RE: SB 5524 for OBDD Budget

FOR: On Behalf of Oregon Manufacturing Extension Partnership (OMEP)

FROM: Dr. Tom Potiowsky, former Director of Northwest Economic Research Center (NERC), Portland State University.

To Honorable Members of the Joint Subcommittee On Transportation and Economic Development

On March 22, 2023, you will hear testimony from members of OMEP detailing their assistance to small manufacturers. OMEP engaged NERC to assess the economic impacts of their programs. As an independent research organization, NERC conducts sound economic analysis that is unbiased and apolitical.

To evaluate the economic impacts of OMEP's programs, manufacturing participants are surveyed by a third party hired by the National Institute of Standards and Technology (NIST). The survey is given 6 months after the completion of OMEP assistance to provide greater independence on respondent's answers. The respondents are asked for the following information:

Respondents report on:

- ❖ Increased Sales
- ❖ Retained Sales
- ❖ Cost Savings
- ❖ New Product Investments
- ❖ Plant Equipment Investments
- ❖ Information Systems Investments
- ❖ Workforce Practices Investment
- ❖ New Products and Processes (and associated sales)
- ❖ Savings from Avoided Investments
- ❖ Job Creation
- ❖ Job Retention

NERC screens the surveys to make sure that any increases in sales and employment are related to OMEP programs. OMEP uses these survey results to assess the overall impact of their programs. NERC is looking at a narrower level of impact related to measurable economic outcomes. NERC uses the following survey results: increased sales, retained sales, cost savings, new products and processes, and job creation and retention. Thus, NERC is measuring new activity, allowing us to consider only outcomes above the level of activity expected with no OMEP intervention.

NERC uses the industry standard IMPLAN to measure the economic impact of OMEP's programs on output, employment, and tax revenues. IMPLAN is based on data and analysis from the US Bureau of

Economic Analysis, government agencies, and other public sources. Economic impacts are measured in three ways which together are the total impacts: direct, indirect, and induced. The direct impacts come from the survey results of increased activity (e.g., sales, jobs,…). The indirect impacts are related to supply chains associated with the manufacturer. For example, increased output and sales from a window manufacturer will be related to an installer who will need more employment to install more windows. The induced impacts are related to the wages and incomes generated that will mean more spending in communities and thus greater economic activity.

It is very important that this analysis is useful for OMEP in how they operate. NERC provides an independent assessment using proven economic analysis to assess the economic impacts. I will not repeat the results which you have in front of you, but only to say that OMEP assistance is producing more output, jobs, and tax revenues because of their programs. The NERC report also breaks down the state wide impacts into counties and urban/rural.

OMEP programs are truly a public/private partnership. State funding is greatly leveraged by matching federal funding. Contributing to OMEP operating budget, the manufacturers also pay fees to cover part of the services provided by OMEP.

OMEP's contributions to the local economy are a function of the number of consultants that they employ and the amount of funding available to support firms with the resources appropriate to their unique situations (for example, process analysis, e-Value stream mapping, and marketing strategy implementation). The allocation of state funding, which OMEP receives, requires the constant assessment and balance of priorities. That said, the relatively large size of the manufacturing sector in Oregon, paired with strong public and legislative support, indicate the continuing need and strong demand for OMEP's services.