

Economic and Community Development

PROGRAM AREA AGENCIES

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	2001-03 Actuals	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	\$17,973,643	\$18,072,939	\$18,426,109
Lottery Funds	77,077,388	94,173,058	118,533,670
Other Funds	245,512,232	276,778,422	274,004,255
Federal Funds	395,330,661	399,496,709	392,643,802
Other Funds (Nonlimited)	4,299,941,824	4,233,312,318	4,421,239,328
Federal Funds (Nonlimited)	94,483,987	94,117,000	101,600,000
Total Funds	\$5,130,319,735	\$5,115,950,446	\$5,326,447,164
Positions	2,033	1,992	1,871
Full-time Equivalent	1,919.68	1,862.42	1,782.17

Overview

Agencies in the Economic and Community Development Program Area aid businesses, communities, and people in providing economic and cultural enhancement throughout the state. Economic development activities include job creation, placement, and retention services; business recruitment and assistance; and workforce assistance and training. Agencies in this program area administer housing and infrastructure financing programs, and provide technical assistance to individuals, businesses, and communities. The program area also includes funding for programs that support community development activities such as the arts.

Recommended Budget

The Governor's recommended budget will focus economic development efforts on creating and retaining sustainable business activities and investments. Agencies in this program area will work to ensure dollars spent on the economy are generating the maximum benefit. Several agencies in this program unit identified opportunities to utilize remaining Lottery revenue bonding capacity. The requests were evaluated in the context of growing the capacity of our economy. The Governor's recommended budget includes new Lottery Bond issuances for the Industrial Lands Initiative in the Economic and Community Development Department as well as projects in post-secondary and Transportation areas.

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The key elements of the Governor's recommended budget for the Economic and Community Development Program Area are outlined below:

- The budget for the Oregon Economic and Community Development Department (OECDD) provides approximately \$39.4 million Lottery Funds, \$327.1 million Other Funds, and \$32.9 million Federal Funds for activities within the Oregon Development Fund. The Commission, within the Governor's priorities, will allocate Lottery Funds to specific programs including the Strategic Reserve Fund, Industry Sector Outreach, Small Business Assistance, Business Retention Services, Community Assistance, and Regional/Rural Investment programs.
- The OECDD budget also includes \$9 million for investments in commercialized research and innovation economy activities, and \$61 million in new Lottery Bond resources to fund activities related to the Industrial Lands Initiative. Total Lottery Funds for debt service on outstanding Lottery Revenue bonds will be \$53.6 million during the biennium.
- The recommended budget continues funding for the Film and Video Office, Arts Commission, and Cultural Trust. It no longer includes funding for the Tourism Commission, which is now a separate, semi-independent commission.
- The budget for the Oregon Employment Department maintains core programs at existing service levels. It provides three permanent positions to expand Unemployment Insurance fraud control efforts, and continues 25 limited-duration positions to work on employment-related grants and contracts.
- The State Fair budget maintains core services with additional resources supporting the new pavilion and critical maintenance.
- The recommended budget continues all programs for the Housing and Community Service Department, but includes reductions in General Fund support for the Statewide Homeless Assistance program and the Homeownership Assistance Program. Twenty limited-duration positions are transitioned to permanent status to meet program needs for contract administration, Emergency Assistance, Property Management and Compliance, and HOME program activities.
- The Department of Veterans' Affairs budget continues existing services, including assistance to county and veterans' service organizations. It eliminates positions in the agency due to reduced activity in the Veterans' Loan Program.
- State funding for the Oregon Historical Society and Oregon Public Broadcasting (OPB) remains suspended for the 2005-07 biennium, due to General Fund constraints. The budget continues debt service payments for Lottery Revenue bonds previously issued on OPB's behalf.

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ECONOMIC AND COMMUNITY DEVELOPMENT BENCHMARKS

Oregon invests in economic and community development in order to create and retain sustainable businesses and family-wage jobs. The following Oregon Benchmarks show how Oregon is doing in these areas.

Jobs – Benchmark 4: net job growth, urban and rural counties. Oregon jobs bottomed out in 2002. Rural counties began to see positive job gains in 2003.

Personal income – Benchmark 11: per capita personal income as a percentage of the U.S. per capita income, metro

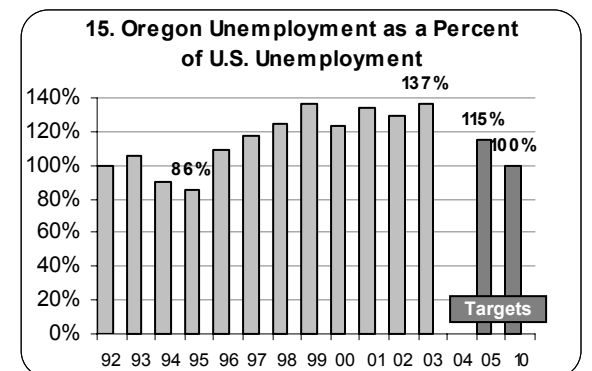
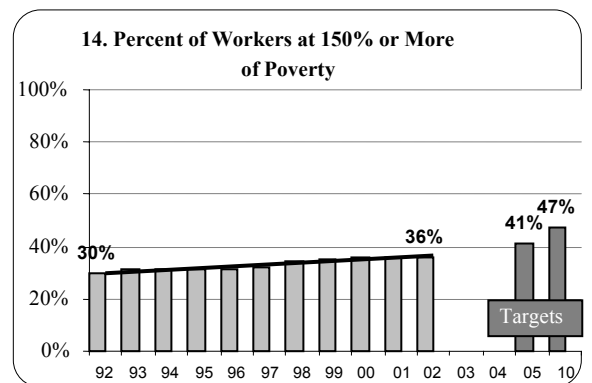
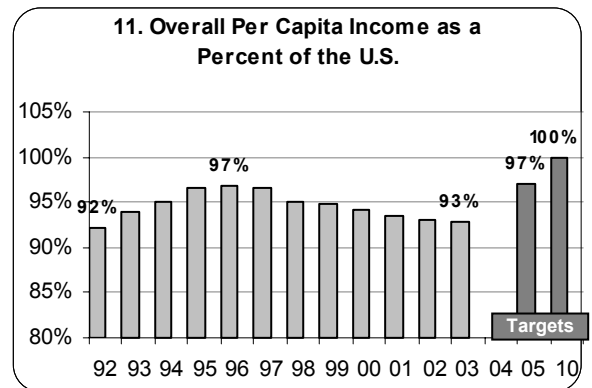
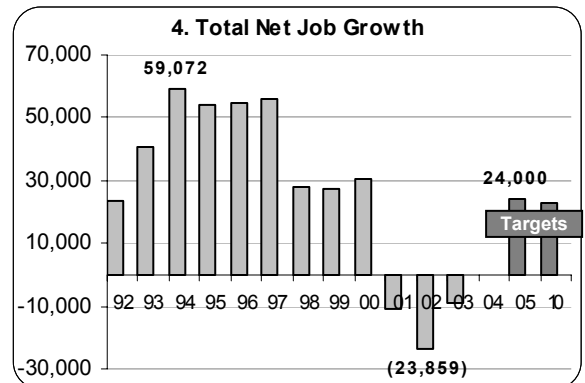
and non-metro areas. Since 1997, Oregon's per capita personal income has slipped steadily in relationship to the U.S. average.

Family-wage jobs – Benchmark 14: percent of Oregon workers covered by unemployment insurance with earnings of 150 percent or more of the federal poverty level. In 2003, relatively few Oregon workers had incomes at or above 150 percent of poverty, about \$28,000 for a family of four.

Unemployment – Benchmark 15: Oregon's unemployment rate as a percentage of U.S. Oregon's unemployment remains high compared to the rest of the nation. In 2003, Oregon's unemployment rate was 137 percent of the national average.

Additional economic and community development benchmarks include:

- **Employment in rural Oregon** – Benchmark 1: percent of Oregonians employed outside the Willamette Valley and the Portland tri-county area.
- **New employers** – Benchmark 3: Oregon's national rank for new Employer Identification Numbers per 1,000 workers.
- **Professional services** – Benchmark 5: Oregon's concentration in professional services relative to the U.S. concentration in professional services (Professional services include investment advice, advertising agencies, and the following services: engineering, architectural, accounting, management consulting and legal).
- **Economic diversification** – Benchmark 6: Oregon's



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national rank in economic diversification.

- **Research and development** – Benchmark 7: research and development expenditures as a percentage of gross state product: a. industry (public/private), b. academia.
- **Annual pay** – Benchmark 12: average annual payroll per worker covered by unemployment insurance: a. urban, b. rural (all industries, 2003 dollars).
- **Income disparity** – Benchmark 13: comparison of average incomes of top 5th families to lowest 5th families: a. ratio, b. national rank.
- **Home ownership** – Benchmark 73: percent of households that are owner occupied.

Data and reports for all Oregon Benchmarks can be found at <http://www.oregon.gov/DAS/OPB/obm.shtml>.

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ECONOMIC AND COMMUNITY DEVELOPMENT DEPARTMENT

	2001-03 Actuals	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	\$2,324,751	\$1,168,674	\$1,284,569
Lottery Funds	72,661,873	83,293,120	109,837,897
Other Funds	39,104,753	32,135,133	38,040,477
Federal Funds	35,525,030	36,862,390	36,067,899
Other Funds (Nonlimited)	146,539,302	234,142,841	303,105,231
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$296,155,709	\$387,602,158	\$488,336,073
Positions	152	116	114
Full-time Equivalent	148.10	116.39	113.00

Overview

The mission of the Economic and Community Development Department (ECDD) is creation and retention of “sustained, quality jobs for all Oregonians at least cost.”

The Department follows four primary goals to meet that mission:

- Accelerate job growth by working to retain and expand existing businesses, recruit new businesses into the state, and improve the business climate for traded sector industries.
- Prepare communities to compete for economic opportunities through industrial land development and infrastructure projects that can attract new businesses and grow the existing job base.
- Foster innovation by rapidly commercializing university research into new Oregon products and businesses.
- Improve customer service and measure results.

The Department shifted its focus in the current biennium to helping Oregon businesses and industries in their efforts to remain competitive and successful. However, it continues to provide assistance to rural and distressed communities and small and emerging businesses, including those owned by women and minorities. The Department provides grants and loans to communities for infrastructure improvements; allocates funds for regional and rural economic and community development planning and project financing; and administers funds for community assistance and small business assistance. The Department also offers technical assistance. In its efforts, the Department encourages sustainable practices and creating flexible partnerships to solve problems. A five-member Commission, appointed by the Governor, provides policy oversight to the Department.

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In addition to the Department's core programs, the agency provides administrative support to the following:

- **Film and Video Office.** This office focuses on promoting the development of the film, video, and multimedia industry in Oregon. It recruits the industry to film features, movies, and television series in Oregon, and actively recruits related businesses to relocate to Oregon permanently. The 1995 Legislature made the Film and Video Office a semi-independent state agency. As such, the office has no state employee positions. Staff is under direction of a five-member Board appointed by the Governor. The Film and Video Office is funded by Lottery Funds.
- **Arts Commission.** The Commission provides leadership, funding, and services to Oregon artists, arts organizations, students, and communities. Nine citizen commissioners, appointed by the Governor, are responsible for policy and grant-making decisions. The Commission administers a number of programs, including evaluating the impact of arts on Oregon's economy and providing National Endowment for the Arts funding for programs in Oregon. It also assesses and maintains Oregon's existing public art and supports Oregon's efforts towards arts education. The Commission has also managed the Cultural Trust, following a statutory change during the 2003 Legislative Session.

Recommended Budget

The Governor's recommended budget includes \$488.3 million total funds. This is a 26.0 percent increase from the 2003-05 Legislatively Approved Budget. The budget includes a 9.9 percent increase in General Fund and a 31.9 percent increase in Lottery Funds. The increase in Lottery Funds is due, in part, to debt service payments for outstanding or proposed Lottery Revenue Bonds. Other Funds expenditure limitation (limited and non-limited) reflects an increase of 28.1 percent. This represents increased loan activity resulting largely from proposed issuance of additional Lottery Revenue bonds. Federal Funds expenditure limitation has decreased slightly because of decreased revenue expectations.

The recommended budget includes:

- Approximately \$16.0 million Lottery Funds, \$8.6 million Other Funds, and \$1.5 million Federal Funds for Operations. This funding level supports 106.00 full-time equivalent positions. No additional positions were granted in the recommended budget.
- About \$39.4 million Lottery Funds, \$327.1 million Other Funds, and \$32.9 million Federal Funds for Oregon Development Fund activities. The Commission, within the Governor's priorities, will allocate Lottery funds to specific programs, including: the Strategic Reserve Fund, Industry Sector Outreach, Small Business Assistance, Business Retention Services, Community Assistance, and Regional/Rural Investment programs. The recommended budget provides an additional \$3.5 million Lottery Funds to partially restore funding to the Regional/Rural Investment programs. Funding for the program still remains significantly below the 2001-03 approved level. The recommended budget also provides an additional \$9.0 million Lottery Funds for activities related to commercialized research and the innovation economy. Finally, the recommended budget includes \$61.0 million in new Lottery Bond resources to fund activities related to the Industrial Lands Initiative.
- Approximately \$0.8 million Lottery Funds for Film and Video. This essentially continues the current funding level for this program.

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- About \$1.3 million General Fund, \$5.5 million Other Funds, and \$1.7 million Federal Funds for the Arts Commission and Cultural Trust. This essentially continues the current funding level for program operations, and supports 7.00 full-time equivalent positions. It increases grant activity related to the Cultural Trust based on updated revenue projections.
- The budget also includes \$53.6 million in Lottery Funds debt service for outstanding and proposed Lottery Revenue bonds.
- The budget no longer includes funding for the Tourism Commission, which is now a separate, semi-independent commission. It will receive funding via a statewide lodging tax.

Revenue

The Department's main source of state revenue is Lottery Funds. General Fund finances the Arts Commission. Federal revenue is primarily from the Community Development block Grant, the Safe Drinking Water Act, and other miscellaneous federal grants.

Loan repayments, bonding (Lottery and other), grants, and various Other Funds sources also support activities in the Oregon Development Fund. These resources are expended under Limited and Nonlimited expenditure authority. The Nonlimited authority is mainly for expenditures related to bonds and revolving loan fund activities.

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EMPLOYMENT DEPARTMENT

	2001-03 Actuals	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	\$1,946,632	\$3,426,181	\$3,586,694
Lottery Funds	0	0	0
Other Funds	87,779,187	108,175,341	104,606,984
Federal Funds	260,744,308	259,148,688	251,666,439
Other Funds (Nonlimited)	2,318,336,696	2,117,668,224	1,328,108,136
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$2,668,806,823	\$2,488,418,434	\$1,687,968,253
Positions	1,516	1,525	1,431
Full-time Equivalent	1,432.03	1,421.51	1,368.54

Overview

The Employment Department's mission is to support business and promote employment. To accomplish this mission, the agency currently performs the following services:

- Supports economic stability for Oregonians and communities during times of unemployment through the payment of unemployment benefits.
- Serves businesses by recruiting and referring the best qualified applicants to jobs, and provides resources to diverse job seekers in support of their employment needs.
- Develops and distributes quality workforce and economic information to promote informed decision-making.
- Provides access to child care that is safe, high quality, and affordable.
- Provides administrative hearings services, through the Office of Administrative Hearings, to approximately 70 state agencies.

The Department has 48 field offices. Also, touch-screen kiosks can be found in 154 locations, including retail stores, libraries, and government offices.

The Department has made significant changes in its service delivery with the establishment of Unemployment Insurance call centers in Eugene, Portland, and Bend, and the development of web-based service delivery. These centers will become fully operational just prior to the 2005-07 biennium. This internet availability will enable claimants to file their claims anytime and from anywhere (365 days a year

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and 24 hours a day) after receiving notice of their job loss. This access can help alleviate their concern regarding the financial support of their family.

The Department has also realigned its Business and Employment Services (B&ES) Division by focusing on the needs of business in striving to refer the best qualified job seekers to employers' job openings. B&ES has also created a web-based registration and job listing tool for job seekers and employers to use at their convenience.

Recommended Budget

The Governor's recommended budget for the Employment Department is \$1.69 billion total funds. This is 32 percent lower than the 2003-05 Legislatively Approved Budget.

The recommended budget allows the Department to continue the existing level of core services. It makes permanent two limited-duration revenue agents and one information systems specialist positions approved by the 2003 Legislature to expand Unemployment Insurance fraud control efforts. It continues 25 limited-duration positions to work on employment-related grants and contracts. It also provides Other Funds expenditure limitation for the agency to be able to distribute the Oregon Child Care Contribution dollars to non-government entities.

Revenue

Most of the Department's revenue is Federal Funds and Other Funds. These funds come from tax receipts and interest on collected payroll taxes and penalties. The Department also receives Other Funds from contracts and fees for services. The General Fund supports child care activities.

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HOUSING AND COMMUNITY SERVICES DEPARTMENT

	2001-03 Actuals	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	\$7,163,258	\$9,794,031	\$9,792,104
Lottery Funds	1,905,233	4,432,311	4,460,538
Other Funds	61,703,317	87,215,711	80,823,021
Federal Funds	99,061,323	103,404,381	104,909,464
Other Funds (Nonlimited)	1,177,620,640	1,070,115,287	2,194,299,456
Federal Funds (Nonlimited)	94,483,987	94,117,000	101,600,000
Total Funds	\$1,441,937,758	\$1,369,078,721	\$2,495,884,583
Positions	148	152	154
Full-time Equivalent	143.49	148.34	150.58

Overview

The Housing and Community Services Department is Oregon's low-income housing finance agency. The agency assists in the financing of both single-family homes and the new construction or rehabilitation of multi-family affordable housing developments. The agency also administers federal and state programs to alleviate homelessness and poverty. A seven-member State Housing Council, appointed by the Governor, guides the agency.

The agency plays a critical role in maintaining and improving the quality of life. It coordinates agency resources with other state and local resources to solve community problems. It also works with private community-based agencies to help needy people. It is often difficult for families with an income below 80 percent of median income to buy a home. The agency helps these families with low interest rate loans, tax credits, and subsidy grants. For families with an income below 60 percent of median income, the agency helps develop low-income housing projects. It provides below-market interest rate loans and tax credits. It also processes federal rent subsidies.

The agency also has special programs for the elderly and the disabled. It finances multi-family housing, group care homes, residential care facilities, assisted living facilities, and congregate facilities.

Community service programs provide basic safety net services. These programs provide resources to shelter the homeless, and help the homeless obtain affordable housing. They also provide energy cost subsidies, home weatherization services, and food to the poor.

The agency administers the Manufactured Dwelling Park Community Relations Program. This program helps mobile home park tenants and landlords resolve concerns about their parks and living situations.

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Recommended Budget

The Governor's recommended budget is \$2.5 billion total funds. This is 82 percent higher than the 2003-05 Legislatively Approved Budget. Limited expenditures have decreased by two percent. Nonlimited expenditures have increased by 97 percent due to increased activity in the agency's bond program. This large increase is a result of the Department issuing a very large volume of one-year notes that create debt service at maturity and subsequent refunding. These one-year notes are necessary to preserve excess tax-exempt volume cap created through record levels of loan prepayments that are eligible for recycling; increased bond volume cap resources from awarded carry forward resources, refunding opportunities through the Oregon Department of Veterans Affairs, and the issuance of taxable bonds; and slow loan origination due to a variety of economic factors.

The recommended budget continues all programs, but includes a 10 percent reduction to the General Fund essential budget level. This includes a \$838,027 General Fund reduction to the Statewide Homeless Assistance Program and a \$250,000 General Fund reduction to the Homeownership Assistance Program. The budget continues 20 limited-duration positions as permanent positions. These include 14 positions related to U.S. Department of Housing and Urban Development contract administration, two positions related to the Emergency Assistance Program, three positions for Property Management and Compliance and one position related to the HOME program. The budget adds two positions to work in the loan program and to administer the weatherization grants that are being allocated through the Consolidated Funding Cycle. The budget also reclassifies one position in the Asset and Property Management Division.

Revenue

The agency operates mainly with Other Fund revenues from the sale or repayment of bonds. It also receives public utilities fees, investment income, grants, loan repayments, loan commitment fees, and revenue from other state agencies. Nonlimited expenditure authority is used for bond-related costs and proceeds.

General Fund finances the state homeless, emergency housing, and food programs.

The agency receives Federal Fund revenues from a variety of federal sources. The balanced budget assumes the agency will receive Federal Funds from the HOME Investment Partnership Program, Section eight Rent Subsidy program, Community Services Block Grant, Low-Income Energy Assistance Program, Emergency Shelter Grant, Department of Energy Weatherization, U.S. Department of Agriculture Food and Rural Housing Preservation programs, and Supplemental Assistance for Facilities that Aid the Homeless. The agency uses Nonlimited expenditure authority for Section eight rent subsidy payments.

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STATE FAIR AND EXPOSITION CENTER

	2001-03 Actuals	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	\$1,328,779	\$1,294,260	\$1,346,117
Lottery Funds	2,510,282	3,718,261	4,235,235
Other Funds	19,985,690	11,674,776	12,557,777
Federal Funds	0	0	0
Other Funds (Nonlimited)	1,311,128	5,804,589	1,039,410
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$25,135,879	\$22,491,886	\$19,178,539
Positions	52	60	59
Full-time Equivalent	32.92	37.18	37.05

Overview

The Oregon State Fair and Exposition Center (State Fair) conducts an annual state fair and operates its fairgrounds as a year-round fair and exposition center. The State Fair's biggest challenges are generating adequate revenue and maintaining its 185-acre facility, which is located in Salem.

The State Fair is making progress toward its revenue goals. The agency has a 10-year pricing plan, and is focused on increasing exposition rental sales. The agency is working to increase the market capacity, appeal, and profitability of the fairgrounds. Over the last two biennia, the agency received \$20 million in Lottery bond revenues for facility improvements. Improvements include several renovation and construction projects, the largest of which is a 5,000 seat multipurpose pavilion. This building, suited for a variety of shows and events, was completed in 2004.

Recommended Budget

The Governor's balanced budget for the State Fair is \$19.2 million total funds. This is a 15 percent decrease from the 2003-05 Legislatively Approved Budget. The recommended budget allows the agency to maintain core programs and provides additional resources to repair or replace aging equipment. The budget contains \$4.2 million Lottery Funds and \$1.0 million Other Funds Nonlimited for debt service on various lottery-backed and revenue bonds.

Revenue

The agency generates most of its operating revenues from the annual fair and exposition event activities. The annual state fair is projected to generate 70 percent of agency revenues. The remaining 30 percent will be from exposition events.

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The agency is not able to generate adequate Other Fund revenues to meet all of its expenses. The budget provides enough General Fund to maintain services and an adequate cash balance. The agency is working to increase its Other Fund revenues to achieve operational self-sufficiency. It is very likely the State Fair will continue to require a General Fund appropriation, since the cost of maintaining marketable facilities exceeds the capacity of the agency's current revenue streams.

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DEPARTMENT OF VETERANS' AFFAIRS

	2001-03 Actuals	2003-05 Legislatively Approved	2005-07 Governor's Recommended
General Fund	\$2,059,501	\$2,389,793	\$2,416,625
Lottery Funds	0	0	0
Other Funds	29,939,285	37,488,722	37,975,996
Federal Funds	0	0	0
Other Funds (Nonlimited)	656,134,058	805,581,377	594,687,095
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$688,132,844	\$845,459,892	\$635,079,716
Positions	165	139	113
Full-time Equivalent	163.14	139.00	113.00

Overview

The Department of Veterans' Affairs serves Oregon veterans, their dependents, and survivors. Specific programs include:

- The Veterans' Loan Program provides home loans at a favorable interest rate. Tax-exempt bond revenue is used to finance the loans. Loan repayments and investment earnings pay off the bonds and cover the cost of program administration.
- The Veterans' Services Program provides benefit counseling, claims assistance, conservatorship services, and education assistance. It operates through service centers in 34 of the state's counties. The Department finances these centers up to \$10,300 per county annually, along with local government. The agency headquarters is in Salem and serves veterans in Marion and Polk counties.
- The Oregon Veterans' Home Program opened for business in November 1997. This is a 151-bed facility in The Dalles, providing skilled nursing care and Alzheimer's disease care. The Department of Veterans' Affairs contracts out facility operation. The home had 131 residents as of November 2004.

Recommended Budget

The Governor's recommended budget for the Department of Veterans' Affairs is \$635.1 million total funds. This is a 25 percent decrease from the 2003-05 Legislatively Adopted Budget. Excluding Nonlimited Other Funds which account for bond and loan activity, the balanced budget is a 1.3 percent increase from the 2003-05 Legislatively Adopted Budget

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The recommended budget continues existing services, including assistance to county and veterans' service organizations consistent with the 2003-05 budget. The total number of positions in the agency has declined due to reduced activity in the Loan Program.

Revenue

Most of the Department's budget is Other Funds. This money primarily comes from the bond-financed Loan Program. Specific sources include mortgage loan and contract repayments, investment earnings, mortgage insurance payments, property tax payments, fee and rental income, and bond proceeds.

General Fund mostly supports direct services to veterans. The Department earns some revenue through its conservatorship activities. The amount pays for two-thirds of the services provided.

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