

**77th OREGON LEGISLATIVE ASSEMBLY – 2013 Session
BUDGET REPORT AND MEASURE SUMMARY**

MEASURE: HB 5028-A

JOINT COMMITTEE ON WAYS AND MEANS

**Carrier – House: Rep. Read
Carrier – Senate: Sen. Johnson**

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

Vote: 25 – 1 – 0

House

Yeas: Barker, Buckley, Frederick, Freeman, Hanna, Huffman, Jenson, Komp, McLane, Nathanson, Read, Richardson, Smith, Tomei, Williamson

Nays:

Exc:

Senate

Yeas: Bates, Devlin, Girod, Hansell, Johnson, Monroe, Steiner Hayward, Thomsen, Whitsett, Winters

Nays: Edwards

Exc:

Prepared By: Tamara Brickman, Department of Administrative Services

Reviewed By: Steve Bender, Legislative Fiscal Office

Meeting Date: June 28, 2013

Agency

Oregon Business Development Department

Biennium

2013-15

Budget Summary*

	2011-13 Legislatively Approved Budget ⁽¹⁾	2013-15 Current Service Level	2013-15 Committee Recommendation	Committee Change from 2011-13 Leg. Approved	
				\$ Change	% Change
General Fund	\$ 3,842,479	\$ 4,000,961	\$ 4,483,930	\$ 641,451	16.7%
General Fund Debt Service	\$ 0	\$ 0	\$ 413,332	\$ 413,332	100.0%
Lottery Funds	\$ 56,577,026	\$ 41,135,002	\$ 66,891,648	\$ 10,314,622	18.2%
Lottery Funds Debt Service	\$ 82,100,202	\$ 50,460,265	\$ 48,026,937	\$ (34,073,265)	-41.5%
Other Funds	\$ 24,001,179	\$ 23,367,180	\$ 31,576,250	\$ 7,575,071	31.6%
Other Funds Debt Service	\$ 2,119,733	\$ 5,000,000	\$ 5,000,000	\$ 2,880,267	135.9%
Other Funds Nonlimited	\$ 196,333,137	\$ 173,137,649	\$ 173,137,649	\$ (23,195,488)	-11.8%
Other Funds Debt Service Nonlimited	\$ 126,851,051	\$ 37,203,356	\$ 37,203,356	\$ (89,647,695)	-70.7%
Federal Funds	\$ 50,652,649	\$ 38,441,644	\$ 38,782,000	\$ (11,870,649)	-23.4%
Total	\$ 542,477,456	\$ 372,746,057	\$ 405,515,102	\$ (136,962,354)	-25.2%

Position Summary

Authorized Positions	132	125	127	-5
Full-time Equivalent (FTE) positions	129.87	123.50	125.50	-4.37

⁽¹⁾ Includes adjustments through December 2012

* Excludes Capital Construction expenditures

Summary of Revenue Changes

The Oregon Business Development Department is funded through a variety of revenue streams, with direct Lottery Funds and Lottery Bond Funds (Other Funds Nonlimited), 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 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 52 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 will receive additional General Fund for Debt Service associated with the sale of Article XI-Q bonds issued to support innovation infrastructure for three programs (described in Package 814, within Business, Innovation, Trade).

The department will receive remaining federal revenue on federal grants from the United States Small Business Administration for a State Trade and Export Promotion Grant (STEP) program and the United States Department of the Treasury for the State Small Business Credit Initiative (SSBCI). 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, as well as federal funds from the Environmental Protection Agency for the Brownfields Program.

Summary of Transportation and Economic Development Subcommittee Action

The Oregon Business Development Department (Business Oregon) is the state agency charged with maintaining and promoting the economic development policy of the state. Business Oregon'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. Business Oregon delivers services through the Business, Innovation, and Trade and Infrastructure Finance Authority program units. The Oregon Business Development Commission serves an advisory capacity for the entire agency. The Commission consists of nine members appointed by the Governor and two ex-officio legislative members.

The Infrastructure Finance Authority Board assists the department with oversight of the Infrastructure Finance Authority (IFA) and the state's infrastructure activities. The 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. Business Oregon 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 administrative support from the central Shared Services program unit. The Arts Commission and the Oregon Cultural Trust Board provide oversight to the Arts Programs and Oregon Cultural Trust, respectively. The Office of Film and Video is a program unit within the agency's budget, but for funds pass-through purposes only.

The Subcommittee approved a budget of \$405,515,102 total funds and 127 positions (125.50 full-time equivalent) for the department. This is a 25.2 percent decrease from the 2011-13 Legislatively Approved Budget. The decrease is due to a reduction in Lottery Funds debt service

payments for Lottery revenue bonds, and to the 2011-13 biennium expenditures associated with refunding the agency's bonds (Other Funds) that are not budgeted to be repeated in 2013-15. The Subcommittee recommended that the \$114,918,585 of total Lottery Funds expenditures in the 2013-15 biennium budget be expended as follows:

- \$66,891,648 for programs, and
- \$48,026,937 for debt service.

Lottery Fund allocations are not approved in House Bill 5028, but are included in the statewide Lottery Allocation Bill.

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 as well as government relations.
- The Strategic Services Section which is responsible for the department's strategic planning efforts, internal/external communications, policy development, and performance reporting.
- The Information Technology Section, which is responsible for maintaining information systems, implementing technology to support the performance of the agency's programmatic service delivery, and managing agency security.
- 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 Section, which is responsible for employee recruitment, human resources, facility services and reception.

The Subcommittee approved the following:

- Package 081, May 2012 E-Board, which reflects the Emergency Board action during the biennium implementing statewide General Fund reductions enacted in the 2012 legislative session to restructure state government business operations and management of agency programs and services. A proposal to permanently offset some Lottery Funding for nine positions in Shared Services by shifting to Other Funds was approved. In the Shared Services/Central Pool program, this package eliminates \$56,393 Lottery Funds expenditure limitation and increases Other Funds expenditure limitation by \$283,968.
- Package 091, Statewide Administrative Savings, eliminates \$160,239 Lottery Funds expenditure limitation and increases Other Funds expenditure limitation by \$100,000. This package is a placeholder for administrative efficiencies in finance, information technology,

human resources, accounting, payroll, and procurement expenditures. The Department of Administrative Services will continue to work on details of these reductions with agencies and report back during the 2014 session.

- Package 092, PERS Tax Policy, eliminates \$14,306 Lottery Funds expenditure limitation and \$2,522 Other Funds expenditure limitation. This package reflects the policy change in SB 822 that eliminates the increased retirement benefits resulting from Oregon income taxation of payments if the person receiving payments does not pay Oregon income tax on those benefits and is not an Oregon resident. This change reduces state employer contribution rates by approximately 0.30 percent.
- Package 093, Other PERS Adjustments, eliminates \$114,449 Lottery Funds expenditure limitation and \$20,179 Other Funds. This package reflects the policy change in SB 822 that modifies the cost-of-living adjustment under the Public Employees Retirement System. This change reduces state employer contribution rates by approximately 2.2 percent.

An administrative action by the PERS Board, as directed by a budget note in the SB 822 budget report, will reduce state employer contribution rates by up to an additional 1.9 percent. However, no employer rate is reduced below its 2011-13 biennium rate.

Business, Innovation, Trade

The Business, Innovation, and Trade Division primarily works with existing Oregon businesses and new businesses. The division also works to recruit business to the state, and works with regional economic development organizations and local government economic development staff. The division's focus is primarily on helping Oregon businesses create or retain jobs. Customers of these services include existing small to medium sized businesses in Oregon. The division has three programs which promote business growth, retention, and job creation. The programs are:

Business Development Services consisting of:

- The Strategic Reserve Fund, which is 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 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 the 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 innovative research that leads to new companies built around new discoveries, and increases access that start-up companies have to public and private funding. Examples of initiatives funded by Oregon InC include the Oregon Nanoscience and Microtechnologies Institute (ONAMI), the Oregon Translational Research and Development Institute (OTRADI), and Oregon Built Environment and Sustainable Technologies (BEST) Center.

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 started.
- 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:

- Package 081, May 2012 E-Board, which reflects the Emergency Board action during the biennium implementing statewide General Fund reductions enacted in the 2012 legislative session to restructure state government business operations and management of agency programs and services. A proposal to transfer a portion of Lottery Funds from the Shared Services Division to the Business, Innovation, Trade Division was approved. In particular this package increases Lottery Funds expenditure limitation by \$68,261 and Federal Funds expenditure limitation by \$120,000.
- Package 092, PERS Tax Policy, eliminates \$21,248 Lottery Funds expenditure limitation, \$10,271 Other Funds expenditure limitation and \$1,025 Federal Fund expenditure limitation. This package reflects the policy change in SB 822 that eliminates the increased retirement benefits resulting from Oregon income taxation of payments if the person receiving payments does not pay Oregon income tax on those benefits and is not an Oregon resident. This change reduces state employer contribution rates by approximately 0.30 percent.
- Package 093, Other PERS Adjustments, eliminates \$169,980 Lottery Funds expenditure limitation, \$82,171 Other Funds expenditure limitation and \$8,202 Federal Funds expenditure limitation. This package reflects the policy change in SB 822 that modifies the cost-of-living adjustment under the Public Employees Retirement System. This change reduces state employer contribution rates by approximately 2.2 percent.

An administrative action by the PERS Board, as directed by a budget note in the SB 822 budget report, will reduce state employer contribution rates by up to an additional 1.9 percent. However, no employer rate is reduced below its 2011-13 biennium rate.

- Package 101, Oregon Innovation Council (Oregon InC), provides \$19,400,000 Lottery Funds expenditure limitation for seven Oregon InC initiatives, in the following amounts:
 - Oregon Nanoscience and Microtechnologies Institute (ONAMI) - \$6,100,000
 - Oregon Translational Research and Development Institute (OTRADI) - \$2,000,000
 - Oregon Built Environment and Sustainable Technologies Center (BEST) - \$6,000,000
 - Oregon Wave Energy Trust (OWET) - \$2,000,000
 - Drive Oregon - \$1,500,000
 - Unmanned Aerial Systems Center of Excellence - \$900,000
 - Oregon Story Board - \$900,000

Oregon InC initiatives are funded on a one-time basis each biennium. Funding for all initiatives will be phased-out in the development of the agency's 2015-17 biennium budget. Furthermore, funding for both the Unmanned Aerial Systems Center of Excellence and the Oregon

Story Board is to be provided for one-biennium only. The Subcommittee understands that additional state funds for these initiatives, and for OTRADI, will not be requested or provided after the 2013-15 biennium.

- Package 103, Industry Competitiveness, provides \$500,000 Lottery Funds expenditure limitation for export promotion and assistance. The total budget for the export promotion and assistance program, including the addition of this package, will equal \$1,030,500 for the 2013-15 biennium.
- Package 106, OMWESB, provides \$532,157 Other Funds expenditure limitation, and adds one full-time Compliance Specialist position (1.00 FTE), to allow the Office of Minority, Women and Emerging Small Business to replace its over 20-year old data base and software system, and establish a legal budget to remedy a federal audit finding for the office. The Subcommittee's recommendation includes \$60,000 of one-time expenditures associated with installing the replacement software system. The agency is expected to phase out these expenditures in the development of its 2015-17 biennium budget request.
- Package 810, LFO Analyst Adjustments, contains two components. (1) Reduces Lottery Funds allocations and expenditures by \$2,800,000, to eliminate Lottery Funds to the Business, Innovation and Trade Division that are not allocated to an operating program in the Division's budget. This elimination will not reduce Lottery Funds support for the Division's operating programs. (2) Increases the Federal Funds expenditure limitation by \$254,049, for 2013-15 biennium expenditures of moneys received under a previously-awarded federal State Trade and Export Promotion grant.
- Package 811, Strategic Reserve Fund, increases Lottery Funds for the Strategic Reserve Fund program by \$700,000. The budget, with this addition, will include \$16 million of Lottery Funds expenditure limitation for the Strategic Reserve Fund. If HB 2225 becomes law, the Oregon Business Development Department may transfer Strategic Reserve Fund monies to the Oregon Business Retention and Expansion Program.
- Package 813, Small Business Support, increases the Lottery Funds allocation and expenditures by \$635,000 to supplement support for two programs that assist small businesses: (1) Oregon Small Business Development Center Network - \$500,000, and (2) Government Contract Assistance Program (GCAP) – \$135,000. The budget, with these additions, will provide approximately \$2,247,000 Lottery Funds to the Oregon Small Business Development Center Network and \$431,960 Lottery Funds to GCAP.
- Package 814, Innovation Infrastructure, increases the Lottery Funds allocation and expenditures by \$3,250,000 to support the operational costs of three programs as follows: (1) Information Technology Infrastructure Upgrades (Oregon Research Collaboratory) - \$300,000, (2) The Oregon Regional Accelerator and Innovation Network (Oregon RAIN) based in the South Willamette Valley - \$1,250,000, and (3) the Oregon Metals Initiative - \$1,700,000. The package also increases Other Funds expenditure limitation by \$5,235,000 for the purposes of paying costs of issuance associated with the sale of Article XI-Q General Obligation bonds and the distribution of bond proceeds for the purpose of making capital investments in the same three programs. The bond proceeds are to be distributed accordingly: (1) Information Technology Infrastructure Upgrades (Oregon Research Collaboratory) - \$2,000,000; (2) the Oregon Rain Accelerator and Innovation Network (Oregon RAIN) based in the south Willamette Valley - \$2,500,000; and (3) the Oregon Metals Initiative - \$500,000.

The bonding recommended in this package would need to be authorized by the Joint Committee on Ways and Means Capital Construction Subcommittee in a separate bill.

This package provides support for Information Technology Infrastructure Upgrades for the purpose of upgrading technology infrastructure links between the Center for Spatial Systems Biomedicine in the Collaborative Life Science Building at Oregon Health and Sciences University, the Portland State University Computer Science Department, the Portland State Business Accelerator and the OTRADI Business Incubator. Funding for all of the projects in this package is provided on a one-time basis and will be phased out in the development of the agency's 2015-17 biennium budget request.

- Package 817, Other One-Biennium Pass-Through Payments, increases the Lottery Funds allocation and expenditures by \$4,540,000 to support two programs that promote economic development: (1) Support for the dredging of South Coast ports - \$3,040,000, which may include but is not limited to acquiring watercraft or equipment necessary for dredging, and (2) the WISE (Water for Irrigation, Streams and Economy) water management project for the Bear Creek and Little Butte Creek watersheds in Jackson County - \$1,500,000. Funding for these projects is provided on a one-time basis and will be phased out in the development of the agency's 2015-17 biennium budget request.

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.
- Safe Drinking Water Revolving Loan Fund (SDWRLF), which uses federal monies (categorized as Other 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/WWF), 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 has historically provided 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:

- Package 092, PERS Tax Policy, eliminates \$14,136 Other Funds expenditure limitation, \$2,718 Federal Funds expenditure limitation. This package reflects the policy change in SB 822 that eliminates the increased retirement benefits resulting from Oregon income taxation of payments if the person receiving payments does not pay Oregon income tax on those benefits and is not an Oregon resident. This change reduces state employer contribution rates by approximately 0.30 percent.
- Package 093, Other PERS Adjustments, eliminates \$113,087 Other Funds expenditure limitation and \$21,748 Federal Funds expenditure limitation. This package reflects the policy change in SB 822 that modifies the cost-of-living adjustment under the Public Employees Retirement System. This change reduces state employer contribution rates by approximately 2.2 percent.

An administrative action by the PERS Board, as directed by a budget note in the SB 822 budget report, will reduce state employer contribution rates by up to an additional 1.9 percent. However, no employer rate is reduced below its 2011-13 biennium rate.

- Package 102, SPWF Re-capitalization, provides \$390,801 Other Funds expenditure limitation for payment of the cost of issuance associated with the sale of Lottery revenue bonds to be authorized for issuance in the spring of 2015. The Subcommittee additionally recommended to the Joint Committee of Ways and Means Capital Construction Subcommittee authorization of a Lottery revenue bond sale to generate \$24,452,004 of proceeds for the purpose of recapitalizing the Special Public Works Fund. If approved, the Capital Construction Subcommittee will include the adjustments to the Department's budget that reflect the expenditure of the bond proceeds, in the end-of-session appropriations bill. Bond proceeds used for the purposes of loans from the SPWF are expended in the agency budget as Nonlimited Other Funds.
- Package 109, Rural Capacity, provides \$128,247 Other Funds expenditure limitation, and one full-time position (1.00 FTE) to provide additional assistance to rural communities in addressing the administrative requirements that accompany federal or state funded capital construction projects. The package includes \$154,853 Other Funds for Personal Services and reduces Other Funds for Services and Supplies by \$26,606.

- Package 812, Regional Solutions, establishes a \$1 Other Funds expenditure limitation for Regional Solutions. The original package request included \$20 million of Lottery revenue bond proceeds for Regional Solutions Advisory Committee Funding, for locally-identified priority projects; and \$30 million of Lottery revenue bond proceeds for Regional Conveners Economic Initiatives Funding, for statewide use relating to community and/or regionally identified economic development initiatives. The Subcommittee recommended, to the Joint Committee on Ways and Means Capital Construction Subcommittee, that \$10 million of Lottery revenue bonds be authorized for issue in the spring of 2015, for Regional Solutions Advisory Committee Funding. The Subcommittee also approved a budget note directing the Department to propose legislation to establish the Regional Solutions program, before any actions are taken to increase the expenditure limitation to allow expenditure of the bond proceeds:

Budget Note:

The Subcommittee approves a \$1 Other Funds expenditure limitation for Regional Solutions. Prior to legislative approval of any increase in this expenditure limitation for the program, the Oregon Business Development Department shall report to the Interim Joint Committee on Ways and Means with a request to introduce a bill, for consideration during the 2014 Session of the Legislative Assembly, to establish the Regional Solutions program. In addition to any other provisions in this report that the Department may request, the report shall include provisions to: provide for the establishment of Regional Solutions Centers; identify the membership, governance and duties of the Centers; establish criteria on the use of funds allocated to the program; define the process for the development and approval of funding proposals; establish authority for the Department to distribute moneys to projects funded under the program and to provide effective oversight of the uses of the moneys so distributed; and delineate the activities and responsibilities of the Department for administering the program. The Department shall submit this report to the Interim Joint Committee on Ways and Means no later than during the Legislative Days in November 2013.

Film and Video

The 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's recommendation for the Film and Video Office did not include any packages, but does provide the office with funding at the Current Service Level.

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 Business Oregon, 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.

The Subcommittee approved the following:

- Package 081, May 2012 E-Board, which reflects the Emergency Board action during the biennium implementing statewide General Fund reductions enacted in the 2012 legislative session to restructure state government business operations and management of agency programs and services. In particular this package provides \$9,006 General Fund.
- Package 092, PERS Tax Policy, eliminates \$2,893 General Fund and \$1,754 Other Funds expenditure limitation. This package reflects the policy change in SB 822 that eliminates the increased retirement benefits resulting from Oregon income taxation of payments if the person receiving payments does not pay Oregon income tax on those benefits and is not an Oregon resident. This change reduces state employer contribution rates by approximately 0.30 percent.
- Package 093, Other PERS Adjustments, eliminates \$23,144 General Fund and \$14,209 Other Funds expenditure limitation. This package reflects the policy change in SB 822 that modifies the cost-of-living adjustment under the Public Employees Retirement System. This change reduces state employer contribution rates by approximately 2.2 percent.

An administrative action by the PERS Board, as directed by a budget note in the SB 822 budget report, will reduce state employer contribution rates by up to an additional 1.9 percent. However, no employer rate is reduced below its 2011-13 biennium rate.

- Package 817, Other One-Biennium Pass-Through Payments, includes two components in the Arts program area: (1) Appropriates \$500,000 General Fund for arts programs that benefit underserved students. The funds are provided for distribution by the Trust for Cultural Development Board. The funds are not to be deposited into the Trust for Cultural Development Account. The Board instead shall review and approve distributions of the funds for the stated purpose during the 2013-15 biennium; and (2) Recommends, to the Ways and Means Capital Construction Subcommittee, that Lottery revenue bonds generating \$1,750,000 of net proceeds be authorized for issue in the spring of 2015, for the purpose of supporting two programs: (1) Confluence Project Celilo Park Project Site - \$1,500,000, and (2) High Desert Museum in Bend – \$250,000. The Arts Commission shall distribute to each program an amount not to exceed the amount of funds raised by the program from other sources. The package also increases the Other Funds expenditure limitation for the Arts Commission by \$1,797,055, for the purposes of distributing those bond proceeds (once received) to program recipients, and for paying the costs of bond

issuance. The funding for this package is provided on a one-time basis and will be phased out in the development of the agency's 2015-17 biennium budget request.

Lottery Bond Debt Service

The Lottery Bond Debt Service program unit has historically been used to track the payment of Lottery Bond Debt Service, including both principal and interest payments. The Lottery Fund revenue in this program unit is almost entirely made up of transfers from the Department of Administrative Services Economic Development Fund. Business Oregon retains the interest on those transfers and uses them as Other Funds to pay a portion of the debt as well. However, in 2013-15 Business Oregon will receive General Fund for the payment of Debt Service associated with the sale of Article XI-Q bonds. The General Fund Debt Service will be added to this program unit within the department's budget. The name of the program area is changed to Lottery and General Obligation Bond Debt Service.

The Subcommittee approved the following:

- Package 810, LFO Analyst Adjustments, includes two components: 1) Appropriates \$413,332 General Fund to pay 2013-15 biennium debt service costs on \$5,235,000 of Article XI-Q bonds issued to support Package 814 in Business, Innovation, Trade for Innovation Infrastructure; and 2) Reduces the Lottery Funds debt service allocation and expenditures by \$2,433,328, to eliminate funds for debt service payments that will not be needed due to the Spring 2013 refunding of outstanding Lottery revenue bond debt and due to favorable interest rates for bonds issued in Spring 2013.

Summary of Performance Measure Action

See attached Legislatively Adopted 2013-15 Key Performance Measures form.

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

HB 5028-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			
2011-13 Legislatively Approved Budget at Dec 2012 *	\$ 3,842,479	\$ 138,677,228	\$ 26,120,912	\$ 323,184,188	\$ 50,652,649	\$ 0	\$ 542,477,456	132	129.87
2013-15 ORBITS printed Current Service Level (CSL)*	\$ 4,000,961	\$ 91,595,267	\$ 28,367,180	\$ 210,341,005	\$ 38,441,644	\$ 0	\$ 372,746,057	125	123.50
<u>SUBCOMMITTEE ADJUSTMENTS (from CSL)</u>									
SCR 110 - Shared Services/Central Pool									
Package 081: May 2012 E-Board									
Personal Services	\$ 0	\$ (292,974)	\$ 283,968	\$ 0	\$ 0	\$ 0	\$ (9,006)	0	0.00
Services and Supplies	\$ 0	\$ 236,581	\$ 0	\$ 0	\$ 0	\$ 0	\$ 236,581		
Package 091: Statewide Administrative Savings									
Personal Services	\$ 0	\$ (100,000)	\$ 100,000	\$ 0	\$ 0	\$ 0	\$ 0	0	0.00
Services and Supplies	\$ 0	\$ (60,239)	\$ 0	\$ 0	\$ 0	\$ 0	\$ (60,239)		
Package 092: PERS Taxation Policy									
Personal Services	\$ 0	\$ (14,306)	\$ (2,522)	\$ 0	\$ 0	\$ 0	\$ (16,828)	0	0.00
Package 093: Other PERS Adjustment									
Personal Services	\$ 0	\$ (114,449)	\$ (20,179)	\$ 0	\$ 0	\$ 0	\$ (134,628)	0	0.00
SCR 210 - Business, Innovation, Trade									
Package 081: May 2012 E-Board									
Services and Supplies	\$ 0	\$ 68,261	\$ 0	\$ 0	\$ 120,000	\$ 0	\$ 188,261		
Package 092: PERS Taxation Policy									
Personal Services	\$ 0	\$ (21,248)	\$ (10,271)	\$ 0	\$ (1,025)	\$ 0	\$ (32,544)	0	0.00
Package 093: Other PERS Adjustment									
Personal Services	\$ 0	\$ (169,980)	\$ (82,171)	\$ 0	\$ (8,202)	\$ 0	\$ (260,353)	0	0.00
Package 101: Oregon Innovation Council									
Special Payments - Dist to Non-Profit Orgs (6050)	\$ 0	\$ 19,400,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 19,400,000		
Package 103: Industry Competitiveness									
Special Payments - Dist to Non-Profit Orgs (6050)	\$ 0	\$ 500,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 500,000		
Package 106: OMWESB									
Personal Services	\$ 0	\$ 0	\$ 137,147	\$ 0	\$ 0	\$ 0	\$ 137,147	1	1.00
Services and Supplies	\$ 0	\$ 0	\$ 395,000	\$ 0	\$ 0	\$ 0	\$ 395,000		

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

HB 5028-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			
Package 810: LFO Analyst Adjustments									
Services and Supplies	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 254,049	\$ 0	\$ 254,049	
Special Payments	\$ 0	\$ (2,800,000)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (2,800,000)	
Package 811: Strategic Reserve Fimd									
Special Payments	\$ 0	\$ 700,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 700,000	
Package 813: Small Business Support									
Special Payments	\$ 0	\$ 635,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 635,000	
Package 814: Innovation Infrastructure									
Services and Supplies	\$ 0	\$ 0	\$ 235,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 235,000	
Special Payments	\$ 0	\$ 3,250,000	\$ 5,000,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,250,000	
Package 817: Other One-Biennium Pass-Through Payments									
Special Payments	\$ 0	\$ 4,540,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,540,000	
SCR 300 - Infrastructure Financing Authority									
Package 092: PERS Taxation Policy									
Personal Services	\$ 0	\$ 0	\$ (14,136)	\$ 0	\$ (2,718)	\$ 0	\$ 0	\$ (16,854)	0 0.00
Package 093: Other PERS Adjustment									
Personal Services	\$ 0	\$ 0	\$ (113,087)	\$ 0	\$ (21,748)	\$ 0	\$ 0	\$ (134,835)	0 0.00
Package 102: SPWF Re-capitilization									
Services and Supplies	\$ 0	\$ 0	\$ 390,801	\$ 0	\$ 0	\$ 0	\$ 0	\$ 390,801	
Package 109: Rural Capacity									
Personal Services	\$ 0	\$ 0	\$ 154,853	\$ 0	\$ 0	\$ 0	\$ 0	\$ 154,853	1 1.00
Services and Supplies	\$ 0	\$ 0	\$ (26,606)	\$ 0	\$ 0	\$ 0	\$ 0	\$ (26,606)	
Package 812: Regional Solutions									
Special Payments	\$ 0	\$ 0	\$ 1	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1	
SCR 600 - Arts									
Package 081: May 2012 E-Board									
Services and Supplies	\$ 9,006	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,006	

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

HB 5028-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			
Package 092: PERS Taxation Policy									
Personal Services	\$ (2,893)	\$ 0	\$ (1,754)	\$ 0	\$ 0	\$ 0	\$ (4,647)	0	0.00
Package 093: Other PERS Adjustment									
Personal Services	\$ (23,144)	\$ 0	\$ (14,029)	\$ 0	\$ 0	\$ 0	\$ (37,173)	0	0.00
Package 817: Other One-Biennium Pass-Through Payments									
Services and Supplies	\$ 0	\$ 0	\$ 47,055	\$ 0	\$ 0	\$ 0	\$ 47,055		
Special Payments	\$ 500,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 500,000		
Special Payments - Dist to Non-Profit Orgs (6050)	\$ 0	\$ 0	\$ 1,750,000	\$ 0	\$ 0	\$ 0	\$ 1,750,000		
SCR 900 - Lottery Bond Debt Service									
Package 810: LFO Analyst Adjustments									
Debt Service	\$ 413,332	\$ (2,433,328)	\$ 0	\$ 0	\$ 0	\$ 0	\$ (2,019,996)		
TOTAL ADJUSTMENTS	\$ 896,301	\$ 23,323,318	\$ 8,209,070	\$ 0	\$ 340,356	\$ 0	\$ 32,769,045	2	2.00
SUBCOMMITTEE RECOMMENDATION *	\$ 4,897,262	\$ 114,918,585	\$ 36,576,250	\$ 210,341,005	\$ 38,782,000	\$ 0	\$ 405,515,102	127	125.50
% Change from 2011-13 Leg Approved Budget	27.5%	-17.1%	40.0%	-34.9%	-23.4%	0.0%	-25.2%		
% Change from 2013-15 Current Service Level	22.4%	25.5%	28.9%	0.0%	0.9%	0.0%	8.8%		

*Excludes Capital Construction Expenditures

Legislatively Approved 2013-2015 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 2014	Target 2015
1 - Number of jobs created		Approved KPM	1,510.00	2,000.00	2,000.00
2 - Number of jobs retained		Approved KPM	4,998.00	5,000.00	5,000.00
3 - Personal income tax generated by the Department's investment in jobs		Approved KPM	15,937,747.00	18,500,000.00	18,500,000.00
4 - New export sales of assisted clients		Approved KPM	5,590,000.00	17,800,000.00	18,475,000.00
5 - Percentage of small businesses that remain in business at least four years after receiving assistance from the Department.		Approved KPM	61.00	60.00	60.00
6 - Number of new industrial sites/acres certified "project ready."		Approved KPM	2.00	5.00	5.00
7 - Number of community capital projects assisted for planning (infrastructure, community and organizational).		Approved KPM	24.00	30.00	30.00
8 - Number of community capital construction financing projects that address public health and safety issues.		Approved KPM	17.00	20.00	20.00
9 - Number of community capital construction financing projects that assist with future economic and community development.		Approved KPM	32.00	25.00	25.00
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	89.00		
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		
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	93.00		

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 2014	Target 2015
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		
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	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	83.00		

LFO Recommendation:

Approve Key Performance Measures (KPMs) and KPM targets as shown. The agency has requested deletion of KPM #5 - Percent of small businesses that remain in business at least four years after receiving assistance from the Department. LFO recommends retaining KPM #5 at this time, but directing the Department to propose, in the 2014 Session, a replacement measure of the effectiveness of its small business assistance programs. Note that the targets for KPM #7, KPM #8, and KPM #9 reflect the Subcommittee recommendation to authorize \$24.45 million of Lottery revenue bonds to add capital to the Special Public Works Fund. If that funding is not approved, or approved at a lower level, KPM targets would need to be reduced. The targets for 2014 and 2015 for all components of KPM #10 are established at 90%.

Sub-Committee Action:

The Subcommittee approved the Legislative Fiscal Office recommendation.