

Oregon Business Development Department Additional Written Materials

Documents submitted

- Agency mission, goals, and historical perspective
- Annual Performance Report, includes agency performance and outcome measures, summary of programs
- Agency organizational information
- Major budget drivers and risks
- Major changes to the agency in the past 6 years
- Historical program spending
- Proposed legislation
- Program or service reductions included in the Governor's budget, 10% reductions submitted to Legislative Fiscal Office
- Coronavirus Relief Fund issues and effect of 2019-21 actions on 2021-23 budget
- Results of, and agency responses to, all audits on the agency conducted by the Secretary of State under ORS 297.070 during the current biennium
- Supervisory Span of Control Report from the Department of Administrative Services
- Summary of proposed technology projects
- Program prioritization for 2021-23 (form 107BF23)
- Other Funds ending balance form





Oregon Business Development Department Mission Statement & Statutory Authority

The Oregon Business Development Department (Business Oregon) is charged with developing and implementing the state's economic development strategy. Business Oregon's vision is *Prosperity for all Oregonians*. The agency's mission is to *invest in Oregon businesses, communities, and people to promote a globally competitive, diverse, and inclusive economy*. The agency's vision statement is "Prosperity for all Oregonians."

As the state's economic development agency, Business Oregon's core work is both broad and deep. Core functions include rural community development and infrastructure financing; business retention, expansion and recruitment; export promotion and international trade; industry innovation and research and development; entrepreneurship and small business assistance; and support for arts and cultural organizations. Given the agency's mission, Business Oregon is uniquely positioned to impact positive change, address economic inequities, and strengthen existing competitive advantages. The agency has evolved from a straightforward service delivery organization — in which programs are managed — to an outcome-focused agency in which its role as a convener, community investor, and catalyst allows it to drive targeted results through innovative partnerships at the state, regional, and local levels.

The Department receives its statutory authority from Oregon Revised Statutes (ORS) Chapters 284, 285A, 285B, 285C, 359.010 through 359.142, 329.925, 777.267 and 777.277 through 777.287. The Department is also subject to Oregon Administrative Rule Chapter 123.

Agency Five-Year (2018-22) Strategic Plan

As the state's economic development agency, Business Oregon is positioned to take an enhanced leadership role to ensure long-term economic competitiveness for the state. Under the guidance of its 5-Year (2018-2022) Strategic Plan, Business Oregon is focused on **five strategic priorities**:

1. **Innovate Oregon's Economy** by expanding the state's research and development capacity, and increasing access to capital for high-growth startups;
2. **Grow small and middle-market companies** by increasing access to new sales markets, attracting businesses and foreign direct investment to grow target industries, investing in technologies to enhance manufacturing efficiency and production quality, prioritizing brownfield, industrial land, and public works investments that directly support job creation, and connecting businesses with local workforce partners to address workforce needs.
3. **Cultivate rural economic stability** by promoting entrepreneurship and small business growth, investing in arts and culture organizations, targeting infrastructure investments to ensure healthy and safe communities, and supporting the movement of goods from rural to urban markets.

4. **Advance economic opportunity for underrepresented people** by explicitly connecting people of color, immigrant populations, and native/tribal communities to jobs, and fostering wealth creation through enhanced access to capital, mentoring, and business certification.
5. **Ensure an inclusive, transparent, and fiscally healthy organization** through regular reporting and communication of programmatic and financial outcomes, reviews of program performance and strong internal controls and audits, enhanced marketing and branding of core services, support for employee career development and empowerment, and the development of a diversity, equity, and inclusion (DEI) plan—including the launch of a DEI council.

A more comprehensive overview of Business Oregon’s strategic priorities and associated implementation strategies and actions can be found in the agency’s 5-Year Strategic Plan located at <https://www.oregon4biz.com/Publications/Strategic-Plan/>. The agency’s Strategic Plan was adopted by the Oregon Business Development Commission, the policy oversight body for Business Oregon. Other department policy and advisory bodies include the Infrastructure Finance Authority Board, the Oregon Arts Commission, the Oregon Cultural Trust Board, the Oregon Growth Board, and the Oregon Innovation Council, among others.

Agency 2021-23 Legislative and Budget Priorities

In the 2021-23 biennium, Business Oregon will focus on implementation of all five of the agency’s strategic plan priorities (see above). Maintaining current service level in terms of both human and budget resources is essential for Business Oregon to make progress in implementing our strategic plan next biennium. In addition to current service level, the agency is also requesting new resources for the 2021-23 biennium to ensure the agency remains on track to meeting our strategic plan goals and objectives.

Oregon is facing an economic crisis—historic job loss, decreased earnings, and business closures—COVID-19 in 2020 has devastated both the traded sector and service sector in Oregon.

Fortunately, Business Oregon’s 5-Year Strategic Plan uniquely positions the agency to move forward four of Governor Brown’s stated priorities:

Innovation: Innovation is a clear driver of economic competitiveness. It fuels the creation of new technologies, companies, and industries. It attracts talent, creates high-wage jobs, and ultimately drives growth. States that prioritize sustained investment in innovation are positioned to compete long-term in the global economy. Business Oregon’s proposed ARB is focused on preserving base-budget innovation and entrepreneurship resources and recapitalizing key programs such as the Oregon Growth Fund and the Rural Opportunities Initiative.

Rural Economic Stability: The rural-urban divide in Oregon is real and growing. Significant headwinds—such as internet broadband connectivity—exist that place certain rural communities at a disadvantage relative to urban areas. Despite existing challenges, rural Oregon is home to some of the state’s most important industries: agriculture; food and beverage processing; manufacturing; and forestry and wood products. The trend of remote working resulting from the COVID pandemic also poses a unique opportunity for rural areas to attract talent and high-wage earners. Business Oregon’s proposed ARB is focused on recapitalizing infrastructure programs that are vital to rural communities, including the Special Public Works Fund, industrial

land development, brownfields, and seismic rehabilitation. More than 80 percent of our infrastructure program dollars go into rural Oregon. The agency is also seeking resources to enhance rural export promotion and develop a small ports system plan, both of which are critical to getting rural products to market.

Advance Economic Opportunity for Underrepresented People:

For Oregon to truly recover, advance, and thrive, all people must be included. There are historical and ongoing systemic barriers to social, economic, and legal equity for Black and Indigenous Americans, and all people of color. The economic development system is reflective of — and contributed to — these barriers and inequity. The legacy of slavery and segregation led to ensuing racist housing policies and impacted access to property ownership, lending practices, access to education, and employment. Over generations, wealth, education, experience, and personal/professional networks are built up in family and social circles. Unsurprisingly, that has ended up looking very different between whites who started with privilege, and access to wealth and education from day one, and Blacks and others who did not.

Business Oregon can explicitly focus on including Black, indigenous and all people of color as the agency implements its programs and expertise towards the agency’s vision of “prosperity for all Oregonians.” Business Oregon has been partnering with multiple representative organizations to weave equity into all its work. Additionally, the agency is continually seeking opportunities to ensure that our communities of color have fair access to programs. For instance, the department is seeking to re-implement a technical assistance program for historically underrepresented small business owners so that all communities receive the benefit of business assistance in a manner that is most accessible and helpful.

Government Efficiency: Over the last decade, the size and scope of Business Oregon’s budget and program operations has more than doubled, while staffing levels have remained relatively flat. In 2007-09, the agency managed programs with a combined budget of \$415 million, compared to \$1 billion in 2019-21. The agency currently oversees more than 80 distinct programs and manages a caseload of around 700 contracts at any given time. Business Oregon’s proposed GRB is focused on technology modernization and supporting contracting and procurement processes to better manage our growing workload, gain efficiencies, lower costs, and enhance customer service.

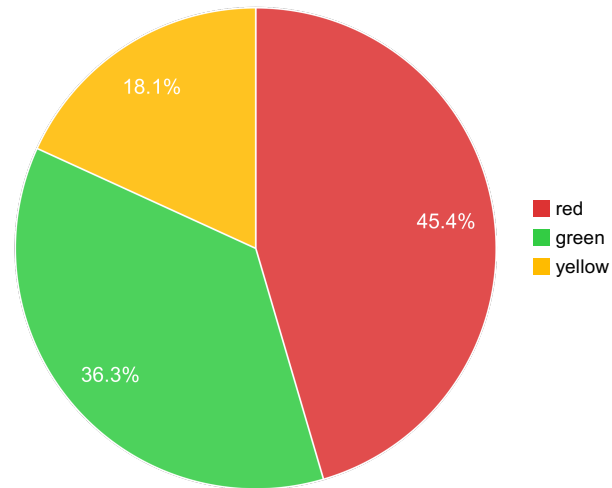
Business Oregon

Annual Performance Progress Report

Reporting Year 2020

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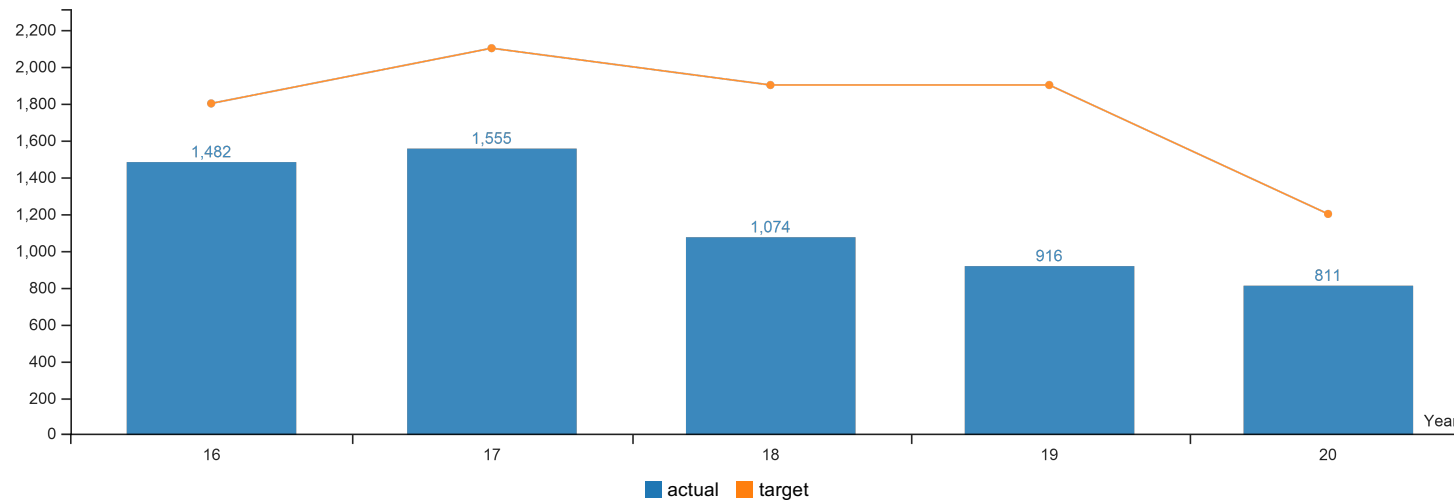
KPM #	Approved Key Performance Measures (KPMs)
1	Number of jobs created -
2	Number of jobs retained -
3	Personal income tax generated by the Department's investment in jobs -
4	New export sales of assisted clients -
5a	Total dollar amount of federal contracts awarded to Oregon Businesses receiving Government Contract Assistance Program assistance. -
5b	Number of federal contracts awarded to Oregon businesses receiving Government Contract Assistance Program assistance. -
6	Number of new industrial sites/acres certified "project ready." -
7	Number of community capital projects assisted for planning (infrastructure, community and organizational). -
8	Number of community capital construction financing projects that address public health and safety issues. -
9	Number of community capital construction financing projects that assist with future economic and community development. -
10	Customer Service - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, availability of information.



Performance Summary	Green	Yellow	Red
	= Target to -5%	= Target -5% to -15%	= Target > -15%
Summary Stats:	36.36%	18.18%	45.45%

KPM #1	Number of jobs created -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2016	2017	2018	2019	2020
Total jobs created					
Actual	1,482	1,555	1,074	916	811
Target	1,800	2,100	1,900	1,900	1,200

How Are We Doing

Business Oregon funds supported the creation of 811 jobs in Oregon in FY 2020. This was 32 percent short of the FY 2020 target of 1,200 jobs created. The number of jobs created in FY 2020 was 105 less than jobs created in FY 2019, a decrease of 12 percent.

The 811 jobs created primarily reflect investments from the Strategic Reserve Fund, Business Expansion Program, Business Finance programs, and Oregon Innovation Council (Oregon InC). Current Oregon InC investments and programs included are:

- SBIR/STTR Awards
- Oregon InC supported Organizations and Initiatives:
 - Oregon BEST
 - Drive Oregon
 - ONAMI
 - OTRADI
 - OWET
 - RAIN
 - SOAR
 - Oregon Story Board

Factors Affecting Results

Jobs created has steadily declined since FY 2015, when jobs created was 2,214. Private sector employment in Oregon over this time increased by an annualized rate of just over 2 percent a year, as such, cyclical changes do not explain the decrease in jobs created at the department.

The primary reason for declines in KPM 1 is reduced expenditures on direct job creation projects across all programs, followed by less jobs created per dollar spent from Strategic Reserve Fund projects. In recent years Business Oregon has emphasized the quality, accessibility, and location of the jobs created by projects we fund, as well as using funds to drive longer-term economic outcomes versus short-term direct job creation. Examples of these types of investments include creating long-term assets in rural areas, like funding an entrepreneurial hub in the city of Independence, and a semi-truck training simulator in Tillamook County, both investments from the Strategic Reserve Fund this year.

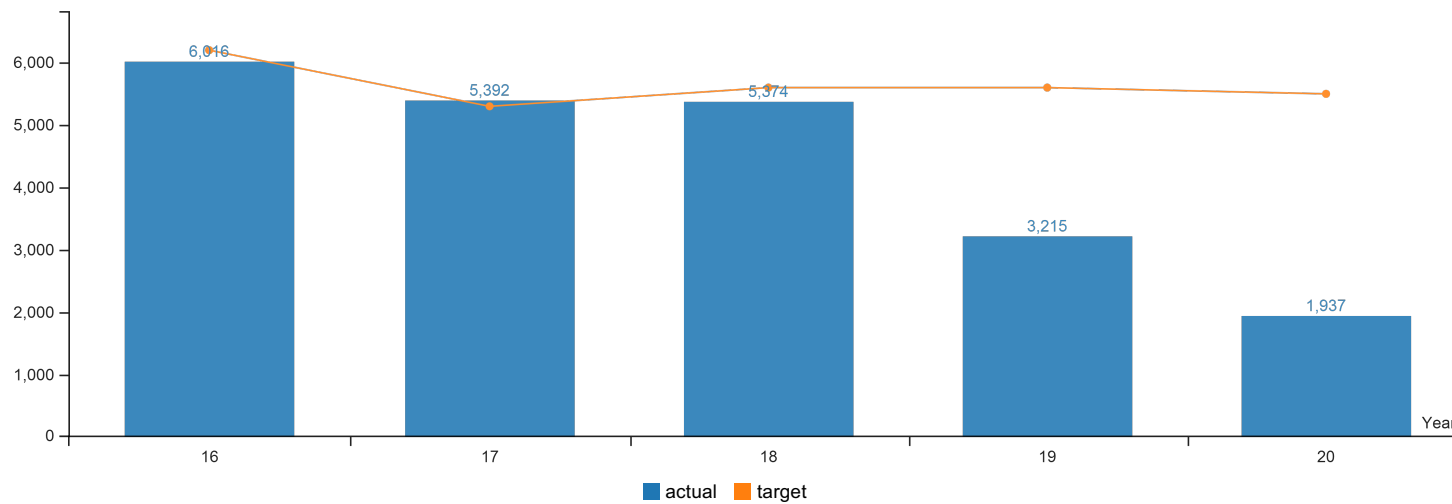
Adding more detail, the agency looks for quality jobs that pay above the regional average wage, those that are accessible without a four-year college degree, and jobs located in rural communities. Often this results in fewer jobs created per project than if we focused only on larger projects in the Portland metro area. Business Oregon does track and report a breakdown of these categories (Quality, Accessible, Rural) separately in its annual report.

The agency does not currently include jobs created from property tax and industrial land development programs we manage with local communities, such as Enterprise Zones and the Strategic Investment Program. However, these programs are critical for business development and job creation and retention throughout the state. The agency does report results of these programs in its annual report.

Job losses from COVID-19 in the second quarter of 2020 had a minimal impact on jobs created in FY 2020 due to fewer job losses in traded sector industries (a focus of Business Oregon) early in the pandemic. It did however impact resources and staff time on job-creating projects, as staff were focused on community and business resiliency in the face of COVID for four months during this time frame.

KPM #2	Number of jobs retained -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2016	2017	2018	2019	2020
Total Jobs Retained					
Actual	6,016	5,392	5,374	3,215	1,937
Target	6,200	5,300	5,600	5,600	5,500

How Are We Doing

Business Oregon funds supported the retention of 1,937 jobs in Oregon in FY 2020. This was 65 percent less than the FY 2020 target of 5,500 jobs retained. The number of jobs retained in FY 2020 was 1,278 less than jobs retained in FY 2019, a decrease of 40 percent.

The 1,937 jobs retained primarily reflect investments from the Strategic Reserve Fund, Business Expansion Program, Business Finance programs, and Oregon Innovation Council (Oregon InC). Current Oregon InC investments and programs included are:

- SBIR/STTR Awards
- Oregon InC supported Organizations and Initiatives:
 - Oregon BEST
 - Drive Oregon
 - ONAMI
 - OTRADI
 - OWET
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Factors Affecting Results

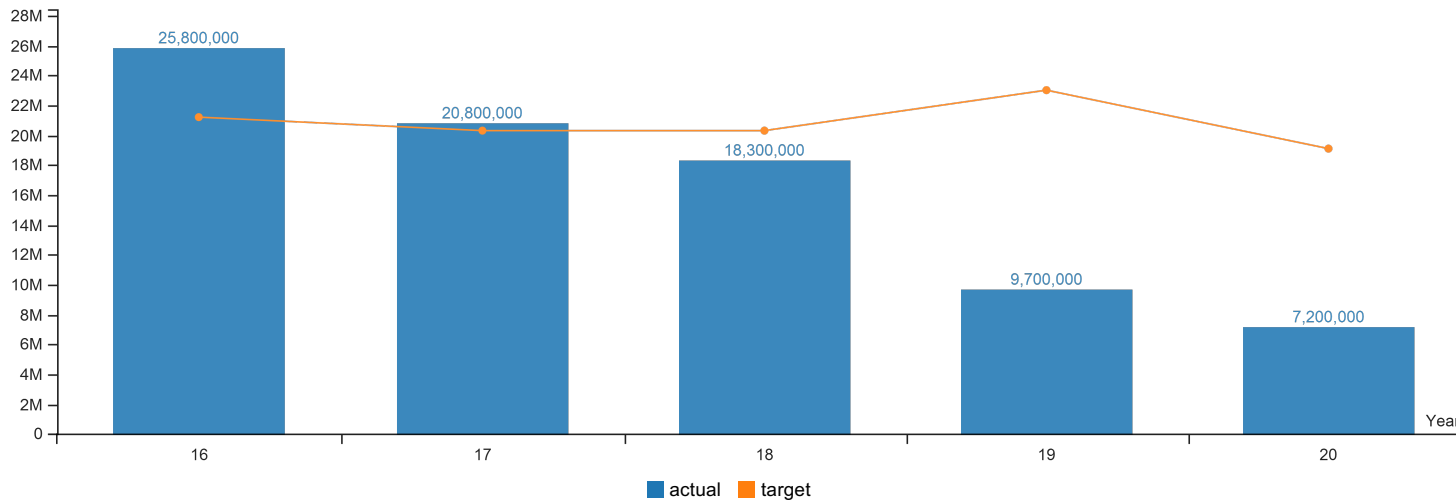
Part of the decline in jobs retained compared to the target of 5,500 can be explained by a large project that was incorrectly categorized as a job retention project in FY 2018 that was removed from the FY 2019 analysis. Nonetheless, jobs retained has declined since FY 2015, when jobs retained was 6,677. Private sector employment in Oregon over this time increased by an annualized rate of over 2 percent a year. As such, cyclical changes do not explain the decrease in jobs retained at the department.

Comparing FY 2020 to FY 2015, jobs retained is down across most programs. Job retention decreased the most from Strategic Reserve Fund, with 1,154 jobs retained in FY 2020, down 4,479 jobs from FY 2015. The primary reason for declines in KPM 2 is reduced expenditures on job retention projects across all programs, followed by less jobs retained per dollar spent from Strategic Reserve Fund projects. As noted in KPM 1, Business Oregon has emphasized the quality, accessibility, and location of the jobs created by projects we fund, and has used program funding to improve long-term outcomes rather than just the number of immediate direct jobs created or retained.

Job losses from COVID-19 in April through June of 2020 had a minimal impact on jobs retained in FY 2020 due to fewer job losses in traded-sector industries early in the pandemic. This generally did not result in lower employment over the four-quarter average for most of Business Oregon's projects.

KPM #3	Personal income tax generated by the Department's investment in jobs -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2016	2017	2018	2019	2020
State Income Tax Revenue					
Actual	\$25,800,000.00	\$20,800,000.00	\$18,300,000.00	\$9,700,000.00	\$7,200,000.00
Target	\$21,200,000.00	\$20,300,000.00	\$20,300,000.00	\$23,000,000.00	\$19,100,000.00

How Are We Doing

In FY 2020, jobs created and retained by businesses funded by Business Oregon generated an estimated \$7.2 million in state personal income tax revenue. This was 63 percent less than the FY 2020 target of \$19.1 million. Estimated state personal income tax revenue from jobs created and retained in FY 2020 was \$2.5 million lower than FY 2019, a decrease of 26 percent.

The \$7.2 million in state personal income tax revenue primarily reflect investments from the Strategic Reserve Fund, Business Expansion Program, Business Finance programs, and Oregon Innovation Council.

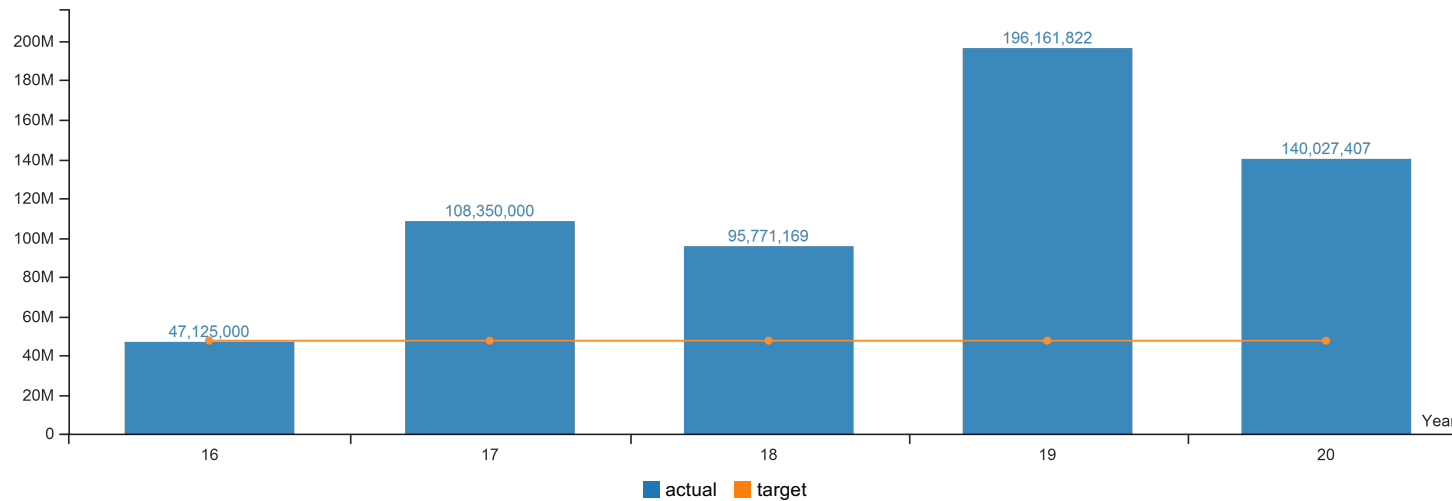
Factors Affecting Results

The combined jobs created and retained in FY 2020 were lower than FY 2019, which led to lower personal income taxes generated in FY 2020. Personal income tax generated by the department has steadily declined since FY 2015, when personal income tax generated was \$29.5 million. Private sector employment in Oregon over this time increased by an annualized rate of over 2 percent a year, as such, cyclical changes do not explain the decrease in personal income tax generated by the department.

Lower personal income taxes generated by the department since FY 2015 are primarily the result of lower jobs created and retained over that time. Another factor affecting results over time is lower average wages of jobs created and retained. The average wage of jobs created and retained in FY 2020 was 26 percent lower than the inflation adjusted average wage of jobs created and retained in FY 2015. Lower average wages have resulted in lower income tax revenue per job created and retained, despite slight increases in effective tax rates between FY 2015 and FY 2020. Also, the jobs associated with projects in rural areas, and jobs that are accessible without a four-year degree — two areas of focus mentioned in KPMs 1 and 2 — are often lower-wage jobs than those found in large business projects in metro areas.

KPM #4	New export sales of assisted clients -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2016	2017	2018	2019	2020
New export sales of assisted clients (in millions of dollars)					
Actual	\$47,125,000.00	\$108,350,000.00	\$95,771,169.00	\$196,161,822.00	\$140,027,407.00
Target	\$47,800,000.00	\$47,800,000.00	\$47,800,000.00	\$47,800,000.00	\$47,800,000.00

How Are We Doing

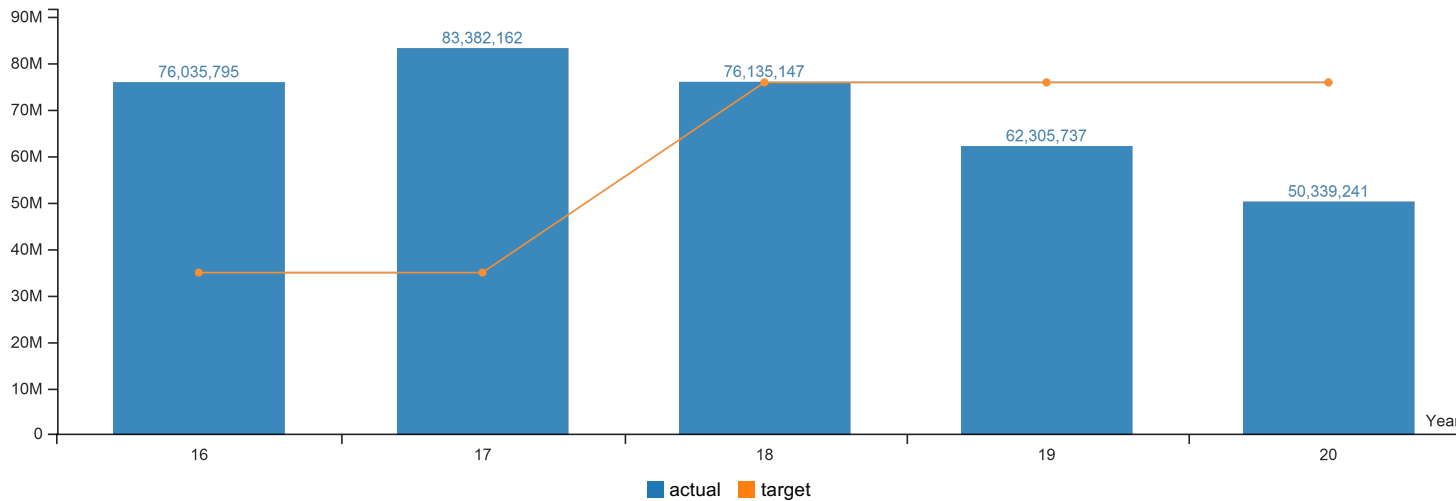
Documented new export sales for FY 2019 is \$140,027,407, exceeding the KPM target. Export sales include immediate and expected sales reported by Oregon businesses supported with both technical and financial assistance from Business Oregon. Business Oregon leverages both state and federal funds to achieve export sales goals by supporting trade events and opportunities for target industry groups and Oregon small business exporters. Our federal partners include SBA, ExIm Bank, and the Softwood Export Council. Sales revenue resulting from these partnerships are reflected in this measure.

Factors Affecting Results

In early 2020, Business Oregon was projecting yet another record year for export sales for this measure, following another record year of overall Oregon exports in calendar year 2019. However, due to COVID-19, Oregon businesses were not able to attend trade shows during the last four months of the fiscal year and therefore sales were lower than expected. Still, these businesses significantly outperformed the target amount. Moving forward, the Global Trade team at Business Oregon is organizing virtual trade shows, trade missions, e-commerce opportunities, and website optimization and localization for Oregon businesses in international markets.

KPM #5a	Total dollar amount of federal contracts awarded to Oregon Businesses receiving Government Contract Assistance Program assistance. -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2016	2017	2018	2019	2020
Total amounts of federal contracts awarded					
Actual	\$76,035,795.00	\$83,382,162.00	\$76,135,147.00	\$62,305,737.00	\$50,339,241.00
Target	\$35,000,000.00	\$35,000,000.00	\$76,000,000.00	\$76,000,000.00	\$76,000,000.00

How Are We Doing

The total amount of federal contracts GCAP achieved in fiscal year 2020 was \$50,339,241. This is lower than in fiscal year 2019 but on track to fulfill contractual obligations of \$100 million biennially.

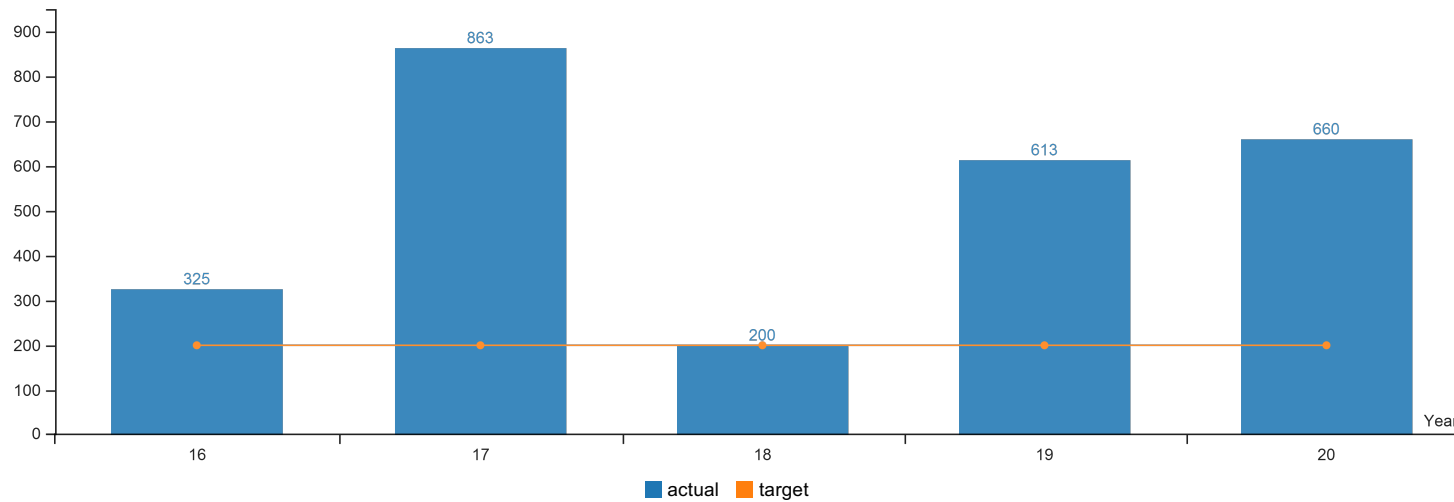
Business Oregon, through its partnership with the Organization for Economic Initiative's Government Contract Assistance Program (GCAP), assists start-ups and small firms seeking to grow their businesses through government contracting opportunities. The organization has more than 25 years of experience in working with small businesses on early stage growth issues and training them on how to seek and secure federal and state procurement opportunities.

Factors Affecting Results

While the number of contracts has exceeded the target, the contract values have been smaller. Also, GCAP receives performance data on the value of contracts from a third party vendor which acquires and reports federal contract data. It may not include data for every firm and may experience lag times with regards to data entry. COVID-19 may have also affected contracting beginning in March of 2020.

KPM #5b	Number of federal contracts awarded to Oregon businesses receiving Government Contract Assistance Program assistance. -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2016	2017	2018	2019	2020
Total Number of Federal Contracts Awarded through services provided by GCAP					
Actual	325	863	200	613	660
Target	200	200	200	200	200

How Are We Doing

Oregon small businesses using the Government Contract Assistance Program (GCAP) received 660 federal contracts in fiscal year 2020, a slight increase from 2019 and well above the target of 200.

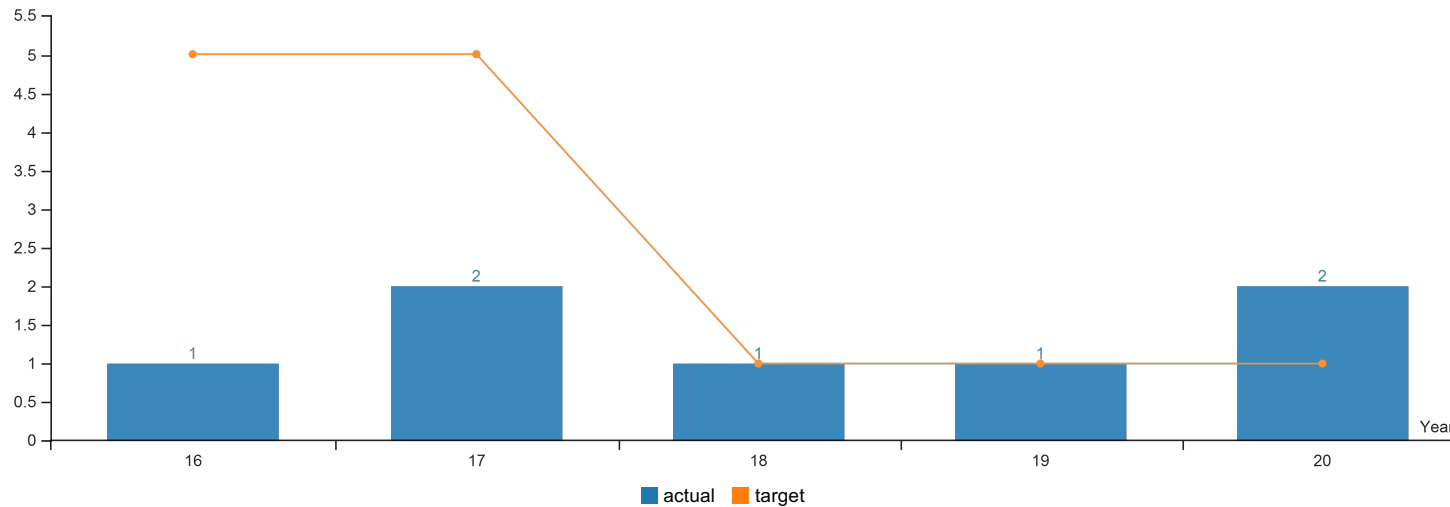
Business Oregon, through its partnership with the Organization for Economic Initiative's Government Contract Assistance Program (GCAP), assists start-ups and small firms seeking to grow their businesses through government contracting opportunities. The organization has more than 25 years of experience in working with small businesses on early-stage growth issues and training them on how to seek federal and state procurement opportunities.

Factors Affecting Results

There's been strong demand for the program, as more firms in Oregon see value in securing federal contracts. GCAP receives performance data on value of contracts from a third party vendor which acquires and reports federal contract data. While it may not include data for every firm and may experience lag times with regards to data entry, it has in recent years been including a more accurate representation of individual contracts received than in prior years. COVID-19 may have also affected contracting beginning in March of 2020.

KPM #6	Number of new industrial sites/acres certified "project ready." -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2016	2017	2018	2019	2020
Number of new industrial sites certified					
Actual	1	2	1	1	2
Target	5	5	1	1	1

How Are We Doing

We met the target, with two sites certified as "project ready" totaling 19.8 acres. In addition, one additional 29 acre site is in the process of certification, and 8 sites were re-certified "project ready" totaling 403 acres. One site was also pre-certified, the first step in full certification.

Factors Affecting Results

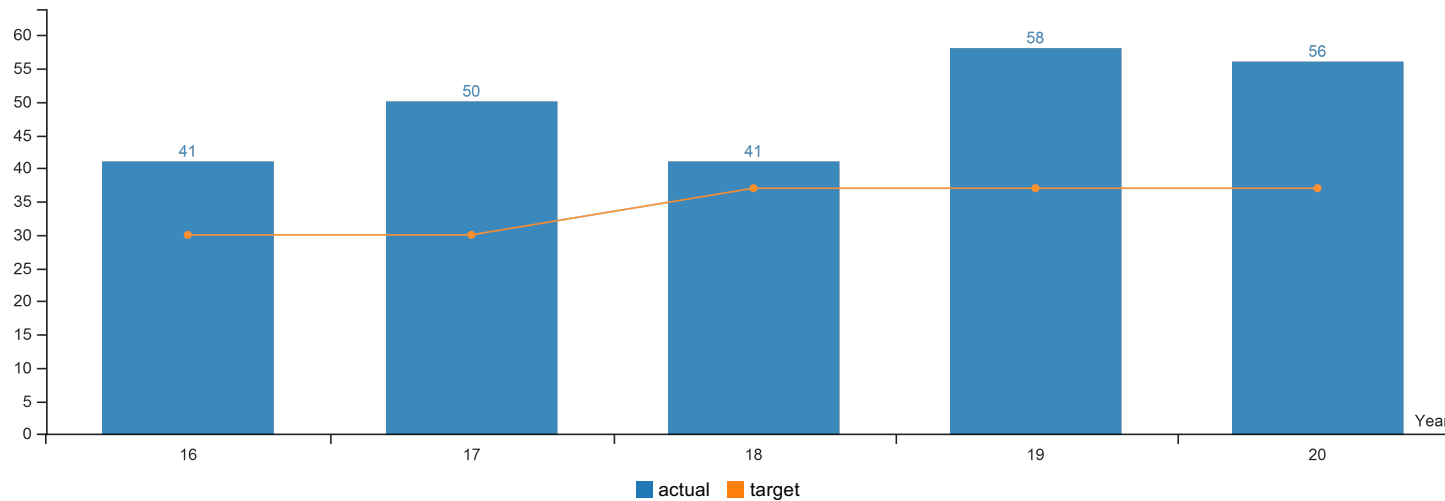
Limited options for funding site studies and financing public infrastructure remains the challenge to achieving certification or maintaining recertification. The reduction in number of sites recertified compared to previous reports is partly a result of decreased state and local government resources for this work.

Absent of any new infusion of funding to certify sites, Business Oregon will continue to seek innovative solutions that assist local communities in developing an ample supply of "shovel ready" industrial sites. Currently, the department is using the Special Public Works Fund's planning grant to pay for this work for publicly-owned sites. Alternatively, privately owned sites have been provided a self-fund/contract option. Last month, Business Oregon included an industrial site readiness concept in its EDA CARES Act grant application; if the grant is awarded, it would provide funding for the next three years.

Furthermore, the department continues to expand the Regionally Significant Industrial Site (RSIS) program, eight sites have been designated thus far. Business Oregon expects to see one or two RSIS applications next year. The RSIS program allows public-funded site development costs to be recouped by a municipality from 50% percent of state income taxes from new jobs that are ultimately created at the site, that meet program thresholds.

KPM #7	Number of community capital projects assisted for planning (infrastructure, community and organizational). -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2016	2017	2018	2019	2020
Number of community capital projects assisted for planning					
Actual	41	50	41	58	56
Target	30	30	37	37	37

How Are We Doing

Business Oregon awarded 56 planning projects exceeding the target of 37. The 56 projects represent approximately \$3.5 million in planning funds. This measure includes planning projects associated with Business Oregon’s Special Public Works Fund, Water/Wastewater fund, ports funding programs, Safe Drinking Water Revolving Loan fund, and Community Development Block Grants. Examples of planning projects are plans for industrial lands development; water system master and resiliency planning; and capital project plans that support community infrastructure and facilities such as wastewater treatment, safe drinking water, and community facilities.

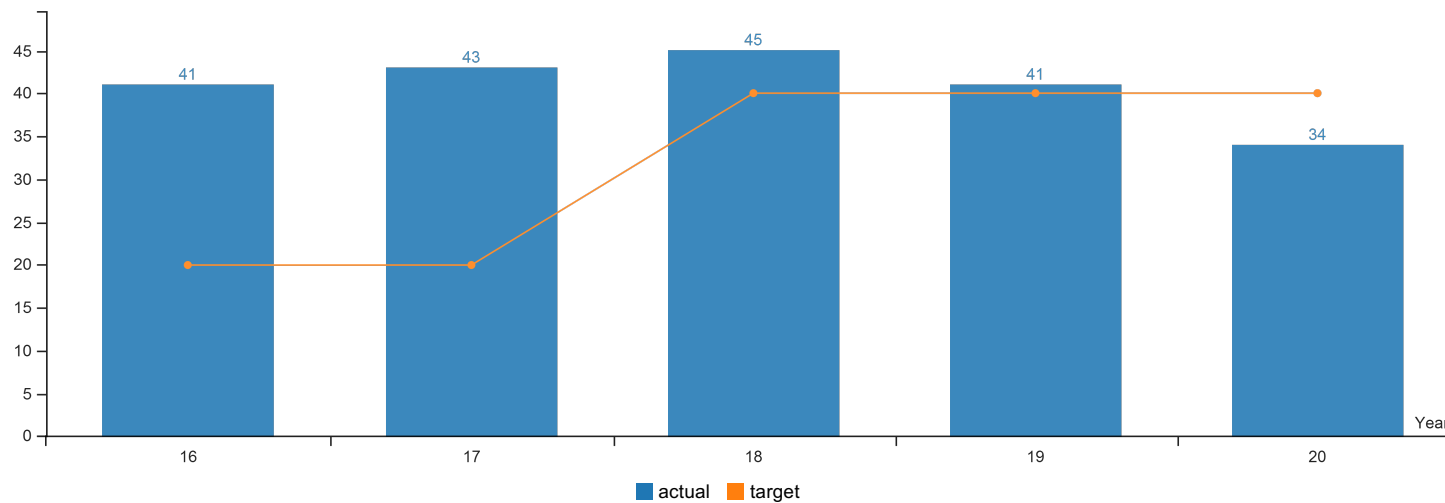
Factors Affecting Results

The demand for planning project awards remains high as communities grapple with aging infrastructure. Communities have acknowledged their existing utility plans are outdated and do not reflect the growth and development which has occurred over the past 10 years. Additionally, expected population growth in many areas is encouraging communities to review current facilities with an eye towards future needs.

Business Oregon expects to see continued demand for construction projects as planning projects are completed and communities seek to move forward with implementing capital improvements. 2020 wildfires devastated dozens of Oregon communities, and we may see a future increase in infrastructure planning and construction as a result. Of course, demand is also dependent on economic factors. Historically, demand has increased and decreased with overall economic conditions. With economic uncertainty related to COVID-19, communities may seek to prioritize those projects that maintain essential utility services such as capital construction projects associated with health and safety objectives (KPM 8).

KPM #8	Number of community capital construction financing projects that address public health and safety issues. -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2016	2017	2018	2019	2020
Number of community capital projects that address water quality and environmental health issues					
Actual	41	43	45	41	34
Target	20	20	40	40	40

How Are We Doing

Business Oregon awarded 34 projects out of a target of 40 for a total of approximately \$44.1 million. While the total number of awards is lower than the previous year's total of 41, project development activities associated with awarded planning funds (KPM 7) should drive interest in capital construction financing projects moving forward.

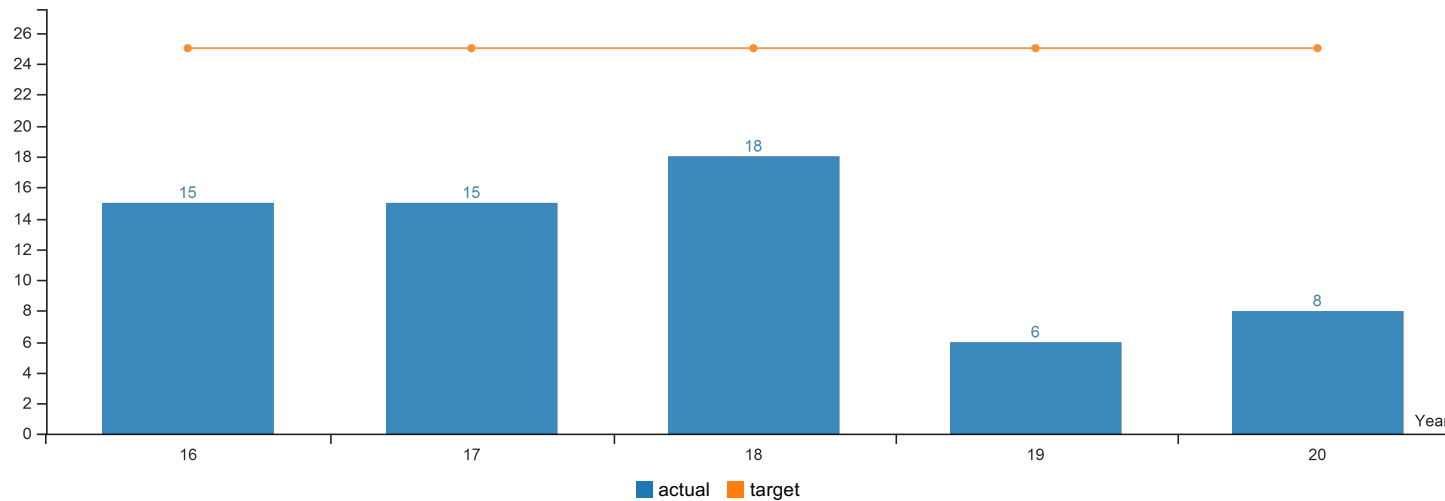
Factors Affecting Results

The need for municipal infrastructure construction remains high, as is the demand for financing. Project costs continue to grow and state-supported low-interest financing is vital to small and rural communities that generally do not have bond ratings. Business Oregon will continue to strive to meet the demand of local communities for financial assistance. To supplement lottery bond dollars awarded by the legislature, the department will continue to implement its bond bank authority with the next sale expected in early 2021. While the Bond Bank is one tool for raising funds, it should not be considered the only tool. Lottery bond fund capitalization remains vital to the department's ability to assist communities with financing projects.

Additionally, communities are beginning to take on larger projects, with FY 2020 marking the first time department funding helped a community leverage the Environmental Protection Agency's Water Infrastructure Financing Act (WIFIA) funding by contributing to the required 51% WIFIA match funding requirement.

KPM #9	Number of community capital construction financing projects that assist with future economic and community development. -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2016	2017	2018	2019	2020
Number of community capital projects that assist with future economic and community development					
Actual	15	15	18	6	8
Target	25	25	25	25	25

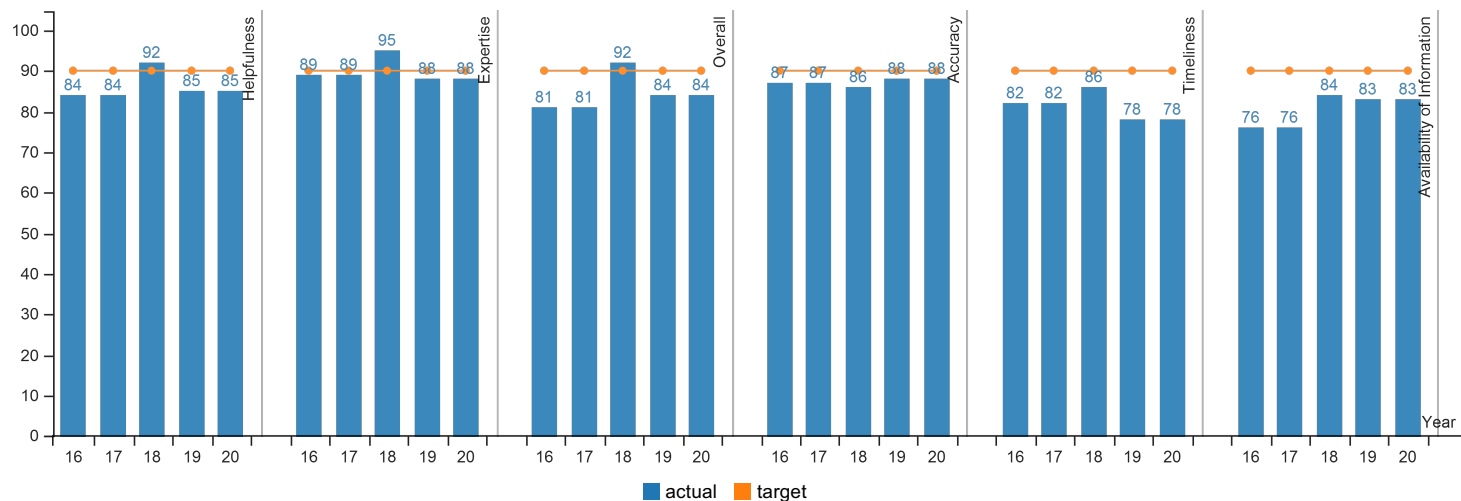
How Are We Doing

Business Oregon completed eight projects out of a target of 25 for a total of approximately \$21.9 million. Communities continue to focus their efforts away from economic and community development projects to health and safety projects, primarily water and wastewater projects. This is likely due to planning efforts for municipal water and wastewater projects with an emphasis on addressing an aging infrastructure and current and future demand. Undertakings associated with community and economic development infrastructure construction are highly dependent on economic cycles. As communities grapple with the economic impacts of COVID-19 and prioritize essential water and wastewater utility investment, Business Oregon expects the shifting of focus to economic and community development will likely not occur for a few more KPM cycles.

Factors Affecting Results

The need for municipal infrastructure construction remains high and the demand for financing will continue to rise as communities address infrastructure needs for business opportunities. Communities continue to focus their efforts on water and wastewater infrastructure, which are generally larger, high-need projects. However, water and wastewater projects are the basis for future economic and community development activities as the latter cannot occur without the former. Business Oregon will work with its program partners (League of Oregon Cities and Association of Counties) and communities to identify opportunities to fund capital construction projects that assist with future economic and community development. Such projects will be instrumental to economic recovery efforts as the threat of COVID-19 subsides.

KPM #10 Customer Service - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, availability of information.
 Data Collection Period: Jul 01 - Jun 30



Report Year	2016	2017	2018	2019	2020
Helpfulness					
Actual	84%	84%	92%	85%	85%
Target	90%	90%	90%	90%	90%
Expertise					
Actual	89%	89%	95%	88%	88%
Target	90%	90%	90%	90%	90%
Overall					
Actual	81%	81%	92%	84%	84%
Target	90%	90%	90%	90%	90%
Accuracy					
Actual	87%	87%	86%	88%	88%
Target	90%	90%	90%	90%	90%
Timeliness					
Actual	82%	82%	86%	78%	78%
Target	90%	90%	90%	90%	90%
Availability of Information					
Actual	76%	76%	84%	83%	83%
Target	90%	90%	90%	90%	90%

How Are We Doing

Overall satisfaction with department services was 84 percent in FY 2019. The Customer Satisfaction Survey is conducted every two years, so the metric data we are reporting for FY 2020 is a duplication of the FY 2019 results. The Customer Satisfaction Survey was emailed to approximately 4,500 external customers using an online survey tool. Depending on the size of the list available for each program, customers were either sampled at random or using a non-random "convenience sampling" methodology.

A total of 278 surveys were completed in May and June of 2019 for a response rate of six percent. Of these respondents, 211 indicated they interacted with Business Oregon in the last year. The 67 who did not were omitted. Over the past year, the 211 respondents reported using the following agency programs:

- Business Development (73%)
- Infrastructure (23%)
- Innovation and Entrepreneurship (24%)
- Arts (18%)

The survey included questions ranking Business Oregon on timeliness, helpfulness, expertise, availability of information, information accuracy, and overall satisfaction. Results with comparisons to recent KPM surveys are provided below (percent of customers giving Business Oregon a mark of "good" or "excellent").

- Timeliness – 78% (vs. 86% in 2018; 84% average from 2014-2018)
- Helpfulness – 85% (vs. 92% in 2018; 89% average from 2014-2018)
- Expertise – 88% (vs. 95% in 2018; 91% average from 2014-2018)
- Availability of information – 83% (vs. 84% in 2018; 82% average from 2014-2018)
- Information accuracy – 88% (vs. 86% in 2018; 88% from 2014-2018)
- Overall satisfaction with department services – 84% (vs. 92% in 2018; 87% from 2014-2018)

Factors Affecting Results

In 2019, the agency adopted a new methodology and approach for KPM #10. From a methodical standpoint it may not be appropriate to compare results of 2019 to previous years. Factors to consider when comparing results include:

- Our survey sample was more robust this year due to a more comprehensive approach to gathering contact information from our databases. This year we made a significant shift and our survey list included customers who had engaged with staff on a project, not just customers receiving financial assistance as had been used in the past. The list also more accurately represents customers of all agency divisions.
- Due to broader customer engagement, we had a response increase of 72 percent (122 responses in 2018 vs. 211 in 2019).



Oregon Business Development Department Organizational Information

Director's Office and Operations Division

The Director's Office provides leadership and direction to all Business Oregon divisions and includes government relations and the office of Diversity, Equity and Inclusion (DEI), which leads the agency efforts to create a more welcoming, inclusive, and diverse organization

The Operations Division exists to provide essential services to the programmatic units of the agency. These include Accounting & Budgeting; Communications & Research; Human Resources; Facilities & Fleet; Contracts, Procurement and Rules; Internal Audit; and Information Technology. The primary customers of this program area are agency staff working in all program units, as well as their customers for external functions such as disbursements of loans and grants.

Business, Innovation, and Trade Division

The mission of Business, Innovation, and Trade (BIT) is to promote the creation, retention, expansion, and attraction of businesses that provide diverse living-wage jobs for Oregonians – jobs that generate critical revenues that support state services. Business Oregon achieves this through public-private partnerships, professional technical assistance, and leveraged funding to support Oregon companies, entrepreneurs, and target industries.

BIT is core to the agency meeting its goals and objectives specific to four of Business Oregon's strategic plan priorities: 1) Innovate Oregon's Economy; 2) Grow Small and Middle-Market Companies; 3) Cultivate Rural Economic Stability; and 4) Advance Economic Opportunity for Underrepresented People.

BIT programs promote innovation, entrepreneurship, business growth, and job retention creation by supporting or investing in Oregon entrepreneurs and businesses to enhance their competitiveness. BIT works to create a robust economy that provides prosperity for all Oregonians.

BIT's primary customers are existing Oregon businesses, working with small- and medium-sized companies to keep them operating and growing in Oregon. BIT also works with potential new businesses starting or expanding to Oregon. BIT services include investments in industry innovation and entrepreneurship, professional and technical assistance to Oregon companies, direct investments for job creation, loan guarantees, small business loans, and trade promotion and export assistance

Infrastructure Finance Division

The IFD helps communities maintain and build infrastructure capacity that addresses public health, safety, and compliance issues as well as support communities' ability to attract, retain, and expand businesses. It achieves this mission through implementation of state and federal funding programs that primarily consist of revolving loan programs. With 87% of \$110 million in program funds awarded to rural communities in FY 2018, IFD programs are a primary source for the state's rural communities to access low-cost financing for vital public infrastructure projects.

IFD programs finance infrastructure projects primarily for municipal entities (cities, counties, ports, special districts, and recognized tribes), but also schools, emergency service providers, and private sector companies, with loans or grants from revolved loan funds, federal funds, or special appropriations. As communities and entities identify projects, IFD staff work directly with applicants to develop preliminary proposals before proceeding to complete program applications.

Arts Commission and Cultural Trust

The Arts Division of Business Oregon includes the Oregon Arts Commission (OAC) and the Oregon Cultural Trust (OCT). The mission of the OAC *is to enhance the quality of life for all Oregonians through the arts by stimulating creativity, leadership and economic vitality*. The mission of the Oregon Cultural Trust is to lead Oregon in cultivating, growing and valuing culture as an integral part of communities.

Oregon Arts Commission

The OAC is the statewide arts funding entity making arts programs and opportunities possible for Oregonians by providing statewide funding to arts organizations, individual artists, and arts programs through grants and special initiatives. The OAC also develops statewide policy and provides services to arts organizations, artists, and communities.

The OAC's funding is vital to providing local leverage for organizations to raise support. The OAC's work includes: Operating Support for Arts Organizations; Arts Education; Community Development; Acquisition of Art, Professional Development for Oregon Artists; and management of the state's Public Percent for Art Program

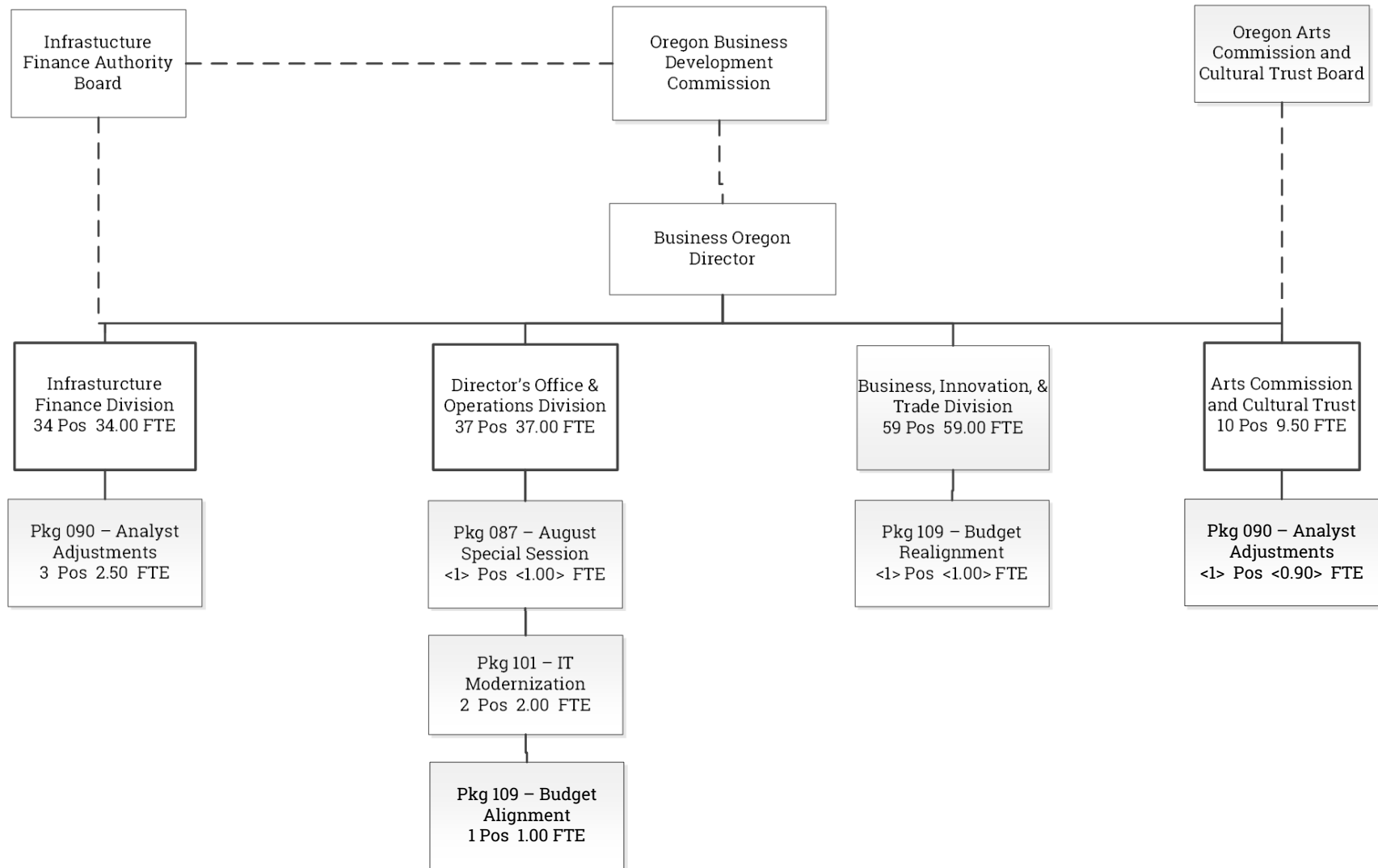
The Oregon Cultural Trust

The OCT raises significant public and private awareness and investment in Oregon's arts, history, heritage, humanities, and preservation. The OCT partners with the OAC, Oregon Historical Society, Oregon Humanities, and the State Historic Preservation Office. Through the Cultural Tax Credit the OCT encourages citizen participation in contributing directly one or more 1,400 approved cultural nonprofit organizations and then making a matching contribution to the OCT.

The OCT manages three main areas for supporting culture: County and Tribal Coalitions; Cultural Development Program; and Cultural Partners.

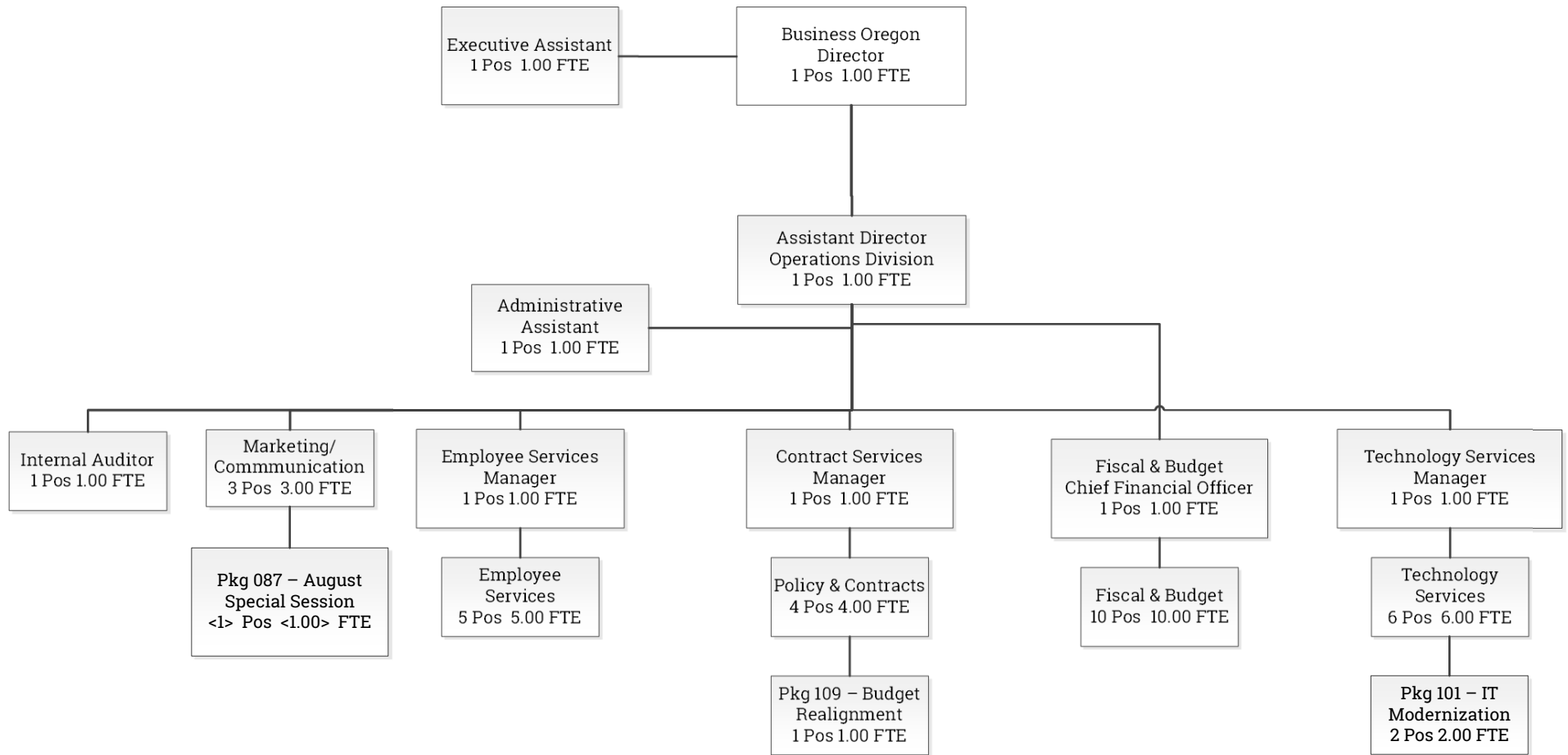
Oregon Business Development Department

Overall Structure
2021-23 Governor's Budget
Total FTE = 142.10



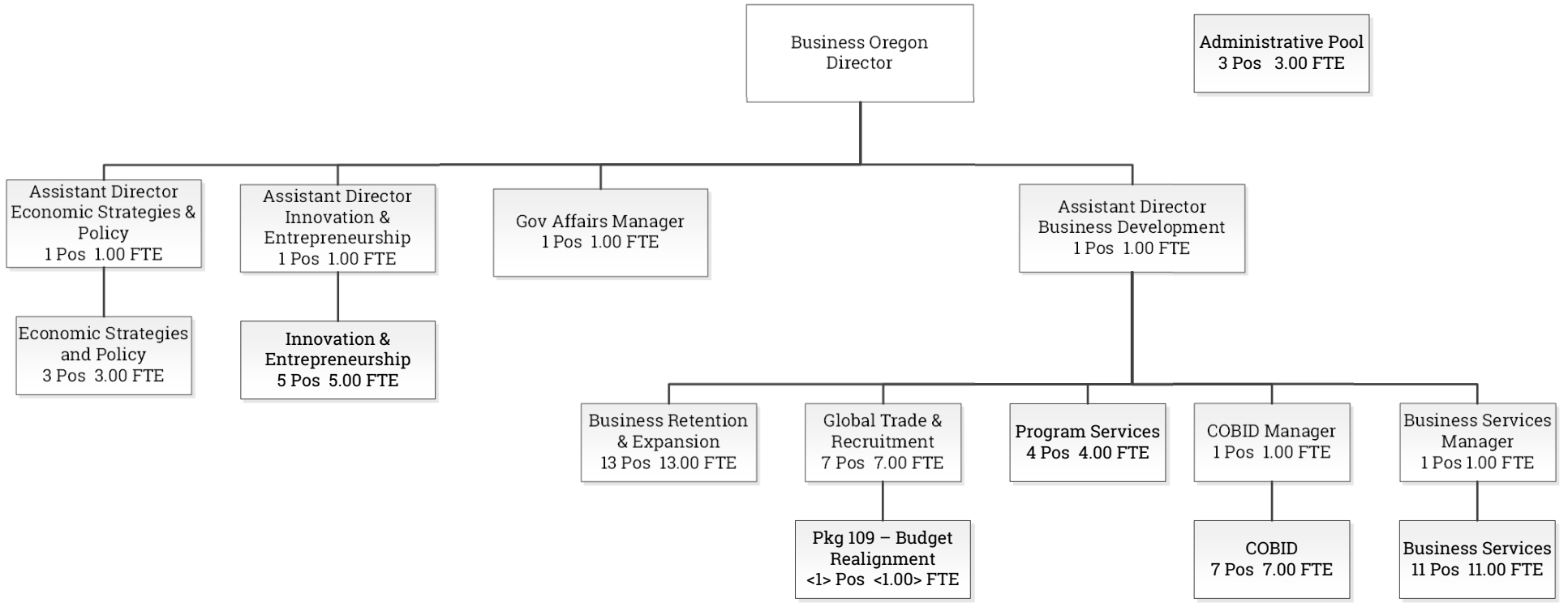
Oregon Business Development Department

Director's Office & Operations Division
2021-23 Governor's Budget
Total FTE = 39.00



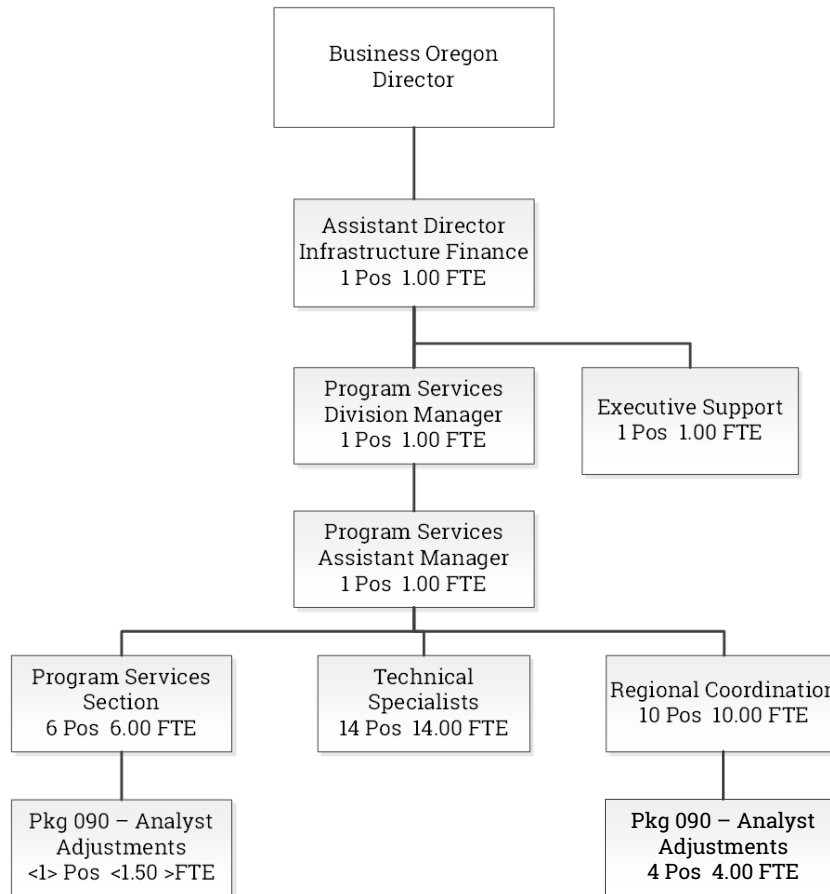
Oregon Business Development Department

Business, Innovation, and Trade Division
2021-23 Governor's Budget
Total FTE = 58.00



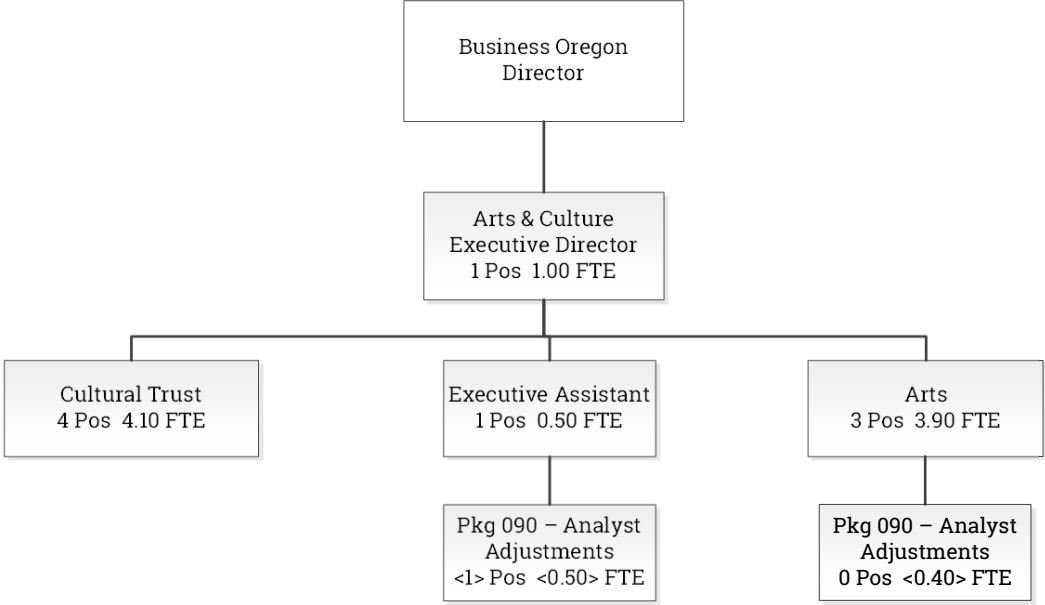
Oregon Business Development Department

Infrastructure Finance Division
2021-23 Governor's Budget
Total FTE = 36.50



Oregon Business Development Department

Arts Commission and Cultural Trust
2021-23 Governor's Budget
Total FTE = 8.60



Oregon Business Development Department Budget Drivers, Risks, Environmental Factors

Budget Drivers and Environmental Factors

COVID-19 has changed the face of Oregon's economy for years to come, with workers working remotely and many out of work altogether, retail and service establishments closing or moving their offerings online, and product and service providers pivoting to accommodate socially distanced customers.

Addressing inequities and systemic barriers to prosperity based on race was a key priority that came out of Business Oregon's five-year strategic plan back in 2018. These inequities are now further highlighted with racial tensions and nightly protests. State agencies need to continue to take a hard look at whom we serve and how we serve them. To compete long-term, the state must confront the current realities of disparate economic outcomes from underrepresented communities, a growing rural-urban divide, and policies that can create challenges for local business and industry to compete globally, or even with neighboring states.

We must focus our limited resources on the strategies that promise to have the greatest return on investment. The limited availability of lottery and other flexible funding sources in the state impacts how Business Oregon accomplishes its mission by requiring the agency to prioritize those programs that best fit our core mission of promoting economic development.

To successfully meet the needs of our dynamic economy within the fiscal constraints presented, implementation of Business Oregon's 5-Year Strategic Plan and its 2021-23 Budget Priorities will necessitate several important shifts from how the agency has approached its work in years past. Going forward the agency is focused on:

- **Elevating state investments in innovation** to grow Oregon's economy; providing the business case and develop the roadmap to significantly expand research and development and technology innovation in Oregon.
- **Prioritizing business development** efforts that scale existing small- and medium-sized companies; targeting our tools and programs toward existing companies best positioned to grow and create quality, accessible jobs.
- **Building local economic development capacity** in distressed rural communities; focusing agency resources to better help rural areas prioritize investments and achieve new economic outcomes.
- **Aligning infrastructure investments** to support long-term economic growth, particularly in rural Oregon; targeting discretionary infrastructure programs towards projects that directly support job creation and business expansion, connect products to growing markets, and meet 21st century community needs such as broadband.

- **Explicitly committing to equitable outcomes** for Black, Indigenous, People of Color communities, and other historically underrepresented people; prioritizing investments that counter systemic barriers to economic opportunity.

All this must be executed with a regional approach. Oregon is a collection of regional economies each with unique strengths, opportunities, and challenges. Business Oregon has acknowledged this by building out regional development teams located in 12 regions across the state. Our 12 regions have representatives familiar with local industries, communities, and civic leaders.

Local and state partners are critical to the success of the agency. The Governor's Regional Solutions program, which includes interagency economic and community development teams throughout the state, is a key partner. Regional Solutions supports locally-generated economic priorities by streamlining government and building partnerships across the public, private, and philanthropic sectors. Business Oregon is an active participant in Regional Solutions. Business Oregon also works closely on program implementation with local and regional economic development organizations.



Oregon Business Development Department Agency History

Over time, OBDD has successfully demonstrated the ability to respond to new challenges, new opportunities and new Economic Development approaches. This page provides an overview of some of the programmatic changes – or in many cases additions - to the agency over the years.

In 2017, OBDD completed a significant strategic planning process to develop a comprehensive 5-year strategic plan for the agency. This has driven our investments over the past several years.

- 1985: Oregon Lottery created to fund economic development
- 1993: Arts Commission added to Agency
- 2003: Cultural Trust added to Agency
- 2005: Oregon Innovation Council launches
- 2009: Infrastructure Finance Authority established
- 2013: Seismic Rehabilitation Program added to Agency from Military
- 2014: Oregon Growth Board added to Agency from Treasury
- 2017: Development of comprehensive 5-Year Strategic Plan
- 2018: Broadband Office established
- 2019: University Innovation Research Fund established
- 2019: Oregon Regional Accelerator Innovation Network (RAIN) eliminated
- 2020: OBDD charged with implementing new programs supporting pandemic response

Oregon Business Development Department Major Programs Historical Spending

The following chart displays historical spending on major program areas.

The OBDD website has detailed information on each program area, recipients, award amounts, etc.

<https://www.oregon4biz.com/About-Us/Investments-Report/>

	Total # Investments	Total \$ Committed	% of Funds Spent on Business Development	% of Funds Spent on Infrastructure	Rural \$	Rural # Investments	% of \$ Rural Investments
FY2020	307	\$117,317,201	24%	76%	\$83,568,341	173	71%
FY2019	402	\$185,503,529	12%	88%	\$143,015,631	230	77%
FY2018	278	\$173,351,429	15%	85%	\$131,662,030	207	76%
FY2017	307	\$241,751,196	6%	94%	\$191,690,996	228	79%
TOTAL	1,294	\$717,923,355	13%	87%	\$549,936,998	838	77%





Oregon Business Development Department Legislation Proposed

The Governor's Budget for Business Oregon includes the following legislative bills:

House Bill 2037 (2021)

Oregon Business Development Fund lending limit increase. OBDF is a revolving loan fund that provides term fixed-rate financing (prime + 1%) for land, buildings, equipment, machinery and permanent working capital. Participants must create or retain jobs and must typically be a traded-sector business in manufacturing, processing or distribution. The program gives preference to projects located in rural and distressed areas and to small businesses with fewer than 100 employees. Lending limits for OBDF have not been revised since program inception in 1983. This measure proposes to increase the statutory loan cap of \$1 million dollars to \$2 million dollars.

House Bill 2038 (2021)

Entrepreneurial Development Loan Fund (EDLF) Lending Limit Increase Sunset Extension. EDLF provides direct loans to help start-ups, micro-enterprises and small businesses expand or become established in Oregon. This fund fills a niche not provided through traditional lending markets. This measure proposes to extend the sunset on EDLF modifications made during the August 2020 Special Session from December 31, 2021 to December 31, 2024. As Oregon continues to recover from the COVID crisis of 2020, small revolving loan programs like EDLF will provide a critical path to recovery and business start-up for those that are unable to access capital through traditional private lending sources such as banks and credit unions.

Senate Bill 43 (2021)

Extend the expiration date for both the Oregon Production Investment Fund ("OPIF") and the Greenlight Oregon Labor Rebate program ("GOLR") for six more years beyond their current expiration date from 12/31/24 to 12/31/30. The OPIF and GOLR are the two incentives Oregon uses to attract and retain film, television, animation, commercial and interactive production. Oregon Film and Video Office would like to extend program sunsets out of cycle because their work often extends a year or two or three into the future as they are dealing with multi-season television projects, long production schedule animated feature films and production studios, both local and out of state, that are looking for stability over a multi-year period.

Oregon Business Development Department Governor's Budget Reductions

The 2021-23 Governor's Budget includes the following reductions:

- Solar Incentive Fund, reduced by \$.5 M
 - Reduces the number of awards that encourage the development of solar energy projects in Oregon
- Oregon Manufacturing and Innovation Center, reduced by \$2.7M
 - Reduces funding available for OMIC, a partnership of private companies, public universities and state, to address manufacturing challenges and provide advanced technical training
- Small Business Development Center, reduced by \$1.8 M
 - Reduces ability to provide business counseling and training services to emerging small businesses
- Strategic Reserve Fund, reduced by \$.6 M
 - Reduces program awards used for a variety of projects affecting economic development
- Industry Competitiveness Fund, reduced by \$.5 M
 - Reduces program awards to increase the local, national and global competitiveness of Oregon businesses and high-value industries
- Infrastructure position, Program Analyst 3, .50 FTE
 - Work will be delayed until 2022-23
- Infrastructure/Industrial Lands position, Operations Policy Analyst 4, 1.0 FTE
 - Work will be absorbed by existing staff
- Arts position, Executive Support Specialist 2, .50 FTE
 - Impacts office coordination tasks, timely reporting, reduces support provided to applicants
- Arts position, Policy Analyst 3, .40 FTE
 - Work will be absorbed by existing staff
- Operations position, Public Affairs Specialist 1, 1.0 FTE
 - Work will be absorbed by existing staff

Oregon Business Development Department (OBDD)

2021 - 2023 Biennium

Detail of Reductions to 2021-23 Current Service Level Budget											
1	2	3	4	5	6	7	12	13.00	14.00	15	16
Priority (ranked most to least preferred)	Agency	SCR or Activity Initials	Program Unit/Activity Description	GF	LF	TOTAL FUNDS	Pos.	FTE	Used in Gov. Budget Yes / No	Impact of Reduction on Services and Outcomes	
Dept	Prgm/ Div	12300									
OBDD	Arts	12300	Reduce S&S	Reduce S&S inflation	(26,218)		\$ (26,218)	-	-	Yes	Reduces S&S funds, limited impact on agency
OBDD	Arts	12300	Reduce Special Payments	Reduce Special Payments inflation	(100,982)		\$ (100,982)	-	-	Yes	Reduces program awards
OBDD	BITD	12300	Solar Incentive Program	Reduce program funds	(257,800)		\$ (257,800)	-	-	Yes	Reduces program awards that encourage the development of solar energy projects in Oregon by providing a cash incentive
							\$ -				
							\$ -				
OBDD	BITD	12300	Solar Incentive Program	Reduce program funds	(268,994)		\$ (268,994)	-	-	Yes	Reduces program awards that encourage the development of solar energy projects in Oregon by providing a cash incentive
OBDD	Arts	12300	Arts & Culture	Reduce .50 FTE - Executive Support Spec 2 (position 1900002)	(76,801)		\$ (76,801)	0.50	0.50	Yes	Impacts office coordination tasks, timely reporting, support to applicants
OBDD	Arts	12300	Arts & Culture	Reduce .15 FTE - % for Arts Policy Analyst 3 (position 1900005)	(44,914)		\$ (44,914)	0.15	0.15	Yes	Work will be absorbed within other staff resources
							\$ -				
							\$ -				
OBDD	BITD	12300	Reduce S&S	Reduce S&S and S&S Inflation		(405,314)	\$ (405,314)			Yes	Reduces S&S funds, limited impact on agency
OBDD	Ops	12300	Reduce S&S	Reduce S&S and S&S Inflation		(188,289)	\$ (188,289)			Yes	Reduces S&S funds, limited impact on agency
OBDD	Infra	12300	Reduce S&S	Reduce S&S and S&S Inflation		(54,469)	\$ (54,469)			Yes	Reduces S&S funds, limited impact on agency
OBDD	BITD	12300	Reduce S&S - Oregon InC	Reduce S&S and S&S Inflation		(137,371)	\$ (137,371)			Yes	Reduces S&S funds, limited impact on agency
OBDD	BITD	12300	Personal services savings	Achieve greater personal services savings		(216,764)	\$ (216,764)			Yes	Achieve personal savings, limited impact on agency
OBDD	Ops	12300	Personal services savings	Achieve greater personal services savings		(157,977)	\$ (157,977)			Yes	Achieve personal savings, limited impact on agency
OBDD	Infra	12300	Personal services savings	Achieve greater personal services savings		(29,860)	\$ (29,860)			Yes	Achieve personal savings, limited impact on agency
OBDD	BITD	12300	Small Business Assistance Program/SBDC	Reduce program funding by 15%		(663,783)	\$ (663,783)	-	-	Yes	Reduces SBDCs ability to provide business counseling and training services to emerging small businesses statewide
OBDD	BITD	12300	Oregon Manufacturing Innovation Center	Reduce program funding by 20%		(1,822,496)	\$ (1,822,496)	-	-	Yes	OMIC brings together industry, higher education and government to development new techniques in manufacturing
OBDD	BITD	12300	Small Business Assistance Program/SBDC	Reduce program funding - total of 42% (including above)		(1,182,419)	\$ (1,182,419)	-	-	Yes	Reduce SBDCs ability to provide business counseling and training services to emerging small businesses statewide
OBDD	BITD	12300	Oregon Manufacturing Innovation Center	Reduce program funding - total 30% (including above)		(911,248)	\$ (911,248)	-	-	Yes	OMIC brings together industry, higher education and government to development new techniques in manufacturing
OBDD	BITD	12300	Industry Competitiveness (ICF)	Reduce program funding - total 15%		(490,000)	\$ (490,000)	-	-	Yes	Reduces program awards to increase the local, national and global competitiveness of Oregon businesses and high-value industries
OBDD	BITD	12300	Strategic Reserve Fund	Reduce program funding - total 6.5%		(606,476)	\$ (606,476)	-	-	Yes	Reduces program awards used for a variety of projects affecting economic development
OBDD	BITD	12300	Eliminate vacant Program Analyst 4	Eliminate vacant Program Analyst 4 (position 3006015)		(313,731)	\$ (313,731)	1.00	1.00	No	Work will be absorbed within other staff resources
					(775,709)	(7,180,197)	(7,955,906)	1.65	1.65		

**Oregon Business Development Department
Long Term Vacancy List**

Division	Title	Position #	FTE	Type	Vacant Months 7-11	Vacant Months 12+
Business, Innovation, Trade	Small Business Officer (Program Analyst 4)	3006000	1	Full time	1	
Business, Innovation, Trade	Operations & Policy Analyst 4	3017047	1	Full time	1	
Operations	Office Specialist 2	0010312	1	Full time	1	
Arts & Cultural Trust	Program Analyst 3	1900005	1	Full time	1	
Operations	Information Systems Specialist 4	0070108	1	Full time	1	
Operations	Public Affairs Specialist 3	0010305	1	Full time		1
Operations	Accounting Technician 3	3001008	1	Full time		1
Infrastructure	Principal Executive Manager E	3017051	1	Full time		1
Infrastructure	Operations & Policy Analyst 4	3017052	1	Full time		1
Infrastructure	Operations & Policy Analyst 4	3017053	1	Full time		1
Infrastructure	Procurement & Contract Specialist 3	3017060	1	Full time		1
Operations	Administrative Specialist 1	0010207	1	Full time		1
TOTAL			12		5	7

**Oregon Business Development Department
Coronavirus Relief Fund Issues
Impact on 2021-23 Governor's Budget**



During 2019-21, OBDD received Federal Coronavirus Relief Funds and General Funds to implement many programs to assist in responding to the pandemic:

Federal Coronavirus Relief Funds

- \$43.1M for emergency grants for small business
- \$5M for technical assistance for underrepresented businesses
- \$34.8M for rural hospitals impacted by COVID-19
- \$20M for broadband development (\$1.1M passed through to ODE)
- \$26M for cultural support
- \$14M for masks and gloves for small businesses
- \$9.2M for commercial rent relief program

General Funds

- \$93.8M for commercial rent relief program

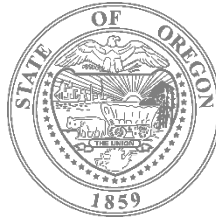
Federal Economic Development Agency Funds

- Creation of a COVID economic recovery strategic plan

It is expected these funds will be expended before June 30, 2021. As a result, there are no funds included in the 2021-23 Governor's Budget specifically for pandemic response. The Governor's Budget includes \$100M for additional broadband development projects; the need for expanded and reliable broadband has been highlighted by the pandemic.

Bev Clarno
Secretary of State

Jeff Morgan
Interim Deputy Secretary of State



Kip R. Memmott, MA, CGAP, CRMA
Director

255 Capitol St. NE, Suite 500
Salem, OR 97310

(503) 986-2255

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Honorable Kate Brown, Governor of Oregon
Chris Cummings, Interim Director, Oregon Business Development Department
Infrastructure Finance Authority Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of the Special Public Works Fund and the Water Fund, enterprise funds of the State of Oregon, Business Development Department (Department), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated March 11, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) for the above statements to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements as described are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Office of the Secretary of State, Audits Division

State of Oregon
March 11, 2020

Office of the Secretary of State

Bev Clarno
Secretary of State

A. Richard Vial
Deputy Secretary of State



Audits Division

Kip R. Memmott, MA, CGAP, CRMA
Director

255 Capitol St. NE, Suite 500
Salem, OR 97310

503-986-2255

December 31, 2019

Chris Harder, Director
Oregon Business Development Department
775 Summer St NE, Suite 200
Salem, OR 97301-1280

Dear Mr. Harder:

We have completed audit work of selected financial accounts at your department for the year ended June 30, 2019. This audit work was not a comprehensive financial audit of the department, but was performed as part of our annual audit of the State of Oregon's financial statements. We audited accounts that we determined to be material to the State of Oregon's financial statements.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements of the State of Oregon as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, we considered the department's internal control over financial reporting as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements of the State of Oregon, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control. Accordingly, we do not express an opinion on the effectiveness of the department's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses and therefore, material weaknesses may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a material weakness.

Prior Year Finding

In the prior fiscal year, we reported a material weakness related to the department's accounting for the investments in the Oregon Growth Account in a letter dated February 12, 2019. This finding can also be found in the Statewide Single Audit Report for the fiscal year ended June 30, 2018, see

Secretary of State audit report number 2019-14, finding number 2018-006. During fiscal year 2019, the department made progress towards establishing policies and procedures, but some of the agency's planned corrections were not completed as of the end of the fiscal year. This finding will be reported in the Statewide Single Audit Report for the fiscal year ended June 30, 2019, with a status of Partial Corrective Action Taken.

The purpose of this letter is solely to describe the scope of our testing of internal control and the result of that testing, and not to provide an opinion on the effectiveness of the department's internal control. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the department's internal control. Accordingly, this letter is not suitable for any other purpose.

We appreciate your staff's assistance and cooperation during this audit. Should you have any questions, please contact Kelly Olson, Audit Manager or Geoff Hill, Principal Auditor at (503) 986-2255.

Sincerely,

Office of the Secretary of State, Audits Division

cc: Brenda Bateman, Assistant Director, Operations and Finance Division
Jenny Wilfong, Chief Financial Officer
Andrea Klaas, Chair, Infrastructure Finance Authority Board
Sayer Jones, Co-Chair, Oregon Growth Board
Sabrina Parsons, Co-Chair, Oregon Growth Board
Katy Coba, Director, Department of Administrative Services

Office of the Secretary of State

Bev Clarno
Secretary of State

Jeff Morgan
Interim Deputy Secretary of State



Audits Division

Kip R. Memmott, MA, CGAP, CRMA
Director

255 Capitol St. NE, Suite 500
Salem, OR 97310

503-986-2255

**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE
For the Oregon Business Development Department**

To Business Development Commission, Oregon Growth Board and Department Management

We have performed audit work of selected accounts at the Oregon Business Development Department (department) as of and for the year ended June 30, 2020. This audit work was not a comprehensive financial audit of the department but was performed as part of our annual audit of the State of Oregon's financial statements. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under Auditing Standards
Generally Accepted in the United States of America**

As stated in our engagement letter dated May 21, 2020, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements prepared by management are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States. Our audit of the State of Oregon's financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits in *Government Auditing Standards*, and to design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control over financial reporting. Accordingly, we considered internal control solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated via our engagement letter and discussion with management during our audit.

Significant Findings or Issues or Other Findings

We did not identify any significant findings as a result of our audit. In addition, no other findings or issues came to our attention that are significant and relevant to those charged with governance regarding their responsibility to oversee the financial reporting process.

Qualitative Aspects of Accounting Practices

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. No new accounting policies were adopted and there were no changes in the application of existing policies during the fiscal year. We noted no transactions entered into by the department during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements/records in a different period than when the transaction occurred.

Significant Accounting Estimates

Accounting estimates are an integral part of the information prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The allowance for doubtful accounts associated with loans receivable is an estimate; however, it was not subject to our audit procedures in the current year. The investment of the Oregon Growth Account consists of alternative investments that are considered to be illiquid, high risk, and do not have a readily determinable value.

Financial Statement Disclosures

The disclosures prepared by management and provided to SARS for inclusion in the State of Oregon CAFR are consistent, clear and understandable.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all factual, projected, and judgmental misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The table below summarizes the misstatements identified during the audit.

<u>Educational Support Fund (GAAP Fund 1105)</u>	
<u>Account</u>	<u>Amount</u>
Investments	\$5,205,495.97
Income from Investments	\$5,205,495.97

The misstatement represents the fair value of a stock distribution received by the Oregon Growth Account but not liquidated by the department as of June 30, 2020.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We will request management provide us certain written representations.

Management Consultation with Other Independent Auditors

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. To our knowledge, there were no such consultations with other accountants.

This communication is intended solely for the information and use of Business Development Commission, the Oregon Growth Board and management of the department and is not intended to be and should not be used by anyone other than these specified parties.

Office of the Secretary of State, Audits Division

STATE OF OREGON



March 11, 2020

Kip R. Memmott, Director
Secretary of State, Audits Division
255 Capitol Street N.E., Suite 500
Salem, Oregon 97310

Dear Mr. Memmott:

This representation letter is provided in connection with your audit of the financial statements of the Special Public Works Fund and Water Fund of the Oregon Business Development Department, which comprise the statement of net position as of June 30, 2019, and the related statement of revenue, expenses, and changes in fund net position, and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

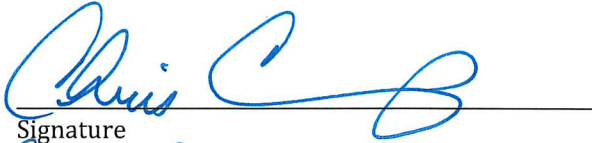
Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves, as of March 11, 2020:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 13, 2019, for the preparation and fair presentation of the financial statements accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal controls to prevent and detect fraud.
4. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
5. We have disclosed to you the identity of the department's related parties and all related party relationships and transactions of which we are aware.
6. No events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the financial statements.


7. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
8. We have provided you with:
 - (a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - (b) Additional information that you have requested from us for the purpose of the audit.
 - (c) Unrestricted access to persons within the entity whom you determined it necessary to obtain evidence.
9. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
10. We have no knowledge of any fraud or suspected fraud that affects the agency and involves:
 - (a) Management;
 - (b) Employees who have significant roles in internal control; or
 - (c) Others when the fraud could have a material effect on the financial statements.
11. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the agency's financial statements communicated by employees, former employees, analysts, regulators, or others.
12. There are no violations or possible violations of laws and regulations, provisions of contracts and grant agreements, debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
13. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, or other financial data significant to the audit objectives.
14. Arrangements with financial institutions involving repurchase, reverse repurchase, or securities lending agreements, compensating balances, or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements, have been properly recorded or disclosed in the financial statements.
15. Risk disclosures associated with deposits and investment securities and derivative transactions are presented in accordance with GASB requirements.
16. Provisions for uncollectible receivables have been properly identified and recorded.
17. The department has satisfactory title to all owned assets, and there are no unrecorded liens or encumbrances on such assets nor has any asset been pledged as collateral.

- 18. The department has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 19. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 20. Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified.



Signature

Chris Cummings, Interim Director
Print Name and Title of Director



Signature

Jenny Wilfong, CFO
Print Name and Title of Chief Financial Officer

December 20, 2019

Kip R. Memmott, Director
Secretary of State, Audits Division
255 Capitol Street N.E., Suite 500
Salem, Oregon 97310

Dear Mr. Memmott:

This representation letter is provided in connection with your audit of the State of Oregon's financial statements as of and for the year ended June 30, 2019 and the related notes to the financial statements. The Oregon Business Development Department (department) submits financial information to the Department of Administrative Services for the preparation of the State of Oregon's financial statements and related notes. The audit is being conducted for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position as of June 30 2019, the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves, as of December 19, 2019:


1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 5, 2019, for the preparation and fair presentation of the financial statements accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal controls to prevent and detect fraud.
4. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
5. We have disclosed to you the identity of the department's related parties and all related party relationships and transactions of which we are aware.
6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

7. The effects of uncorrected financial statement misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is below.

Account Title	Amount	Type of Misstatement	Effect of the Uncorrected Misstatement (over/under)
Investments	\$1,633,446	Factual	Understated
Investment Income	1,633,446	Factual	Understated

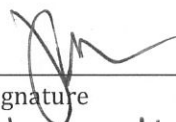
8. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
9. We have provided you with:
- (a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - (b) Additional information that you have requested from us for the purpose of the audit.
 - (c) Unrestricted access to persons within the entity whom you determined it necessary to obtain evidence.
10. All transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
11. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
12. We have no knowledge of any fraud or suspected fraud that affects the agency and involves:
- (a) Management;
 - (b) Employees who have significant roles in internal control; or
 - (c) Others when the fraud could have a material effect on the financial statements.
13. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the agency's financial statements communicated by employees, former employees, analysts, regulators, or others.
14. There are no violations or possible violations of laws and regulations, provisions of contracts and grant agreements, debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
15. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, or other financial data significant to the audit objectives.

16. We agree with the findings of specialists in evaluating the fair value of investments in the Oregon Growth Account and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
17. Arrangements with financial institutions involving repurchase, reverse repurchase, or securities lending agreements, compensating balances, or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements, have been properly recorded or disclosed in the financial statements.
18. Risk disclosures associated with deposits and investment securities and derivative transactions are presented in accordance with GASB requirements.
19. For investments that do not have a readily determinable market value, the methods and significant assumptions used result in an appropriate fair value measurement and the methods and assumptions have been properly disclosed.
20. Provisions for uncollectible receivables have been properly identified and recorded.
21. The department has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
22. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
23. Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable and restricted, committed, assigned and unassigned) are properly classified.



Signature
Chris Harder, Director

Print Name and Title of Chief Executive Officer



Signature
Jenny Wilfong, CFO

Print Name and Title of Chief Financial Officer



PROPOSED SUPERVISORY SPAN OF CONTROL REPORT

In accordance with the requirements of ORS 291.227, Oregon Business Development Department (OBDD) presents this report to the Joint Ways and Means Committee regarding the agency's Proposed Maximum Supervisory Ratio for the 2021-23 biennium.

Supervisory Ratio for the sixth quarter of 2019-21 biennium

The agency actual supervisory ratio as of December 31, 2020 is 1:10

The Agency actual supervisory ratio is calculated using the following calculation;

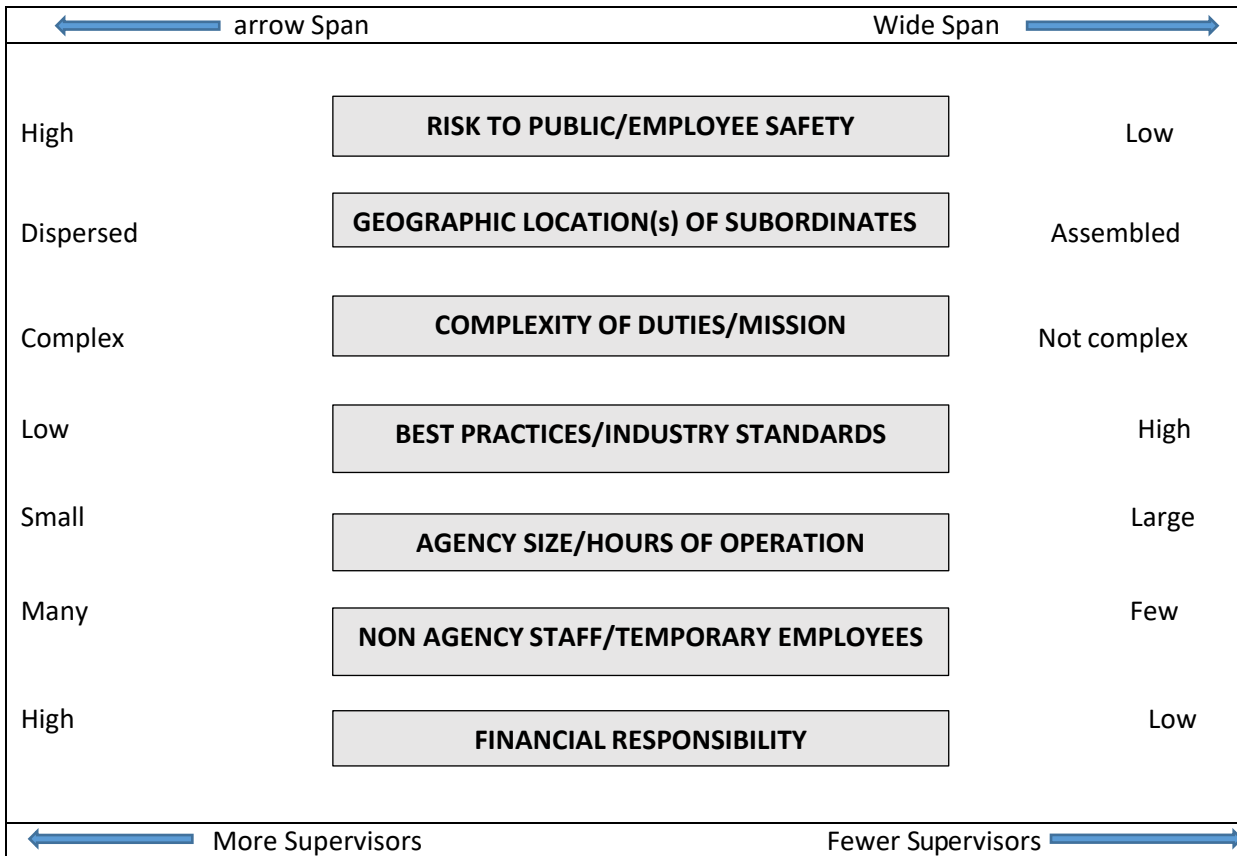
$$\frac{14}{\text{(Total supervisors)}} = \frac{14}{\text{(Employee in a supervisory role)}} + \frac{1}{\text{(Vacancies that if filled would perform a supervisory role)}} - \frac{1}{\text{(Agency head)}}$$

$$\frac{137}{\text{(Total non-supervisors)}} = \frac{106}{\text{(Employee in a non-supervisory role)}} + \frac{31}{\text{(Vacancies that if filled would perform a non-supervisory role)}}$$

The agency has a current actual supervisory ratio of-

$$1: \frac{9.79}{\text{(Actual span of control)}} = \frac{137}{\text{(Total non - Supervisors)}} / \frac{14}{\text{(Total Supervisors)}}$$

When determining an agency maximum supervisory ratio all agencies shall begin of a baseline supervisory ratio of 1:11, and based upon some or all of the following factors may adjust the ratio up or down to fit the needs of the agency.



Ratio Adjustment Factors

1. Is safety of the public or of State employees a factor to be considered in determining the agency maximum supervisory ratio? No.

2. Is geographical location of the agency's employees a factor to be considered in determining the agency maximum supervisory ratio? Yes.

Business Oregon provides economic development services across the state. Rural and urban communities often need different approaches and solutions to best serve their needs. Due to this factor, Business Oregon has three main offices (Salem, Portland, and Pendleton) and has an additional eleven regional offices throughout the state. Additionally, we have an office in Japan to conduct international trade business and recruitment missions. Since the location is spread out, we have the need to create separate supervisory positions for our regional and international employees.

3. Is the complexity of the agency's duties a factor to be considered in determining the agency maximum supervisory ratio? Yes

In evaluating the factors, we have determined two of them impact the necessary and appropriate ratio of supervisory to non-supervisory staff at OBDD. These are complexity of the duties/mission and financial responsibility. The diverse programming in the Oregon Business Development Department requires some unique circumstances.

The Certification Office of Business Inclusion & Diversity (COBID) has seven employees with one supervisory position to total 8.00 FTE. This is a separate program area, which requires their own specialized classification of employee as well as supervisor for those employees.

The Arts and Cultural program unit of the Department has a total of ten positions, which includes an Executive Director and 9.5 FTE. The duties/mission of the two programs are distinct and require their own supervisor.

Another example is the Diversity, Equity & Inclusion Manager position, currently the incumbent is on a PEM G position classified as supervisory; however, they do not actually supervise employees, does not perform the original duties of the original PEM G position, and is filling the position in an under fill.

4. Are there industry best practices and standards that should be a factor when determining the agency maximum supervisory ratio? No

5. Is size and hours of operation of the agency a factor to be considered in determining the agency maximum supervisory ratio? No

6. Are there unique personnel needs of the agency, including the agency's use of volunteers or seasonal or temporary employees, or exercise of supervisory authority by agency supervisory employees over personnel who are not agency employees a factor to be considered in determining the agency maximum supervisory ratio? No

7. Is the financial scope and responsibility of the agency a factor to be considered in determining the agency maximum supervisory ratio? Yes

OBDD has a large variety of programming including lottery bonding programs, loan programs, business incentive programs, seismic rehabilitation grant program, Arts and Cultural Trust, a large portfolio of infrastructure loan/grant programs, totaling over \$1 billion dollars. Each of the programs require specific expertise creating the need for supervisors with similar expertise. There are many complex financial constraints and reporting to adhere to which requires an Accounting Manager to focus on the daily operations of the Accounting and Payroll functions of the agency.

As well the Chief Financial Officer must be focused on not only the overall financial health of the agency but also making accounting, payroll, budget and other political and management decisions. Within the Operations division in the fiscal and budget unit there are six accounting FTE for the Accounting Manager to manage. As well within the entire fiscal and budget unit there are twelve staff total including the administrative position for the CFO to manage which includes the Accounting Manager. The complexities of the financial mechanics of the agency require this structure.

Within the Employee Services area of Operations there are six positions including the Human Resources Manager. This manager supervises five other positions, but because there is a requirement to have an HR Manager to support the entire agency this also has an effect on the supervisory ratio.

Based upon the described factors above the agency proposes a Maximum Supervisory Ratio of 1: 8.

Unions Requiring Notification N/A

Date unions notified N/A

Submitted by: Chris Cummings

Date: August 14, 2020

Signature Line 

Date 2/11/2021

Signature Line _____

Date _____

Signature Line _____

Date _____

Signature Line _____

Date _____



Oregon Business Development Department Major Information Technology Projects/Initiatives

The mission of Business Oregon is to invest in Oregon's businesses, communities, and people to promote a globally competitive, diverse, and inclusive economy. The Agency Strategic Plan (2018-22) and accompanying IT Strategic Plan (2019-23) outlines a course of action and priorities for agency investments in technology modernization projects. These individual technology modernization projects will be part of an overall technology modernization program that will ensure the agency is equipped to achieve those priority goals as well as support the Governor's core values of a thriving statewide economy, creating jobs, and delivering efficient and effective government services. In addition, this technology modernization program aligns with the Governor's Modernizing State Information Technology Systems and Oversight Plan specifically by focusing on optimizing service delivery to the public and internally by modernizing agency business processes. The goals of the technology modernization program are to:

- **Improve service delivery through enhanced customer experience.** Deliver online customer dashboards and self-service online applications, access to data, and improve business process and workflow automation and integration. Strive to meet or exceed Oregon's Accessibility Standards.
- **Modernize and standardize technology.** Replace the agency's aging loan, grant, bond, and tax-incentive portfolio management system and subsequently transform how the agency delivers its economic development programs from paper forms to a modern online system using a lifecycle lens. Take advantage of modern and modular technology platforms and approaches in standardization of software code and integration to enable our systems to interact more fully without proprietary software restrictions. Interconnect our digital infrastructure to maximize performance and flexibility to adapt to changing program needs and the addition of new programs through planning, designing, deploying, and supporting while engaging our organization and stakeholders along the way.
- **Transform business processes.** Leverage modern system capabilities and software investments the agency has already made along with in-house development to integrate systems and provide improvements and efficiencies in business workflows.
- **Leverage data as a strategic asset and create a culture of data stewardship.** Adopt and embed Oregon's data practices and principles throughout our business processes and information systems. Create and implement an enterprise data architecture that will allow separate systems the ability to share data across the agency.
- **Improve security.** Improve our ability to anticipate and respond to security threats, and manage risks.

Postponing the modernization effort and continuing to use out-of-date information technology systems and manual processes increase the severity of, and exposure to, risks that affect the agency's ability to deliver key services to customers. Failing to act will prevent Oregon's communities, business, and economies from receiving information and resources needed for economic development needs.

There will be multiple related projects needed to support the technology modernization program, and the agency's IT Strategic Plan includes recommendations and a roadmap focused on a pathway for innovation and deployment of information technologies. The agency is fundamentally improving the way we do business, using clear implementation plans focusing on process improvements and change management supported by proven systems and methodologies.

The first project of the technology modernization program is the Economic Development Management System (EDMS). This project will create an online internal-facing system for employees to manage and administer economic development resources such as loans, grants, bonds, and tax-incentives.

The second project of the program is to create an online, external, public-facing system for a customer dashboard and online application process for customers to apply for and manage economic development resources and awards.

Through the implementation of these projects, several other exploratory and planning efforts would begin. As we analyze business requirements, current business processes, more detailed process mapping, and gap analyses, we would identify and prioritize specific projects and solutions to better define the future program scope, phases of implementation and timeline. By the end of FY21-23, efforts would be in place to have a roadmap outlining all the projects and the planned order that would be undertaken to further develop the work under the technology modernization program. Each project will be governed by the Business Oregon IT Governance Committee with its own business requirements gathering, design, and procurements, if applicable. Each project will be reviewed and approved by EIS, as well. The agency will adhere to governance processes and oversight requirements that support accountability in how the program is managed and executed.

Funding for the EDMS project was approved by the Legislature in 2019 and development of the system is expected to be completed by June 30, 2021. The agency requested and received a Policy Option Package for FY 2019-2021 to perform project management, system analysis, design, and in-house development work to replace the agency's aging loan and grant management system, Portfol, with an online, internal-facing system built on a modern platform to manage and administer economic development resource programs.

Funding for the second project to create an online, external, public-facing customer dashboard and online application process will be requested during the 2021 legislative session through a Policy Option Package. This Policy Option Package seeks to fund an Information Systems Specialist 8 position to perform in-house project and change management activities, and an Information Systems Specialist 7 position to perform in-house system analysis, design, development, and systems integration. These positions will be used for on-going project and operational work to meet the agency's technology modernization program goals.

Program Prioritization for 2021-23

Agency Name: Oregon Business Development Department (Business Oregon)																				Agency Number: 12300	
2021-23 Biennium																				Agency Number: 12300	
Agency-Wide																				Agency Number: 12300	
Program/Division Priorities for 2021-23 Biennium																					
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
Priority (ranked with highest priority first)	Agency Initials	Program or Activity Initials	Program Unit/Activity Description	Identify Key Performance Measure(s)	Primary Purpose Program-Activity Code	GF	LF	OF	NL-OF	FF	NL-FF	TOTAL FUNDS	Pos.	FTE	New or Enhanced Program (Y/N)	Included as Reduction Option (Y/N)	Legal Req. Code (C, D, FM, FO, S)	Legal Citation	Explain What is Mandatory (for C, FM, and FO Only)	Comments on Proposed Changes to CSL included in Agency Request	
Agency	Prog/Div																				
1	1	OBDD	BITD, IFA	Operations costs	1, 2, 3, 4, 5, 6, 7, 8	6	360,615	15,250,786	16,638,150			2,702,635		\$ 34,952,186	84	84.00	N	Y	S		POP 108 - \$300,000 lottery funds for global trade representation in Canada & POP 109 - Budget Realignment moves position throughout agency.
2	2	OBDD	IF Program	Infrastructure Financing Programs	7, 8, 9	2		0	79,090,765	312,741,929	31,657,598		\$ 423,490,292			N	Y	S		POP 107 - \$50,648,200 of lottery bonding request for infrastructure programming & POP 110 - Regional Infrastructure requests \$40,580,221 in Lottery Bonding & POP 112 2019-21 Authorized Lottery Bonds request \$102,675,203	
3	2	OBDD	SRF	Strategic Reserve Fund	1, 2, 3, 5	6		12,937,158	2,244,783				\$ 15,181,941			N	N	S			
4	3	OBDD	ICF	Industry Competitiveness Fund	4	6		3,078,841					\$ 3,078,841			N	Y	S			
5	4	OBDD	BFS	Business Finance Programs	1, 2, 3, 5, 10	6		1,255,017	12,976,785	5,263,391			\$ 19,495,193			N	Y	S			
6	5	OBDD	Oregon Inc	Oregon Innovation Council	N/A	6		26,991,750					\$ 26,991,750			Y	N	S			POP 102 - the Innovation package adds \$9m of lottery funding request to this area of the budget
7	6	OBDD	OGF	Oregon Growth Fund (OGF)	5	6		906,255	312,900				\$ 1,219,155			N	N	S			
8	8	OBDD	COBID	Certification Office of Business Inclusion & Diversity	10	6		2,656,457					\$ 2,656,457	8	8.00	N	N	S			
9	9	OBDD	Sm Bus	Small Business Assistance Programs	5	6		5,105,021					\$ 5,105,021			N	Y	S			
10	10	OBDD	OMI	Oregon Metals Initiative (OMI)	N/A	6		11,027,965	475,000				\$ 11,502,965			N	Y	S			
11	1	OBDD	OAC	Arts Commission	10	11	4,089,492		7,218,151		2,119,144		\$ 13,426,787	6	5.40	N	Y	S			POP 104 - % for Art request for \$400,000 other funds & POP 112 - 2019-21 Authorized Lottery Bonds request \$3,078,196
12	2	OBDD	OCT	Cultural Trust	10	11			7,460,779				\$ 7,460,779	4	4.10	N	Y	S			
13	1	OBDD	F&V	Film & Video Office	N/A	11		1,307,330					\$ 1,307,330			N	N	S			
14	3	OBDD	IF Program	Seismic	7, 8, 9	2		120,885	599,496,420				\$ 599,617,305			N	Y	S			POP 106 - request \$151,555,000 General Obligation Bonding for Seismic Rehab Grant Program
15	4	OBDD	IF Program	Brownfields	8	6			216,471	17,693,625	3,063,401		\$ 20,973,497			N	Y	S			POP 105 - \$10,180,480 lottery bonding request for Brownfields & POP - 112 2019-21 Authorized Lottery Bonds requests \$5,035,991
16	5	OBDD	IF Program	Industrial Lands	6	6			242,719				\$ 242,719			N	N	S			
17	11	OBDD	Solar	Solar Incentivization	N/A	6	3,244,128						\$ 3,244,128			N	Y	S			
18	12	OBDD	Unallocated	Unallocated/Miscellaneous Business, Innovation & Trade Program Funds	N/A	6		1,021,839	5,835,332				\$ 6,857,171			N	Y	S			POP 111 - Technical Assistance for Underrepresented Businesses \$1m lottery funds
19	13	OBDD	UIRF	University Innovation Research Fund (UIRF)	5	6			5,500,000				\$ 5,500,000			N	N				
1	2	OBDD	Operations	Operations costs	N/A	6		9,888,499	3,312,509		250,176		\$ 13,451,184	40	40.00	N	Y				POP 101 - IT Modernization requests \$468,309 in lottery funds and 2.0 FTE & POP 109 - Budget Realignment moves position throughout agency
20	14	OBDD	IF DS	Infrastructure Financing Debt Service	7, 8, 9	2			8,897,360	37,131,696			\$ 46,029,056			N	N	D			
21	15	OBDD	LB DS	Lottery Bond Debt Service - Bonds primarily issued for infrastructure programs	7, 8, 9	2		76,174,030					\$ 76,174,030			N	N	D			POP 105 - \$883,217 lottery bond debt service request for Brownfields POP 107 - \$4,372,879 lottery bond debt service IFA programs POP 110 - \$3,505,525 lottery bond debt service Regional Infrastructure POP - 112 2019-21 Authorized Lottery Bonds requests \$5,035,991 & POP 112 - \$8,505,929 for 19-21 Authorized lottery bond debt service
22	16	OBDD	GOB DS	General Obligation Bond Debt Service - Bonds primarily issued for Seismic Rehabilitation Program	7, 8, 9	2	82,486,421						\$ 82,486,421			N	N	D			POP 106 - request \$11,912,521 General Obligation Bond Debt Service for Seismic Rehab Grant Program
23	17	OBDD	ROI	Rural Entrepreneurship Capacity	1, 3, 5	6		2,000,000					\$ 2,000,000			N	N				POP 103 - ROI requesting \$2m lottery funds

Program Prioritization for 2021-23

Agency Name: Oregon Business Development Department (Business Oregon)																					
2021-23 Biennium																			Agency Number: 12300		
<i>Agency-Wide</i>																					
Program/Division Priorities for 2021-23 Biennium																					
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
Priority (ranked with highest priority first)	Agency Initials	Program or Activity Initials	Program Unit/Activity Description	Identify Key Performance Measure(s)	Primary Purpose Program-Activity Code	GF	LF	OF	NL-OF	FF	NL-FF	TOTAL FUNDS	Pos.	FTE	New or Enhanced Program (Y/N)	Included as Reduction Option (Y/N)	Legal Req. Code (C, D, FM, FO, S)	Legal Citation	Explain What is Mandatory (for C, FM, and FO Only)	Comments on Proposed Changes to CSL included in Agency Request	
Agency	Prog/Div											\$									
						90,180,656	165,810,359	740,852,813	380,544,035	45,056,345	-	1,422,444,208	142	141.50							

6. Performance Measures

- 1 # jobs created
- 2 # jobs retained
- 3 Income tax generated
- 4 New export sales
- 5 Survivability of small businesses
- 6 # of individual lands sites certified
- 7 # of capital planning projects awarded
- 8 # of capital construction projects for public health & safety
- 9 # of capital construction projects for economic/community development
- 10 Customer Service

7. Primary Purpose Program/Activity Exists

- 1 Civil Justice
- 2 Community Development
- 3 Consumer Protection
- 4 Administrative Function
- 5 Criminal Justice
- 6 Economic Development
- 7 Education & Skill Development
- 8 Emergency Services
- 9 Environmental Protection
- 10 Public Health
- 11 Recreation, Heritage, or Cultural
- 12 Social Support

19. Legal Requirement Code

- C Constitutional
- D Debt Service
- FM Federal - Mandatory
- FO Federal - Optional (once you choose to participate, certain requirements exist)
- S Statutory

Within each Program/Division area, prioritize each Budget Program Unit (Activities) by detail budget level in ORBITS

Document criteria used to prioritize activities:

The agency executive team determined that retaining agency staff necessary to administer programs in support of the agency mission is our first priority. The remainder of agency programs were prioritized based on return of investment (# of jobs retained/created, personal income tax revenue to the General Fund, and leveraged funding opportunities).

UPDATED OTHER FUNDS ENDING BALANCES FOR THE 2019-21 & 2021-23 BIENNIA

Agency: 12300 Oregon Business Development Department (Business Oregon)
Contact Person (Name & Phone #): Renee Frazier 503-385-6839

(a) Other Fund Type	(b) Program Area (SCR)	(c) Treasury Fund #/Name	(d) Category/Description	(e) Constitutional and/or Statutory reference	(f) 2019-21 Ending Balance		(g) 2021-23 Ending Balance		(i) Comments
					In LAB	Revised	In CSL	Revised	
Limited	110-00-00-00000	0401/0927 Misc. Receipts	Operations	ORS 285A.200	959,840	959,840	434,985	510,983	
Limited	210-00-00-00000	0927 Business, Innovation & Trade Fund/Miscellaneous Receipts	Operations	ORS 285A.227	51,680	51,680	648,540	921,526	
Limited	210-00-00-00000	0927 Industrial Development Bond Program	Operations	ORS 285B.236	-	-	-	-	
Limited	210-00-00-00000	0927 New Market Tax Credit Program	Operations	ORS 285C.650	-	-	-	-	
Limited	210-00-00-00000	0927 Office of Minority, Women and Emerging Small Business	Operations	ORS 200.055	579,564	579,564	147,423	252,119	
Limited	210-00-00-00000	Business, Innovation & Trade Fund Miscellaneous Receipts	Grants/Loans		230,169	230,169	230,169	230,169	
Limited	210-00-00-00000	0541 Capital Access Fund	Loan Program	ORS 285B.119	22,721	22,721	22,721	22,721	
Limited	210-00-00-00000	Eastern Oregon Boarder Economic Development Board	Grants/Loans		-	-	-	-	
Limited	210-00-00-00000	Oregon Growth Fund	Loan Program		228,823	228,823	228,823	228,823	
Limited	210-00-00-00000	0921 Strategic Reserve Fund	Grant Fund/Loan Program	ORS 285B.266	-	1,500,000	-	-	19-21 estimate - March 2020 E-Board. GF appropriation xfr'd to OF, but no OF expenditure limitation. However, bottom-line ties to ORBITS for Approved Ending Balance.
Limited	210-00-00-00000	0412 Business Retention	Grant Fund	ORS 285A.200	64,674	64,674	64,674	70,241	
Limited	210-00-00-00000	1254 Industry Competitiveness Fund	Grant Fund	ORS 285B.290	-	-	-	-	
Limited	210-00-00-00000	Oregon Metals Initiative (OMI)	Grant Fund		-	-	-	-	
Limited	210-00-00-00000	Oregon Metals Initiative (OMIC)	Grant		-	-	-	-	
Limited	300-00-00-00000	0433/0655/0473 Special Public Works Fund (SPWF) Water/Wastewater Fund (WF) Oregon Port Revolving Loan Fund Administration	Operations	ORS 285A.096	36,924	1,836,924	-	2,502	19-21 estimate - \$1.8M from March 2020 E-Board. GF appropriation xfr'd to OF, but no OF expenditure limitation. However, bottom-line ties to ORBITS for Approved Ending Balance. Placed in this line-item tho' oddly, SPWF non-admin doesn't appear on this report.
Limited	300-00-00-00000	0809 Safe Drinking Water Revolving Loan Fund (SDW) Administration	Operations	ORS 285A.213	-	-	-	-	
Limited	300-00-00-00000	IFA Unallocated	Grants/Loans		-	-	1,116,172	2,000,938	
Limited	300-00-00-00000	0510 Port Planning and Marketing Fund	Grant Fund	ORS 285A.654	-	-	-	-	
Limited	300-00-00-00000	1334/Oregon Infrastructure Finance Fund	Other	ORS 285A.103	-	-	-	-	

Limited	300-00-00-00000	1500 Oregon Broadband Advisory Council Fund	Other	Section 3, chapter 782, Oregon Laws 2009	-	-	-	-	
Limited	300-00-00-00000	1523/1524/1570/1590/1672/1673/1817/1818 Seismic Rehabilitation Grant Program	Grant Fund	ORS 401.910	-	-	-	-	
Limited	300-00-00-00000	1718/Regional Infrastructure Fund	Grant Fund	Section 3, chapter 786, Oregon Laws 2013	-	-	92,968	92,968	
Limited	300-00-00-00000	0473/1133/1309/1516 Oregon Port Revolving Loan Fund/Marine Navigation Improvement Fund	Loan Program	ORS 285A.708 & ORS 777.267	864,846	864,846	864,846	864,846	
Limited	600-00-00-00000	1085 Cultural Trust	Trust Fund	ORS 359.405	34,598,241	34,598,241	34,709,708	34,785,737	Some portion likely belows in CT Operations below.
Limited	600-00-00-00000	1138 Arts Trust Account	Operations	ORS 359.120	376,964	376,964	311,363	330,667	
Limited	600-00-00-00000	1713/1715/1716/1717 Arts Special Projects	Grant Fund	Section 5, chapter 786, Oregon Laws 2013	-	-	12,046	12,046	
Limited	600-00-00-00000	Cultural Trust Operations	Operations		266,132	266,132			
					38,280,578	41,580,578	38,884,438	40,326,286	

Objective: Provide updated Other Funds ending balance information for potential use in the development of the 2021-23 legislatively adopted budget.

Instructions:

Column (a): Select one of the following: Limited, Nonlimited, Capital Improvement, Capital Construction, Debt Service, or Debt Service Nonlimited.

Column (b): Select the appropriate Summary Cross Reference number and name from those included in the 2019-21 Legislatively Approved Budget. If this changed from previous structures, please note the change in Comments (Column (j)).

Column (c): Select the appropriate, statutorily established Treasury Fund name and account number where fund balance resides. If the official fund or account name is different than the commonly used reference, please include the working title of the fund or account in Column (j).

Column (d): Select one of the following: Operations, Trust Fund, Grant Fund, Investment Pool, Loan Program, or Other. If "Other", please specify. If "Operations", in Comments (Column (j)), specify the number of months the reserve covers, the methodology used to determine the reserve amount, and the minimum need for cash flow purposes.

Column (e): List the Constitutional, Federal, or Statutory references that establishes or limits the use of the funds.

Columns (f) and (h): Use the appropriate, audited amount from the 2019-21 Legislatively Approved Budget and the 2019-21 Current Service Level at the Agency Request Budget level.

Columns (g) and (i): Provide updated ending balances based on revised expenditure patterns or revenue trends. Do not include adjustments for reduction options that have been submitted unless the options have already been implemented as part of the 2019-21 General Fund approved budget or otherwise incorporated in the 2019-21 LAB. The revised column (i) can be used for the balances included in the Governor's budget if available at the time of submittal. Provide a description of revisions in Comments (Column (j)).

Column (j): **Please note any reasons for significant changes in balances previously reported during the 2019 session.**

Additional Materials: If the revised ending balances (Columns (g) or (i)) reflect a variance greater than 5% or \$50,000 from the amounts included in the LAB (Columns (f) or (h)), attach supporting memo or spreadsheet to detail the revised forecast.