

Oregon Business Development Department

	2011-13 Actuals	2013-15 Leg. Approved*	2015-17 CSL LFO	2015-17 Governor's
General Fund	3,842,479	8,371,867	13,252,554	19,048,619
Lottery Funds	129,621,500	117,636,290	88,648,842	144,071,688
Other Funds	18,380,783	77,605,374	66,679,836	185,500,561
Non-limited Other Funds	259,589,335	222,341,005	200,972,465	260,772,180
Federal Funds	24,904,462	39,051,307	39,811,990	39,477,743
Total Funds	436,338,559	465,005,843	409,365,687	648,870,791
Positions	129	135	132	144
FTE	126.05	131.88	129.50	141.74

* includes Emergency Board and administrative actions through December 2014.

Program Description

The Oregon Business Development Department (OBDD) provides economic and community development and cultural enhancement throughout the state, administers programs that aid businesses and communities, and administers the Seismic Rehabilitation Grant Program.

The Department has six budget program areas:

- The **Shared Services/Central Pool** program area includes central agency administrative services that support both the business development (Business, Innovation, Trade) and the community development (Infrastructure Finance Authority) programs.
- The **Business, Innovation, Trade** program area includes the staff, and the funding sources, used by the Department to provide support services, grants, and loans to assist businesses with job retention and creation, and to promote trade and innovation. This program area operates a variety of programs and uses a variety of funding sources. The largest of these programs are the Oregon Innovation Council (Oregon InC) Innovation Plan, and the Strategic Reserve Fund. The Business, Innovation, Trade program area is the agency's largest in terms of staffing, housing 43% of the agency's employees, and is primarily financed with Lottery Funds.
- The **Infrastructure Finance Authority** (IFA) program area includes the staff and the funding sources used by the Department to provide grants and loans to assist communities with infrastructure development projects. In the 2013 session, the Seismic Rehabilitation Grant Program was transferred from the Military Department to the IFA.

- The ***Oregon Arts Commission and the Oregon Cultural Trust*** foster the arts and cultural development in Oregon. The Commission is responsible for a number of activities including: evaluating the impact of arts on Oregon’s economy; distributing National Endowment for the Arts (NEA) funding to programs in Oregon; working with the leadership of local arts organizations; conducting assessment and maintenance to protect existing public art; and approving new public art.
- The ***Film and Video Office*** is a semi-independent agency that receives pass-through Lottery Funds support in the OBDD budget to promote and support the film, video, and multimedia industries in Oregon. The Office is not part of the Department, and the Office’s employees are not included in the agency employment count.
- ***Lottery and General Obligation Bond Debt Service*** is used exclusively for debt service payments on lottery revenue bonds, Article XI-Q general obligation bonds, and general obligation bonds financing the Seismic Rehabilitation Grant Program (Article XI-M and Article XI-N bonds). The funding source is almost entirely Lottery Funds and General Fund, although bond interest earnings applied to pay debt service are categorized as Other Funds.

CSL Summary and Issues

A number of existing OBDD programs are not financed in agency’s current service level budget. These include:

- **Oregon InC** – The current service level does not include funding for Oregon Innovation Council initiatives. 2013-15 biennium support totaled \$19 million Lottery Funds. The Governor’s recommended budget includes \$29.35 million Lottery Funds for 2015-17. This continues funding for all existing initiatives (even initiatives that were slated to be phased out), including increases for all existing initiatives except OWET, and adds one new initiative – The Internet of Things.
- **Governor’s Office Positions** – The current service level does not include funding for three Governor’s Office positions funded in the OBDD budget. The 2013-15 biennium cost of these positions totaled \$1.1 million Lottery Funds.
- **Other One-Time Programs** – The current service level does not include any programs that were approved in the 2013-15 biennium on a one-time basis, either because they were funded with bond proceeds, or because they were otherwise so designated as one-time by the Joint Committee on Ways and Means. These programs include:
 - **Regional Solutions** – Funded with \$9.35 million of Lottery Bonds in 2013-15. The Governor’s recommended budget totals \$22 million for Regional Solutions, including \$14 million of Lottery Bonds and \$8 million of Lottery Funds (cash).
 - **Seismic Rehabilitation Grants** – Funded with \$30 million of general obligation bonds in 2013-15. The Governor’s recommended budget includes \$100 million of general obligation bonds in 2015-17.
 - **Infrastructure Financing** – Funded with \$12 million of Lottery Bonds in 2013-15. The agency requested \$100 million for 2015-17.
 - **Innovation Infrastructure** – Funded with \$3.2 million of Lottery Funds and with \$5.2 million of Lottery Bonds in 2013-15. This included funding for the Oregon Research Collaboratory, Oregon RAIN, and the Oregon Metals Initiative.

Policy Issues

The Governor's recommended budget includes \$61.3 million of General Fund and Lottery Funds above CSL. This includes \$47.8 million of Lottery Funds for program enhancements, and \$13.5 million for debt service for new bonds to be issued in the 2015-17 biennium. Debt service costs would be eliminated in the 2015-17 biennium if the bonds were not issued until the Spring of 2017.

The General Fund and Lottery Funds program enhancements include: Oregon InC - \$29.35 million; Industry Competitiveness Fund (OMEP, Grow Oregon, STTR/SBIR grant assistance) - \$1.6 million; Innovation Initiative (RAIN, OMI, Northwest Callaboratory) - \$3.2 million; Regional and West Coast Strategies (Governor's Office positions) - \$1.2 million; Regional Solutions - \$8 million; Regional Solutions Community Development - \$625,000; Transformative Technology Grant Program - \$5 million; West Coast Energy Plan - \$200,000; Oregon Infrastructure Opportunity Program - \$1.1 million.

Bond programs funded in the Governor's recommended budget include: Seismic Rehabilitation Grants - \$100 million (\$70 million schools / \$30 emergency services); Special Public Works Fund - \$28 million (\$14 million regular, \$7 million Patient Capital, \$7 million levee inspection/repair [new statutory program]); Brownfield Redevelopment - \$7 million; Regional Solutions - \$14 million; Oregon Infrastructure Opportunity Program [new statutory program] - \$10 million; Working Forests and Farms [new statutory program] - \$15 million; Linn-Benton Community College alternatives fuels lab - \$1.5 million.

Other Significant Issues and Background

OBDD presented a number of reports during the 2014 session and the interim, including a report on proposed legislation for the Regional Solutions program, and a report from the Oregon Growth Board, both requested by budget notes. The Department also requested \$300,000 to provide technical assistance funding for Oregon shallow draft coastal ports, requested approval to apply for a \$300,000 State Trade and Export Promotion Federal grant, and presented a replacement Key Performance Measure for its Small Business Assistance Programs. The approved budget notes are set forth below:

Budget Note (Regional Solutions)

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.

Budget Note (Oregon Growth Board)

The Oregon Growth Board shall adopt investment policy statements for management of the Oregon Growth Account and the Oregon Growth Fund. The Board shall report on these statements and include information on how the Board will measure the performance of investments and allocations approved by the Board, and the performance targets proposed by the Board. The report shall be submitted to the Joint Committee on Ways and Means, and to the committees of the Legislative Assembly with authority over the subject area of economic development, for their consideration during the 2014 regular session.

Co-Chairs' Budget Framework Discussion

The Co-Chairs' Budget Framework includes \$24 million Lottery Funds above the current service level for OBDD to address program needs. The funding level continues Oregon InC initiatives, as well as Regional Solutions and West Coast Strategies program, and maintains current operating support levels for most current OBDD programs, including small business assistance programs. The funding level also continues, at reduced levels, some one-time OBDD funding enhancements, including support for the Oregon Manufacturing Extension Program, Regional Accelerator Innovation Network, and Grow Oregon.