

ANALYSIS

Item 25: Oregon Business Development Department Cultural Trust Expenditures

Analyst: Michelle Deister

Request: Increase Other Funds expenditure limitation for the Oregon Business Development Department by \$6,738,084 for the Trust for Cultural Development grant and administrative expenditures.

Analysis: The Trust for Cultural Development (known as the Oregon Cultural Trust) is housed within the Oregon Business Development Department (OBDD), and is funded through donor tax credits, special edition auto license plate proceeds, and interest earnings, that are a source of support for Oregon's arts, heritage, and humanities cultural institutions. The current value of the Trust for Cultural Development Account corpus stands at \$52.2 million as of November 2025. The 2025-27 legislatively adopted budget assumed expenditures of \$10.7 million Other Funds, \$7.7 million of which is related to special payments for grants and assistance for cultural development activities, and \$3 million of which is for operating expenditures.

OBDD is requesting additional expenditure limitation to enable expenditures of unanticipated revenue, and to maximize expenditures under the 5% statutory allowance for administrative and program expenditures. Since submitting its initial request, OBDD has modified the amount of additional Other Funds expenditure limitation being requested from \$6.7 million to \$5.4 million to account for the Cultural Trust's existing budgeted limitation.

ORS 359.426 requires expenditures of between 50-60% of all moneys raised for and deposited in the Trust for Cultural Development annually. The legislatively adopted budget assumed annual revenue of \$5.2 million, consisting of donations and interest and a Trust Fund corpus of \$50.7 million. However, receipts to date suggest that interest and donations will exceed projections by \$2.4 million, of which \$1.5 million would be available to expend.

ORS 359.426 also gives the Cultural Trust the authority to distribute an additional 5% of the value of the Trust for Cultural Development Account annually for operations and program expenditures. The legislatively adopted budget assumed limitation equivalent to 1.4% of a Trust Fund balance of \$50.7 million. The Trust Fund corpus is anticipated to grow to \$55 million by June 30, 2026. Adjusting for the growth in the corpus and \$1.4 million in existing expenditure limitation that was double counted in the agency's original request, additional Other Funds expenditure limitation of \$3.9 million is needed to reach the maximum 5% expenditure allowance authorized by statute.

The additional limitation will support \$1.5 million in special payments as additional grants to cultural institutions and technical assistance, and \$3.9 million in administrative expenditures related to conferences, events, technical assistance, outreach, and temporary staff, some of which is associated with events surrounding the Trust's 25-year anniversary.

Recommendation: The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means recommend including an increase of \$5,367,756 Other Funds expenditure limitation for the Oregon Business Development Department in a budget reconciliation bill during the 2026 legislative session for the Trust for Cultural Development grant and administrative expenditures.

Request: Increase Other Funds expenditure limitation by \$6,738,034 for grants and administrative expenses for the Oregon Cultural Trust.

Recommendation: Approve request during the 2026 Legislative Session with the following modifications:

- Increase the Other Funds expenditure limitation by \$5,367,756 for grants and administrative expenses for the Oregon Cultural Trust.

Discussion: Business Oregon, through the Oregon Cultural Trust, requests an increase in Other Fund expenditure limitation for Special Payments and Services and Supplies. The funding source is revenue from the Cultural Trust (Trust) tax credit program. The Trust was created in 2001 to incentivize donations to cultural nonprofits by offering a 100 percent state tax credit for matching contributions to the Trust. Annual donations bring in an average of approximately \$5.2 million, supplemented by interest income from a permanent fund currently valued at \$50 million.

Recent growth in donations and interest income has exceeded projections. In FY2025, the Trust raised \$7.2 million, including \$1.9 million in interest, and anticipates up to \$8.4 million in FY2026. Statutory requirements mandate disbursement of 50–60 percent of these funds as grants, resulting in projected distributions of \$4.2 million in FY2026 and \$5.0 million in FY2027. Additionally, House Bill 3532 (2023) introduced a new administrative spending cap tied to five percent of the permanent fund value, requiring updated expenditure authority.

Subsequent to submitting the request, Business Oregon discovered a double count in the request for limitation related to the administrative funding needed for the 2025-27 biennium. During the 2025 Legislative Session, Business Oregon received \$1.4 million in administrative funding for the Cultural Trust, but did not back that amount out of their request. As a result, the amount of limitation required is \$5.4 million rather than \$6.7 million.

This adjustment will align spending authority with revenue growth and statutory requirements, enabling timely grant distribution and improved support for cultural activities statewide. The additional limitation will support additional grants, and expenditures for conferences, events, technical assistance, outreach and temporary staff.

Legal Reference: Increase Other Funds expenditure limitation established by section chapter 616, section 8(4), Oregon Laws 2025, for the Oregon Business Development Department, Arts, by \$5,367,756 for the 2025-27 biennium.



December 8, 2025

The Honorable Senator Kate Lieber, Co-Chair
The Honorable 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

Business Oregon (the Department) is requesting an Increase in Other Fund Limitation in Special Payments and Services and Supplies for the Oregon Cultural Trust. The funding source is Other Funds from the Cultural Trust tax credit.

Agency Action

The Trust for Cultural Development (DBA Oregon Cultural Trust) was created in 2001 by the Oregon Legislature and is housed within Business Oregon, the state's economic development agency. The Cultural 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 \$5.2 million from donors across the state.

By statute (ORS 359.426), the Trust must disburse between 50-60% of "all moneys raised for and deposited in the Trust for Cultural Development Account," with the exact percentage determined by the Trust board. "All moneys raised" includes interest income from the permanent fund, which is currently maintained at \$50 million.

During FY2025, the permanent fund yielded \$1,879,634 in interest, which is higher than was anticipated during development of the Governor's budget. "All moneys raised" through donations and interest income in FY2025 totals \$7,160,587. The Trust Board approved 58% to be distributed in grants in FY2026, which is \$4,153,140. In FY2026 we anticipate donations and interest income could reach up to \$8,400,000, which would equate to \$5,040,000 to be distributed in grants in FY2027. The Oregon Cultural Trust's current spending limitation in the 2025-27 biennium for Special Payments is only \$7,740,000. The Trust needs to realign our spending limitation with the growth of donations and interest earnings.

Additionally, this is the first biennium since the legislature passed HB 3532, which replaced the previous administrative spending cap of \$400,000 with a new variable cap of up to 5% of the Trust's permanent fund value. The Trust's expenditure limitation was not updated to accommodate this new statute, therefore this request to increase limitation will utilize this new authority to better support local cultural activities.

Action Requested

The Trust requests action to realign our Other Fund spending limitation with the growth of donations and interest earnings for this biennium.

The Oregon Cultural Trust's current spending limitation in the 2025-27 biennium is \$9,513,093 (\$7,740,000 for Special Payments and \$1,773,093 for Services and Supplies). We request an Other Fund spending limitation increase of \$6,738,084 (\$4,260,000 for Special Payments and \$2,478,084 for Services and Supplies). The requested increase would adjust the 2025-27 Other Funds spending limitation to \$16,251,177 (\$12,000,000 for Special Payments and \$4,251,177 for Services and Supplies).

Legislation Affected:

Increase in Chapter 616, section 8(4), Oregon Laws 2025 by \$6,738,084 Other Funds.

Thank you for your consideration of this important request.

Respectfully,

A handwritten signature in black ink, appearing to read "Sophorn Cheang".

Sophorn Cheang
Director