

ANALYSIS

Item 37: Oregon Business Development Department Cultural Trust Administration

Analyst: Michelle Deister

Request: Increase Other Funds expenditure limitation by \$686,287, increase one position by 0.50 FTE, and decrease General Fund by \$49,960 to increase technical and service capacity related to administration of the Oregon Cultural Trust.

Analysis: The passage of HB 3532 in the 2023 legislative session removed the annual administrative spending cap of \$400,000 from the Trust for Cultural Development Account (Account) and replaced it with a statutory cap of up to 5% of the value of the Account. This allows the Arts Program to distribute up to 5% of the Account value each year for the Trust for Cultural Development (Oregon Cultural Trust) program operations, technical assistance, local cultural planning, and other cultural activities. A policy option package was included in the Governor's budget in anticipation of such a change; however, adjustments related to the measure were not included in the 2023-25 adopted budget due to timing of the agency's budget development and passage of the bill.

The request was repriced to reflect the expenditure limitation necessary for the remaining months of the 2023-25 biennium, and the Legislative Fiscal Office recommendation differs from the agency request in this respect. Now that HB 3532 has become law, a net adjustment of \$638,628 total funds would support Cultural Trust administrative expenditures for the following purposes in the 2023-25 biennium:

- Shift 0.40 FTE of the Arts Commission Executive Direction position (Business Operations Manager 2) from General Fund to Other Funds (decrease General Fund by \$151,022 and increase Other Funds by \$151,022);
- Increase FTE for an existing Executive Support Specialist 2 position from 0.50 FTE to 1.00 FTE (\$101,828 General Fund);
- Increase professional services expenditures related to marketing and fund raising for the Oregon Cultural Trust (\$285,500 Other Funds); and
- Increase Special Payments for grants in the Arts Cultural Partner and Cultural Partner grant programs (\$251,300 Other Funds).

Recommendation: The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means recommend increasing Other Funds expenditure limitation by \$687,822, authorizing an increase of 0.50 FTE to an existing position, and decreasing General Fund by \$49,194 for the Oregon Business Development Department in a budget reconciliation bill during the 2024 legislative session to increase technical and service capacity related to administration of the Oregon Cultural Trust.

Request: Decrease the General Fund appropriation for Arts by \$49,960 and increase the Other Funds expenditure limitation by \$686,287 for administration of the Cultural Trust and to increase a permanent part-time position to full-time.

Recommendation: Approve the request during the 2024 Legislative Session.

Discussion: The 2023-25 Governor's Budget for the Oregon Business Development Department (Business Oregon) included a policy package (114) proposing additional funding and an increase of FTE for a position for the administration of the Cultural Trust program within Business Oregon's Arts Commission program. The funding is to be derived through raising the statutory cap on administrative funding available through the Oregon Cultural Trust Fund. As the proposal required a statutory change, House Bill 3532 was introduced in the 2023 Legislative Session. House Bill 3532 was proposed to replace the administrative spending cap of \$400,000 described in ORS 359.426 with a new cap of up to five percent of the Trust's permanent fund value.

The timing of the work sessions and passage of Business Oregon's budget bill (Senate Bill 5524) and House Bill 3532 did not align to allow for the policy package to be funded within the Department's budget bill. Senate Bill 5524 passed out of the Ways & Means Committee on June 9, 2023, and the final chamber (House) on June 20, 2023. House Bill 3532 passed out of the Senate Committee on Labor and Business on May 4, 2023, but did not clear both chambers until June 22, 2023 (two days after Senate Bill 5524). Without having House Bill 3532 passed before Senate Bill 5524, there was not a mechanism to allow for an increase in funding for the Cultural Trust.

This request allows Business Oregon to utilize the additional funding provided through House Bill 3532 for administration of the Cultural Trust program for the remainder of the 2023-25 biennium. The additional funding available will allow for an increase in the travel budget for Cultural Trust staff to better engage Oregon communities, increase a part-time position to full-time to allow for better response to growing administrative needs, increase County and Tribal Coalition support, and enhance marketing and donor management efforts. The increase in Other Funds from the Cultural Trust will also allow more funding for the Arts Commission Director position within Business Oregon, which reduces the General Fund amount being used.

Legal Reference: Decrease the General Fund appropriation established by chapter 475, section 1(1), Oregon Laws 2023, for Oregon Business Development Department, Arts, by \$49,960 for the 2023-25 biennium.

Increase Other Funds expenditure limitation established by chapter 475, Section 4(4), Oregon Laws 2023, for Oregon Business Development, Arts, by \$686,287 for the 2023-25 biennium.

December 4, 2023



Senator Elizabeth Steiner, Co-Chair
Representative Tawna Sanchez, Co-Chair
Interim Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301

Dear Co-Chairs:

Nature of the Request

The Oregon Business Development Department (the Department) is requesting spending limitation, position adjustment, and new position authority to utilize new funding flexibility granted to the Oregon Cultural Trust in [House Bill 3532](#) (Chapter 552, Oregon Laws 2023). The corresponding agency Policy Option Package (POP) 114 for spending limitation was not included in the 2023-25 agency budget, likely because the necessary statutory change from HB 3532 had not passed at the time the budget was developed.

Agency Action

The Oregon Cultural Trust (the Trust) is housed within the Department and was created 21 years ago. The Trust encourages Oregonians to donate to one or more of the 1,600 cultural nonprofits in the state and make a matching donation to the Trust. The donation to the Trust is a 100% state tax credit. Each year the Trust raises about \$5.5 million.

HB 3532 was an agency legislative concept reflected in the Governor's budget to replace the administrative spending cap of \$400,000 described in ORS 359.426 with a new cap of up to 5% of the Trust's permanent fund value. Modifying the cap will enable the Trust for Cultural Development (DBA Oregon Cultural Trust) to better keep up with costs of serving the cultural sector. Previously, up to 60% of the funds raised each year were allocated to grant making *and program services* with the remainder allocated to a permanent fund which is currently valued at just under \$31 million. The bill changed this split so that the 60% is used just for grant making, and a portion of the 40% will be used to support the Trust operations including providing technical assistance, local cultural planning, supporting tribal activities, and other activities to encourage cultural activity.

The Cultural Trust is equipped to act and has prepared implementation of this action, including budget drafts and plans for increased grantmaking and administrative functions. With the spending authority the Trust will increase the travel budget to better engage all Oregon communities, increase temporary employee time to respond to ever-growing administrative needs, increase County and Tribal Coalition support, and enhance marketing and donor management efforts. This POP also includes a request for personnel cost changes, see below.

Action Requested

The agency request corresponds to POP 114 which had been approved for inclusion in the Governor's 2023-2025 budget (GRB) and included new spending authority, position adjustment, and 0.5 FTE of new position authority. Position-related changes through the remainder of the

biennium are estimated to create a new General Fund savings of \$49,960 and require \$149,487 in additional Other Fund resources. Requested changes include the following:

- Permanently transfer 0.40 FTE from Arts Commission Executive Director position cost (GF) to Cultural Trust Executive Director position cost (OF) so that 0.50 FTE is equally allocated to the Arts Commission and Cultural Trust. Currently the Arts/Trust Executive Director position is 0.90 FTE allocated to Arts and 0.10 FTE allocated to Trust.
- Add permanent 0.50 FTE to an existing 0.50 FTE Executive Support Specialist 2 (ESS 2) position to establish a full FTE.

The GRB also included \$285,500 in increased Other Funds limitation for Professional Services to be managed through the Cultural Trust. In addition to this request, the Department's POP had originally included special payments of an additional \$67,014 in Other Funds for the Cultural Development Grant Program, plus \$184,286 in Other Funds for cultural partner grant distributions. The Department believes these requests were excluded from the GRB inadvertently and after conversation with the DAS Chief Financial Office, we are putting them back into this request.

Taken together the total cost, updated for the partial biennium, is a net \$636,328 (\$686,287 in new Other Funds limitation reduced by \$49,960 in General Fund savings).

Legislation Affected

This request will allow the agency to implement HB 3532 (Chapter 552, Oregon Laws 2023).

Thank you for your consideration of this important request.

Respectfully,



Sophorn Cheang
Director