

HB 5023 A BUDGET REPORT and MEASURE SUMMARY

Carrier: Rep. Gomberg

Joint Committee On Ways and Means

Action Date: 06/18/21

Action: Do pass with amendments. (Printed A-Eng.)

House Vote

Yeas: 10 - Bynum, Drazan, Gomberg, Leif, McLain, Nosse, Rayfield, Sanchez, Sollman, Stark

Exc: 1 - Smith G

Senate Vote

Yeas: 12 - Anderson, Frederick, Girod, Golden, Gorsek, Hansell, Johnson, Knopp, Lieber, Steiner Hayward, Taylor, Thomsen

Prepared By: Linnea Wittkind, Department of Administrative Services

Reviewed By: Matt Stayner, Legislative Fiscal Office

**Oregon Business Development Department
2021-23**

Budget Summary*

	2019-21	2021 - 23	2021-23	Committee Change from 2019-21	
	Legislatively Approved Budget ⁽¹⁾	Current Service Level	Committee Recommendation	Leg. Approved	
				\$ Change	% Change
General Fund	\$ 125,926,766	\$ 7,694,235	\$ 25,338,299	\$ (100,588,467)	(79.9%)
General Fund Debt Service	\$ 54,475,254	\$ 66,929,498	\$ 70,193,654	\$ 15,718,400	28.9%
Lottery Funds	\$ 72,542,961	\$ 76,868,020	\$ 90,996,332	\$ 18,453,371	25.4%
Lottery Funds Debt Service	\$ 45,764,621	\$ 56,337,140	\$ 50,379,539	\$ 4,614,918	10.1%
Other Funds Limited	\$ 694,269,597	\$ 505,683,369	\$ 500,469,573	\$ (193,800,024)	(27.9%)
Other Funds Debt Service Limited	\$ 2,735,716	\$ -	\$ -	\$ (2,735,716)	(100.0%)
Other Funds Nonlimited	\$ 243,467,408	\$ 208,412,339	\$ 228,412,339	\$ (15,055,069)	(6.2%)
Other Funds Nonlimited Debt	\$ 53,187,329	\$ 8,897,360	\$ 8,897,360	\$ (44,289,969)	(83.3%)
Federal Funds Limited	\$ 72,536,941	\$ 45,056,345	\$ 85,434,613	\$ 12,897,672	17.8%
Total	\$ 1,364,906,593	\$ 975,878,306	\$ 1,060,121,709	\$ (304,784,884)	(22.3%)

Position Summary

Authorized Positions	144	140	141	-3
Full-time Equivalent (FTE)	139.68	139.50	140.50	0.82

⁽¹⁾ Includes adjustments through January 2021

* Excludes Capital Construction expenditures

Summary of Revenue Changes

The main source of discretionary revenue for the programs and operations of the Oregon Business Development Department (Business Oregon) is Lottery Funds. Business Oregon receives General Fund support for the Arts Commission, to administer certain energy finance programs and to make debt service payments on outstanding general obligation bonds. Other Funds revenue is generated through a variety of sources, including loan principal and interest repayments, investment earnings, donations, charges for services, bond proceeds, and other miscellaneous revenue. State agency assessments and revenue from the Oregon Department of Transportation provide Other Funds support for the Certification Office for Business Inclusion and Diversity. Other Funds are expended under both Limited and Nonlimited expenditure authority. Nonlimited expenditure authority is used for bond-related and revolving loan fund expenditures.

The Community Development Block Grant is the largest source of Federal Funds the Department receives on a regular basis and provides support for infrastructure programs. Federal Funds also support the Brownfields program, business finance programs through the State Small Business Credit Initiative grant, and Arts Commission programs. The Department typically receives other small grants throughout the biennium.

Lottery Funds allocations are not approved in HB 5023 but are included in the statewide Lottery Allocation Bill.

Summary of Transportation and Economic Development Subcommittee Action

Business Oregon's mission is to invest in Oregon businesses, communities, and people to promote a globally competitive, diverse, and inclusive economy. The Department executes the state's economic development strategy to enable the creation, retention, expansion, and attraction of businesses that provide sustainable living-wage jobs for Oregonians through public-private partnerships, leveraged funding, and support of economic opportunities for Oregon companies and entrepreneurs.

The Transportation and Economic Development Subcommittee recommended a budget of \$1,060,121,709 total funds and 141 positions (140.50 FTE). The total funds budget includes \$95,531,953 General Fund, \$141,375,871 Lottery Funds expenditure limitation, \$500,469,573 Other Funds expenditure limitation, \$85,434,613 Federal Funds expenditure limitation, and \$237,309,699 Other Funds Nonlimited. The Subcommittee's recommended budget represents an 8.6% increase from the Department's Current Service Level.

Operations

The Operations Division contains the Director's Office and provides central administrative services and oversight for the Department. The Subcommittee recommended a total funds budget of \$13,218,255, including 39 positions (39.00 FTE). The Subcommittee recommended approval of the following packages:

Package 087, August 2020 Special Session. To carry forward legislative decisions that were made in the Second Special session of 2020, this package reduces Lottery Funds expenditure limitation by \$205,962 and eliminates a vacant Public Affairs Specialist 1 position (1.00 FTE).

Package 099, Microsoft 365 Consolidation. The package reduces separately budgeted expenditures for software licensing related to Microsoft 365 to be billed through Department of Administrative Services state government service charges in the upcoming biennium.

Package 101, IT Modernization – Phase II. This package provides expenditure authority of \$468,309 Lottery Funds and \$76,200 Other Funds and authorizes the establishment of a Senior Application Developer position (1.00 FTE) and an IT Project Manager position (1.00 FTE). The addition of these positions continues the Department's effort in building an in-house IT team, which includes application development and an overall increase in Information Systems capability and management. The Department is currently converting aging legacy loan, grant, bond, and tax-incentive portfolio management systems to online applications.

Package 109, Position Realignment. This package adjusts expenditure limitation and position authority in multiple programs for actions taken by the Department to align resources with program needs. These actions resulted in the movement of positions between programs and the reclassification of positions, as approved by the Department of Administrative Services. For the Operations Program, position authority is increased by one position (1.00 FTE), along with associated expenditure limitation of \$206,245 Lottery Funds and \$107,457 Other Funds.

Business, Innovation, Trade

The Business, Innovation, and Trade Division includes the staff and the funding sources used by the Department to support economic strategies and provide services, grants, and loans to assist businesses with job retention and creation. Direct financing programs, as well as investments made through the Oregon Growth Board, improve the availability of capital for Oregon companies. The Division also promotes international trade through trade missions, the attraction of foreign direct investment, and the promotion of exports for small and medium sized Oregon businesses. Finally, the Division funds a variety of innovation initiatives aimed at encouraging research and development and entrepreneurship, many of which work in collaboration with public universities. The Subcommittee recommended a total funds budget of \$148,609,924, including 58 positions (58.00 FTE). The Subcommittee recommended the following packages:

Package 087, August 2020 Special Session. This package establishes Federal Funds expenditure limitation of \$11,000,000 for the expenditure of grant funds from the U.S. Economic Development Administration (EDA) through the Federal CARES Act. The EDA funds primarily capitalize the Entrepreneurial Development Loan Fund (EDLF) program, a program that makes loans available to small businesses and entrepreneurs working to establish a small business having difficulty qualifying for loans from other lenders. This action extends expenditure authority into the 2021-23 biennium, which had originally been established during the second special session of 2020.

Package 099, Microsoft 365 Consolidation. This package reduces separately budgeted expenditures for software licensing related to Microsoft 365, which will be billed through Department of Administrative Services state government service charges in the upcoming biennium.

Package 103, Rural Opportunity Initiative. This package continues, makes ongoing, and expands funding provided in the past three biennia to support entrepreneurship-based economic development in rural communities. The program makes grants to rural communities to create programs that strengthen rural entrepreneurial ecosystems to support business activity in the local area. Programs are tailored to the individual needs of the communities they serve. Funding is provided based on a competitive request for proposal process. In addition to the grant awards, the program has provided the needed expertise to grant recipients through contracted professional services to supplement local capacity and skills. The Subcommittee recommended the following budget note:

Budget Note:

The Oregon Business Development Department is directed to report to the Joint Committee on Ways and Means on the Rural Opportunity Initiative grant program by December 31, 2022. The report shall provide a comprehensive overview of the program's

operations in during the 2021-23 biennium to date as well as a review of past biennia funding. The report shall include metrics and additional information on the grants applied for and the grants awarded during the biennium. A narrative shall be provided that details how the program has achieved its stated goals, impacted local entrepreneurial ecosystem capacity, and increased ongoing sustainability of local programs and technical support services. Return on investment metrics should include, but are not limited to, leveraged funds, number of companies assisted, jobs created, and access to capital.

Package 108, Global Trade Representation Expansion. This package includes expenditure limitation of \$300,000 Lottery Funds to support professional services contracts for Oregon export and business development services representing Oregon small business exporters and food and agriculture producers/processers in Canadian markets.

Package 109, Position Realignment. This package adjusts expenditure limitation and position authority in multiple programs for actions taken by the agency to align resources with program needs. These actions resulted in the movement of positions between programs and the reclassification of positions as approved by the Department of Administrative Services. For the Business Innovation and Trade program, position authority is decreased by one position (1.00 FTE) along with associated expenditure limitation of \$206,245 Lottery Funds.

Package 111, Technical Assistance for Underrepresented Businesses. The package includes \$9,000,000 Lottery Funds to increase technical assistance to underrepresented businesses through a competitive grant program. The monies will be used to fund grants to culturally-specific organizations to increase technical assistance capacity. These organizations are uniquely positioned to deliver business technical assistance through staff with similar cultural, language, and lived experiences to the communities they serve. The funding provided in the package represents a one-time investment allowing the agency to determine the ongoing capacity and need that will inform future funding requests for the program.

Package 801, LFO Analyst Adjustment. This package includes five budgetary adjustments to the Business Innovation and Trade Division. A \$5,000,000 General Fund appropriation is included for deposit in the University Innovative Research Fund to provide grants for matching funds supporting innovation or commercialization of technology developed at Oregon's public universities and the Oregon Health and Science University. An increase of \$1,000,000 Lottery Funds for the Small Business Development Center program and an increase of \$750,000 Lottery Funds for the Manufacturing Extension Partnership are also included in the package. Excess expenditure limitation of \$4,500,000 Other Funds is eliminated for the Eastern Oregon Border Development program as that program is no longer managed by Business Oregon. Federal Funds expenditure limitation is increased by \$11,000,000 to allow the agency to expend available grant funding from the U.S. Economic Development Administration for the Credit Enhancement Program.

Infrastructure

The Infrastructure Division assists communities in building and maintaining critical infrastructure through low-cost financing, grants, technical assistance, and capacity building. The Division has dedicated funding sources for municipal infrastructure, water, and wastewater facilities

ensuring compliance with federal law, seismic rehabilitation for schools and emergency facilities, port and airport facilities, levee improvements, marine navigation improvements, and other facilities supporting economic and community development. The Subcommittee recommended a total funds budget of \$759,010,560, including 34 positions (34.00 FTE). The Subcommittee recommended approval of the following packages:

Package 087, August 2020 Special Session. This package makes two adjustments to implement budgetary decisions in the 2021-23 biennium that were made during the second special session of 2020. An increase in budgeted Other Funds Non-limited expenditure authority of \$20,000,000 is provided to allow the agency to expend General Obligation bond proceeds for the upgrades to the Salem Drinking Water System. Federal Funds expenditure limitation of \$18,378,268 is established to expend monies carried forward to the 2021-23 biennium from increased federal funding under the Community Development Block Grant program, which was made available during the 2019-21 biennium, under the federal CARES Act.

Package 099, Microsoft 365 Consolidation. The package reduces separately budgeted expenditures for software licensing related to Microsoft 365, which will be billed through Department of Administrative Services state government service charges in the upcoming biennium.

Package 109, Position Realignment. This package adjusts expenditure limitation and position authority in multiple programs for actions taken by the Department to align resources with program needs. These actions resulted in the movement of positions between programs and the reclassification of positions as approved by the Department of Administrative Services. For the Infrastructure program, Other Funds expenditure limitation is increased by \$13,322.

Package 801, LFO Analyst Adjustments. This package includes a General Fund appropriation of \$7,000,000 for a grant to the City of Sweet Home for a wastewater treatment plant upgrade. This appropriation is a renewal of a General Fund appropriation made for the same purpose in the 2019-21 biennium, but the grant funding was not able to be drawn upon by the City of Sweet Home prior to the end of the biennium. A General Fund appropriation of \$5,648,000 for a grant to the Confederated Tribes of the Warm Springs for water system upgrades and a wastewater treatment plant upgrade is also included. This appropriation renews funding that was made available for this same purpose in the 2019-21 biennium, but was not fully drawn upon before the end of the biennium. A fund shift for four positions in the Broadband Office that is included in the package results in a reduction of \$875,000 Other Funds and an increase of \$875,000 Lottery Funds.

Oregon Film and Video Office

The Oregon Film and Video Office is a semi-independent agency designed to recruit and facilitate film and television production throughout the state. The Subcommittee recommended a total funds budget of \$1,307,330, which does not include any positions. The Subcommittee did not recommend any changes from current service level.

Arts

The Arts Division includes the Oregon Arts Commission and the Oregon Cultural Trust, which foster the arts and cultural development in Oregon. The mission of the Arts Commission is to enhance the quality of life for all Oregonians through the arts by stimulating creativity, leadership, and economic vitality. In addition to developing statewide policy, the Arts Commission provides services and grants to arts organizations, artists, and communities. The mission of the Cultural Trust is to lead Oregon in cultivating, growing, and valuing culture as an integral part of communities by promoting and supporting Oregon's arts, history, heritage, humanities, and preservation. The Subcommittee recommended a total funds budget of \$17,402,447, including 10 positions (9.50 FTE). The Subcommittee recommended approval of the following package:

Package 099, Microsoft 365 Consolidation. The package reduces separately budgeted expenditures for software licensing related to Microsoft 365, to be billed through Department of Administrative Services state government service charges in the upcoming biennium.

Lottery and General Obligation Bond Debt Service

The Lottery and General Obligation Bond Debt Service program is used to track the payment of debt service on outstanding lottery revenue and general obligation bonds. Debt service includes both principal and interest payments. The Subcommittee recommended a total funds budget of \$120,573,193 and does not include positions or FTE. The Subcommittee did not recommend any changes from current service level which includes the following package:

Package 087, August 2020 Special Session. This package includes adjustments made to debt service obligations in the 2021-23 biennium, due to reduction in Lottery revenue bonds and the increase in General Obligation bonds made during the second special session of 2020. These include a decrease in Lottery Fund debt service by \$5,957,601 and an increase in General Fund debt service by \$3,264,156. These adjustments are resultant from the following:

- The Salem drinking water project being converted from Lottery Bonds to General Fund, General Obligation bonds, and
- The Sweet home wastewater project and Warm Springs wastewater project being funded with General Fund directly in SB 5723 (2020 2nd Special Session) instead of Lottery Bonds.

Summary of Performance Measure Action

See attached Legislatively Adopted 2021-23 Key Performance Measures form.

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

Oregon Business Development Department
Linnea Wittekind - 971-900-9992

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
2019-21 Legislatively Approved Budget at Jan. 2021*	\$ 180,402,020	\$ 118,307,582	\$ 697,005,313	\$ 296,654,737	\$ 72,536,941	\$ -	\$ 1,364,906,593	144	139.68
2021-23 Current Service Level (CSL)*	\$ 74,623,733	\$ 133,205,160	\$ 505,683,369	\$ 217,309,699	\$ 45,056,345	\$ -	\$ 975,878,306	140	139.50
<u>SUBCOMMITTEE ADJUSTMENTS (from CSL)</u>									
SCR 110 - Operations									
Package 087: August 2020 Special Session									
Personal Services	\$ -	\$ (205,962)	\$ -	\$ -	\$ -	\$ -	\$ (205,962)	-1	-1.00
Package 099: Microsoft 365 Consolidation									
Services and Supplies	\$ -	\$ (26,967)	\$ -	\$ -	\$ -	\$ -	\$ (26,967)		
Package 101: IT Modernization Phase II									
Personal Services	\$ -	\$ 468,309	\$ -	\$ -	\$ -	\$ -	\$ 468,309	2	2.00
Services and Supplies	\$ -	\$ -	\$ 76,200	\$ -	\$ -	\$ -	\$ 76,200		
Package 109: Position Realignment									
Personal Services	\$ -	\$ 206,634	\$ 107,457	\$ -	\$ -	\$ -	\$ 314,091	1	1.00
Services and Supplies	\$ -	\$ (389)	\$ -	\$ -	\$ -	\$ -	\$ (389)		
SCR 210 - Business, Innovation and Trade									
Package 087: August 2020 Sepcial Session									
Special Payments - 6030 Dist. to Non-Gov Units	\$ -	\$ -	\$ -	\$ -	\$ 11,000,000	\$ -	\$ 11,000,000		
Package 099: Microsoft 365 Consolidation									
Services and Supplies	\$ -	\$ (28,424)	\$ (14,577)	\$ -	\$ -	\$ -	\$ (43,001)		
Package 103: Rural Opportunity Initiative									
Special Payments - 6030 Dist. To Non-Gov Units	\$ -	\$ 2,000,000	\$ -	\$ -	\$ -	\$ -	\$ 2,000,000		
Package 108: Global Trade Representation Expansion									
Services and Supplies	\$ -	\$ 300,000	\$ -	\$ -	\$ -	\$ -	\$ 300,000		
Package 109: Position Realignment									
Personal Services	\$ -	\$ (206,245)	\$ -	\$ -	\$ -	\$ -	\$ (206,245)	-1	-1.00
Package 111: Technical Assistance for Underrepresented Businesses									
Special Payments - 6030 Dist. To Non-Gov Units	\$ -	\$ 9,000,000	\$ -	\$ -	\$ -	\$ -	\$ 9,000,000		
Package 801: LFO Analyst Adjustment									
Special Payments-6060 Intra-Agency GF Trans	\$ 5,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,000,000		
Special Payments	\$ -	\$ 1,750,000	\$ (4,500,000)	\$ -	\$ 11,000,000	\$ -	\$ 8,250,000		

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
SCR 300 - Infrastructure									
Package 087: August 2020 Special Session Special Payments - 6015 Dist to Cities	\$ -	\$ -	\$ -	\$ 20,000,000	\$ 18,378,268	\$ -	\$ 38,378,268		
Package 099: Microsoft 365 Consolidation Services and Supplies	\$ -	\$ (3,644)	\$ (18,221)	\$ -	\$ -	\$ -	\$ (21,865)		
Package 109: Position Realignment Personal Services	\$ -	\$ -	\$ 13,332	\$ -	\$ -	\$ -	\$ 13,332	0	0.00
Package 801: LFO Analyst Adjustments Personal Services	\$ -	\$ 875,000	\$ (875,000)	\$ -	\$ -	\$ -	\$ -	0	0.00
Special Payments	\$ 12,648,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,648,000		
SCR 600 - Arts									
Package 099: Microsoft 365 Consolidation Services and Supplies	\$ (3,936)	\$ -	\$ (2,987)	\$ -	\$ -	\$ -	\$ (6,923)		
SCR 900 - Lottery & Gen Obligation Bond Debt Svc									
Package 087: August 2020 Special Session Debt Service	\$ 3,264,156	\$ (5,957,601)	\$ -	\$ -	\$ -	\$ -	\$ (2,693,445)		
TOTAL ADJUSTMENTS	\$ 20,908,220	\$ 8,170,711	\$ (5,213,796)	\$ 20,000,000	\$ 40,378,268	\$ -	\$ 84,243,403	1	1.00
SUBCOMMITTEE RECOMMENDATION *	\$ 95,531,953	\$ 141,375,871	\$ 500,469,573	\$ 237,309,699	\$ 85,434,613	\$ -	\$ 1,060,121,709	141	140.50
% Change from 2019-21 Leg Approved Budget	-47.0%	19.5%	-28.2%	-20.0%	17.8%	0.0%	-22.3%	-2.1%	0.6%
% Change from 2021-23 Current Service Level	28.0%	6.1%	-1.0%	9.2%	89.6%	0.0%	8.6%	0.7%	0.7%

*Excludes Capital Construction Expenditures

Legislatively Approved 2021 - 2023 Key Performance Measures

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Agency: Business Oregon

Mission Statement:

Business Oregon invests in Oregon's businesses, communities, and people to promote a globally competitive, diverse, and inclusive economy.

Legislatively Approved KPMs	Metrics	Agency Request	Last Reported Result	Target 2022	Target 2023
1. Number of jobs created		Approved	811	1,200	1,200
2. Number of jobs retained		Approved	1,937	2,500	3,000
3. Personal income tax generated by the Department's investment in jobs		Approved	\$7,200,000.00	\$20,000,000.00	\$20,000,000.00
4. New export sales of assisted clients		Approved	\$140,027,407.00	\$75,000,000.00	\$75,000,000.00
7. Number of community capital projects assisted for planning (infrastructure, community and organizational).		Approved	56	37	40
8. Number of community capital construction financing projects that address public health and safety issues.		Approved	34	40	40
9. Number of community capital construction financing projects that assist with future economic and community development.		Approved	8	15	15
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.	Helpfulness	Approved	85%	90%	90%
	Expertise		88%	90%	90%
	Overall		84%	90%	90%
	Accuracy		88%	90%	90%
	Timeliness		78%	90%	90%
	Availability of Information		83%	90%	90%
6. Additional Jobs Created through Property Tax Abatement Programs - New jobs created at businesses that used either the Enterprise Zone program or Strategic Investment Program.		Proposed New		500	600
5a. Total dollar amount of federal contracts awarded to Oregon Businesses receiving Government Contract Assistance Program assistance.		Proposed Delete	\$50,339,241.00	\$76,000,000.00	\$76,000,000.00
5b. Number of federal contracts awarded to Oregon businesses receiving Government Contract Assistance Program assistance.		Proposed Delete	660	400	400
6. Number of new industrial sites/acres certified "project ready."		Proposed Delete	2	1	1

LFO Recommendation:

The Legislative Fiscal Office recommends approval of the proposed Key Performance Measures and targets.

SubCommittee Action:

The subcommittee approved the Key Performance Measures and targets as recommended by LFO