

# Economic Development

## PROGRAM AREA AGENCIES

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	<b>2003-05 Actuals</b>	<b>2005-07 Legislatively Approved</b>	<b>2007-09 Governor's Recommended</b>
General Fund	\$18,634,161	\$21,951,241	\$36,942,453
Lottery Funds	86,697,942	108,497,094	175,284,538
Other Funds	234,163,700	268,086,329	306,004,955
Federal Funds	393,988,803	389,701,688	396,626,530
Other Funds (Nonlimited)	4,170,131,143	4,404,876,253	4,152,799,950
Federal Funds (Nonlimited)	100,481,632	101,600,000	104,750,000
<b>Total Funds</b>	<b>\$5,004,097,381</b>	<b>\$5,294,712,605</b>	<b>\$5,172,408,426</b>
Positions	1,930	1,874	1,673
Full-time Equivalent	1,852.92	1,756.99	1,654.72

### 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 focuses economic development efforts on creating and retaining sustainable businesses activities and investments. The 2007-09 budget includes targeted investments to expand and diversify the state's economic base by attracting new industries, companies, investments and ideas to Oregon. Agencies in this program area work to ensure dollars spent on the economy are generating the maximum benefit.

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

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- A 61.6 percent increase in Lottery Funds within the Oregon Economic and Community Development Department predominantly for activities within the Community Development Fund.
- The recommended budget restores \$4.5 million Lottery Funds to regional and rural investment programs.
- The recommended budget also provides \$38.2 million Lottery Funds in direct public investments to promote commercialized research and the innovation economy.
- \$15 million Lottery Funds are earmarked for workforce investment to enable industries, communities and the workforce to compete in the international economy.
- The Governor's budget invests an additional \$5.6 million in services for small businesses.
- It adds \$2.0 million to market Oregon's business advantages nationally and internationally.
- The recommended budget includes \$102.0 million in new Lottery Bond issuances to recapitalize infrastructure funds to finance community infrastructure projects. The budget also includes nearly \$58 million in Lottery Funds debt service for outstanding and proposed Lottery Revenue bonds.
- The Governor's budget also restores \$2.9 million General Fund to fund the Arts Commission and Cultural Trust.

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## ECONOMIC AND COMMUNITY DEVELOPMENT DEPARTMENT

	2003-05 Actuals	2005-07 Legislatively Approved	2007-09 Governor's Recommended
General Fund	\$1,175,089	\$1,268,049	\$4,220,781
Lottery Funds	75,443,282	104,036,556	169,198,595
Other Funds	31,173,025	40,202,701	41,017,546
Federal Funds	29,096,098	36,037,984	36,340,253
Other Funds (Nonlimited)	223,068,617	287,806,566	300,812,712
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$359,956,111	\$469,351,856	\$551,589,887
Positions	127	121	128
Full-time Equivalent	115.91	118.58	127.92

### Overview

The mission of the Oregon Economic and Community Development Department (OECD) is to advance Oregon's economy.

To accomplish this mission, the Department works toward three primary goals:

- Promote a strong investment climate that retains existing businesses, creates new jobs, and increases average wages.
- Support innovation and research to improve national and global competitiveness of Oregon companies.
- Help communities build capacity to attract, retain and expand businesses.

The Department shifted its focus in the 2005-07 biennium to helping Oregon businesses and industries in their efforts to remain competitive and successful. However, the agency continued to provide assistance to rural and distressed communities and small and emerging businesses, including those owned by women and minorities. The 2007-09 Governor's recommended budget restores funding for regional and rural investment programs, while maintaining focus on promoting the "innovation economy." OECD is undergoing an intensive statutory review to ensure that its governing statutes are aligned with its newly refined mission and goals.

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

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partnerships to solve problems. A five-member Commission, appointed by the Governor, provides policy oversight to the Department.

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 \$551.6 million total funds. This is a 17.5 percent increase from the 2005-07 Legislatively Approved Budget. The budget includes a 62.6 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. The General Fund budget is more than triple that of 2005-07. This increase is due to a restoration of funding for the Oregon Arts Commission. Other Funds expenditure limitation (limited and non-limited) reflects an increase of 4.2 percent.

The recommended budget includes:

- Approximately \$18.5 million Lottery Funds, \$10.4 million Other Funds, and \$1.7 million Federal Funds for Operations. This funding level supports 119.00 full-time equivalent positions. Seven positions were added to enhance staffing for core programs, reduced in recent biennia due to budget constraints, and to support the Department's innovation and workforce initiatives.
- About \$91.4 million Lottery Funds, \$325.5 million Other Funds, and \$32.9 million Federal Funds for Community 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 \$4.4 million Lottery Funds to partially restore funding to the Regional/Rural Investment programs. It also provides an additional \$38.2 million Lottery Funds for activities related to commercialized research and the innovation economy. These funds are targeted for the implementation of the Oregon Innovation Council's 2007 Innovation Plan,

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including: establishing an ocean wave energy industry; enhancing established food production, seafood, and metals manufacturing industries; continued development of the Oregon Nanoscience and Microtechnologies Institute (ONAMI); launching the Oregon Translational Research and Drug Discovery Institute (OTRADI); launching a bio-economy and sustainable technologies center; and establishing a cluster accelerator fund to encourage next-generation innovation proposals.

It also includes \$15 million Lottery Funds for workforce investment to attract, retain, and re-train employees to meet the high-tech needs of the global economy in support of the Oregon Workforce Investment Board's 2006 five-year plan. The budget includes an additional \$5.6 million for small business services, including funds for minority- and women-owned businesses, and businesses in rural and distressed areas. It adds \$2.0 million to build upon the branding effort begun in 2005-07 to market Oregon's products, industry clusters, and aid in business recruitment and expansion activities nationally and internationally. The budget includes \$1.0 million to help small to medium-sized manufacturing businesses develop efficiencies necessary to compete in the global market.

Finally, the recommended budget includes \$102 million in new Lottery Bond resources to recapitalize infrastructure funds, including: Special Public Works Fund, Water/Wastewater Fund, Oregon Port Revolving Loan Fund, Port Planning and Marketing Fund, and Brownfields Redevelopment Fund. These funds provide loans and grants to municipalities and ports for facilities like solid waste disposal and water systems, development of industrial lands, public infrastructure projects to comply with federal law, expanding trade and maritime shipping, and for the clean-up and redevelopment of contaminated property.

- Approximately \$1.3 million Lottery Funds for Film and Video. This continues the current funding level for this program and adds resources for increased costs of operations.
- About \$4.2 million General Fund, \$5.9 million Other Funds, and \$1.7 million Federal Funds for the Arts Commission and Cultural Trust. This funding level supports 8.92 full-time equivalent positions. It adds \$2.9 million General Fund to finance the Creative Oregon Initiative, including funding for competitive grants to arts groups, increasing two part-time staff positions to full-time, arts and business training, and marketing resources for the Cultural Trust.
- The budget also includes nearly \$58 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

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expenditure authority. The Nonlimited authority is mainly for expenditures related to bonds and revolving loan fund activities.

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## EMPLOYMENT DEPARTMENT

	2003-05 Actuals	2005-07 Legislatively Approved	2007-09 Governor's Recommended
General Fund	\$3,458,184	\$3,584,245	\$3,891,934
Lottery Funds	0	0	0
Other Funds	90,207,885	103,567,621	118,467,776
Federal Funds	255,651,773	250,290,816	243,709,505
Other Funds (Nonlimited)	1,707,672,581	1,328,108,136	1,436,098,557
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$2,056,990,423	\$1,685,550,818	\$1,802,167,772
Positions	1,452	1,431	1,288
Full-time Equivalent	1,414.02	1,368.12	1,273.35

### Overview

The Employment Department offers services in five program areas:

- Unemployment Insurance provides wage replacement income to workers who are unemployed through no fault of their own.
- Business and Employment Services offers job listings, referrals services, and career development resources.
- Child Care promotes and regulates the child care industry.
- Workforce and Economic Research coordinates the collection and dissemination of occupational and economic data for the state, workforce regions, and counties.
- The Office of Administrative Hearings conducts contested cases for approximately 70 state agencies.

### Recommended Budget

The Governor's Recommended Budget of \$1.8 billion total funds is a 6.9 percent increase from the 2005-07 Legislatively Approved Budget. The recommended budget maintains child care programs at current levels. Employment security programs are reduced to begin a multi-biennial downsizing made necessary by ongoing federal revenue shortfalls.

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Federal revenues have not kept pace with increasing costs for wages and benefits, facilities, materials and supplies, and other expenses. The Department began making reductions in the current biennium, holding positions vacant, consolidating offices, eliminating information kiosks, and reducing expenditures for temporary employees, overtime, travel, and other costs. The 2007-09 recommended budget continues many of these actions, eliminates positions, and shifts expenses to other revenue sources. Overall, Federal Funds expenditures in the Unemployment Insurance, Business and Employment Services, and Workforce and Economic Research program units are reduced by \$12.2 million or 9.1 percent from current levels. Other Funds for these programs are reduced by 2.3 percent, or \$2.2 million. Agency-wide, the number of positions is reduced by 10 percent and full-time equivalent positions are reduced by 6.9 percent from the 2005-07 Legislatively Approved Budget.

The Department anticipates that additional reductions will be necessary for two or three biennia following 2007-09. The most significant reason is the anticipated depletion of federal Reed Act funds. By law, these funds are distributed to states whenever the three federal employment security trust accounts reach their congressionally-established caps. Rather than distribute the funds, however, Congress has repeatedly increased the caps and avoided the distributions, as federal accounting policy offsets trust fund balances against the federal deficit. The last distribution to Oregon of \$98 million occurred in 2002. The department is proposing to expend the remaining balance gradually through the 2011-13 biennium, taking additional reductions in the near future to downsize the agency in more manageable steps.

Despite budget reductions, the department intends to continue to enhance services to employers and job-seekers. Initiatives include extensions to the iMatch placement service to verify that unemployment insurance claimants are actively seeking work, improvements in automated telephone and internet access for unemployment benefits and tax services, increased employer awareness and use of job placement services, and development of new labor market data products and services.

## Revenue

General Fund is used for the Child Care Commission and the Child Care Resource and Referral Network.

The primary source of Other Funds is employer-paid Oregon unemployment taxes. These taxes are collected by the state and held by the United States Treasury for the payment of benefits to eligible claimants. They are included as Nonlimited funds in the agency budget.

The major sources of Other Fund revenues supporting employment security programs are:

- Supplemental Employment Department Administrative Fund (SEDAF) revenues received from a 0.09 percent unemployment tax diversion.
- Federal Reed Act funds distributed to states at the discretion of Congress.
- Special Administrative Fund revenues that consist of penalties for unemployment tax delinquencies and interest on account balances.
- Fraud Control Fund revenues received from interest earnings on delinquent repayments of unemployment insurance benefit overpayments.

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The agency also receives Other Fund revenues from contracts with other state agencies to provide employment placement and hearings services. The Child Care Division receives revenues from licensing fees and the child care tax credit program. The Office of Administrative Hearings is funded with charges to agencies for which it conducts hearings.

Federal Unemployment Tax Act revenues are generated through a tax on employers to support administration of the employment security system. Wagner-Peyser Act funds are allocated based on the civilian labor force and unemployment history for employment related labor exchange services.

The federal Child Care and Development Block Grant funds payments to providers, licensing and regulation, system planning and coordination, research and evaluation, and administration.

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## HOUSING AND COMMUNITY SERVICES DEPARTMENT

	2003-05 Actuals	2005-07 Legislatively Approved	2007-09 Governor's Recommended
General Fund	\$9,795,633	\$10,868,769	\$22,922,600
Lottery Funds	4,462,310	4,460,538	6,085,943
Other Funds	72,881,359	79,494,188	106,515,665
Federal Funds	109,240,932	103,372,888	116,576,772
Other Funds (Nonlimited)	1,698,370,295	2,194,299,456	1,807,419,156
Federal Funds (Nonlimited)	100,481,632	101,600,000	104,750,000
Total Funds	\$1,995,232,161	\$2,494,095,839	\$2,164,270,136
Positions	153	150	146
Full-time Equivalent	148.46	147.08	142.92

### 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. It 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 \$2.2 billion total funds. This is 13.2 percent lower than the 2007-09 Legislatively Approved Budget. The recommended budget continues all programs.

It adds \$16 million to support the development of 150 units of housing that will provide services to Oregon's homeless population. This investment will work towards ensuring homeless individuals and families are supplied with a home and the appropriate services to help them gain self sufficiency. Two half-time positions were added to provide the coordination and support for the increased workload of maintaining housing for the homeless model.

In Section 8 project-based assistance, the budget invests \$8.1 million to ensure that low-income individuals pay no more than 30 percent of their income on housing. One position was added to provide fiscal analysis and underwriting to preserve Section 8 projects.

In an effort to address the problem of hunger in Oregon, the budget adds \$1.5 million to increase the capacity of the Oregon Food Bank Network to deliver emergency food assistance to those in need, and break down barriers to ensure more food can be distributed statewide. Three positions were added to provide research, analysis, technical support, and coordination for the Oregon Food Policy Council and the Ending Homelessness Advisory council.

It provides a \$2 million capital infusion to Oregon Housing and Community Services for the purposes of ensuring long-term financial viability and maintaining quality bond ratings. This will result in the department continuing to provide affordable rental housing and homeownership opportunities for low-income Oregonians.

The recommended budget eliminated eight positions due to revenue constraints.

## 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 8 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 8 rent subsidy payments.

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## DEPARTMENT OF VETERANS' AFFAIRS

	2003-05 Actuals	2005-07 Legislatively Approved	2007-09 Governor's Recommended
General Fund	\$2,358,941	\$6,230,178	\$5,907,138
Lottery Funds	0	0	0
Other Funds	29,216,354	37,781,330	40,003,968
Federal Funds	0	0	0
Other Funds (Nonlimited)	534,792,460	594,662,095	608,469,525
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$566,367,755	\$638,673,603	\$654,380,631
Positions	139	113	111
Full-time Equivalent	137.48	112.50	110.53

### 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. A recent change in federal law allows the Department to finance a loan to any veteran discharged within the past 25 years. Prior law restricted the use of tax-exempt bond proceeds to veterans who served prior to 1977.
- The Veterans' Services Program provides benefit counseling, claims assistance, conservatorship services, and education assistance. It operates through county service centers in 34 of the state's counties. The Department provides \$1.4 million annually to these centers. The agency directly 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 the facility's operation. The home had 139 residents as of October 2006.

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## Recommended Budget

The Governor's recommended budget for the Department of Veterans' Affairs is \$654.4 million total funds. This is a 2.5 percent increase from the 2005-07 Legislatively Adopted Budget. Excluding Nonlimited Other Funds, which account for bond and loan activity, the recommended budget is a 4.3 percent increase from the 2005-07 Legislatively Adopted Budget.

The recommended budget continues existing services, including increased assistance to county veterans' service officers. It adds funding for the Military Order of the Purple Heart, a national organization that serves disabled veterans.

## 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. The remaining 5.0 percent of Other Funds revenues come from revenues received for the benefit of veterans residing at the Veterans Home.

General Fund supports direct services to veterans. The Department earns some revenue through its conservatorship activities. The amount pays for approximately half of the services provided.

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