 2013-15 CSL |
|---------------------------------|----------------------|-----------------------|-------------------------------|---------------------------|---------------------------------|-------------------------------------|
| General Fund | 8,926,180 | 3,842,479 | 4,000,961 | 9,226,734 | 0 | 4.1% |
| Lottery Fund | 106,424,887 | 138,677,228 | 91,595,267 | 134,786,640 | 0 | -34.0% |
| Other Funds | 27,493,113 | 26,120,912 | 28,367,180 | 78,496,150 | 0 | 8.6% |
| Other Funds NonLimited | 210,776,965 | 323,184,188 | 210,341,005 | 302,281,129 | 0 | -34.9% |
| Federal Funds | 28,428,854 | 50,652,649 | 38,441,644 | 38,527,951 | 0 | -24.1% |
| TOTAL FUNDS | \$382,049,999 | \$542,477,456 | \$372,746,057 | \$563,318,604 | \$0 | -31.3% |
| Positions | 128 | 132 | 125 | 134 | 0 | -5.3% |
| FTE | 125.72 | 129.37 | 123.50 | 131.50 | 0.00 | -4.5% |

| Major Revenues | Budget Environment | Comparison by Fund Type | | | | | | | | | | | | | | | | | | | | |
|---|---|--|---------------|----------------------|-------------|---------------|---------|---------|---------|--------|---------|---------|---------|--------|-------------|--------|---------|--------|------------|---------|---------|--------|
| <ul style="list-style-type: none"> • Lottery Funds support OBDD’s business development programs, the Oregon Film and Video Office, and debt service on lottery revenue bonds issued to finance community infrastructure and business development projects. • General Fund supports the Oregon Arts Commission. • Lottery revenue bond proceeds have been used to capitalize the OBDD infrastructure revolving loan fund programs (including the Special Public Works Fund and the Water / Wastewater Fund) administered by the Infrastructure Finance Authority (IFA). • Loan fees and repayments (Other Funds) primarily support community development | <ul style="list-style-type: none"> • The agency’s 2013-15 biennium current service level is significantly below its 2011-13 budget. This is the result of the phase out of programs that were funded on a one-time basis in 2011-13, and the decline in lottery bond debt service costs. Additional information on the program phase outs is included in the Major Challenges and Decision Points section below. • Lottery Fund debt service costs were especially high in 2011-13 to accommodate bond payment schedules. The additional payments are not owed again in the 2013-15 biennium, and as a result debt service expenses will be \$25.5 million (or 31%) | <div style="text-align: center;"> <p>BUSINESS DEVELOPMENT DEPARTMENT</p> <table border="1"> <caption>Revenue Data from Chart (Millions of Dollars)</caption> <thead> <tr> <th>Year</th> <th>General Fund/Lottery</th> <th>Other Funds</th> <th>Federal Funds</th> </tr> </thead> <tbody> <tr> <td>2009-11</td> <td>\$115.4</td> <td>\$238.3</td> <td>\$28.4</td> </tr> <tr> <td>2011-13</td> <td>\$142.5</td> <td>\$349.3</td> <td>\$50.7</td> </tr> <tr> <td>2013-15 CSL</td> <td>\$95.6</td> <td>\$238.7</td> <td>\$38.4</td> </tr> <tr> <td>2013-15 GB</td> <td>\$144.0</td> <td>\$380.8</td> <td>\$38.5</td> </tr> </tbody> </table> </div> | Year | General Fund/Lottery | Other Funds | Federal Funds | 2009-11 | \$115.4 | \$238.3 | \$28.4 | 2011-13 | \$142.5 | \$349.3 | \$50.7 | 2013-15 CSL | \$95.6 | \$238.7 | \$38.4 | 2013-15 GB | \$144.0 | \$380.8 | \$38.5 |
| Year | General Fund/Lottery | Other Funds | Federal Funds | | | | | | | | | | | | | | | | | | | |
| 2009-11 | \$115.4 | \$238.3 | \$28.4 | | | | | | | | | | | | | | | | | | | |
| 2011-13 | \$142.5 | \$349.3 | \$50.7 | | | | | | | | | | | | | | | | | | | |
| 2013-15 CSL | \$95.6 | \$238.7 | \$38.4 | | | | | | | | | | | | | | | | | | | |
| 2013-15 GB | \$144.0 | \$380.8 | \$38.5 | | | | | | | | | | | | | | | | | | | |

| Major Revenues | Budget Environment | Comparison by Fund Type |
|---|--|-------------------------|
| <p>(IFA) programs. These revenues are also used to support some business development programs, however. Other Funds also support the Oregon Cultural Trust (largely interest earned on donated funds), other Arts Commission programs, and the Office of Minority, Women & Emerging Small Business.</p> <ul style="list-style-type: none"> • Federal Funds in the OBDD budget support community development projects through the Community Development Block Grant, Brownfields redevelopment, small business finance and export promotion programs, and support for the Arts through the National Endowment for the Arts. One-time federal grants significantly increased expenditures in the 2011-13 biennium. The phase out of these expenditures in 2013-15 reduces expenditures by 24% from the prior biennium level. • Federal dollars also support the Safe Drinking Water Program. Because these funds are passed through to the Department by the Oregon Health Authority, they are spent as Other Funds in the OBDD budget. | <p>below the prior biennium level.</p> <ul style="list-style-type: none"> • Nonlimited Other Funds expenditures in the 2011-13 biennium included expenditures to refinance outstanding debt. Additional refinances are not included in the CSL calculation, leading to a 35% decline in Nonlimited Other Funds expenditures in 2013-15. | |

MAJOR CHALLENGES AND DECISION POINTS

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| <ol style="list-style-type: none"> 1. The number of jobs created and retained by Business Development Department (OBDD) business development programs are well below target, and are declining from prior biennium levels. OBDD reports that in 2012, its programs helped businesses create 1,510 jobs (down from 2,003 in 2010) and helped businesses retain 4,999 jobs (down from 5,035 in 2010). Because funding was significantly increased in 2011-13, the 2012 target for jobs created was 2,700 jobs and the target for jobs retained was 7,500 jobs. 2. The Legislature significantly increased funding for OBDD's Strategic Reserve Fund / Business Expansion program in the 2011-13 biennium, to \$14.5 million Lottery Funds. Only one-third of the funding has been distributed to firms so far this biennium, and only one-half of the funds have been committed. The number of new jobs supported by the program fell from 1,725 in 2010 to 741 in 2012. The Governor's budget includes \$15.3 million for the Strategic Reserve Fund/ Business Expansion Program for 2013-15. 3. Funding for the Oregon Innovation Council's initiatives is provided in the OBDD budget on a one-time basis each biennium, and is phased-out in the calculation of the agency CSL. The initiatives, which accounted for 112 jobs created and retained in 2012, received \$15.4 million Lottery Funds in the 2011-13 biennium. The Governor is recommending \$25 million for Oregon InC in 2013-15. 4. The Governor's budget includes \$5 million of Lottery Funds as seed money for a new Oregon Growth Fund. The Oregon Growth Fund is envisioned to be managed by the Oregon Growth Board (OGB) to promote business growth in Oregon. The OGB would manage these funds, along with the pre-existing Oregon Growth Account (OGA). Legislation is required to support this. The OGA is funded by Lottery Funds that would otherwise go into the Education Stability Fund. Under current law, the rate at which Lottery Funds are deposited into the OGA will double from the prior biennium level, and increase to about \$18.9 million in 2013-15. | <ol style="list-style-type: none"> 5. The Governor's budget includes \$5.5 million of Lottery Funds for a new Innovation Center program, to be developed outside the Oregon Innovation Council (Oregon InC), and administered within Business Oregon. 6. The Governor's budget includes an additional \$2 million Lottery Funds to increase support to the Industry Competitiveness Fund (ICF). ICF funds are a resource for industry clusters, statewide and regional economic development groups, and international trade-oriented businesses. 7. The Governor's budget includes \$91.7 million of lottery revenue bonds and \$10.2 million of Article XI-Q bonds. Funding is provided both for purposes that have been funded in prior biennia, and for new uses. The combined General Fund and Lottery Funds debt service costs for all of the proposals would equal \$6.8 million in the 2013-15 biennium, and \$19 million per biennium beginning in 2015-17, when the debt service costs would phase in. The bond-financed projects include: <ol style="list-style-type: none"> a. Recapitalization of the Special Public Works / Water Funds. \$24.5 million of lottery revenue bond proceeds would be deposited into the infrastructure revolving loan funds to support public projects approved by the Infrastructure Finance Authority. Debt service = \$2.9 million LF in 2013-15 and \$5.3 million LF per biennium thereafter. (These Funds received \$10 million in lottery revenue bond proceeds in the 2011-13 biennium.) b. Regional Solutions / Infrastructure. \$50 million of lottery revenue bond proceeds. This would be a new program in the OBDD budget. The funds would be used to fund local, regional, and statewide economic development projects. Debt service = \$2.1 million LF in 2013-15 and \$10.5 million LF per biennium thereafter. |
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- c. Eastern Oregon Forest Collaboration. \$4 million of lottery revenue bond proceeds. This would be a new program in the OBDD budget. The funds would be used for forest collaborative projects to increase timber supply to mills in central and eastern Oregon. Debt service = \$522,000 LF in 2013-15 and \$874,000 LF per biennium thereafter.
- d. O & C Timberland Collaboration. \$1.4 million of lottery revenue bond proceeds. This would be a new program in the OBDD budget. The funds would be for efforts to provide a sustainable timber supply from O & C lands. Debt service = \$215,000 LF in 2013-15 and \$310,000 LF per biennium thereafter.
- e. Confluence Project – Celilo Falls. \$1.75 million of lottery revenue bond proceeds. This would be a new program in the OBDD budget, however the 2011-13 budget provided \$100,000 of General Fund for the project in the Department of Administrative Services' budget. The funds would support the project, which is a collaborative effort of Pacific Northwest tribes, civic groups from Washington and Oregon, artists, architects, and landscape designers. Debt service = \$165,000 LF in 2013-15 and \$332,000 LF per biennium thereafter.
- f. Article XI-Q bonds. The Governor's budget also includes \$10 million of general obligation bond proceeds to support business development. This would be a new program in the OBDD budget. LFO does not have additional detail on this proposal. Debt service on the bonds would be paid by the General Fund. Debt service = \$827,000 GF in 2013-15 and \$1.7 million GF per biennium thereafter.
8. The Governor's budget transfers the existing Seismic Rehabilitation Grant Program from the Oregon Military Department to OBDD. This program is funded by general obligation bonds and works to reduce the exposure to Oregonians from earthquakes by providing public education and emergency services facilities with funds to retrofit existing facilities to meet seismic standards. Total package includes \$3.7 million GF to pay debt service on program bonds, \$200,000 GF and one full-time position (1.00 FTE) to support administration of the program, and \$7.3 million of previously-authorized seismic bond proceeds.
9. The Governor's budget includes an additional \$15 million in Article XI-M (education) and \$15 million in Article XI-N (emergency services) new bonds. The issuance of the bonds is planned for late in the biennium, which means that there will be no new General Fund debt service costs during the 2013-15 biennium