



Testimony to Joint Subcommittee on Transportation and Economic Development

April 22, 2015

Chris Scherer, President

Oregon Manufacturing Extension Partnership, Inc.

Good afternoon, Madame and Mr Co-Chair, my name is Chris Scherer and I am president of the Oregon Manufacturing Extension Partnership, better known as OMEP. Thank you for the opportunity to testify before the subcommittee today.

Oregon is a manufacturing state. A higher proportion of Oregonians depend on manufacturing for jobs than in nearly any other state in the U.S. OMEP's consulting staff of engineers and former company owners and managers help manufacturers of all sizes throughout the state stay competitive in the global marketplace. We know that our work is effective because of our long history of reported results. At the conclusion of each consulting engagement, our clients are surveyed by an independent third party and 4 key performance indicators are reported out each quarter—Cost Savings, Increased and Retained Sales, Internal Reinvestment, and Jobs Created and Retained. On the basis of this survey data, PSU's Northwest Economic Research Center calculates that, over the last 12 years, OMEP's services have resulted in nearly \$2.2 billion in increased economic output, 14,693 jobs, and increased state and local taxes of approximately \$78 million. As indicated on your handout, our record of return on investment over the last 12 years is nearly 30:1.

For the most part, these accomplishments have been achieved with a biennial state contribution of \$500,000. This money was used in combination with our on-going federal allocation to help make our client fees more affordable, especially for smaller and more rural companies. Last March during the short session, the legislature was able to provide a one-time boost of \$750,000 to OMEP to support increased outreach and services to rural and smaller manufacturers. The roster of participants in your handout shows the companies that OMEP has been able to reach since May, 2015, as a result of this new allocation of funds. I'm very pleased to report that our ability to reach smaller companies in more rural areas of the state far exceeded our previous efforts and we're not done yet with another couple of months ahead of us. I also want to stress that we are able to use the state funds to leverage other money to grow these programs beyond the limit of their direct allocation. For this \$750,000, we estimate that we were able to leverage an additional \$335,000 in federal funds that we wouldn't have had access to because of match shortfall and attract \$140,000 in client service fees.

We recently underwent a re-competition and were awarded federal base funding that doubles our access to federal funds. This is great news for Oregon manufacturers but, without strong state support to provide sufficient match, we will not be able to fully draw down on our federal allocation.

So in conclusion, I urge you to support the full of the policy option package for OMEP funding at \$750,000. In addition, we are requesting a \$250,000 to bring the biennial funding increase to \$1.0 million, the amount requested last spring by Business Oregon, for total OMEP funding of \$1.5 million for the biennium. This will allow us to make the best use of our new federal funds and ensure superior service to manufacturers of all sizes in all regions. We have proven programs that are ready to roll and look forward to your decisions this session. As discussed, this is an economic development investment that provides a fast return on investment and is a wise use of state funds. Thank you for your time and I'd be happy to answer any questions.



PERFORMANCE REPORT FOR 2002-2013

DETAILS FROM IMPLAN

| | |
|---|----------------|
| Projects Surveyed by national firm under contract with NIST-MEP | 542 projects |
| Employment | 14,693 jobs |
| Total Value Added | \$1.15 billion |
| Total Output | \$2.2 Billion |

ACTUAL PERFORMANCE YEAR TO DATE

| | |
|---|--------------|
| Business Oregon State funding received | \$2,675,000 |
| Additional annual Oregon income tax revenue from employment based on Legislative Revenue Office calculations 3/23/2009 | \$77,872,900 |
| ROI | 29.1 |

NOTES & DEFINITIONS

Data Source: Portland State University- Northwest Economic Research Center IMPLAN study. 11 year period: 2002 through 2013

Employment represents the number of annual, 1.0 FTE jobs.

Total Value Added is made up of labor income, property type income, and indirect business taxes collected on behalf of local government. This measure is comparable to GDP.

Output is a gross measure of production. It includes the value of both intermediate and final goods.

14,693

Direct /
Indirect employment
over 11 years.

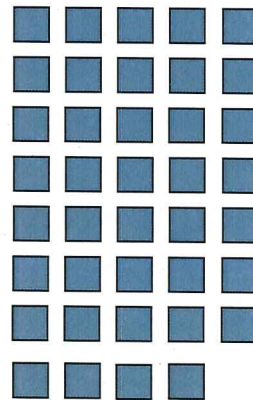
Invested in OMEP

\$2,675,000



Generated by OMEP

\$78,000,000



29.1 ROI

Note: □ = \$2,000,000

Roster of Participating Companies in 2014-15 State-Funded Programs

Business Innovation Workshop: Hands-on, actionable learning sessions with practical applications for organizational leadership allow manufacturing companies unleash their growth potential. Half-day classroom sessions are conducted once per month (four sessions total) addressing key questions about leadership, financial success, operational excellence and top line growth for your company.

| <i>Company</i> | <i>City</i> | <i>Status</i> |
|-----------------------------------|---------------|---------------|
| Composite Approach | Bend | Completed |
| Northwest Laundry | Prineville | Completed |
| Giant Loop | Bend | Completed |
| Full Circle Sewing and Production | Bend | Completed |
| DanaSigns | Redmond | Completed |
| Cropper Medical | Ashland | Completed |
| Airscape | Medford | Completed |
| Tonton Artisan Affections | Talent | Completed |
| Cary's of Oregon | Grants Pass | Completed |
| Two Old Hippies/Breedlove Guitar | Bend | Underway |
| Poltex | Redmond | Underway |
| Outback Manufacturing | Bend | Underway |
| Institutional Stoves Solutions | Cottage Grove | Planned |
| Con-Vey Keystone | Roseburg | Underway |
| Bravado Outdoor Products | Roseburg | Underway |
| Bend Commercial Glass | Bend | Underway |
| Umpqua Monument and Sign | Oakland | Underway |
| Northstar Fabrication and Machine | Sutherlin | Underway |

Small Business Initiative: This program provides consulting services to smaller companies in both urban and rural areas designed to increase their competitiveness. Services are focused on business management and operational excellence. Several participating companies are graduates of the Business Innovation Workshop that have identified specific barriers to growth that require intensive consulting focus.

| <i>Company</i> | <i>City</i> | <i>Status</i> |
|----------------|---------------|---------------|
| Forest Dental | Hillsboro | Complete |
| Taylor Sausage | Cave Junction | Complete |

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|----------------------------|-------------|---------------|
| Iron Eagle Trailers | Fairview | Complete |
| Dana Signs | Bend | Complete |
| Happy Campers Gluten Free | Tigard | Complete |
| New Tribe | Grants Pass | Underway |
| Kialoa | Bend | Underway |
| Composite Approach | Bend | Underway |
| Great Northern Trailers | Sutherlin | Complete |
| Blue Raeven | Amity | Underway |
| Outback | Bend | Complete |
| Wildtime Foods | Eugene | Underway |
| Giant Loop | Bend | Underway |
| Northwest Laundry Services | Bend | Underway |
| Cary's of Oregon | Grants Pass | Underway |
| ASTRO Tool | Beaverton | Complete |

Growth and Innovation: Assists companies to develop new products or explore new markets.

| <i>Company</i> | <i>City</i> | <i>Status</i> |
|----------------|-------------|---------------|
| MICHI Design | Bend | Complete |
| SweetSENSE | Salem | Underway |

Business Transition Program: Advisory services for companies facing a leadership transition in the next five years. IN partnership with OMEP Preferred Providers, offers strategic, legal, financial and operational guidance to company owners.

| <i>Company</i> | <i>City</i> | <i>Status</i> |
|---------------------|-------------|---------------|
| Viper Northwest | Albany | Complete |
| Northwest Fourslide | Sherwood | Complete |
| Pacific Headgear | Eugene | Underway |