2013 -15 Business Oregon Ways & Means Presentation Outline

LFO Overview: Agency 2011-13 Legislatively Adopted Budget, 2011-13 Legislatively Approved Budget, 2013-15 Current Service Level Budget

BAM Overview: BAM Overview of Agency & 2013-15 Governors' Balanced Budget

Agency Presentation

Day 1 – Business Oregon Overview and Successes (who we are, what we do and the results)

Wally Van Valkenburg – Agency Overview (Mission & 4 Goals)

Tim McCabe/Lynn Schoessler – Programs/Priorities (Agency POP's integrated in presentation)

Vince Porter – Film and Video

Chris D'Arcy – Arts and Cultural Trust

Day 2 – OR InC and Governor's POP's

Tim McCabe – High level synopsis of progress after 3 biennia of funding, including mission and philosophy; role of Audit Committee; metrics for success; Agency POP; and introduction of SRC Directors

Signature Research Center Overview and Testimonials

- ONAMI – Skip Rung
  - Ron Nelson, CEO Pacific Light
- Oregon BEST – David Kenney
  - Frank Clourtier, Inspired Light
- OTRADI – Jennifer Fox
  - David Eastman, Gamma Therapuetics

Scott Nelson – Innovation Infrastructure and Oregon Investment Act (HB4040)

Greg Wolf and Brett Brownscombe – Regional and Local Infrastructure Development

- Regional Solutions Committee Funding
- Regional Economic Initiatives Funding
- O & C Timberland Collaboration Funding
- Eastern Oregon Forest Collaboration Funding
- Celilo Falls Confluence Project Funding

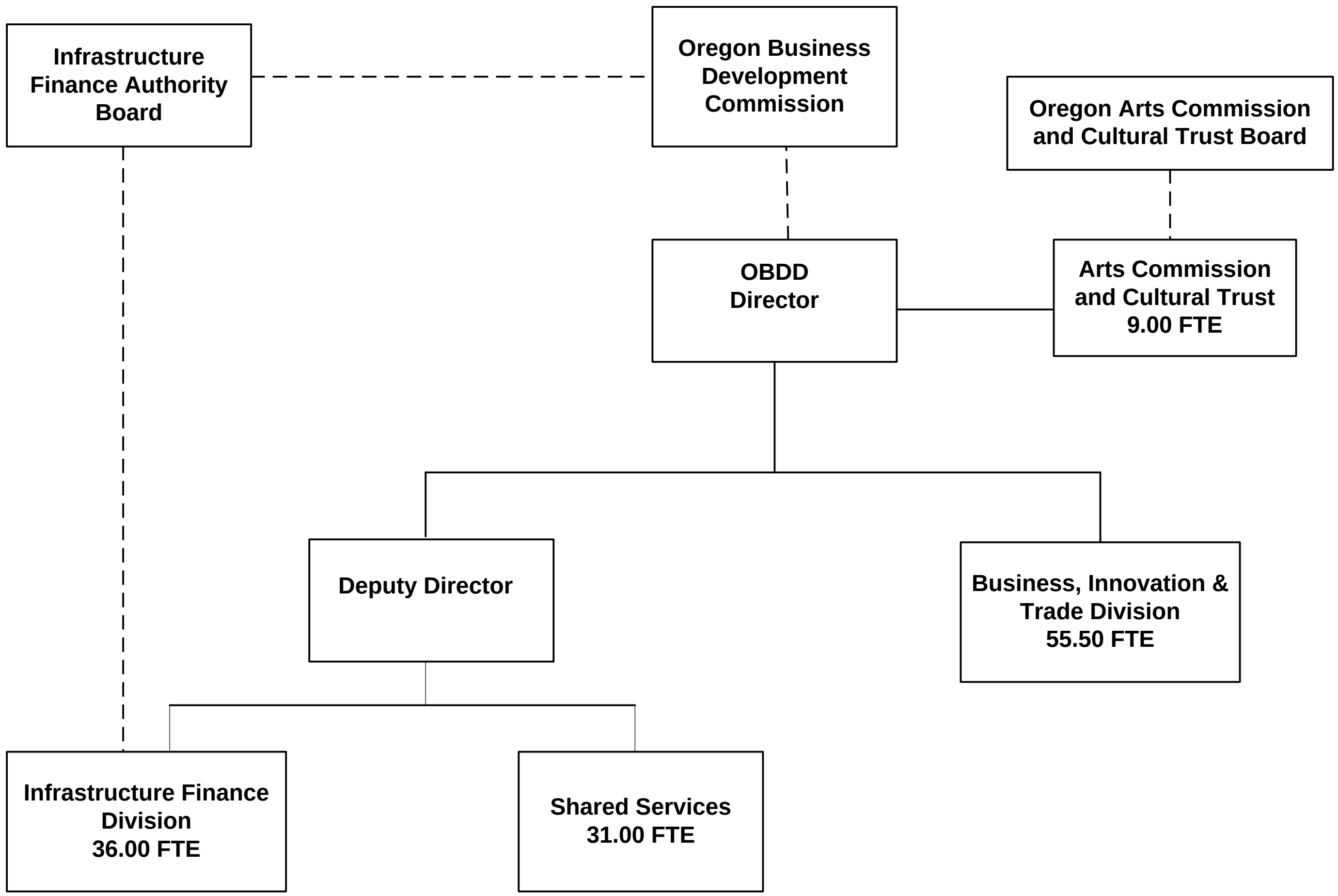
Day 3 – Success Story Testimonials from Agency Constituents and Partners

Oregon Business Development Department

Overall Structure

2013 – 15 Biennium

Total FTE = 131.50



OREGON BUSINESS DEVELOPMENT DEPARTMENT

Annual Performance Progress Report (APPR) for Fiscal Year (2011-2012)

Original Submission Date: 2012

Finalize Date: 9/28/2012

2011-2012 KPM #	2011-2012 Approved Key Performance Measures (KPMs)
1	Number of jobs created
2	Number of jobs retained
3	Personal income tax generated by the Department’s investment in jobs
4	New export sales of assisted clients
5	Percentage of small businesses that remain in business at least four years after receiving assistance from the Department.
6	Number of new industrial sites/acres certified "project ready."
7	Number of community capital projects assisted for planning (infrastructure, community and organizational).
8	Number of community capital construction financing projects that address public health and safety issues.
9	Number of community capital construction financing projects that assist with future economic and community development.
10	Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, availability of information.

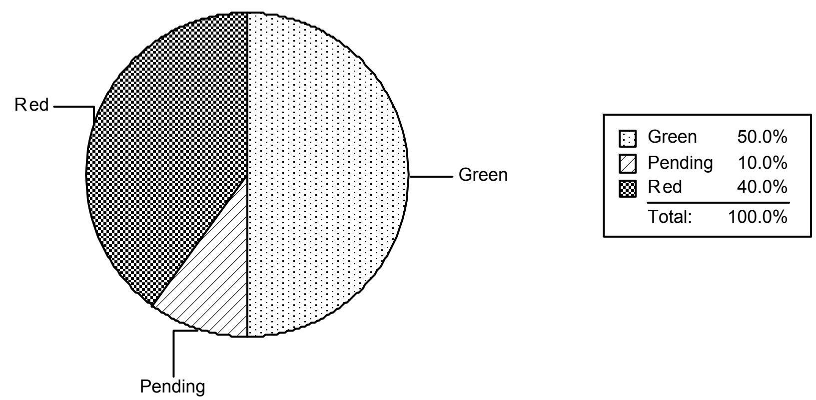
New Delete	Proposed Key Performance Measures (KPM's) for Biennium 2013-2015
	Title: **Rationale:**

OREGON BUSINESS DEVELOPMENT DEPARTMENT	I. EXECUTIVE SUMMARY

Agency Mission: Business Oregon works to create, retain, expand and attract businesses that provide sustainable, living-wage jobs for Oregonians through public-private partnerships, leveraged funding and support of economic opportunities for Oregon companies and entrepreneurs.

Contact:	Lisa Ansell, Strategic Services Manager	**Contact Phone:**	503-986-0039
Alternate:	Robyn Sellers	**Alternate Phone:**	503-986-0165

Performance Summary



Green	Yellow	Red	Exception
= Target to -5%	= Target -6% to -15%	= Target > -15%	Can not calculate status (zero entered for either Actual or

1. SCOPE OF REPORT

Scope of Report

Business Oregon's key performance measures (KPMs) demonstrate the agency's progress towards achieving its mission. These ten KPMs cover the work of the Business, Innovation, and Trade Division to create and retain jobs for Oregonians, as well as the work of the Infrastructure Finance Authority in the creation of healthy communities where jobs can be located. To best achieve its mission, the Business Oregon Commission established four goals as part of the agency's strategic plan:

Goal 1: Help existing businesses retain jobs while growing and attracting sustainable businesses with a focus on value-added services in key industries of:
• Advanced Manufacturing
• Clean Technology
• Natural Resource Products
• High Technology
• Outdoor Gear & Apparel

Goal 2: Enhance Oregon's position in the global economy by assisting Oregon businesses in accessing global markets and by recruiting international companies to Oregon.

Goal 3: Advocate on behalf of Oregon businesses to capitalize on those areas where Oregon has demonstrated a competitive advantage by making targeted strategic investments.

Goal 4: Assist communities building infrastructure capacity in community facilities to address public health safety and compliance issues, as well as support their ability to attract, retain and expand businesses.

The key performance measures reflect these priorities and the agency's work pertaining to Oregon's economic advancement and the operation and efficiency of the department.

2. THE OREGON CONTEXT

Business Oregon plays a vital role in achieving the Oregon Shines Vision II of 1) Quality jobs for all Oregonians; 2) Safe, caring and engaged communities; and 3) Healthy, sustainable surroundings.

All KPMs relate directly to the Oregon Benchmarks (OBM): **KPM 1**: OBM 1, 3, 4, 6, 7a, 8, 12, 15, 29; **KPM 2**: OBM 1, 15; **KPM 3**: OBM 4, 12, 15; **KPM 4**: OBM 2, 6, 16; **KPM 5**: OBM 1, 15; **KPM 6**: OBM: 1, 2, 3, 4, 6, 10, 11, & 15; **KPM 7**: OBM 1, 3, 10b, 32, 69; **KPM 8**: OBM 1, 3, 10b, 69; **KPM 9**: 1, 3, 32; **KPM 10**: OBM 35

Additional Related Oregon Benchmarks: OBM 7: Research and Development; OBM 8: Venture Capital; OBM 9: Cost of Doing Business; OBM 10: On-time Permits; OBM 12: Pay Per Worker; OBM 13: Income Disparity; OBM 14: Workers at 150% or More of Poverty.

Agency Partners in Related Work: Employment Department, Community Colleges and Workforce Development, as well as the departments of State Lands, Land Conservation and Development, Transportation, Environmental Quality, Human Services, Agriculture, Housing and Community Services and Energy.

3. PERFORMANCE SUMMARY

For KPM 1, Business Oregon verified job data through June 30, 2012. The department created a total of 1,510 jobs, falling short of the targeted 2,700 jobs for the fiscal year. The total reflects jobs created by investments from the Strategic Reserve Fund, Business Finance programs and Oregon InC. It should be noted that the department, in consultation with LFO, is reevaluating the appropriate target for this measure to best reflect the time period in which jobs are likely to be created from these investments.

For KPM 2, Business Oregon verified job data through June 30, 2012. The department retained 4,998 jobs, falling short of the targeted 7,500 jobs for this fiscal year. The total reflects jobs retained by investments from the Strategic Reserve Fund and Business Finance programs. It should be noted that the department, in consultation with LFO, is reevaluating the appropriate target for this measure to best reflect the time period in which jobs are likely to be created from these investments.

For KPM 3, Business Oregon exceeded the $14.8 million target, helping generate $15.9 million in state income tax revenues. The results associated with this measure are influenced by the department's KPM methodology for actual jobs created and retained.

For KPM 4, documented export sales are reported at $5.59 million. This figure falls significantly short of the targeted $17 million. This shortage is a direct result of a department decision to only report documented sales and not expected sales. In previous years, Business Oregon has included expected sales. The department reevaluated the best way to meet the intent of the KPM. For context in FY 2012, Business Oregon clients reported an “expected sales” of $19.77 million and Oregon company sales realized through technical assistance and OBDD facilitated sales via the federal Export-Import Bank totaled $71.53 million. In summary, if OBDD used the previous practice of including expected sales and technical assistance sales, the total number would be $96.9 million.

For KPM 5, Business Oregon assisted business survival rate, which exceeds the targeted 60% with Government Contract Assistance Program (GCAP) clients at 62.7% and met the target of 60% with Oregon Small Business Development Centers (OSBDC) clients. Business Oregon assists small businesses to survive the start-up phase and subsequent stages and create and retain small business jobs across the state in partnership with OSBDC's and GCAP.

For KPM 6, Business Oregon continues to face significant challenges in meeting the target of six certified sites per year. For FY2012, the department certified two sites totaling 112 acres. The most significant challenges are limited options for funding and financing public infrastructure improvements which can delay the certification process, and the remaining sites enrolled in the program are considerably more constrained by physical characteristics, transportation issues, permitted land use and market factors making them more difficult to certify.

For KPM 7, Infrastructure Finance Division awarded 24 planning projects this fiscal year and fell just shy of the KPM target of 25. Demand for funding remains constant and the program continues to be popular as communities seek to enhance their appeal and ability to attract new business and jobs and address public safety/health concerns. Planning projects are important to ensure technically feasible and cost-efficient construction projects for future implementation.

For KPM 8, Infrastructure Finance Division met and exceeded its target having funded 17 projects, two more projects than the set target of 15. The delays in critical upgrades to water and wastewater infrastructure improvements brought on by the slow economy continue. However, many communities are beginning to address the vital health and safety improvement projects despite the economy.

For KPM 9, Infrastructure Finance Division exceeded its target of 15 projects with 32 projects awarded. Pent up demand seemed to dominate the activity of FY 2012. Although the funding level for the Community Development Block Grant (CBDG) and the Safe Drinking Water Program was reduced in FY 2012, there was underutilized FY2011 funding that allowed for the number of projects to more than double from the previous year.

For KPM 10, as legislatively required, a customer satisfaction survey was emailed to more than 1,400 department customers, using an online survey tool. The survey included questions, ranking the department on timeliness, helpfulness, expertise, availability of information, information accuracy and overall satisfaction. The survey had a 14 percent response rate, which is typical for customer satisfaction surveys done online without incentives. The results of the survey show the Department exceeding its 90% targets for three categories: helpfulness, expertise and availability of information. Business Oregon nearly met the 90% targets in the categories of information accuracy and overall satisfaction with agency services. In the category of timeliness the agency was seven percent below the 90% target.

4. CHALLENGES

Oregon, like the rest of the nation, still faces significant economic challenges: Oregon's unemployment rate is still above the national average, the state's per capita income continues to lag, healthcare and energy costs rise, and uncertainty in the global financial markets have seen a slow recovery from the depths of the recession.

Even faced with the above challenges, the department continues to look for ways to improve its outcomes. For example, the Infrastructure Finance Authority is trying to address the recognized need of additional rural administrative capacity to set the stage for future development. The Business, Innovation and Trade Division continues to apply for federal grants, supplementing the funding stream with additional revenues that can assist business growth and retention and create opportunities for businesses to export goods and services, as well as utilizing new tools to help address some of the challenges noted above.

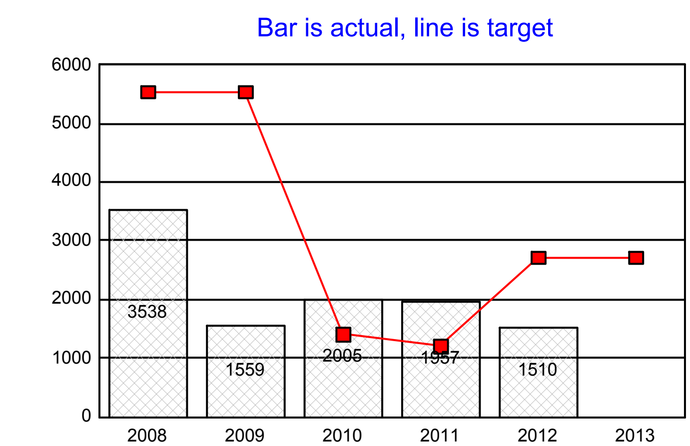
5. RESOURCES AND EFFICIENCY

New tools, as noted, such as Business Expansion and Retention Program approved by the 2011 Legislature, have begun to pay dividends. A California software firm, Salesforce.com, is the first company to use the program and has announced plans to open a new office in Oregon creating hundreds of high-paying jobs for Oregonians. In addition, two federal funding opportunities were applied for and awarded to OBDD. The first, State Trade and Export Promotion grant provides opportunities to Oregon Businesses to participate in international trade shows and trade missions, thereby opportunity to increase exports. The second, State Small Business Credit Initiative, address the access to capital issues, which limit small business growth.

The recapitalization of $10 million in the Infrastructure Finance Authority's Special Public Works Fund by the 2011 Legislature helped many more Oregon communities meet their most pressing infrastructure needs. In addition, the Infrastructure Finance Authority continually examines the process of meeting community's needs which resulted in the Infrastructure Finance Authority Board restructuring interest rates that benefit lower income communities. The lowest income communities can now receive loans with interest rates as low as one percent.

KPM #1	Number of jobs created	2004
Goal	Promote a favorable investment climate to strengthen businesses, create jobs and raise real wages. Improve national and global competitiveness of Oregon companies.	
Oregon Context	Oregon Benchmarks: 1 - Employment in Rural Oregon; 3 - New Employers; 4 - Net Job Growth; 6 - Economic Diversification; 7a - Research and Development; 8 - Venture Capital Investments; 12 - Pay Per Worker; 15 - Unemployment; 29 - Labor Force Skills Training.	
Data Source	The primary data source is the covered employment and wage data from the Oregon Employment Department. Employment numbers and wages are analyzed for each business that received financial assistance and directly benefited in job creation efforts.	
Owner	Economist, Michael Meyers, (503) 229-6179, Michael.Meyers@biz.state.or.us	

Total jobs created



Data is represented by number

1. OUR STRATEGY

Business Oregon works with businesses, communities, state agencies and other economic development partners to conduct the following activities: retain and create jobs, recruit new investment to the state and support innovation and research.

2. ABOUT THE TARGETS

The job creation target is set by analyzing five fiscal years of actual job creation data, and extrapolating based on that data for when jobs are likely to appear on open projects. For example, if a company is expected to create 100 jobs it is projected when those jobs will be created using the following formula: Year 1= 5%, Year 2= 45%, Year 3= 20%, Year 4= 20%, Year 5= 10%. It should be noted that the department, in consultation with LFO, is reevaluating the targets associated with this measure to better assess when jobs are likely to be created from these investments.

3. HOW WE ARE DOING

Business Oregon funds helped create 1,510 jobs in Oregon in FY 2012 falling short of the 2,700 target. The 1,510 jobs reflect investments from the Strategic Reserve Fund, Business Finance programs and Oregon Innovation Council.

4. HOW WE COMPARE

For FY 2012 the number of jobs created decreased by 447 jobs from FY 2011 and the target for FY 2012 increased by 1500 jobs.

5. FACTORS AFFECTING RESULTS

The target was based on a methodology which does not take into consideration the business cycles or changes in the ratio of job creation projects to job retention projects. Given the recession that Oregon and the nation are slowly recovering from, Business Oregon engaged in a strategy to provide support and resources to businesses seeking job retention rather than job creation.

6. WHAT NEEDS TO BE DONE

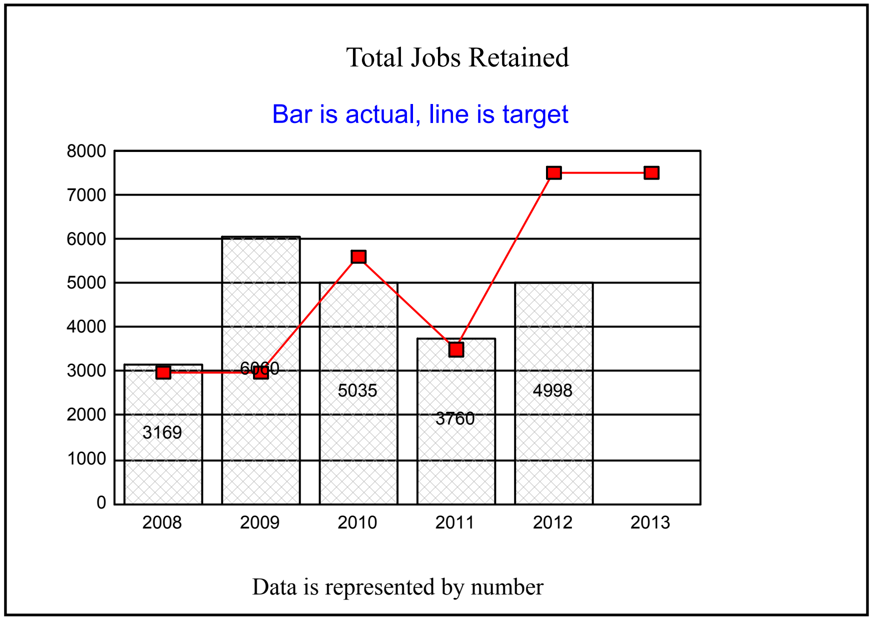
Business Oregon continues to focus efforts by prioritizing the investments and delivery of services with growing traded-sector businesses across the state to create and retain jobs. These industries have the best potential for job growth, high wage jobs and bringing new dollars into the economy. Continued funding for the Oregon Innovation Plan is critical for Oregon companies to access research and development assets and to enhance the state's global competitiveness. The department also evaluates its programs against its main competitors, both geographically and by industry, to ensure the state is best positioned to realize economic opportunities when they are encountered.

In addition, Business Oregon continues to seek sustainable funding for the department's programs to assist businesses. The department applied and was awarded additional federal funds for State Small Business Credit Initiative and the State Trade and Export Promotion programs. Business Oregon remains focused on international trade efforts to assist Oregon businesses to generate and expand export sales. The department continues to form critical partnerships with cities and regional economic development groups to help serve existing business and to recruit major employers to the state.

7. ABOUT THE DATA

The covered employment and wage data from the Oregon Employment Department is the data analyzed to calculate KPM #1. Jobs created by businesses assisted by Business Oregon are from FY 2012 only. All jobs are defined and counted using a full-time equivalency of 1,820 hours worked a year.

KPM #2	Number of jobs retained	2004
Goal	Promote a favorable investment climate to strengthen businesses, create jobs and raise real wages. Improve national and global competitiveness of Oregon companies.	
Oregon Context	Oregon Benchmarks: 1 - Employment in Rural Oregon; 15 - Unemployment.	
Data Source	The primary data source is the covered employment and wage data from the Oregon Employment Department. Employment numbers and wages are analyzed for each business that received financial or technical assistance and directly benefited in job retention efforts .	
Owner	Economist, Michael Meyers, (503) 229-6179, Michael.Meyers@biz.state.or.us	



1. OUR STRATEGY

Business Oregon works with businesses, communities, state agencies and other economic development partners to conduct the following activities: Retain and create jobs, recruit new investment to the state and support innovation and research.

2. ABOUT THE TARGETS

Job retention targets are set by projecting the employment level for retention projects. The department counts a job as retained each year it exists, up to five years after the investment was made.

3. HOW WE ARE DOING

Business Oregon validated employment data through FY 2012 and helped retain 4,998 jobs in Oregon falling short of the 7,500 target. The total retained jobs reflect investments from the Strategic Reserve Fund and Business Finance programs

4. HOW WE COMPARE

For FY 2012 the number of jobs retained increased by 1,238 jobs from FY 2011 however; the target for FY 2012 increased by 3500 jobs.

5. FACTORS AFFECTING RESULTS

The target was based on a methodology which does not take into consideration the business cycles or changes in the ratio of job creation projects to job retention projects. Given the recession that Oregon and the nation are slowly recovering from, Business Oregon engaged in a strategy to provide support and resources to businesses seeking job retention rather than job creation.

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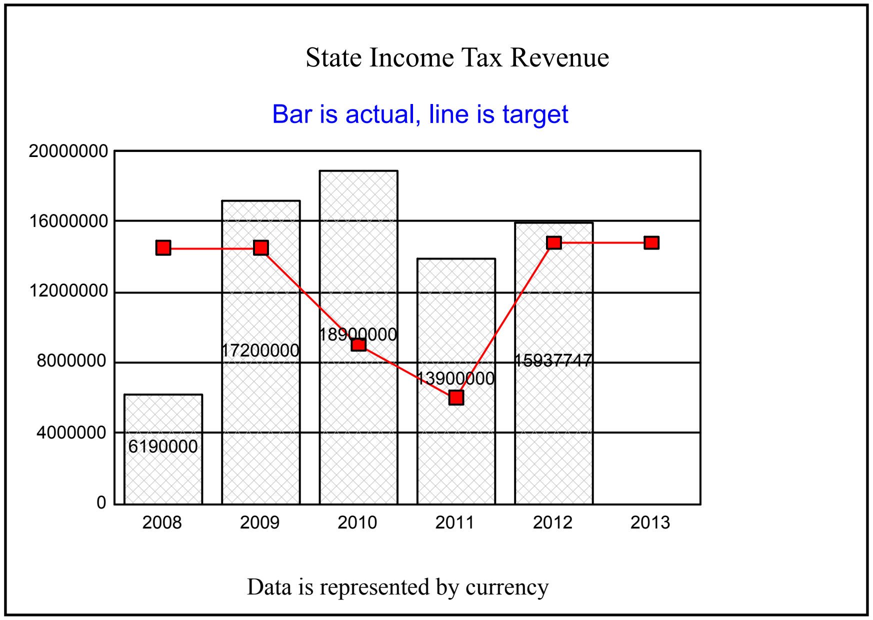
Business Oregon continues to focus efforts by prioritizing the investments and delivery of services with growing traded-sector businesses across the state to create and retain jobs. These industries have the best potential for job growth, high wage jobs and bringing new dollars into the economy. Continued funding for the Oregon Innovation Plan is critical for Oregon companies to access research and development assets and to enhance the state’s global competitiveness. The department also evaluates its programs against its main competitors, both geographically and by industry, to ensure the state is best positioned to realize economic opportunities when they are encountered.

In addition, Business Oregon continues to seek sustainable funding for the department’s programs to assist businesses. The department applied and was awarded additional federal funds for State Small Business Credit Initiative and the State Trade and Export Promotion programs. Business Oregon remains focused on international trade efforts to assist Oregon businesses to generate and expand export sales. The department continues to form critical partnerships with cities and regional economic development groups to help serve existing business and to recruit major employers to the state.

7. ABOUT THE DATA

The covered employment and wage data from the Oregon Employment Department is the data analyzed to calculate KPM #2. Jobs retained by businesses assisted by Business Oregon are from FY 2012 only. All jobs are defined and counted using a full-time equivalency of 1,820 hours worked a year.

KPM #3	Personal income tax generated by the Department's investment in jobs	2008
Goal	Promote a favorable investment climate to strengthen businesses, create jobs and raise real wages. Improve national and global competitiveness of Oregon companies.	
Oregon Context	Oregon Benchmarks: 4 Net Job Growth; 12 - Pay Per Worker; 15 Unemployment.	
Data Source	The primary data source is the covered employment and wage data from the Oregon Employment Department and effective tax rate data from the Oregon Department of Revenue. Employment and wages are analyzed for each business that received financial or technical assistance and directly benefited in job creation or retention efforts.	
Owner	Economist, Michael Meyers (503) 229-6179, Michael.Meyers@biz.state.or.us	



1. OUR STRATEGY

Promote a favorable investment climate to strengthen businesses, create and retain jobs, and raise real wages.

2. ABOUT THE TARGETS

This measure focuses on actual, validated wages associated with projects completed in the fiscal year. Total wages are multiplied by the current, published effective tax rate from the Oregon Department of Revenue. This yields the estimated state personal income tax generated. The target will be evaluated as multiple years of data are gathered. The target for this measure is $14.8 million for FY 2012.

3. HOW WE ARE DOING

In FY 2012, businesses assisted by Business Oregon generated an estimated $15.9 million in state personal income taxes, which exceeds the $14.8 million target.

4. HOW WE COMPARE

The $15.9 million in estimated state personal income taxes generated in FY 2012 exceeded the target of $14.8 million, and was higher than the $13.9 million generated in FY 2011.

5. FACTORS AFFECTING RESULTS

The combined jobs total for jobs creation and retention in FY 2012 is higher than in FY 2011 and as a result, more estimated state personal income taxes were generated.

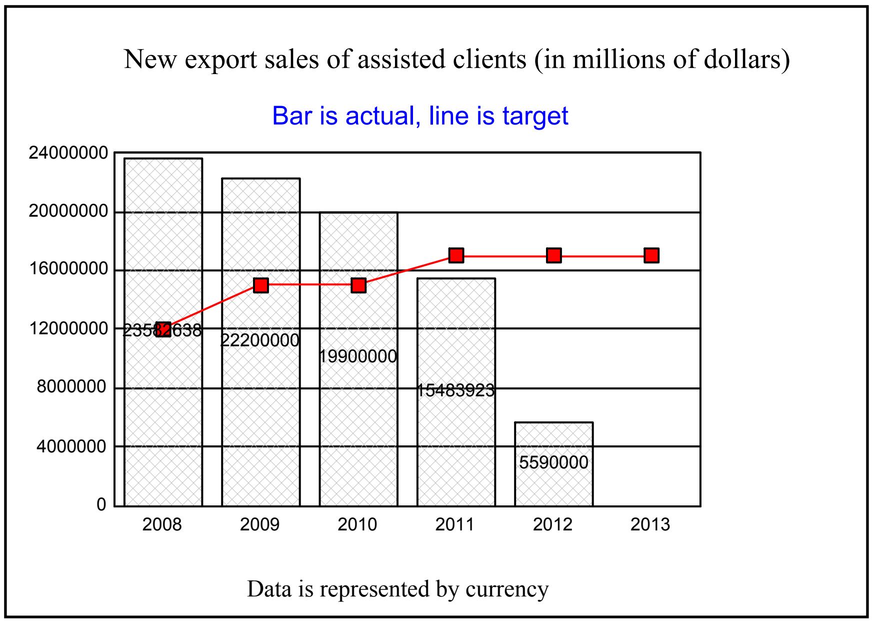
6. WHAT NEEDS TO BE DONE

Business Oregon will continue to evaluate the overall performance on a regular basis and will assess if strategic and target changes are needed. The department will continue to work with Oregon businesses to retain and create jobs throughout the state, thus generating a significant return back to the general fund in tax revenues.

7. ABOUT THE DATA

The covered employment and wage data from the Oregon Employment Department and effective tax rate data from the Oregon Department of Revenue are the data analyzed to calculate KPM #3. Estimated state personal income tax revenue is from FY 2012 only. The effective tax rate is taken from the most recent, published Oregon Personal Income Tax Statistics report, and represents tax as a percent of adjusted gross income for the appropriate average wage at each business.

KPM #4	New export sales of assisted clients	2004
Goal	Improve national and global competitiveness of Oregon companies.	
Oregon Context	Oregon Benchmarks: 2 - Trade Outside of Oregon; 6 - Economic Diversification; 16 - Exports.	
Data Source	Companies report sales data to Business Oregon’s Global Trade Specialists.	
Owner	Global Strategies Section Manager, Ivo Trummer (503) 229-5226	



1. OUR STRATEGY

Working with private and public sector partners, the department's strategy is to promote international exports.

2. ABOUT THE TARGETS

"Assisted sales" refers to export sales reported by Oregon business clients of the department's Global Strategies Section. The measure targets growth of revenues to the state via international trade, and reflect our efforts to promote exports of Oregon goods and services by Oregon SMEs.

3. HOW WE ARE DOING

Documented export sales for FY 2012 came in at $5.59 million of sales executed, and if we included in this number the company reported "expected sales" ($19.77 million) resulting from Business Oregon export program support and technical assistance the total number would be $25.36 million. If we further included in this number Oregon company sales realized through technical assistance and Business Oregon-facilitated sales via the federal Export-Import Bank ($71.53 million) the total number reported would be $96.9 million. For context – but not necessarily for comparison – the FY 2011 documented export sales were $15.48 million which included technical assistance, certain company reported expected sales, and other assistance.

Business Oregon works with Oregon SMEs (up to 500 employees) to promote company growth through export sales. Our goal is to help more companies realize revenue growth through export sales which, in turn, diversifies their customer base and revenue earnings that support their business operations in Oregon. For many companies, starting to export to a foreign market, exporting to a new export market, or exporting a new product into foreign markets is a challenging and complex endeavor. For example, in FY 2012, Business Oregon worked with a Southern Oregon brewery to help them attend an international food show in Japan through a federally-funded grant program. Attending the show in Japan enabled the company to address the technical complexities (taxes, duties, testing, etc.) of exporting to another country; in addition, the company was able to sell product at the show. It was the company's very first international sale and will lead to the company targeting more international sales in the future. Growing their market internationally will take patience and capital, but will make them more resilient against domestic business cycles in the end.

In FY 2012, Business Oregon continued to track and report sales value individually by service and program, and initiated a more comprehensive reporting process by the companies, tracking the amount of sales generated and the amount of sales expected, as well as the number of sales leads, potential agents, distributors and licensees met as a result of participating in a Business Oregon subsidized trade event. Business Oregon provides technical assistance through export-specific expertise of Business Oregon staff, provides in market-support through our foreign representatives in China, Japan, South Korea and the European Union, helps Oregon companies attend foreign trade shows and mission via two separate grants programs, supports Oregon companies sell products into foreign markets through leveraging our partnerships with the federal Softwood Export Council and the federal Export-Import Bank, and assists Oregon companies in foreign markets by leveraging our partnership with other international trade-focused organizations such as the US-Saudi Arabia Business Council and others.

In FY 2012, 19 companies have received and used (i.e., attended a trade event and reported back expenditures and results) an Oregon Trade Promotion Program (OTTP) grant with Business Oregon. Of these, 9 companies have reported sales to Business Oregon either immediately following the trade event or during the 6-month follow up (the 12-month follow up is scheduled in FY 2013) of $1.45 million; 12 companies reported expected sales of a total of $15.28 million). The participating companies represented the high tech, advanced manufacturing, clean tech and outdoor gear and apparel clusters. New in FY 2012 was the start of the federally funded State Trade Export Promotion (STEP) program. Business Oregon was awarded $375,000 for a grant program to promote exporting to Oregon small businesses. The STEP program is similar to the OTPP program, except that the STEP program offers a higher grant (up to $5,000) than the OTPP program. In FY 2012, Business Oregon has worked with 73 companies since January of 2012 under this program (more are scheduled to attend international trade events during FY 2013). Of these 73 companies, 37 have attended a trade event and reported back to us their expenses and results from the event. The total sales generated from these companies at their events are reported total $452,591. This number does not yet include the 6-month, and 12-month follow-up report of actual sales by these companies: the *expected* sales (over the next 12-24 months) reported by these companies total $4.5 million. Between those two programs, Business Oregon has seen a tremendous increase in the number of companies assisted with the attendance of an international trade show. For FY 2013, Business Oregon has applied for an increase in STEP funding from the U.S. SBA but we will not know until September of 2012 how much federal support we will be able to access on behalf of Oregon companies. For the second (and likely last) year of the STEP program, Business Oregon will continue to support Oregon small businesses attending international trade events, as well as work with our regional and state-wide partners to educate more Oregon businesses about the opportunities – and challenges – of exporting to foreign markets in order to more strategically and systematically grow the pipeline of export-ready Oregon companies.

In FY 2012, Business Oregon continued our work with the federal Softwood Export Council (SEC). Through our membership and membership fees to the SEC, Oregon forest and wood products companies can attend SEC-led international trade shows and trade missions. The Oregon forest and wood products companies that attended Business Oregon/SEC supported shows and missions in FY 2012, reported back to SEC and Business Oregon total sales of $3.88 million; an increase over the $1 million reported back to us in FY 2011 In FY 2013, Business Oregon will increase our efforts to promote international markets for Oregon wood and forest products companies to access foreign markets by further increasing our efforts via the SEC in order to help more Oregon mill owners and operators, and other wood product companies, to access international markets.

Additionally, Business Oregon works closely with the Export-Import Bank of the USA (Ex-Im Bank) to recruit and promote their export financing services to Oregon SMEs. Multiple times during the year, Business Oregon staff visit companies state-wide together with Ex-Im Bank representatives to introduce their services to potential Oregon customers. Export finance insurance and working capital helps Oregon companies actualize foreign sales they might have otherwise passed up due to concerns of getting paid or financing an order. Ex-Im Bank reports on sales facilitated through their programs per company on a state-by-state basis. Of the FY 2012 Ex-Im Bank reported sales by company for Oregon, Business Oregon staff was involved via meetings and technical assistance in the majority of these. The total sales reported for FY 2012 for Business Oregon facilitated export sales via the Ex-Im Bank are $71.93 million. In FY 2011, Oregon companies introduced to the Im-Ex Bank by Business Oregon staff generated about $47 million in export sales transactions. While Business Oregon does not claim credit for direct assistance leading to export sales for companies using Ex-Im Bank programs, the department provides the outreach, introductions, referrals and connections that make these resources available to many Oregon companies who would not otherwise have known about them. In essence, these programs are additional "tools in our toolbox" that benefit Oregon companies at little or no cost to the state. Business Oregon is formalized representative partner of the Ex-Im Bank for Oregon.

4. HOW WE COMPARE

According to WiserTrade data, at the end of FY 2012, Oregon claimed a total of $17.2 billion in export sales. This figure represents a decrease of 5.05% compared to the end of FY 2011. However, a more detailed look at the WiserTrade data shows that the overall decrease is greatly influenced by a decrease in Oregon exports of semiconductors and other electronic components, certain agricultural products, and chemicals. (The data does not look at whether this decrease is a matter of fluctuations in unit prices or shipped volume, or reflects different shipping patterns.) Additionally, many other Oregon commodities are still continuing to see year-over-year increases in export sales, such as agricultural and construction machinery, aerospace products and parts, or motor vehicles to name a few. Nationwide, total exports of U.S. goods and services continued to increase in FY 2012.

The assisted sales measure used by the department is only tangentially related to the total volume and value of exports captured and reported on by WiserTrade and other third-party sources. Department assisted sales are only those sales reported to us by clients who received funding or staff support from Business Oregon. There is no comparable figure obtainable from a third-party and comparisons to other states cannot be made because of the unique methodologies that are applied by peer organizations relative to sales reporting, industry definitions, and types of direct service and partner programs provided. Results in FY 2012 were also impacted because Business Oregon staff started to restructure and improve the internal process of the way we capture and report sales data reported to us by Oregon businesses we assist. Further improvement of the data gathering process are anticipated and will further impact the number of export sales reported in future fiscal years.

5. FACTORS AFFECTING RESULTS

The prolonged economic recession has served to highlight the importance of international trade and increased exports to the state's economic recovery. Demand for the department's services, connections and trade promotion opportunities have continued to increase over the past fiscal year. The entire scope of the department's activities, as evidenced above, serves to demonstrate the important economic value of these services and relationships to Oregon businesses. It should also be noted that direct assistance to those companies seeking to expand sales abroad or enter new markets may not necessarily result in a new and immediate increase in sales. Often times, these opportunities allow Oregon companies to take the first step in making the connections and establishing the relationships necessary to increase their export sales at a later date.

6. WHAT NEEDS TO BE DONE

Improvements are being made in the way that assistance provided is tracked and how resulting export sales are captured. FY 2012 was the first year that additional and detailed information was captured and reported by the companies—such as reporting process by the companies, tracking the amount of sales generated vs. the amount of sales expected, as well as the number of sales leads, potential agents, distributors and licensees met as a result of participating in a Business Oregon subsidized trade event or of having received technical assistance.

Through the continuous implementation of the STEP program and the detailed data that will be collected through the program, the department expects to gain a increasingly more detailed perspective on the effect of grant awards upon the establishment or expansion of export operations, as well as how various types of assistance may or may not contribute to export sales for companies.

Exporting continues to be a national priority (the President's National Export Initiative resulted in the STEP program), as well as a regional priority—the Portland metro area was chosen by Brookings Institution as one of four national Metropolitan Export Initiatives. Business Oregon expects that the interest and the demand for export services by Oregon companies will continue to grow over the next few years.

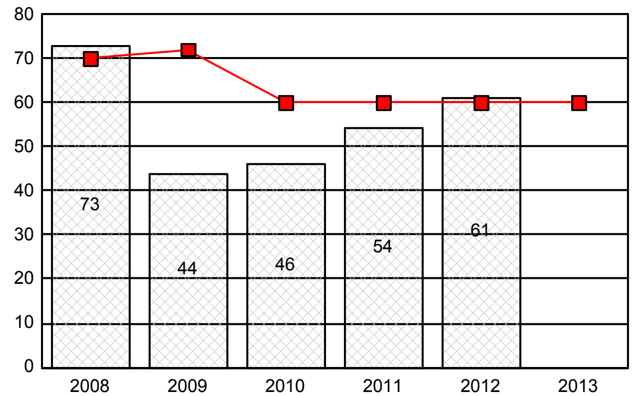
7. ABOUT THE DATA

The data is based on the reported sales of businesses receiving assistance from our programs during the fiscal year. Data associated with the SEC program is provided by businesses directly to the SEC and then provided to Business Oregon. Ex-Im Bank sales figures are reported directly by the Ex-Im Bank staff – San Francisco office – once a finance package has been finalized.

KPM #5	Percentage of small businesses that remain in business at least four years after receiving assistance from the Department.	2008
Goal	Promote a favorable investment climate to strengthen businesses, create jobs, and raise real wages.	
Oregon Context	Oregon Benchmarks: 1 - Employment in Rural Oregon; 15 - Unemployment Rate.	
Data Source	Department survey of assisted businesses.	
Owner	Business, Innovation and Trade Department, John Saris (503) 986-0163.	

Percentage still in business four years after assistance

Bar is actual, line is target



Data is represented by percent

1. OUR STRATEGY

Business Oregon assists individuals with potential for starting a small business by introducing them to Oregon Small Business Development Centers (OSBDC's) or the Organization for Economic Initiative's Government Contract Assistance Program (GCAP). These organizations are experienced in business development and survival. OBDD assists small businesses to survive the start-up phase and subsequent stages and create and retain small business jobs across the state in partnership with OSBDC's and GCAP.

2. ABOUT THE TARGETS

A lower target set for the last few years reflects the severe economic recession that has impacted the state and national as a whole. A higher number indicates a higher survival rate for small businesses receiving some form of assistance.

3. HOW WE ARE DOING

The target for FY 2012 was 60%. Based upon the results below (where clients received 5 or more hours of training), OSBDC and GCAP clients were slightly above the target with 60 % and 62.7 % respectively, of businesses surviving the last four years.

4. HOW WE COMPARE

For the purposes of this measure, Oregon's assisted business survival rate exceeds the state average calculated by ECONorthwest, an economics consulting firm based in Portland, Oregon, in their 2012 analysis of all businesses registered with the Oregon Secretary of State Corporations Divisions during the same four-year time frame. The analysis performed by ECONorthwest indicated that the annual failure rate for program participants was 15%, compared to 17% for new businesses statewide, and 15% nationally. The study initiated by Business Oregon found that 60% of OSBDCN and 62.7% of GCAP clients who received 5 + hours of training survived the last four years. Those results were reasonably consistent across industry sectors. To that end, according to ECONorthwest, the number of businesses assisted by GCAP and OSBDCN that survived were above the national average.

5. FACTORS AFFECTING RESULTS

The amount of technical assistance provided and the time frame of the assistance are important factors that impact the KPM's results. An owner’s reason for being in business, the owner's education level, and whether or not the firm is large enough to have employees also play a role. More broadly, availability of loan products that are flexible in addressing the needs of small business, and state tax structures are additional factors for small businesses especially during the early survival stages. Moreover, the global recession which began late in 2007 and that has persisted into 2012 has added additional economic stresses to the small business community due to factors such as limited access to capital, abnormal unemployment rates, and uncertain economic forecasts and reduced consumer spending.

6. WHAT NEEDS TO BE DONE

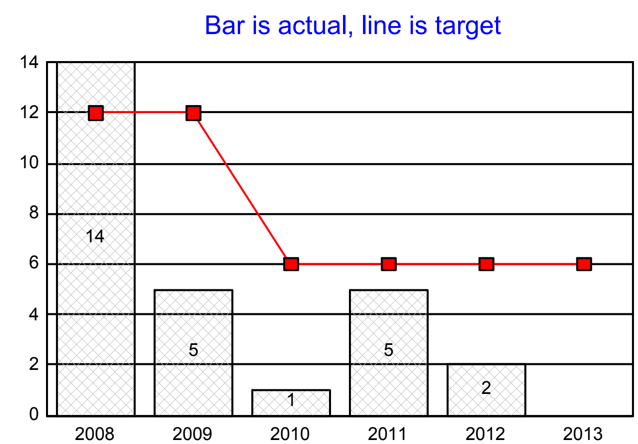
Moving forward, the Department will continue to focus on supporting small business strength by fostering an environment for vitality, growth, and creativity. Targeted Service Providers such as GCAP and the OSBDC's, and business consultants are important partners that will help accomplish those goals. State and Federal funds allocated to fund service providers and business development will help small business in Oregon. Careful evaluation of current and proposed legislation will streamline and improve business start-up and ongoing business development, and analysis of program and service delivery will reflect the growth of business, job growth, and business impacts.

7. ABOUT THE DATA

Through a combination of web-based and telephone surveys, Market Dimensions, a survey house in Toronto, Canada, managed to survey 230 of 5,804 clients that received services from either GCAP or the OSBDC network in 2008. Market Dimensions also reviewed each of the 5,804 businesses against data in the Secretary of State Corporate Division database and recorded if the business or owner could be located, whether that client was listed as active or inactive, and, for inactive clients, the nature of the last transaction with the Secretary of State's office. According to the data analysis performed by ECONorthwest, the data indicates that 51 % of OSBDCN and GCAP businesses receiving five or more hours of service were able to be verified as active and, for purpose of this report, are assumed to be in business at the time of this study. This conservative finding does not factor in the possible number of sole proprietors that may have been served by the SBDCN and could not be located within the Corporation Division database nor does it allow for businesses that have failed to renew their registration but are still operating to be included in the results.

KPM #6	Number of new industrial sites/acres certified "project ready."	2004
Goal	Assist Oregon communities to build capacity to retain, expand and attract businesses.	
Oregon Context	Oregon Benchmarks: 1, 2, 3, 4, 6, 10, 11, & 15; most applicable are 3 - New Employers; 4 Net Job Growth; 6 - Economic Diversification.	
Data Source	Business Oregon maintains data demonstrating that each certified site is ready for development within 180 days.	
Owner	Oregon Business Development Department, Michael J. Williams (503) 986-0141	

Number of new industrial sites certified



Data is represented by number

1. OUR STRATEGY

Industrial site certification prepares land for development into industrial and other employment uses, helping communities attract new employers and retain or expand existing Oregon businesses. Industrial site certification has benefited Oregon in two major areas: as a proven recruitment tool for business development and as an effective program that assists communities to plan for future development.

Site certification is attractive to companies that are looking to develop quickly on sites with minimal, or at least well documented, barriers to development. Site certification helps inform participants about the rigorous demands of land entitlement and development and serves as a planning tool, helping communities better understand the quantity and the quality of their current stock of industrial/employment land.
The industrial site certification program is administered by the Business Oregon and readying industrial sites for "project ready" certification is a collaborative multi-agency process with state and local contributions. The department's state partners include Oregon Department of Transportation (ODOT), State Historic Preservation Office(SHPO), Department of Land Conservation and Development(DLCD), Department of Environmental Quality(DEQ) and Economic Revitalization Team(ERT). These partner agencies gain important policy guidance by participating in the certification process as they become more informed of how current policies impact the state's economic development efforts. Private property owners, local tribes, and non-profit organizations are also key partners in the department's certification efforts.

2. ABOUT THE TARGETS

As a result of initial targets for this measure being set relatively high without a measurable track record to assess the program, an adjustment to the target from 20 to 12 sites per year was approved by the Joint Legislative Audit Committee (JLAC) for FY 07. Twelve sites per year remained the target in the 2007-09 biennium. The target was changed to 6 sites per year during the 2009 fiscal year recognizing that a significant number of sites that have already been certified under the program and increasing shortage of available, usable sites.

3. HOW WE ARE DOING

For the purposes of the KPM, two sites totaling 112 acres have been certified for FY 2012:

1. A total of 17 acres was certified at the Interstate Crossroads Distribution Center in April 2012. This site is part of a larger master planned business park and is the first site to be certified in the City of Portland since 2004.

2. A total of 95 acres was certified in Redmond in May 2012. This site is owned by the City of Redmond and is the second phase of a successful business park that was originally certified in 2005.

As a job creator, certification has experienced significant success since its inception as well as in Fiscal Year 2010. A total of 73 sites have been certified since 2004, with 30 of those sites experiencing some development and job creation since being certified. Business activity on certified sites in FY 2011 includes:

- construction of a new facility by Subaru on the Rivergate site in Portland;
- expansion by MEMC and the location of Solopower on the Ledbetter site in Portland ;
- construction of a second phase at the Facebook datacenter in Prineville; and
- completion of the Home Depot logistics center at Mill Creek in Salem.

A new "decision-ready" program designation was also implemented in fiscal year 2010. This designation is intended to work as a stepping stone toward certification as well as a policy tool for assessing industrial land. The decision-ready criteria are being used to evaluate industrial readiness across the state. In the Metro Area a consortium of non-profits, local government and Business Oregon are evaluating the readiness of the region's large lot supply. In Central Oregon, the decision-ready criteria is expected to be used as a tool for determining which sites to include within growth boundaries as part of a Regional Economic Opportunities Analysis. Finally, as many as twenty sites are expected to be designated as decision-ready in Linn and Benton counties as part of state funded project to compliment wetlands permitting on large industrial sites in this region.

4. HOW WE COMPARE

The Oregon Industrial Site Certification program is one of more than twenty programs nationwide that have some level of state involvement. Program requirements and state involvement vary widely by state. Many of these state programs were sponsored by electric utilities and focused on niche categories (i.e. megasites). Oregon has the highest certification standards in the country, giving the program a greater amount of credibility in comparison to others. Industry standards for developable industrial land are very high, with many companies demanding "shovel-ready" sites where they can break ground within 90 days or less. In Oregon, sites are certified as "project-ready," meaning they can be developed within 180 days of lease or purchase.

5. FACTORS AFFECTING RESULTS

Many of the 41 sites over the first years of the program (ending in fiscal year 2006) were straightforward to certify. A total of 24 sites were certified over the next three years ending in fiscal year 2009. The remaining sites enrolled in the program are more constrained by physical, transportation, land use and market factors making them more difficult to meet certification requirements. Limited options for funding and financing public infrastructure improvements remains a challenge for many of these sites and has delayed certification. Over time the program's requirements have become better defined, and more alignedto market-driven standards and has resulted in longer process times and fewer certifications.

Almost half of the sites in the certification process have not qualified due to a number of factors, including infrastructure deficiencies, brownfields, wetlands, zoning, cultural resources or concerns surrounding easements and clear title. Efforts are being made to work through the challenges on these sites. The fact that some of these sites may not be certified is a direct reflection of the program's high standards that signal unique competitive qualities (speed to market, certainty) that are not found in all sites.

6. WHAT NEEDS TO BE DONE

The department continues to streamline and improve certification without compromising the integrity of the process, and issued new guidelines relating to certification in FY2011. These guidelines reflect the state-of-the-art practices as they relate to certification and also broaden the program to embrace a more comprehensive measurement of site preparedness called *Industrial Readiness*. The Industrial Readiness Initiative includes a new designation called decision-ready that the department implemented as a stepping stone to the existing shovel-ready designation as well as a policy tool that can be used to assess sites for public assistance and investment, help guide policy choices around land use and transportation, and work as a significant enhancement to the marketability of the site.

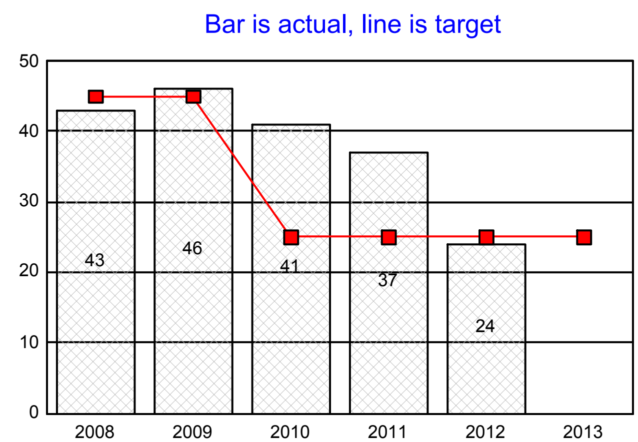
The department was also given another tool during the legislative session with the passage of SB 56. The bill allows the department to recover state costs of certification. This cost recovery will contribute to sustaining the certification program for the future.

7. ABOUT THE DATA

Results represent sites certified within the Fiscal Year. The date of the certification corresponds to the date on the certification letter under the director's signature. For certification, each site needs to document that it is ready for development within 180 days of lease or purchase. The Department maintains notebooks, as well as compact discs, with all the documentation, and also works toward periodic recertification of the sites. Documentation and the site itself is reviewed by an independent consultant who recommends certification.

KPM #7	Number of community capital projects assisted for planning (infrastructure, community and organizational).	2004
Goal	Assist Oregon communities to build capacity to retain, expand and attract businesses.	
Oregon Context	Oregon Benchmarks: 1 - Employment in Rural Oregon; 3 - New Employers; 10b - On Time Permits-Wastewater Discharge; 32 - Feeling of Community; 69 - Drinking Water.	
Data Source	Each infrastructure project at the start is categorized by investment/activity type, including funding sources, by Business, Innovation and Trade/Infrastructure Finance Authority staff and tracked in our database (Portfol).	
Owner	Infrastructure Finance Authority, Jim Ruef (503) 986-0135	

Number of community capital projects assisted for planning



Data is represented by number

1. OUR STRATEGY

Assist communities with planning activities to build capacity to attract, retain and expand businesses; address public safety and compliance issues; provide public infrastructure on a timely basis for our community partners. Examples of partners in these infrastructure projects are: cities, counties, ports, tribes, and special districts.

2. ABOUT THE TARGETS

This measure includes all Infrastructure Finance Authority funded planning projects. Two examples of planning projects are: plans for industrial lands for development and capital projects supporting community infrastructure and facilities such as wastewater treatment, safe drinking water, and community facilities. Publically owned industrial sites receive additional planning assistance for development within 180 days, to become certified as "project ready" and recruit new business. A target of 25 new planning projects has been adopted for this benchmark.

3. HOW WE ARE DOING

The department awarded 24 projects and fell just short of the goal of 25 for the fiscal year. Demand for funding remains constant and the program continues to be popular as communities seek to enhance their appeal and ability to attract new business and jobs and address public safety/health concerns. Planning projects are important to ensure technically feasible and cost-efficient construction projects for future implementation.

4. HOW WE COMPARE

The number of planning projects has decreased this year by 13 projects. In 2010, 41 projects were awarded, 2011, 37 projects and in 2012, 24 projects. There is limited data by which the department can evaluate its performance against other states conducting similar infrastructure-related activities. The department has a unique set of resources and priorities, thereby making it difficult to prepare meaningful comparative analysis.

5. FACTORS AFFECTING RESULTS

The reduction in planning projects over the past three years continues to be the result of the downturn in the economy and the limited resources local governments have for completing planning activities. Despite this, communities have discovered that their existing utility master plans are outdated due to the surge in growth and development which occurred over the past 10 years. The interesting contrast to the decline in planning projects, is the increase in capital construction projects (KPM 8 and KPM 9). Significant planning has occurred in the past few years and communities are transitioning to capital projects that can no longer wait to be implemented. Prior delays in the very necessary updates to water and wastewater plans have been addressed, in part. Many communities can no longer wait on vital health and safety projects and recognize they need to move forward. But planning activity remains strong for the many communities that still must address community needs. These cities recognize that in todays competitive market, they need updated facility plans in order to respond quickly to economic development opportunities in a timely manner.

Another factor to keeping the numbers of projects from further reductions is the change in the Community Development Block Grant Program. The preliminary project planning design effort is now treated as a separate project from the construction activity. There was $577,000 invested in CDBG planning projects this fiscal year.

Lastly, the department began funding individual Ports Strategic Plans late in the past budget year and continues to do so as the State Port Strategic Plan is implemented.

6. WHAT NEEDS TO BE DONE

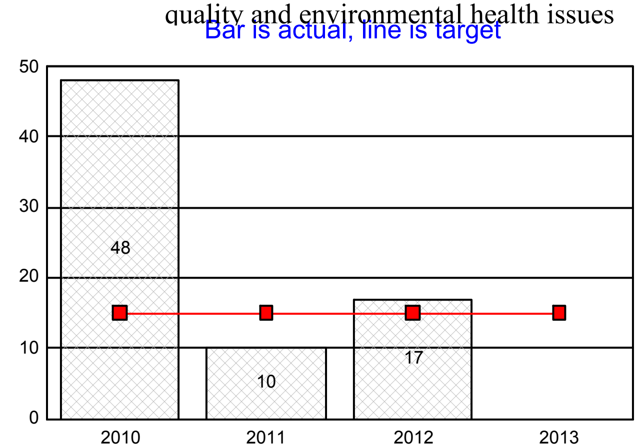
The most recent (2007) in-depth survey of local government infrastructure deficiencies and the tremendous response (120 water system projects) for projects funded ARRA dollars, identified a clear need for infrastructure assistance. The 2007 survey only included three years worth of infrastructure construction to fix out of compliance water and wastewater systems and transportation improvements necessary to attract or retain jobs. Of the total $580 million in construction costs, local government indicated that they could fund $205 million with local funds. They requested $375 million in funding assistance. For this reason, the department continues to pursue Program Option Packages (POP) each Biennium to recapitalize the Special Public Works Fund and the Water/Wastewater Fund – the chief source of agency funding for infrastructure. Future agency budget POP's will request that the legislature recapitalize these programs at a $50 million level for the two following biennium's. The current budget provides $10 million toward SPWF recapitalization. The number of planning projects has outpaced construction projects since the beginning of the downturn in the economy but the trend seems to be reversing. A strong demand for water and wastewater infrastructure improvements is expected as acceptance of the current economy is acknowledged and a return to addressing public needs cannot be any longer avoided.

7. ABOUT THE DATA

Data is for the fiscal year. Projects are entered into the database upon funding commitment. Staff Regional Coordinators conduct final monitoring when projects are complete and record results in the database.

KPM #8	Number of community capital construction financing projects that address public health and safety issues.	2009
Goal	Assist Oregon communities to build capacity to retain, expand and attract businesses.	
Oregon Context	Oregon Benchmarks: 1 - Employment in Rural Oregon; 3 - New Employers; 10b- On Time Permits- Wastewater Discharge; 69 - Drinking Water.	
Data Source	Each infrastructure project at the start is categorized by investment/activity type, including funding sources, by Oregon Business Development Department/Infrastructure Finance Authority staff and tracked in our database (Portfol).	
Owner	Infrastructure Finance Authority, Jim Ruef (503) 986-0135	

Number of community capital projects that address water quality and environmental health issues



Data is represented by number

1. OUR STRATEGY

Assist communities to build capacity to address public safety and compliance related issues for water and wastewater infrastructure. Examples of partners in these infrastructure projects are: cities, counties, ports, tribes and special districts.

2. ABOUT THE TARGETS

The targets address the Infrastructure Finance Division's progress in providing public infrastructure to address public safety and compliance issues and as a secondary benefit economic growth and community facilities. The target for fiscal year 2012 was 15 projects.

3. HOW WE ARE DOING

The department met and exceeded its target having funded 17 projects, two more projects than the set target. The delays in critical upgrades to water and wastewater infrastructure improvements brought on by the slow economy continue. However, many communities have vital health and safety improvement projects they are beginning to address having recognized that despite the economy, they can wait no longer to make system improvements.

4. HOW WE COMPARE

This KPM was new in the 2009-11 biennium. The department funded 28 construction projects for health and safety in 2009, 48 projects in 2010, and 10 projects in 2011. Generally, the department would compare its activities in this field with data from other states. However, there has been limited data by which the department can evaluate its performance against other states. The agency utilizes its resources in ways different from other state's thereby making comparison difficult for meaningful analysis. The department will continue to evaluate the activities of other states to find those areas of commonality with those that administer similar programs with related missions and outcomes.

5. FACTORS AFFECTING RESULTS

The need for municipal infrastructure construction remains high and the demand for financing is returning. The department invested over $39 million in 17 construction projects for the purposes of public health and safety. The cost of each project varies considerably but the size and scope of projects is lower this year and is a continuing reflection of the economic conditions. Delayed work on dated infrastructure will result in increased project costs in the future.

6. WHAT NEEDS TO BE DONE

The department has adopted a multi-biennium strategy to achieve a predictable and substantial loan pool for the next 20 years. The strategy responds to the department's goal of achieving a funded loan pool over the next six years. The annual resource goal for the IFA's Infrastructure Funding Programs is to have available $85 million each year for project financing. The revolving funds combined with the $20 million from two federal programs to create the total funds the department can offer to local communities. It should be noted that 65% of the federal funds are in the form of grants and do not contribute to the revolving funds. Congress has already reduced the availability of federal funds (Community Development Block Grant and Safe Drinking Water) for infrastructure this year and this trend will predictably continue.

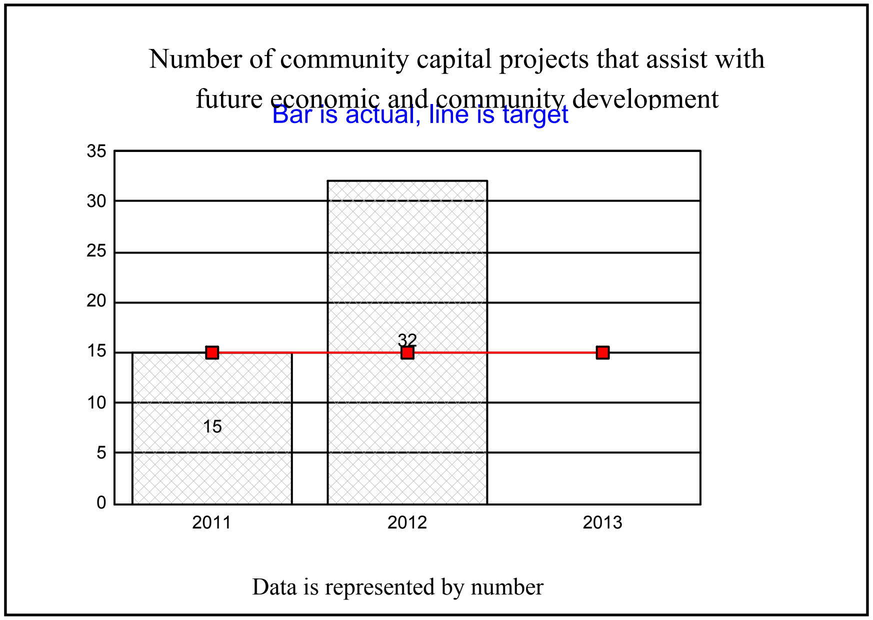
At present, $45 million is annually targeted from loan repayments based upon the current revolving loan pool. $65 million is committed to communities as $20 million in grants and $45 million in loans.

The additional financing request of $50 million SPWF recapitalization for each of the next biennia will eventually result in total loan repayment of about $65 million annually, which will be available to re-issue as new loans and grants for communities statewide. These funds will be complimented with federal funds to the extent federal programs continue to receive appropriations.

7. ABOUT THE DATA

Data is for the fiscal year. Projects are entered into the database upon funding commitment. Coordinators conduct final monitoring when projects are complete and record results in the database.

KPM #9	Number of community capital construction financing projects that assist with future economic and community development.	2010
Goal	Assist Oregon communities to build capacity to retain, expand and attract businesses.	
Oregon Context	Oregon Benchmarks: 1 - Employment in Rural Oregon; 3 - New Employers; 32 - Feeling of Community.	
Data Source	Each infrastructure project at the start is categorized by investment/activity type, including funding sources, by Oregon Business Development Department/Infrastructure Finance Authority staff and tracked in our database (Portfol).	
Owner	Infrastructure Finance Authority, Jim Ruef (503) 986-0135	



1. OUR STRATEGY

Assist communities to build capacity to attract, retain and expand businesses; provide utilities and/or infrastructure improvements to industrial lands; advance ports' efforts to support economic development activities; improve community quality and attractiveness for business by providing community facilities; address public safety and compliance related issues; promote essential infrastructure capacity building. Examples of partners in these infrastructure projects are: cities, counties, ports, tribes and special districts.

2. ABOUT THE TARGETS

The target of 15 project awards addresses the department's progress in providing public infrastructure (industrial land utilities, publicly owned structures for lease to business, public improvements that support business, roads, community buildings, telecommunication, etc.) to help communities build public facilities and to support economic growth.

3. HOW WE ARE DOING

The department exceeded its target of 15 projects by funding 32 project awards. Pent up demand seemed to dominate the activity of FY 2012. Although the funding level for the Community Development Block Grant (CBDG) was decreased in 2012 ($12 Million of federal funds awarded) and Safe Drinking Water Program was also reduced ($10 million), there was underutilized 2011 funding.. The increase in demand and unutilized funding allowed for the number of projects to more than double from the previous year.

4. HOW WE COMPARE

This KPM was new in the 2009-11 biennium. The 32 projects awarded in FY 2012 is more than the 15 projects awarded in FY 2011. Generally, the department would compare its activities in this field with data from other states. However, there has been limited data by which the department can evaluate its performance against other states. The agency utilizes its resources in ways different from other state's thereby making comparison difficult for meaningful analysis. The department will continue to evaluate the activities of other states to find those areas of commonality with those that administer similar programs with related missions and outcomes.

5. FACTORS AFFECTING RESULTS

In general, the need for municipal infrastructure construction remains high and the demand for financing is rising due to the municipal demand to support business opportunities. Most of the interest is for water and wastewater infrastructure projects but there was a significant increase in requests for funding to provide publicly owned facilities for lease to business enterprises. The interest in the projects included in this KPM was hampered by the downturn in the economy and the limited opportunities this economy offers for communities to attract new industry and jobs but a significant improvement was noted over 2011 results. The IFA increased its limit on CDBG grants this past year because the lack of local funds for the balance of project costs has made it difficult for communities to begin moving projects to construction.

6. WHAT NEEDS TO BE DONE

The department has adopted a multi-biennium strategy to achieve a predictable and substantial loan pool for the next 20 years. The strategy responds to the department's goal of achieving a funded loan pool over the next six years. The annual resource goal for the IFA's Infrastructure Funding Program is to have available $85 million each year for project financing.

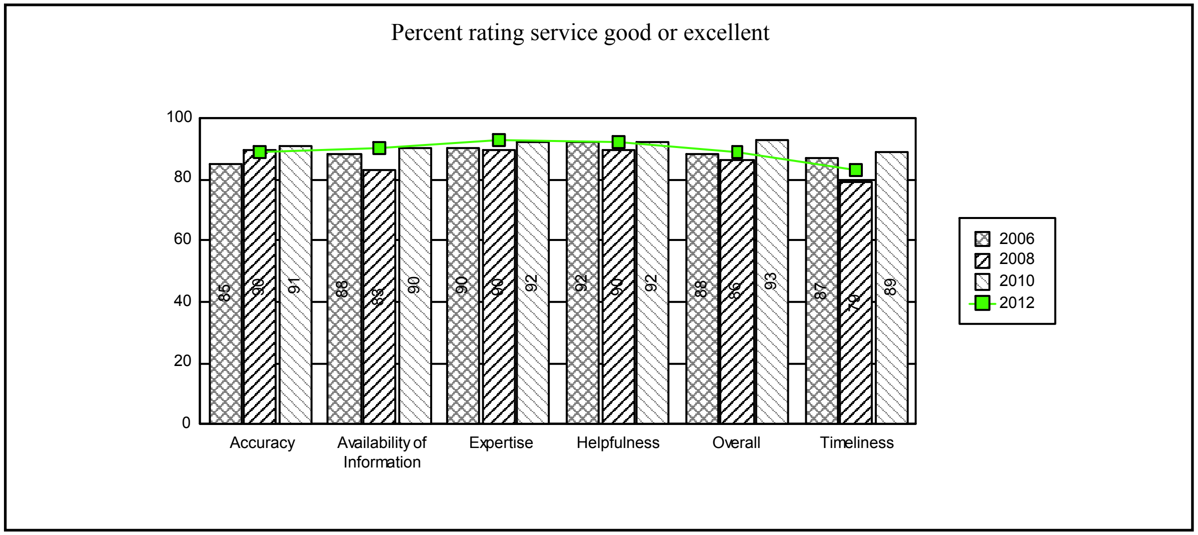
At present, $45 million is annually targeted from loan repayments based up on the current revolving loan pool. $65 million is committed to communities as $20 million in grants and $45 million in loans.

The additional financing request of $50 million for the next biennia will eventually result in total loan repayment of about $65 million annually, which will be available to re-issue as new loans and grants for communities statewide. Federal funding, to the extent available, will compliment the state resources.

7. ABOUT THE DATA

Data is for the fiscal year. Projects are entered into the database upon funding commitment. Coordinators conduct final monitoring when projects are complete and record results in the database.

KPM #10	Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, availability of information.	2006
Goal	To improve the delivery of services to the department's customers	
Oregon Context	Oregon Benchmarks: 35 - Public Management Quality.	
Data Source	Result of an independent survey done every 2 years.	
Owner	Project Technology Office, Robyn Sellers (503) 986-0165	



1. OUR STRATEGY

Business Oregon seeks to improve the delivery of services to the department's customers. The department’s services help businesses retain jobs while growing and attracting sustainable businesses in Oregon. Additionally, the department’s services assist Oregon businesses to access global markets and build infrastructure capacity.

2. ABOUT THE TARGETS

The 2009-11 targets represent an increase of positive customer service satisfaction results from previous years. Business Oregon set 90 percent as the target number of respondents who rank the department at "good" or "excellent" in the categories: overall satisfaction, timeliness, accuracy, availability of information, expertise and helpfulness. The department will provide its customers with an online questionnaire for their response in the next biennium.

3. HOW WE ARE DOING

The Customer Satisfaction Survey was emailed to more than 1,400 Business Oregon customers, using an online survey tool. The survey included questions, ranking Business Oregon on timeliness, helpfulness, expertise, availability of information, information accuracy and overall satisfaction. The survey had a 14 percent response rate, which is typical for customer satisfaction surveys done online without incentives. Customers were asked to rank their satisfaction on a 1 to 5 scale, 5 ranking as excellent.

The number of respondents who ranked OBDD as "good" or "excellent" in the target categories are as follows:

- Timeliness- 83%
- Helpfulness-92%
- Expertise- 93%
- Availability of information- 90%
- Information accuracy- 89%
- Overall satisfaction with Agency services- 89%

The agency met or exceeded the set targets in three of the categories: helpfulness, expertise and availability of information. Business Oregon nearly met the targets in the categories of information accuracy and overall satisfaction with agency services. In the category of timeliness the agency was seven percent below the target.

4. HOW WE COMPARE

The department customer's ranked the agency the same or higher by two percent in three of the set target categories: helpfulness, expertise and availability of information, in 2012 than in 2010. In the remaining four categories the agency dropped by two to six percent from 2010 results.

5. FACTORS AFFECTING RESULTS

Overall, the department received more ratings of excellent than good. Some customers may have been less satisfied with timeliness in Business Oregon programs because the department experienced turnover and gaps in staffing. The gaps and turnover of staff would have directly impacted the timeliness and information accuracy of response to customers. In addition, throughout the biennium, new programs and resources were implemented by the department. Delay in timeliness may have resulted in the lack of understanding and experience in the development and operations of these programs.

6. WHAT NEEDS TO BE DONE

The department will circulate the results internally and share the results with staff. Managers and employees will implement changes to increase customer satisfaction, especially in the area of timeliness. Additionally, new employees are being trained and as they become familiar with programs and tools that will help improve timeliness and accuracy of information given to the customer, resulting in greater overall customer satisfaction with department services. The department is considering implementing LEAN processes beyond the successful implementation of the Infrastructure Finance Authority programs.

7. ABOUT THE DATA

The data used to measure this KPM was exported from an online survey tool into an excel spreadsheet. Customers with projects that began with the department during the past two years were e-mailed and asked to participate in the online survey. The actual percentages of set target categories were calculated by taking the total number of respondents divided by the number of respondents who answered “good” or “excellent.”

OREGON BUSINESS DEVELOPMENT DEPARTMENT	III. USING PERFORMANCE DATA
Agency Mission: Business Oregon works to create, retain, expand and attract businesses that provide sustainable, living-wage jobs for Oregonians through public-private partnerships, leveraged funding and support of economic opportunities for Oregon companies and entrepreneurs.	

Contact: Lisa Ansell, Strategic Services Manager	**Contact Phone:** 503-986-0039
Alternate: Robyn Sellers	**Alternate Phone:** 503-986-0165

The following questions indicate how performance measures and data are used for management and accountability purposes.	
1. INCLUSIVITY	*** Staff :** We have worked collaboratively with the Oregon Business Development Commission, division managers and staff as appropriate, plus other key partners and stakeholders to help revise our performance measures. Staff participate in gathering and recording data, and make use of the data in a variety of contexts. *** Elected Officials:** Provide input to the agency on Key Performance Measures, methods, and targets, as well as the strategies to which measures are tied. *** Stakeholders:** Stakeholders have been involved through customer surveys and discussion forums as well as publicly available reports. *** Citizens:** Citizens are invited to review online performance measure reports on our website at http://www.oregon4biz.com.
2 MANAGING FOR RESULTS	Performance measures and their contribution to management of the agency are important to the management team, the Director, and staff. Executive management have analyzed goals and measures to make process improvements. The goal is to provide useful data to inform management decisions.
3 STAFF TRAINING	Staff has received training in the departments performance measurement system, and worked with performance measures in a wide variety of contexts, such as in evaluating performance of pass-through program funds. Training and discussions are taking place on data definitions, use, and quality.
4 COMMUNICATING RESULTS	*** Staff :** Managers and staff review performance data and make recommendations for changes in focus, process, or other actions as necessary. The Oregon Business Development Commission also reviews the departments performance results. These reviews provide commissioners with the opportunity to comment, access information, and provide direction. .

	* **Elected Officials:** Results are posted online and included in the agency request document for purposes of accountability and informing the budget development process. * **Stakeholders:** Results are posted online and used for information sharing. * **Citizens:** Results are posted online and used for information sharing.

Agency Management Report

KPMs For Reporting Year 2012

Finalize Date: 9/28/2012

Agency: OREGON BUSINESS DEVELOPMENT DEPARTMENT

	Green = Target to -5%	Yellow = Target -6% to -15%	Red = Target > -15%	Pending	Exception Can not calculate status (zero entered for either Actual or Target)
Summary Stats:	50.00%	0.00%	40.00%	10.00%	0.00%

Detailed Report:

KPMs	Actual	Target	Status	Most Recent Year	Management Comments
1 - Number of jobs created	1,510	2,700	Red	2012	For KPM 1, Business Oregon verified job data through June 30, 2012. The department created a total of 1,510 jobs, falling short of the targeted 2,700 jobs for the fiscal year. The total reflects jobs created by investments from the Strategic Reserve Fund, Business Finance programs and Oregon InC. It should be noted that the department, in consultation with LFO, is reevaluating the appropriate target for this measure to best reflect the time period in which jobs are likely to be created from these investments.
2 - Number of jobs retained	4,998	7,500	Red	2012	For KPM 2, Business Oregon verified job data through June 30, 2012. The department retained 4,998 jobs, falling short of the targeted 7,500 jobs for this fiscal year. The total reflects jobs retained by investments from the Strategic Reserve Fund and Business Finance programs. It should be noted that the department, in consultation with LFO, is reevaluating the appropriate target for this measure to best reflect the time period in which jobs are likely to be created from these investments.

Agency Management Report

KPMs For Reporting Year 2012

Finalize Date: 9/28/2012

KPMs	Actual	Target	Status	Most Recent Year	Management Comments
3 - Personal income tax generated by the Department’s investment in jobs	15,439,758	14,800,000	Green	2012	For KPM 3, Business Oregon exceeded the $14.8 million target, helping generate $15.4 million in state income tax revenues. The results associated with this measure are influenced by the department's KPM methodology for actual jobs created and retained.
4 - New export sales of assisted clients	5,590,000	17,000,000	Red	2012	In FY 2012 Business Oregon transitioned to a more refined measure of import/export leveraged activity. The methodology is to measure actual sales. Anticipated sales are not included. Documented export sales for FY 2012 came in at $5.59 million of sales executed, and if we included in this number the company reported “expected sales” ($19.77 million) resulting from Business Oregon export program support and technical assistance the total number would be $25.36 million. If we further included in this number Oregon company sales realized through technical assistance and Business Oregon-facilitated sales via the federal Export-Import Bank ($71.53 million) the total number reported would be $96.9 million. For context – but not necessarily for comparison – the FY 2011 documented export sales were $15.48 million which included technical assistance, certain company reported expected sales, and other assistance.

Agency Management Report

KPMs For Reporting Year 2012

Finalize Date: 9/28/2012

KPMs	Actual	Target	Status	Most Recent Year	Management Comments
5 - Percentage of small businesses that remain in business at least four years after receiving assistance from the Department.	61	60	Green	2012	For KPM 5, Business Oregon assisted business survival rate, which exceeds the targeted 60% with Government Contract Assistance Program (GCAP) clients at 62.7% and met the target of 60% with Oregon Small Business Development Centers (OSBDC) clients. The business survival rate average of GCAP and OSBDC clients was 61%. Business Oregon assists small businesses to survive the start-up phase and subsequent stages and create and retain small business jobs across the state in partnership with OSBDC's and GCAP.

Agency Management Report

KPMs For Reporting Year 2012

Finalize Date: 9/28/2012

KPMs	Actual	Target	Status	Most Recent Year	Management Comments
6 - Number of new industrial sites/acres certified "project ready."	2	6	Red	2012	In FY 2012, two sites totaling 112 acres were certified. In the first years of the program, sites were straightforward to certify. Over the past three years the numbers of sites certified has declined because the remaining sites are constrained by physical, transportation, land use and market factors making them more difficult to meet certification requirements. Limited options for funding and financing public infrastructure improvements remains a challenge for many of these sites and has delayed certification. Over time the program's requirements have become better defined, and more aligned to market-driven standards and have resulted in longer process times and fewer certifications. Almost half of the sites in the certification process have not qualified due to a number of factors, including infrastructure deficiencies, brownfields, wetlands, zoning, cultural resources or concerns surrounding easements and clear title. Efforts are being made to work through the challenges on these sites. The fact that some of these sites may not be certified is a direct reflection of the program’s high standards that signal unique competitive qualities (speed to market, certainty) that are not found in all sites.
7 - Number of community capital projects assisted for planning (infrastructure, community and organizational).	24	25	Green	2012	The department awarded 24 projects and fell just short of the goal of 25 for the fiscal year. Demand for funding remains constant and the program continues to be popular as communities seek to enhance their appeal and ability to attract new business and jobs and address public safety/health concerns. Planning projects are important to ensure technically feasible and cost-efficient construction projects for future implementation.

Agency Management Report

KPMs For Reporting Year 2012

Finalize Date: 9/28/2012

KPMs	Actual	Target	Status	Most Recent Year	Management Comments
8 - Number of community capital construction financing projects that address public health and safety issues.	17	15	Green	2012	The Infrastructure Finance Authority funded 17 projects, two more projects than the set target. The delays continue in critical upgrades to water and wastewater infrastructure improvements brought on by the slow economy. However, many communities have vital health and safety improvement projects they are beginning to address having recognized that despite the economy, they can wait no longer to make system improvements. The department has adopted a multi-biennium strategy to achieve a predictable and substantial loan pool for the next 20 years, to help meet communities needs for addressing public health and safety issues.
9 - Number of community capital construction financing projects that assist with future economic and community development.	32	15	Green	2012	The Infrastructure Finance Authority exceeded its target of 15 projects by funding 32 project awards. Pent up demand seemed to dominate the activity of FY 2012. Although the funding level for the Community Development Block Grant (CBDG) was decreased in 2012 ($12 Million of federal funds awarded) and Safe Drinking Water Program was also reduced ($10 million), there was underutilized 2011 funding. The increase in demand and unutilized funding allowed for the number of projects to more than double from the previous year.

Agency Management Report

KPMs For Reporting Year 2012

Finalize Date: 9/28/2012

KPMs	Actual	Target	Status	Most Recent Year	Management Comments
10 - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, availability of information.	89.00		Pending	2012	As legislatively required, Business Oregon only completes a customer survey every two years. All numbers for this KPM come from customer surveys completed in 2012. The results showed that the department was just under the target (90%) of customers who ranked their overall experience with Business Oregon services as “good” or “excellent” coming in at 89% overall satisfaction. The department has initiated many customer satisfaction initiatives including increased agency communication with external customers, process re-engineering to shorten duration of time from application to award for infrastructure projects, and customer service training for staff.

This report provides high-level performance information which may not be sufficient to fully explain the complexities associated with some of the reported measurement results. Please reference the agency's most recent Annual Performance Progress Report to better understand a measure's intent, performance history, factors impacting performance and data gather and calculation methodology.

Oregon Business Development Department

Major Budget Drivers

Create and retain jobs for Oregonians: The agency's primary initiative will be to assist Oregon businesses in creating and retaining jobs and generating revenue for the state through its Strategic Reserve Fund, Business Expansion Program, Business Finance Programs, and Industry Competitiveness Fund.

Implement Oregon InC 2.0: To ensure that Oregon businesses can remain more competitive in the global marketplace and can therefore create more jobs, the agency will continue to support the work of the Oregon Innovation Council.

Develop a global economic strategy for the state: Capitalize on foreign direct investment opportunities, particularly with Asia to create jobs for Oregonians. Create new opportunities for Oregon companies to access foreign markets to export their products and services.

Improve land readiness and redevelopment opportunities: Maintain and improve Oregon's competitive advantage for business expansion and recruitment on industrial sites and lands through education, programs, interagency collaboration, strategies and marketing.

Consolidate all infrastructure program funds into a single fund: Address the concerns of stakeholders and legislators that multiple infrastructure funds could be more effectively managed and more collaboratively leveraged.

Meet rural project management capacity needs: Development and management needs associated with capital construction projects are a struggle for rural and smaller communities. Increased reporting for ARRA and other federal programs are an example of the increased obligations. The former capacity of small communities has been greatly reduced or lost.

Bolstering Ports regional economic development role: Ports provide an important role in regional economic development. Funding tailored to meet ports' specific needs is needed to further stimulate local economies.

Oregon Business Development Department

Environmental Factors

Access to capital: While access to immediate working capital has been a short-term concern, there is also the issue of how the state identifies and invests in emerging companies to keep and grow the next generation of traded-sector entrepreneurs in Oregon.

Small business assistance: With the vast majority of companies in Oregon being small businesses, it is necessary to provide these companies the appropriate assistance along the continuum of services to help grow their business.

Industrial land development: It's important that Oregon have land available for industrial development that supports traded-sector job growth.

Alignment of resources: Across the state, there are different programs and activities taking place to support economic development. Moving forward, all parties involved in these activities should be able to easily identify the appropriate resource and speak with a unified voice for the benefit of Oregon.

Oregon Business Development Department

Major Budgetary Issues

Health of the Lottery Fund

The major economic development programs associated with job retention and job creation are funded with Lottery dollars. The department does not have a statutory earmark of Lottery dollars as some agencies, such as the Department of Education and the Department of Parks and Recreation. This leaves OBDD vulnerable, as a discretionary Lottery Funded agency, to wide swings in the statewide Lottery revenue and budget reductions. Bottom line: The health of the statewide Lottery Fund has a direct effect on support for economic development programs, job creation and job retention.

Innovation

One of the top three priorities in the Governor's Budget is Innovation. The Oregon InC Program is one of the largest drivers in the statewide participation in Innovation. The budget for OR InC is not in the agency's base budget. This leaves the program susceptible to fluctuating funding levels and initiatives without predictable futures.

Staff – BDO's

Currently, the agency has 9 Business Development Officers (BDO's) that cover the entire state. These BDO's are the frontline staff facilitating and coordinating efforts with existing businesses to retain jobs and/or expand their operations within the state, as well as for recruitment efforts of new business into Oregon. Oregon has a great amount of rural geography which creates challenges for so few Business Development Officers to effectively cover the area. The department (and the state) would benefit from adding more BDO's to be able to cover a smaller territory.

General Fund

The Governor's budget proposes moving General Fund bonded programs to the department. Since the department is mostly funded with Lottery Funds or Revolving Loan Funds (Other Funds), the predictable General Fund / Lottery Fund budget reduction exercises that occur consistently will be a challenging issue in the future, as there aren't General Funded programs to take budget reductions from as a result of General Fund Debt Service in the baseline budget.

Lottery Fund Debt Service

This agency continues to be challenged with having the Lottery Fund Debt Service included in baseline budgets in Lottery Fund budget reduction exercises. This nearly doubles the amount of reductions that are required to be calculated within economic development programs that are lottery funded. For example, a 10% budget reduction exercise typically turns into a 22-25% program budget reduction.

Oregon Business Development Department

SUPPLEMENTAL SPECIAL SUMMARY REPORT
HB 2020 and HB 4131

Background

HB 2020 was enacted during the 2011 Regular Session of the 76th Legislative Assembly, and signed into law by Governor Kitzhaber on July 6, 2011, becoming effective upon signature. This bill instructed the Department of Administrative Services to develop a plan for agencies that employ more than 100 employees to attain a ratio of 11 to 1 employees to supervisor.

HB 4131 was enacted during the 2012 Regular Session of the 76th Legislative Assembly, and signed into law by Governor Kitzhaber on April 11, 2012, becoming effective upon his signature. This bill amended HB 2020 (ORS 291.229) by providing further detail and establishing a schedule necessary for agencies to meet the required ratio. Directives in HB 4131 requires agencies who are not currently at an 11 to 1 ratio to increase the ratio by 1 each year by October 31st until the 11 to 1 ratio is met.

Making Progress

For the current 2011 – 2013 biennium, in order to meet the requirements as outlined in HB 4131 to improve the supervisor to employee ratio by one (1), the department re-assessed and changed three (3) positions. On June 30, 2012, the department successfully fulfilled the requirements as outlined in HB 4131 by submitting a re-classification package that down classed two (2) Principal Executive Managers to Program Analysts, and corrected one (1) Executive Service employee identified as a supervisory to non-supervisory. Reclassification and representation changes made to targeted positions assisted in meeting the requirement, and improved the agency ratio from 1:4 to 1:5 by the reporting period ending October 31, 2012.

For the upcoming 2013 – 2015 biennium, OBDD will continue to improve employee to supervisor ratio by encompassing various administrative actions such as realignment of duties, reporting structure, and reassessment of classifications and representation codes for accuracy. In order to meet the agency's obligation from 1:5 to 1:6 for the next reporting period, October 31, 2013, the department will again re-assess and change three (3) positions. Such actions will result in the submission of a permanent finance plan for the next reporting period.

Effect of Policy Packages on staffing ratios in the 2013-15 Governor's Balanced Budget

The 2013-15 Governor's Balanced Budget (GBB) includes six Policy Option Packages (POP's) which adds a total of 9 new staff positions. None of the requested positions are management positions, therefore if these packages are approved the results will have a positive impact on our staffing ratio rather than a negative impact.

Secretary of State Audit Report

Kate Brown, Secretary of State

Gary Blackmer, Director, Audits Division

Office of Minority, Women and Emerging Small Business: More Timely and Consistent Services

Summary

The Office of Minority, Women and Emerging Small Business (OMWESB) administers four certifications that assist minorities, women and emerging small businesses to maximize their economic opportunities and promote their success. The program also maintains an online directory of certified businesses for use by the state, other public jurisdictions, prime contractors, and private industries that may be seeking certified business services.

The objective of our audit was to determine whether OMWESB provides timely and consistent services to businesses. We focused on state certification processes; we did not focus on federal DBE certification processing, which is reviewed regularly by state and federal transportation agencies.

While program management has taken some steps to address its high workload, improvements are needed for more timely and consistent treatment of applicants. We found significant variance in the timeliness of certifications and some inconsistencies in the decisions. While some of these problems are due to the volume of work, management can better manage its workload in a number of ways, provide more direction and support to staff to ensure equitable treatment of applicants, simplify the application for businesses, and better track and use performance information.

We recommend OMWESB management evaluate the necessity and priority of its tasks, review its work balancing and work flows, develop and update policies and procedures, simplify its application forms, develop and use performance information to improve certification efforts, and incorporate these changes into the proposed new computer system.

Agency Response

The agency response is attached at the end of the report.

Background

The Office of Minority, Women and Emerging Small Business (OMWESB) administers four certifications that assist minorities, women and emerging small businesses to maximize their economic opportunities and help promote their success. The OMWESB program also maintains an online directory of certified businesses for use by the state, other public jurisdictions, prime contractors, and private industries that may be seeking certified business services.

The program is operated as part of the Oregon Business Development Department (Business Oregon). The program was previously housed at the Department of Consumer and Business Services for 16 years and was transferred in its entirety to Business Oregon in 2009.

OMWESB receives approximately 30% of its funding from the Oregon Department of Transportation for performing the federal certification eligibility determination and 70% from an assessment to state agencies. The program budget has increased from approximately $769,000 for the 2005-07 biennium to $1.085 million for the 2011-2013 biennium. It has a staff of five, consisting of a manager, three certification specialists, and an administrative specialist.

OMWESB staff administers the following four certifications:
- Disadvantaged Business Enterprise (DBE);
- Minority Business Enterprise (MBE);
- Woman Business Enterprise (WBE); and
- Emerging Small Business (ESB)

DBE is a federal certification for businesses seeking contracting opportunities with recipients of federal transportation-related monies (e.g., Oregon Department of Transportation, transit authorities, municipalities, and ports). Federal funding rules have designated a portion of the funds for contract opportunities only to businesses with the DBE certification. MBE and WBE state certifications are for businesses seeking contracting opportunities with state, county, city, and other public jurisdictions. ESB is a state certification unique to Oregon that is for small businesses. The Oregon Department of Transportation has set aside contracting opportunities for emerging small businesses. Based on court decisions, the state certifications offer little in the way of preference for getting contracts, but rather ensure inclusion so that certified entities are aware of contracting opportunities and can bid on them.

Certifications are eligibility based; applicants are responsible for showing they meet certain requirements. Businesses can initially apply for multiple certifications with a single application, or can apply for one certification then another certification at a later date. To qualify for any of the four certifications, businesses need to be independent, exist and operate for profit, and be properly licensed and registered. Each certification has additional eligibility requirements described in the table below.

Certification Requirements

	Disadvantaged Business Enterprise (DBE)	Minority Business Enterprise (MBE) *Or* Woman Business Enterprise (WBE)	Emerging Small Businesses (ESB)
Size	• Small business, with average annual gross receipts less than $22.41M	• Small business with average annual gross receipts for the business and its affiliates for the previous 3 fiscal years that does not exceed amounts set by the Small Business Administration	• Average, annual gross receipts over the last three years not exceeding: o Tier 1: $1,671,177 for construction businesses and $668,471 for non-construction o Tier 2: $3,342,354 for construction businesses and $1,114,118 for non-construction
Control & Ownership	• Controlled and owned by one or more socially and economically disadvantaged individuals • One or more socially and economically disadvantaged individuals must have made a contribution of capital to the business	• Controlled by one or more qualifying individuals • Owned by one or more minority or women owners (51%+ ownership) • One or more qualifying individuals must make a contribution of assets to the business • Qualifying individuals have training and/or experience in the primary fields of operation	
Staff & Equipment	• Business has/leases sufficient machinery, equipment, and employees to operate	• Has/leases sufficient machinery, equipment, and employees to operate	• Less than 20 full time employees (FTE) in tier 1; less than 30 FTE in tier 2
Location			• Principal place of business in the state of Oregon
	All businesses must exist, be independent, operate for profit, and be properly licensed and registered		

Source: Oregon Administrative Rules

Eligibility for the four OMWESB certifications is assessed by one of three certification specialists. Additionally, the Oregon Department of Transportation has provided a temporary staff member for the past three years to assist with processing DBE and ESB certifications.

All certifications are valid for three years from the date the application is certified. To maintain certification during those three years, DBE and ESB businesses are required to attest yearly they continue to meet certification rules and supply tax information. The program is considering expanding this requirement to MBE and WBE certifications. Additionally, the ESB certification has a time limitation. As long as they continue to meet the requirements, ESB certified businesses can be certified up to a maximum of 12 consecutive years, with six years at Tier 1 and six years at Tier 2. Under certain circumstances, a Tier 1 firm can receive an additional year extension for being certified.

Businesses are certified for their specific capabilities using universally accepted industry code systems, one of which is the North American Industry Classification System (NAICS). NAICS codes allow businesses to be notified of appropriate bid opportunities through the State's procurement system. In addition, there are set participation goals for work performed by DBE contractors.

According to program rules and staff, a business owner may receive certification for multiple businesses that provide the same or similar work, and share equipment and office space. It is also allowable for businesses with different owners to share equipment and office space. Further, DBE, MBE, and WBE certifications are owner focused. For example, the women-owned business WBE certification focuses on the gender of the owner not her employees.

According to program staff, the number of active certified businesses has more than doubled over the past few years, going from 1,521 in January 2009 to 3,172 in January 2012. As of July 2012, OMWESB's directory showed a total of 3,361 currently certified businesses with 4,917 certifications. The majority of certified businesses have a single certification, with ESB as the most prevalent.

As shown in Figures 1 and 2, new applications peaked in 2009, while the renewal applications have grown as the total number of certified businesses continues to grow.

Figure 1: Applications Received

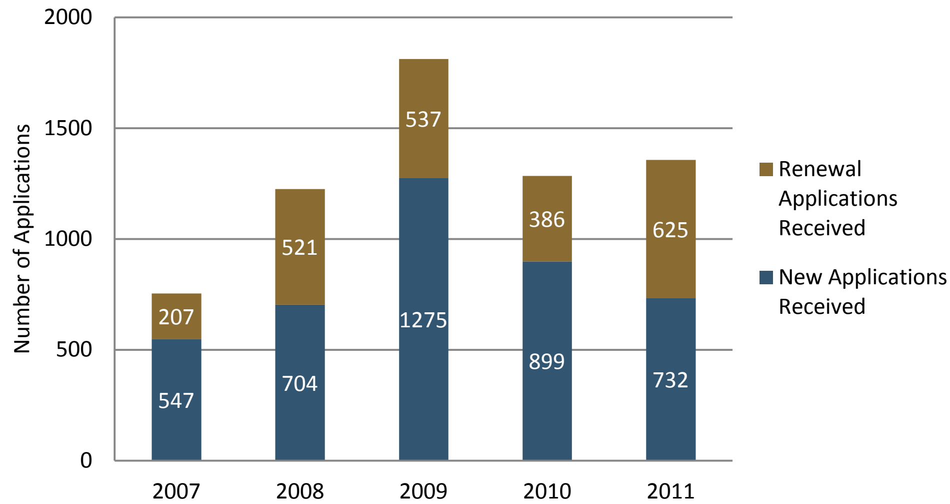
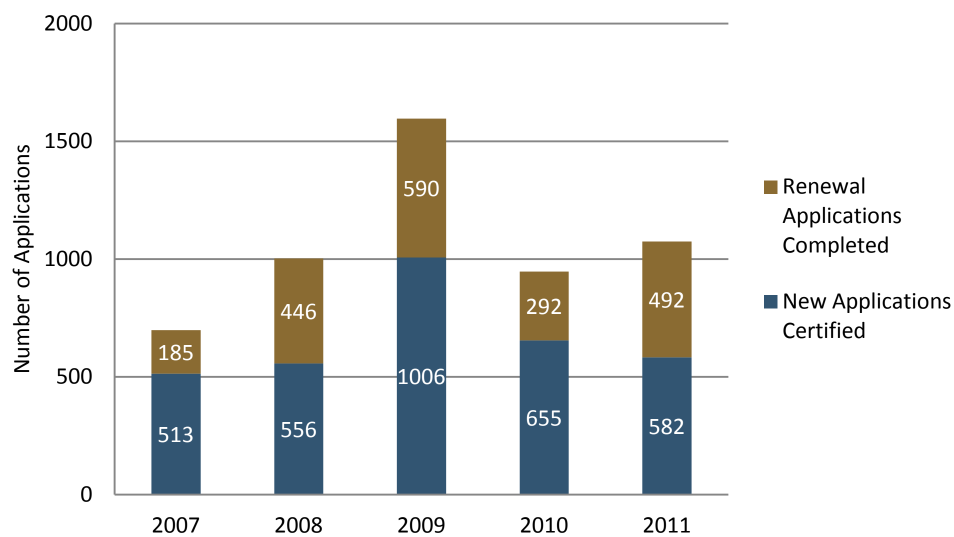


Figure 2: Applications Certified and Completed



Applicants who do not provide the required information needed to determine their eligibility or are not eligible for certification are denied, decertified, administratively closed, or may elect to have their application withdrawn. Denials typically apply to new applications, whereas the term decertified typically applies to previously certified businesses. Program denials have remained relatively steady, approximately 65 per year for the past two calendar years, while the number of decertified businesses grew slightly to 316 in calendar year 2011. According to program rules, failure to submit state certification renewal applications prior to the certification expiration date can result in an administrative closure. Administratively closed businesses nearly doubled from 153, or 24% of closed firms, in 2010 to 274, or 35% of closed firms, in 2011.

Certification specialists mainly review new and renewal applications. This includes examining the application and required documentation, verifying business registration, researching licensing and industry commodity code requirements, conducting interviews with applicants as needed for clarification, making and documenting certification eligibility recommendations, and drafting denial letters. Additionally, program staff process annual no change statements and track ESB tier size and duration limitations.

The program manager, in addition to assisting with complicated applications, reviews all specialists' recommendations for certification, denials, and decertifications. In his absence, the specialists perform this review for each other.

Audit Results

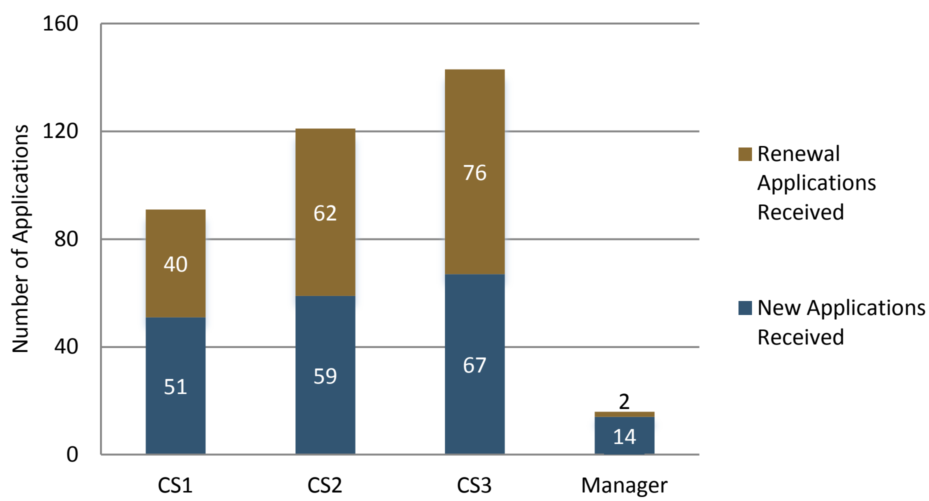
While the OMWESB program has taken steps to address its high workload of state certifications (MBE, WBE, and ESB), key improvements are needed for more consistent, timely, and equitable treatment of applicants. We found significant variance in the timeliness of certifications, and some inconsistencies in staff decisions. While some of these problems are due to the high volume of work, management can better manage its workload in a number of ways, provide more direction and support to ensure equitable treatment of applicants, simplify some aspects of the application forms, better track and use performance information, and incorporate these improvements into the planning and implementation of the proposed new computer system.

Better Manage the Workload

OMWESB staff are highly dedicated to the program's mission and expend considerable effort to assist applicants seeking certification. However, with high, continuous workload demands, this can adversely impact the timeliness and consistency of service that businesses receive. Further, the workload can be overwhelming for staff, affect morale, and result in increased processing errors.

As of May 1, 2012, the program had a backlog of 371 business applications representing approximately 460 state certification requests, with approximately 90 to 140 businesses assigned to each of the three certification specialists. For the past two calendar years, an average of 25 applications was received each week.

Figure 3: Application Backlog per Certification Specialist (CS), as of May 1, 2012



Of the new certification requests in the backlog, 34% had been with the program for over 90 days and nearly half of those had been in process for over six months. In addition, 13% of the renewal certifications had been with the program for over 90 days.

The program also faces possible increases in workload. For example, the Governor's Office of Economic & Business Equity has been enhancing its outreach efforts to increase business participation in the program, and hopes to triple the number of certified businesses. Also, newly proposed state administrative rule changes have resulted in added staff responsibilities.

When a certification is delayed, businesses may be missing available contract opportunities. Moreover, businesses that no longer qualify for program benefits may still be receiving contracts due to delays in closing certifications promptly.

Further, we noted some erroneously closed certifications and a failure or delay in closing certifications for businesses determined ineligible. For example, one certification was administratively closed apparently for not submitting the required annual information, though that was done 4.5 months before the information was actually due. In another example, rather than denying an application when the business owner did not have the required contractor license, the application was put on hold. In yet another case, one business submitted its renewal MBE and WBE application noting plans to reinstate its business license. Over a four week period, program staff requested verification of business registration, licensure, and receipt of bids for upcoming projects. Ten weeks later, the program sent an intent to decertify letter. Delaying closure of certified businesses results in certification specialists spending additional time working the file, and keeps businesses actively certified and listed in the OMWESB Directory.

Workload Not Managed to Ensure Timeliness

Management could better define priorities and alter staff duties and practices to ensure timely certifications and closures.

The program has internal goals for processing new applications for state certifications - 30 days for an ESB and 60 days for a WBE or MBE. Those goals are for making an eligibility determination and are based on the date all information was received. Though that date is noted in the application files and entered into the data system, we found specialists determined it differently. Since that date was not uniformly captured, we chose a sample of applications and determined the total time it took for each application to be either certified or denied. The results, which are shown in Table 1, show that total processing time ranges broadly, but can be lengthy in some cases. We noted that, overall, the renewal processing time was essentially the same for the files we reviewed regardless of the type of state certification (ESB, WBE, or MBE).

Table 1: Total Processing Time for Application Sample, From Receipt to Determination in 2011

	Processing Time Range	Median
New Applications Certified	2 – 343 days	79 days
Renewed Applications	3 – 259 days	62 days
Applications Denied	111 – 229 days	135 days

In addition to denials, certification closures can result from decertifications, administrative closure, or withdrawals. In the decertification cases we reviewed, businesses remained certified three to five weeks longer than the due date they were given. Such closures are not managed for timeliness based on the due date given the businesses. For example, one staff member administratively closes files as time allows. Further, an internal report showed 12 businesses with 2011 expiration dates remained certified over two months past the expiration date, with one still certified 29 weeks past its expiration date.

Although management meets regularly with program staff and has provided some guidelines on processing and keeping applications moving, there have been no clear written directives. Further, management stated they regularly review total applications assigned to each specialist, but there have been no subsequent assessments of timeliness in meeting program goals and reasons for delays in determinations.

Better balance work flows

The program has taken some steps to streamline processes for applicants as well as its personnel. For example, application forms have been revised to handle multiple certifications and certification dates for businesses with more than one certification have been aligned to simplify certification renewal and annual reporting. However, more changes are possible to streamline work processes and set priorities.

Nearly all case handling and communication about the program goes through the administrative specialist. This includes tasks such as processing all in-coming and out-going correspondence, entering most business information into the data system, answering general program phone calls and email, assigning applications to certification specialists, managing compliance and reminder reports, printing program forms and inserts, and archiving files. Many of these tasks are performed daily, though some batching might be possible.

The extent, frequency and order of the administrative specialist's tasks can affect the timeliness and consistency of others' work. For example, we found applications were sometimes assigned to certification specialists the same day they were received, whereas others were delayed up to 2.5 weeks. We also noted that, in her absence, only a limited number of these administrative tasks are performed by other staff.

As applications are received, they are assigned to specialists equally, regardless of their other duties and backlogs. For example, one specialist spent an extensive amount of time drafting proposed changes to program administrative rules, but still received an equal portion of applications as the other specialists.

In addition, program staff has received competing and at times differing direction from management for processing applications. For instance, information provided to applicants and program rules state applications will be processed in the order received. However, management direction to prioritize newly received complete applications conflicts with that direction. With the differing directions, specialists manage their workloads differently. For example one specialist generally processes all applications by date received, another prioritizes new applications over renewals, and the third processes renewals based on "expiration" date.

Review practices that add to workload and delays

Some program practices have led to extra work for staff. These include handling incomplete applications, encouraging withdrawal of applications, providing multiple reminders, and a general effort to provide the utmost customer service.

Handling incomplete applications Businesses interested in being certified manually fill out and submit program certification applications. Specialists commented that businesses often submit incomplete applications, most commonly omitting required documentation such as tax forms. While program administrative rules state applications lacking required information will be denied, program staff works incomplete applications. According to the staff, this takes a lot of additional time, especially for certification specialists who often have repeated back and forth contact with applicants for the missing information. Incomplete applications are given the same weight as those that are complete and ready for determination. At times, these incomplete applications retain their position in the processing queue, which delays processing of complete applications received later.

Encouraging withdrawal The program offers applicants the opportunity to withdraw their application rather than denying or decertifying them when they are not eligible or do not supply the documentation required. We noted businesses were given varying timeframes, from two days to 7.5 weeks, to submit a withdrawal request. During this time, certified businesses remain certified and can continue receiving program benefits. For the past three calendar years, there have been approximately 130 businesses per year that withdrew their applications. This process takes additional specialist time to monitor and ensure businesses submit a withdrawal request form. According to staff, encouraging applicants to withdraw helps businesses by not having a denial or decertification go on their record.

Providing additional reminders Program rules require a mailing to certified businesses approximately one month prior to the date their annual statements are due and two months prior to their third-year certification renewal date. If a business does not submit the required statement or application, a 21-day intent to decertify or close letter should be sent to the business. If the business does not respond within 21 days, it should be decertified or closed.

However, in addition to these notices, the program has added further notices to businesses. For the annual statements, a second notice is sent the day after the statement was due, giving the business approximately two additional weeks before the intent to deny letter is sent. For the third-year renewal, in addition to the required 60-day reminder, there is an additional 30-day notice, followed by the 21-day intent letter.

For businesses that do not respond within 21 days of receiving the intent to decertify or close letter, there is yet another attempt by program staff to confirm the owner is not interested in continuing with the program before the certification is closed. Further, if the closure was due to lack of information, specialists work with the business if the business contacts them to try to get the information needed to continue with certification.

Caring philosophy Management has the goal to help applicants as much as possible, and we noted a strong customer service focus among program staff. We were told certification specialists were expected to continue assisting applicants whose filings were incomplete, and to stop only when it seemed the specialist cared more than the applicant. Further, staff was directed on occasion to continue working with non-responsive applicants. According to the program manager, this focus was instilled while the program was housed in a previous agency. This extensive assistance can increase successful certification and business satisfaction, but it can also create work backlogs and delays for other businesses awaiting certification.

Clear Direction Needed to Ensure Fairness to Applicants

Following established program policies and procedures can ensure businesses receive consistent and timely service. While certification specialists need to make judgments as to the sufficiency and applicability of applicant information, clearly defined, specific policies and procedures help staff interpret program rules, respond when businesses are not fulfilling their certification obligations, and support the program in appeal hearings.

Service varied among applicants

We found program staff gave varying extensions for businesses to provide information needed to determine eligibility before closing certifications and for accepting withdrawals. For example, a business that was no longer registered with the state had its certification kept open 4.5 months before it was denied. Further, two businesses were given 3 weeks beyond the 21-day intent to decertify deadline, while two others were given 5 weeks beyond the deadline. The variable and often lengthy extensions granted to businesses can result in other businesses waiting longer to have their applications processed.

We also noted some applicants waited varying numbers of months for a certification specialist review. For example, the program received a complete application in February 2011, but the specialist did not start the review until four months later in June 2011. In contrast, another complete application was received in April 2011 by another specialist and was certified in June.

In some instances applications were denied or decertified because the business did not supply the required information for eligibility and in other cases with the same circumstances, the applications were administratively closed. Further, in the majority files we sampled, we noted businesses did not receive notice their certifications were administratively closed.

Insufficient written procedures

Having clear and current policies and procedures helps ensure businesses applying for certification receive equal treatment from the program. We noted policy and procedure manuals available to staff were outdated and incomplete. For example, the certification specialist desk manual we reviewed consisted of 11 policies, the majority of which were established 10 years ago, and some did not reflect current practices. In addition, there were no procedures that addressed methods for verifying other owner businesses, or requesting missing information. Similarly, the administrative specialist told us her desk manual did not reflect any current practices.

During our audit, program management developed some guidelines for processing applications. However, the guidelines were conveyed as tips rather than as clear policies and procedures.

Develop and Use Performance Management Information

Management is responsible for establishing and maintaining measures to help ensure appropriate goals and objectives are met and information is reliable. Integrating performance data in operational and strategic decision making is essential for managing resources, evaluating actions, and determining where alternative strategies are needed. Tracking performance information can also acknowledge program staff for the work they perform.

Program efforts and results not regularly tracked

OMWESB management collects and uses limited performance information. There is no process in place to gather and use information such as trends in applications received, certified and closed; processing time of applications; completion and closure activity by specialist; and review of closed files to identify problem patterns. Without this information, the program cannot ensure it is serving the purposes for which it was created, including assessing its effectiveness in meeting certification processing requirements and goals, and enhancing its practices to better serve applicants.

When we asked for program activity information such as the number of applications received and certifications awarded annually for the past five years, management had staff run system reports to obtain the data. Additionally, the program does not have established performance measures. At its prior agency, the program was provided processing goals for certification that continue to be used at Business Oregon. Though management uses these internal goals for processing ESB applications in 30 days and MBE or WBE in 60 days, these goals are not formalized in policy and are not tracked.

Process Needed to Ensure Completeness and Accuracy

While the program has a process for reviewing certification determinations, it does not include ensuring that application files and data are complete and accurate. Critical pieces of information were missing from some application files we reviewed and some gaps in processing time were not explained in the files. For example, we found that one business certified as an ESB was later found ineligible. However, the certification was kept open for several years prior to final closure without any explanation in the application file. Additionally, we noted instances where required forms such as the annual statement were received, but not entered into the program's data system, which can impact certification timelines. Conversely, we also noted instances where there were double entries in the system for the same occurrence.

We also found that specialists recorded on checklists and in the data system a date for receipt of all information necessary for making an eligibility determination, but they did not consistently determine this date. This information is needed to assess adherence to processing time requirements.

Applications Could be Simpler to Assist Businesses

Simplifying and clarifying applications and accompanying explanations can lessen the occurrence of incomplete applications and one-on-one assistance provided to businesses. We noted certification applications could be clearer and better explain the questions and required accompanying information. Staff mentioned applicants regularly call for clarification or want to go through the application with a specialist.

The state application, patterned after the more complex federal program application, consists of multiple forms that begin with program administrative rules verbatim. Unlike OMWESB's applications, we noted other state applications have rule requirements simplified and built into the application questions. This helps clarify whether an applicant meets the certification conditions and should continue filling out the application form. For example, another state's applications instruct applicants to stop if they answered no to particular questions that would make them ineligible for certification. The applications also simplified eligibility questions such as "To be eligible for certification, this business must be owned at least 51% by minorities or women. Is this owner included in the 51% or more? (Yes/No)". Further, this state's website had a quick survey to find out what certifications a business would be eligible for and also included instructional certification videos.

In addition, application questions should readily provide the program with applicant information needed to determine eligibility. For instance, according to program management, one aspect of ESB eligibility depends on set limits of combined average income of all the owner's businesses. However, the ESB application does not clearly ask if the business owner has ownership in any other businesses. Some businesses seemed to misinterpret this question and responded incorrectly on the application.

Further, having the full administrative rules at the beginning of the application, multiple checklists and an extensive listing of NAICS codes along with the application may be daunting for potentially eligible businesses and may lessen the likelihood of them applying.

Improve and Document Practices Prior to New Software

Program managers and staff told us they are proposing a new computer system that they expect will resolve many of the workload, workflow, and processing problems we identified. Best practices for information technology call for programs to understand and document current businesses processes and functions before employing new technology. It is also important for programs to determine how technological advancement will align with strategic business decisions. The process of documenting current business procedures also produces the added benefit of determining critical functions, and uncovering and resolving inconsistencies among those processes. Correcting inconsistencies before automating reduces the risk that the information system will not produce the desired information.

Recommendations

For more timely and consistent processing of OMWESB certification applications, we recommend that the Office of Minority, Women and Emerging Small Business:

- Assess the necessity and priority of all staff tasks, and determine whether better methods can be employed.
- Evaluate methods of assigning work to better balance workload among staff, and review workflow to identify and correct points where certifications are delayed.
- Update and detail certification and administrative specialist policies and procedures, including information required and associated timelines. Regularly reexamine policy and procedure manuals to ensure that they are consistent with current needs.
- Provide notice to businesses when their certifications are being administratively closed.
- Define and track program performance measures, and design and use regular reports of key information to improve performance.
- Develop a process to capture complete and accurate data from certification files.
- Simplify and clarify certification applications. To this end, review and consider incorporating the approaches of other states.
- Additionally, incorporate these improvements into the planning and implementation if a new computer system is obtained.

Objectives, Scope and Methodology

The objective of our audit was to determine whether the Office of Minority, Women and Emerging Small Business provides timely and consistent services to businesses. We focused on state certification processes; we did not focus on federal DBE certification processing, which is reviewed regularly by state and federal transportation agencies.

To answer our objective, we reviewed applicable laws and regulations, policy manuals and related guidance, and certification applications. We also reviewed applications from similar certification programs in other states and audits conducted of them.

We interviewed program management and staff, and spoke to staff in other state entities that worked with the program, including the Oregon Department of Transportation's Office of Civil Rights, the Governor's Office of Economic and Business Equity, and the Department of Justice Civil Enforcement Division. We also spoke to the State Director of the Oregon Small Business Development Center Network. Further, we interviewed managers at the Washington State Office of Minority and Women's Business Enterprises program.

Program staff provided us with reports of activities and performance, such as certification applications received and certified. We analyzed certification activity from January 2007 through December 2011, including the number of applications received and the number certified.

We reviewed the files for a random sample of 45 certification determinations made in calendar year 2011. The sample included six types of determinations: new certifications, renewal certifications, denied certifications, decertified businesses, withdrawn applications/certifications, and administratively closed certifications. In general, we excluded federal DBE determinations. However, we reviewed all determinations associated with the sample if the applications were submitted at the same time, which at times included DBE applications. Additionally, we judgmentally selected 10 files to review for consistency of program services. Thus, testing results can not be projected to the total population. In our review, we focused on processing of applications; we did not review the appropriateness of certification eligibility determinations.

Program staff provided us with a report listing 49 potential administrative closures as of March 6, 2012. Using that report, we identified 12 businesses whose certifications were due to expire in 2011, but remained certified as of that date. We then reviewed the associated files to assess the processing delays.

We analyzed staff workload and practices, and evaluated the barriers to processing applications timely and consistently. We obtained workload reports and spoke to staff about their method of triaging and prioritizing files, and stratified unprocessed new and renewal applications assigned to staff based on the number of days since receipt.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

About the Secretary of State Audits Division

The Oregon Constitution provides that the Secretary of State shall be, by virtue of her office, Auditor of Public Accounts. The Audits Division exists to carry out this duty. The division reports to the elected Secretary of State and is independent of the Executive, Legislative, and Judicial branches of Oregon government. The division audits all state officers, agencies, boards, and commissions and oversees audits and financial reporting for local governments.

Audit Team

William Garber, CGFM, MPA, Deputy Director

James E. Scott, MM, Audit Manager

Karen Peterson, Principal Auditor

Wendy Kam, MBA, Staff Auditor

This report, a public record, is intended to promote the best possible management of public resources. Copies may be obtained from:

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phone: 503-986-2255

mail: Oregon Audits Division
255 Capitol Street NE, Suite 500
Salem, OR 97310

The courtesies and cooperation extended by officials and employees of the Oregon Business Development Department during the course of this audit were commendable and sincerely appreciated.

September 10, 2012

Secretary of State Audits Division
255 Capitol Street NE, Suite 500
Salem, OR 97310

Re: Amended Response to Findings and Recommendations as a result of audit of
Office of Minority, Women and Emerging Small Business:
More Timely and Consistent Services

Enclosed is the Oregon Business Development Department's (Business Oregon) amended response to the findings and recommendations.

Sincerely,

Tim McCabe
Director

TM/sm

Cc: Tim McCabe, Director, Business Oregon
Karen Goddin, Business, Innovation & Trade Division Manager, Business Oregon
Traci Cooper, Chief Financial Officer, Business Oregon
John Saris, Business Services Manager, Business Oregon
Raleigh Lewis, Business Certification Manager, Business Oregon

Response to Findings and Recommendations
Audit of Office of Minority, Women and Emerging Small Business:
More Timely and Consistent Services

Background

The Office of Minority, Women and Emerging Small Business (OMWESB) was transferred from the Department of Consumer and Business Services to the Oregon Business Development Department (Business Oregon) in July, 2009. As part of the program transition, the department began to identify areas for process improvement to improve the speed, quality and consistency of services provided to Oregon firms seeking certification. Starting in 2011, after interviewing personnel and observing program trends, management identified the need to evaluate processes and workflow to improve:

1) Certification processing time; and,
2) Overall responsiveness to certification applications and certification reviews.

Business Oregon is supportive of the Secretary of State recommendations as they are aligned with the agency's prior internal determinations. Available data shows the improvements in processing time and workflow from 2010, 2011 and year to date for 2012, and has helped identify and verify areas for improvement identified in the audit findings.

Audit Findings

Business Oregon agrees with the recommendations provided in the audit report; they align and support many of the internal findings from the 2011 assessment. The audit recommendations will be used to provide guidance to management and staff as they continue to reduce processing time and improve the customer service to the underserved business communities these programs are intended to serve. The audit findings have been reviewed and will provide guidance in the continuing improvement efforts.

Business Oregon agrees that implementation of a new software system will only create marginal improvements without a wholesale reevaluation of workload distribution, updated process manuals and ongoing performance management. The existing software is limited in its abilities and adaptability to changes in process when seeking to incorporate process changes into workflow. As a result, process improvements and recommendations are being developed to work within the limitations of existing resource constraints and will be revisited when a replacement software solution is identified and implemented.

The following provides a brief overview of how Business Oregon intends to incorporate the Secretary of State Findings and Recommendations into the existing process improvement plans:

1) Assess the necessity and priority of all staff tasks, and determine whether better methods can be employed.
    - The current software system is a limiting factor in this endeavor. Tasks have been historically delegated as a result of those limitations. All processes that are not impacted by technology are being evaluated. Updated process manuals have been in development and will be available to staff by November 1, 2012. The process manual will be updated again when a software solution is identified. At that time delegation of duties and responsibilities can be reevaluated using updated criterion. Processes will be prioritized to reduce processing time, improve data accuracy, and support comprehensive analysis and determinations.

2) Evaluate methods of assigning work to better balance workload among staff, and review workflow to identify and correct points where certifications are delayed.
    - See #1
3) Update and detail certification and administrative specialist policies and procedures, including information required and associated timelines. Regularly reexamine policy and procedure manuals to ensure that they are consistent with current needs.
    - See #1
4) Provide notice to businesses when their certifications are being administratively closed.
    - Business Oregon agrees that providing notice to a business when an administrative closure occurs would be a benefit. The concept will be vetted in the RFP for software resulting in a new task being added to existing workflow. Until workload can reasonably be shifted between personnel, this recommendation may not be able to be immediately incorporated without causing additional delays in processing applications.
5) Define and track program performance measures, and design and use regular reports of key information to improve performance.
    - Program monitoring will be ongoing. Continue to monitor performance measures that identify processing efficiencies and help create workflow and performance management plans. As they have in the past, these metrics will be discussed during weekly staff meetings and weekly one-on-ones between program management and staff.
6) Develop a process to capture complete and accurate data from certification files.
    - In preparation for a software transition, Business Oregon has begun developing a data dictionary to define data being collected in to the current database. This effort will help ensure that accurate data is captured, will assist with the migration of data into a new database and will help create a resource for applicants seeking better understanding about what information is required for an application to be considered complete.
7) Simplify and clarify certification applications. To this end, review and consider incorporating the approaches of other states.
    - This is being reviewed as Business Oregon is developing the RFP to update software. Other states, municipalities and contracting entities are being evaluated and best practices and policies are being incorporated into the RFP, process manuals and workflow designs to the greatest extent possible.
8) Additionally, incorporate these improvements into the planning and implementation if a new computer system is obtained.
    - Though partnership and with the direct assistance of leadership within the Governor's Office, resources are being identified to support the pursuit of updated technology to help facilitate the improvement of application processing. While technology itself is not the sole solution for process improvements, the considerable limitations and adaptability of 20 year old software system must be identified as a significant contributor to process and workflow limitations. Almost immediately after the transition from DCBS to Business Oregon, workflow was identified as the single biggest contributor to application processing delays. While Business Oregon has identified and improved a number of processes that have improved processing times, the software and workflow associated with this particular resource has continued to be a hindrance.

The Governor's Office and Policy Advisors will continue to be instrumental in helping Business Oregon identify resources and opportunities for process improvement. The Governor's Office, the Governor's Policy Advisors and the Unified Certification Program Partners have consistently provided feedback from a diverse group of private and public stakeholders on issues affecting application processing, eligibility determinations and processing efficiency concepts. The support of the Governor's Office in pursuit of higher standards has helped identified resources necessary to begin implementing process improvements. The continued support of the Governor's Office and the Legislative Assembly to identify and commit the resources necessary to properly administer the programs will help ensure that the process improvements will not be drawn out incrementally over many years.

In addition, Business Oregon believes that there would be value in enhanced marketing to educate partners and the general public about the roles and responsibilities of OMWESB, although the function of OMWESB is limited to determining application eligibility for state and federal certification. The responsibility of monitoring how certified firms are being used, how contracts are being monitored for commercially useful function and how agencies, counties, municipalities and other public and private entities reporting contracting goals and contracting results does not reside within OMWESB.

Management will use this report as a tool to help guide improved performance management, update process and policy manuals, and ensure balanced workload to the greatest ability the budget and staffing resources will allow. Business Oregon remains committed to providing the highest level of service available and committed to pursuing ongoing process and workflow improvement opportunities.

Oregon Business Development Department, State of Oregon
Special Public Works Fund (SPWF) and Water Fund (WF), Enterprise Funds

Annual Financial Report
Year ended June 30, 2011

Table of Contents

Financial Section

The Honorable John A. Kitzhaber, Governor of Oregon
Tim McCabe, Director, Oregon Business Development Department
Oregon Business Development Commission
Oregon Infrastructure Finance Authority Board

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Special Public Works Fund and Water Fund, enterprise funds of the State of Oregon, Business Development Department, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Oregon Business Development Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting relating to the Special Public Works Fund and Water Fund. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Special Public Works Fund and Water Fund, enterprise funds of the State of Oregon, Business Development Department, are intended to present the financial position, changes in financial position, and cash flows of only the Special Public Works Fund and Water Fund. They do not purport to, and do not, present fairly the financial position of the Oregon Business Development Department or the State of Oregon as of June 30, 2011, and the changes in their financial position and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Special Public Works Fund and Water Fund as of June 30, 2011, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2012 on our consideration of the Oregon Business Development Department's internal control over financial reporting relating to the Special Public Works Fund and Water Fund and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. That report is presented separately in the Other Report section as listed in the table of contents.

OREGON AUDITS DIVISION

Kate Brown
Secretary of State

March 21, 2012

Basic Financial Statements

Oregon Business Development Department, State of Oregon
Special Public Works Fund (SPWF) and Water Fund (WF), Enterprise Funds
Statement of Net Assets (in $thousands)
June 30, 2011

		SPWF	WF	Total
Assets				
Current assets:				
Cash and cash equivalents	$	107,125	13,149	120,274
Securities lending collateral		33,144	4,068	37,212
Interest receivable		6,428	2,827	9,255
Due from other funds		7	-	7
Total current assets		146,704	20,044	166,748
Noncurrent assets:				
Cash and cash equivalents - restricted		5,827	2,436	8,263
Deferred charges		1,533	693	2,226
Advances to other funds		-	100	100
Loans receivable (net)		216,257	101,279	317,536
Total noncurrent assets		223,617	104,508	328,125
Total assets		370,321	124,552	494,873
Liabilities				
Current liabilities				
Accounts payable		266	4	270
Interest payable - bonds		2,360	1,251	3,611
Obligations under securities lending		33,144	4,068	37,212
Due to other governments		25	14	39
Bonds payable		5,670	3,005	8,675
Trust funds payable		215	1	216
Compensated absences payable		54	18	72
Total current liabilities		41,734	8,361	50,095
Noncurrent liabilities:				
Bonds payable		97,961	52,851	150,812
Trust funds payable		151	212	363
Compensated absences payable		28	9	37
Net obligation for other post-employment benefits		17	6	23
Total noncurrent liabilities		98,157	53,078	151,235
Total liabilities		139,891	61,439	201,330
Net assets:				
Restricted for debt service		76,008	15,085	91,093
Unrestricted		154,422	48,028	202,450
Total net assets	$	230,430	63,113	293,543

The accompanying notes are an integral part of the financial statements.

Oregon Business Development Department, State of Oregon
Special Public Works Fund (SPWF) and Water Fund (WF), Enterprise Funds
Statement of Revenues, Expenses, and
Changes in Fund Net Assets (in $thousands)
Year ended June 30, 2011

		SPWF	WF	Total
Operating revenues				
Loan interest income	$	7,729	4,347	12,076
Other income		133	-	133
Total operating revenues		7,862	4,347	12,209
Operating expenses				
Salaries and wages		1,376	467	1,843
Services and supplies		378	163	541
Special payments - grants		2,025	591	2,616
Bond interest		5,230	2,588	7,818
Bond issuance cost amortization		108	39	147
Total operating expenses		9,117	3,848	12,965
Operating income (loss)		(1,255)	499	(756)
Nonoperating revenue (expense)				
Investment income		576	90	666
Investment expense		(85)	(13)	(98)
Net nonoperating revenue		491	77	568
Income (loss) before transfers		(764)	576	(188)
Transfers				
Transfers to other Funds		(6,028)	(2,892)	(8,920)
Transfer to Department of Transportation		(5,081)	-	(5,081)
Program recapitalization		17,526	-	17,526
Net transfers from (to) other funds		6,417	(2,892)	3,525
Increase (decrease) in net assets		5,653	(2,316)	3,337
Beginning net assets		224,777	65,429	290,206
Ending net assets	$	230,430	63,113	293,543

The accompanying notes are an integral part of the financial statements.

Oregon Business Development Department, State of Oregon
Special Public Works Fund (SPWF) and Water Fund (WF), Enterprise Funds
Statement of Cash Flows (in $thousands)
Year ended June 30, 2011

		SPWF	WF	Total
Cash flows from operating activities				
Loan principal repayments	$	30,033	9,361	39,394
Loan interest received		9,896	4,495	14,391
Payments to employees		(1,367)	(473)	(1,840)
Payments to suppliers		(178)	(173)	(351)
Grants made		(1,718)	(591)	(2,309)
Loans made		(4,562)	(14,142)	(18,704)
Net cash provided (used) by operating activities		32,104	(1,523)	30,581
Cash flows from noncapital financing activities				
Proceeds from bond sales		7,720	14,069	21,789
Bond issuance costs		(52)	(97)	(149)
Principal payments on bonds		(18,985)	(7,060)	(26,045)
Interest payments on bonds		(5,544)	(2,495)	(8,039)
Transfers from other funds		14	-	14
Transfers to other funds		(6,004)	(2,903)	(8,907)
Transfer to department of transportation		(5,081)	-	(5,081)
Program recapitalization		17,526	-	17,526
Net cash provided (used) by noncapital financing activities		(10,406)	1,514	(8,892)
Cash flows from investing activities				
Interest earned		495	77	572
Net cash provided by investing activities		495	77	572
Increase in cash and cash equivalents		22,193	68	22,261
Beginning cash and cash equivalents		90,759	15,517	106,276
Ending cash and cash equivalents	$	112,952	15,585	128,537

The accompanying notes are an integral part of the financial statements.

Oregon Business Development Department, State of Oregon
Special Public Works Fund (SPWF) and Water Fund (WF), Enterprise Funds
Statement of Cash Flows (in $thousands)
Year ended June 30, 2011

		SPWF	WF	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating incomes (loss)	$	(1,255)	499	(756)
Adjustments:				
Amortization of bond issuance costs		106	38	144
Amortization of bond premium and discount		2	1	3
Reduction in allowance for uncollectible accounts		(133)	-	(133)
Bond premium applied to loans receivable		(205)	(164)	(369)
Interest payments reported as noncapital financing		5,544	2,495	8,039
Decrease (increase) in assets		-	-	
Interest Receivable		2,710	148	2,858
Loans Receivable		25,334	(4,616)	20,718
Increase (decrease) in liabilities		-	-	
Accounts Payable		261	(16)	245
Interest Payable		(315)	92	(223)
Compensated Absences Payable		55	-	55
Total adjustments		33,359	(2,022)	31,337
Net cash provided (used) by operating activities	$	32,104	(1,523)	30,581

The accompanying notes are an integral part of the financial statements.

Note 1 - Summary of Significant Accounting Policies

The accompanying financial statements of the Oregon Business Development Department's Special Public Works Fund (SPWF) and Water Fund (WF) have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB), and the American Institute of Certified Public Accountants (AICPA). SPWF and WF do not apply FASB pronouncements issued after November 30, 1989, unless GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

1.A - The Reporting Entity

A major focus of the Oregon Business Development Department (the Department) is to help communities plan, design and construct municipally–owned infrastructure such as safe drinking water systems, wastewater systems, and community facilities; and to enhance livability and economic prosperity for Oregon. Good public infrastructure is necessary to support current and future business and jobs. The Department achieves these goals, in part, through the SPWF and the WF programs. These financial statements report the financial activity of the SPWF and WF programs. SPWF and WF are part of the State of Oregon reporting entity and are incorporated in Oregon's comprehensive annual financial report.

SPWF was created on July 1, 1985, as a program of the Intergovernmental Relations Division of the then Executive Department. The program was subsequently transferred to the Department on July 1, 1987. The SPWF program operates under the provisions of sections 285B.410 through 285B.482 of the *Oregon Revised Statutes* (ORS). The SPWF program makes loans and grants to municipalities (cities, counties, ports and certain special districts) for the design and construction of municipally–owned infrastructure needed to support industrial and commercial development.

WF was created in 1993 as a program within the Department. The WF program operates under the provisions of ORS sections 285B.560 through 285B.599. The program is primarily intended to provide funding to municipalities to assist in the compliance with the Safe Drinking Water Act and the Clean Water Act. As a result, the WF program makes loans and grants to municipalities for the construction and improvement of water and wastewater collection systems in order to provide Oregon residents with safe drinking water and appropriate wastewater disposal.

1.B - Basis of Presentation

SPWF and WF programs are accounted for as Enterprise Funds, a GASB proprietary fund type. Enterprise Funds account for operations financed and operated in a manner similar to private business enterprises.

1.C - Measurement Focus and Basis of Accounting

All proprietary funds are accounted for on a flow of economic resources measurement focus, and are maintained on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded at the time related liabilities are incurred. All assets and liabilities associated with the operation of the SPWF and

WF are included on the statement of net assets. Equity is reported as Net Assets. The SPWF and WF statement of revenues, expenses, and changes in fund net assets presents increases (e.g. revenues) and decreases (e.g. expenses) in net assets.

Operating revenues and expenses generally result from providing services to municipalities. Significant operating income includes loan interest received. Operating expenses include salaries and wages, services and supplies, special payments (infrastructure construction grants) and interest paid on Oregon Bond Bank bonds outstanding. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses. The SPWF and WF are accounted for as separate programs; therefore, there is no internal activity.

1.D - BUDGETARY ACCOUNTING

The Oregon Legislature approves the State of Oregon's budget on a biennial basis. SPWF and WF program expenditures are monitored against approved budgets, quarterly allotments, and cash balances. Limitations lapse at the end of the biennium. The Emergency Board of the Legislature approves any necessary increases in budgets when the Legislature is not in session. The SPWF and WF have continuous spending authority under ORS 285B.455 and 285B.563.

1.E - OREGON BOND BANK DISCOUNTS, PREMIUMS AND ISSUANCE COSTS

Bond discounts, premiums and issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the bonds outstanding method. Bond discounts are presented as a reduction to the face amount of bonds payable, premiums are presented as an addition to the face amount of bonds payable, and underwriter's discount and issuance costs are presented as deferred charges. SPWF and WF do not have any liability for Oregon Bond Bank bond arbitrage. The governmental units SPWF and WF provide financing to are responsible for any arbitrage liability incurred on the bonds.

1.F - CASH EQUIVALENTS, AND INVESTMENTS (INCLUDING RESTRICTED)

Cash deposits that are held in a cash management or investment pool are classified as cash and cash equivalents when the pool has the general characteristics of a demand deposit account. Cash and cash equivalents consist of: cash and investments held by the Office of the State Treasurer in the Oregon Short-term Fund; and moneys held in money market funds held by a trustee.

1.G - RECEIVABLES

Interest receivable includes interest due on loans to local governments and special districts. Loans Receivable at June 30 consisted of approximately 330 loans totaling $319,506. An allowance for uncollectible loans was established in the SPWF to estimate the potential loss from uncollectible loans. As of June 30, 2011 the allowance for uncollectible loans equals $1,970. Actual loan losses may vary from estimated amounts.

1.H - Compensated Absences

Employees accumulate earned but unused vacation and sick leave benefits. Accumulated vacation leave for employees is recorded as an expense and a liability of the SPWF and WF programs as benefits accrue to the employee. A liability for unpaid accumulated sick leave is not recorded. Employees are not paid for unused sick leave benefits when employees leave Department service.

1.I - Restricted Assets

Restricted assets consist of cash and investments held by trustees as security for, or payment of SPWF and WF Oregon Bond Bank revenue bonds.

1.J - Net Assets

Net Assets are presented in two classifications: Restricted for Debt Service, and Unrestricted.

Restricted for Debt Service is the total of all debt service reserve funds for all outstanding Oregon Bond Bank issues held by the bond trustee until the bond issues are paid in full.

In the event both restricted and unrestricted assets are available for expenditure, restricted assets would be expended first.

Note 2 - Cash and Cash Equivalents

At June 30, 2011, cash and cash equivalents consist of:

Office of the State Treasurer, Oregon Short-term Fund (OSTF)	$	120,274
Money market funds held by Bank of New York, trustee		8,263
		128,537

Cash and cash equivalents are displayed in the financial statements as follows:

Current assets		
Cash and cash equivalents	$	120,274
Noncurrent assets		
Cash and cash equivalents - restricted		8,263
		128,537

2.A - Deposits

As of June 30, 2011, the book balance of monies held in demand accounts in the OSTF was $120,274. The bank balance was $120,657. The Oregon State Treasurer maintains the OSTF, a cash and investment pool that is available for use by the Department

A separate financial report for the OSTF is prepared by the Treasurer. Copies of the report may be obtained from the Office of the State Treasurer, Finance Division, 350 Winter Street NE, Suite 100, Salem, Oregon 97301-3896, or from the Treasury's website at http://www.ost.state.or.us/About/Investment/.

2.B - Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Department will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Department does not have a formal policy regarding custodial credit risk for deposits. However, banking regulations and Oregon law establish the insurance and collateral requirements for deposits in the OSTF.

Oregon Revised Statutes (ORS) Chapter 295 governs the collateralization of public funds. Bank depositories are required to pledge collateral against any public fund deposits in excess of deposit insurance amounts.

All deposits in the OSTF at June 30, 2011, are with financial institutions participating in the Federal Deposit Insurance Corporation's (FDIC) Transaction Account Guarantee Program (TAGP). Under this program, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account. Coverage under the TAGP is in addition to and separate from the coverage available under the FDIC's general deposit rules. Consequently, the entire bank balance of the uninvested OSTF deposits were fully insured.

Securities held in the Short-Term Fund are held by Oregon State Treasury's agents in the name of the State of Oregon. Earnings on the Short-Term Fund are allocated on daily balances.

The balance of money market accounts held by the Bank of New York (Oregon Bond Bank trustee) as agents for the department totaled $8,263. The funds held by the Bond Trustee are not held in the department's name, but are held in bondholders' names. Each bondholder is insured by FDIC up to $250. The remaining funds are neither insured, nor collateralized and are thus exposed to custodial credit risk.

Note 3 - Investments

The Bond Indentures authorize the Department to invest in direct obligations of, or obligations guaranteed by, the United States of America: bonds, debentures, notes, participation certificates, or other similar obligations issued by specified Federal Agencies; and direct and general obligations of, or guaranteed by, the State: investments agreements, secured or unsecured, with any institution whose debt securities are rated at least equal to the then existing rating on the bonds by the rating agencies; and deposit on interest-bearing demand deposits, or certificates of deposit secured by obligations described above. These are permissible investments under State statute. Investment Standards for the State of Oregon are set in ORS 293.726 and require funds to be managed as a prudent investor would do.

3.A - Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Department's investment in a single issuer. The Department does not have a policy concerning concentration of credit risk. Investments are with the Oregon Short-Term Fund (OSTF) or BNY Cash Reserve Accounts. Therefore, at June 30, 2011, the Department was not exposed to concentration of credit risk.

3.B - Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Department does not have a policy concerning credit risk. Investments are with the Oregon Short-Term Fund (OSTF) or BNY Cash Reserve Accounts. Therefore, at June 30, 2011, the Department was not exposed to credit risk.

3.C - Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Department does not have an investment policy concerning Interest Rate Risk. Investments are with the Oregon Short-Term Fund (OSTF) or BNY Cash Reserve Accounts. Therefore, at June 30, 2011, the Department was not exposed to interest rate risk.

3.D - Securities Lending

The Department's cash balances are invested in the Oregon Short-Term Fund (OSTF). The OSTF is a cash and investment pool managed by the Office of the State Treasurer (Treasury).

The State of Oregon (State) participates in securities lending transactions in accordance with State investment policies. Treasury has, through a Securities Lending Agreement, authorized State Street Bank and Trust Company (State Street) to lend the State's securities to broker-dealers and banks pursuant to a form of loan agreement. There were no significant violations of the provision of securities lending agreements as of June 30, 2011.

State Street is authorized to lend OSTF securities. The State received as collateral U.S. dollar-denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 102 percent of the fair value of the loaned security. Loans are marked to market daily. If the market value of collateral falls below 102 percent of the loaned security, the lender may demand from the borrower sufficient collateral to raise the market value to 102 percent. If the market value falls below 100 percent, the borrower must provide additional collateral to raise the market value to 102 percent. The State did not impose any restrictions during the fiscal year on the amount of the loans State Street made on its behalf. The State did not have the ability to pledge or sell collateral securities absent a borrower default, but was fully indemnified by State Street against such losses.

State Street, as lending agent, has created a fund to reinvest cash collateral received on behalf of the State and other participants in State Street's securities lending program. As permitted under the fund's Declaration of Trust (Declaration), participant purchases and redemptions are transacted at $1 per unit ("constant value") based on the amortized cost of the fund's investments. Accordingly, the securities lending collateral held and the obligation to the lending agent are both stated at constant value on the statement of net assets. The Declaration also provides that if a significant difference exists between the constant value and the market-based net asset value of investments made with the collateral, the agent may determine that a condition exists that would create inequitable results if redemptions were made at the constant value. In that case, the agent may direct that units be redeemed at fair value, engage in in-kind redemptions, or take other actions to avoid inequitable results for the fund participants, until the difference between the constant value and the fair value is deemed immaterial.

The fair value of investments held by the fund is based upon valuations provided by a recognized pricing service. These funds are not registered with the Securities and Exchange Commission, but the custodial agent is subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. Since the funds are accounted for at amortized cost, the fair value of the State's position in the funds is not the same as the value of the funds' shares. No income from the funds was assigned to any other funds.

During the year, the State and borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral is reported on the statement of net assets and, since the cash collateral for all agencies is pooled, it is not exposed to custodial credit risk. Because loans were terminable at will by either party, their duration did not generally match the duration of investments made with cash collateral in either the pool or the fund. The State had no credit risk exposure to borrowers related to securities on loan.

Collateral received, securities on loan, and investments of cash collateral are:

	Total OSTF	SPWF	WF
Cash collateral received for the securities on loan	$ 2,619,820	$ 33,144	$ 4,068
Fair value of all securities on loan	2,566,962	35,683	4,380
Fair value of all investments made with cash collateral received	2,384,284	33,144	4,068

The securities on loan from the OSTF in total included:

	Percent
U.S. Treasury securities	32.32 %
U.S. Agency securities	60.94
Domestic corporate bonds	6.74
	100.00

Note 4 - Changes in Long-Term Liabilities

The following table summarizes the changes in long-term liabilities for activities for the fiscal year ended June 30, 2011:

		July 1, 2010	Increase	Decrease	June 30, 2011	Due in one year
Bonds payable						
Principal	$	164,075	21,555	(26,045)	159,585	8,675
Premium		34	7	(9)	32	2
Discount		(142)		12	(130)	(10)
Total bonds payable		163,967	21,562	(26,042)	159,487	8,667
Compensated absences		56	53		109	72
Trust funds payable		576	693	(690)	579	216
Net obligation for post-Employment benefits		20	3		23	
	$	164,619	22,311	(26,732)	160,198	8,955

Note 5 - Debt Service Requirements to Maturity

Future maturities of principal and interest as of June 30, 2011:

Year(s) ending June 30		Principal		Interest		Total
2012	$	8,675	$	7,224	$	15,899
2013		8,715		6,860		15,575
2014		8,830		6,489		15,319
2015		9,130		6,112		15,242
2016		8,525		5,713		14,238
2017-2021		41,480		23,029		64,509
2022-2026		40,150		13,636		53,786
2027-2031		27,270		4,986		32,256
2032-2035		6,810		596		7,406
Total	$	159,585	$	74,645	$	234,230

Note 6 - Bonds Issued and Outstanding

As of June 30, 2011, Oregon Bond Bank revenue bonds totaling $159,585 are outstanding. Bond proceeds are lent to Oregon local governments (Borrowers) to fund eligible SPWF and WF projects. Security for bond payment is primarily from repayment of these loans made to the Department by the Borrowers. These bonds are not general obligations of the State of Oregon. Bonds payable reported on the balance sheet are recorded net of original issue premiums and discounts. Bond premiums of $32 and bond discounts of $130 are included in Bonds Payable as of June 30, 2011. The following table summarizes the changes in bonds outstanding during fiscal year 2011:

Series	Due	Interest		Original issue	July 1 2010	Increase	Decrease	June 30 2011	Due in one year
1993 A	94-13	2.80-5.50%	$	21,610	1,135		(730)	405	250
1993 B	98-13	5.75-7.75		955	240		(75)	165	80
1993 C	95-14	3.20-5.38		11,815	360		(90)	270	90
1994 A	96-15	5.00-6.00		5,690	1,860		(540)	1,320	295
1995 A	97-16	3.90-5.75		4,755	255		(35)	220	40
1996 A	98-17	4.10-5.50		6,000	1,825		(220)	1,605	235
1996 1	97-16	3.50-5.50		10,665	745		(655)	90	15
1996 2	00-16	4.20-5.50		2,400	1,080		(155)	925	165
1997 A	99-18	3.95-5.10		10,520	5,480		(580)	4,900	595
1998 A	99-23	4.25-5.00		6,000	2,625		(565)	2,060	185
1998 B	99-15	4.10-4.75.		6,105	2,755		(500)	2,255	525
1999 A	00-24	4.25-5.25		7,050	4,510		(230)	4,280	235
2000 A	01-25	5.25-5.63		47,240	13,385		(8,035)	5,350	290
2000 B	02-26	4.45-5.50		34,020	8,070		(605)	7,465	490
2002 A	03-27	3.00-5.00		7,850	5,060		(575)	4,485	420
2002 B	04-28	3.00-4.75		28,825	21,030		(9,145)	11,885	555
2003 A	05-29	3.00-4.63		25,475	20,455		(925)	19,530	960
2004 A	06-30	3.00-4.50		6,325	5,415		(210)	5,205	215
2004 B	06-20	3.00-5.25		3,365	2,815		(130)	2,685	135
2007 A	08-25	4.00-4.38		26,905	24,695		(860)	23,835	905
2007 B	08-19	5.13-6.00		8,900	8,375		(225)	8,150	235
2009 A	10-29	3.00-5.25		32,830	31,905		(960)	30,945	985
2010 A	11-35	2.00-5.71%		21,555		21,555		21,555	775
			$	336,855	164,075	21,555	(26,045)	159,585	8,675

Note 7 - Debt Defeased in Substance

In July 1993, the SPWF 1992 Series C debt issue was advance refunded. The refunded bonds are considered defeased in substance. The liability has been removed from the SPWF statement of net assets. The amount of 1992 Series C defeased debt outstanding at June 30, 2011 is $145.

Note 8 - Employee Retirement Plans

8.A - Plan Description

The Oregon Public Employees Retirement System (PERS) provides retirement plans for Department employees. PERS is administered by the Public Employees Retirement Board (Board), as required by Oregon Revised Statutes (ORS) chapters 238 and 238A. Copies of the Oregon Public Employees Retirement System annual financial reports may be obtained at: www.oregon.gov/PERS/section/financial_reports/finanicals.shtml.

8.B - Oregon Public Employees Retirement System (PERS)

The Department's employees who were plan members before August 29, 2003, participate in the Oregon Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan. The PERS has two tiers of benefits. Employees hired before January 1, 1996 are in Tier One. Tier One employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. Tier Two does not have the Tier One assumed earnings rate guarantee. The PERS retirement allowance is payable monthly for life and may be selected from several retirement benefit options as established by ORS chapter 238. Options include survivorship benefits and lump sum distributions. The PERS also provides death and disability benefits.

8.C - Oregon Public Service Retirement Plan (OPSRP)

The 2003 Oregon Legislature created the Oregon Public Service Retirement Plan (OPSRP), also a cost-sharing multiple-employer plan. OPSRP is part of PERS and is administered by the PERS Board. OPSRP is a hybrid pension plan with two components: the Pension Program (defined benefit) and the Individual Account Program (defined contribution). Department employees hired after August 28, 2003 participate in OPSRP after completing six months of service. The OPSRP Pension Program provides a monthly pension payable for life as well as death and disability benefits as established by ORS chapter 238A.

Beginning January 1, 2004, PERS members became members of the Individual Account Program (IAP) portion of OPSRP. PERS members retain their existing PERS accounts, but member contributions are now deposited in the IAP account rather than into the member's PERS account. All covered employees are required by state statute to contribute a percentage of their salary to the IAP. Current law permits employers to pay the employee contribution, which the Department does.

8.D - Plan Rates

For the PERS Pension and the OPSRP Pension, the Department must contribute actuarially computed amounts as determined by the Board. The funding policies provide for monthly employer contributions. Rates are subject to change as a result of subsequent actuarial valuations.

The required contribution rates as a percentage of subject salary are:

Year ended June 30	PERS	OPSRP	IAP
2011	2.06%	2.84%	6.00%
2010	2.06%	2.84%	6.00%
2009	6.54%	8.03%	6.00%

For subject salary paid after June 30, 2011, the PERS Pension and the OPSRP Pension rates will be 9.55% and 8.05%.

8.E - Annual Pension Cost

The annual pension cost is the actual contribution to PERS (which equals the required contribution) plus the 6% employee contribution which the Department has agreed to pay. The annual pension cost for the year ended June 30, 2011 and the two preceding years are:

Year ended June 30	PERS	OPSRP	IAP
2011	$ 20	$ 27	$ 57
2010	17	23	49
2009	49	61	45

Note 9 - Other Postemployment Benefit Plans

9.A - Plan Description

Department employees may be eligible to participate in health insurance plans and other benefit plans after retirement, collectively known as Other Postemployment Benefits (OPEB). OPEB plans are offered through the Public Employees Retirement System (PERS) and the Public Employees Benefit Board (PEBB). Copies of the Oregon Public Employees Retirement System annual financial reports may be obtained at: www.oregon.gov/PERS/section/financial_reports/finanicals.shtml.

9.B - Retirement Health Insurance Account

The Retirement Health Insurance Account (RHIA) is a cost-sharing multiple-employer OPEB plan which provides a payment of up to $60 toward the monthly cost of health insurance for eligible PERS members. To be eligible for the RHIA subsidy, the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare parts A and B coverage, and (3) enroll in a PERS sponsored health insurance plan.

The Department is required by statute to contribute actuarially computed amounts as determined by PERS. For Tier One and Tier Two members, the Department contributed 0.10%

of PERS-covered salary to fund the normal cost portion of RHIA benefits. The rate is 0.09% for PERS-covered salary paid after June 30, 2011. In addition, the Department contributed an additional 0.19% of all PERS-covered salary to amortize the unfunded actuarial accrued liability. The rate is 0.50% for PERS-covered salary paid after June 30, 2011. These rates are embedded within the total PERS and OPSRP Pension Employer Rates.

The Department's contributions for the years ended June 30, 2011, 2010, and 2009 were less than $1 in each fiscal year. The actual contribution equaled the annual required contribution.

The Oregon legislature has sole authority to amend the benefit provisions and funding policy for the RHIA plan.

9.C - Retiree Health Insurance Premium Account

The Retiree Health Insurance Premium Account (RHIPA) is a single-employer OPEB plan that provides for payment of the average difference between the health insurance premiums paid by retired state employees, under contracts entered into by the PERS Board, and health insurance premiums paid by state employees who are not retired. Retired state employees are qualified to receive the RHIPA subsidy if they had eight or more years of qualifying service in PERS at the time of retirement or are receiving a disability pension calculated as if they had eight or more years of qualifying service, but are not eligible for federal Medicare coverage.

The Department is required by statute to contribute actuarially computed amounts as determined by PERS. For Tier One and Tier Two members, The Department contributed 0.06% of PERS-covered salary to fund the normal cost portion of RHIPA benefits. The rate is 0.05% for PERS-covered salary paid after June 30, 2011. In addition, the Department contributed an additional 0.02% of all PERS-covered salary to amortize the unfunded actuarial accrued liability. The rate is 0.11% for PERS-covered salary paid after June 30, 2011. These rates are embedded within the total PERS and OPSRP pension employer rates.

The Department's contributions for the years ended June 30, 2011, 2010, and 2009 were less than $1 in each fiscal year. The actual contribution equaled the annual required contribution.

The Oregon legislature has sole authority to amend the benefit provisions and funding policy for the RHIPA plan.

9.D - Public Employees Benefit Board Plan

The Public Employees Benefit Board (PEBB) plan is an agent multiple-employer plan which offers medical, dental and vision benefits to eligible retired employees. Retired employees not eligible for Medicare are eligible for PEBB coverage if the retiree is receiving a service or disability benefit from PERS or another state system, is eligible to receive a retirement allowance from PERS and has reached the earliest retirement age under ORS Chapter 238, or is eligible to receive a service allowance or pension under any system offered by the state and has attained the earliest retirement age under that system. The PEBB Plan funding policy provides for contributions at amounts sufficient to fund benefits on a pay-as-you-go basis. Active employees do not make contributions. Participating retirees pay their own monthly premiums based on a blended premium rate since retirees are pooled together with active employees for insurance rating purposes. PEBB does not issue a separate, publicly available financial report.

Chapter 243 of the Oregon Revised Statutes assigns PEBB the authority to establish and amend the benefit provisions of the PEBB plan. As the administrator of the PEBB plan, PEBB has the authority to determine postretirement benefit increases and decreases.

9.E - OPEB OBLIGATION

The Department's liability for OPEB expenses in SPWF and WF for fiscal year 2011 was $2 and $1.

Note 10 - RISK FINANCING

The State of Oregon administers property and casualty insurance programs covering State government through its Insurance Fund. The Insurance Fund services claims for: direct physical loss or damage to state property; tort liability claims brought against the State, its officers, employees or agents; workers' compensation; employee dishonesty; and faithful performance coverage for certain positions by law to be covered and other key positions.

As a state agency, the Department participates in the Insurance Fund. The cost of servicing insurance claims and payments is covered by charging an assessment to each entity based on its share of services provided in a prior period. The total statewide coverage assessment is based on independent biennial actuarial forecasts and administrative expenses, less carry-forward or equity in the Insurance Fund.

For the SPWF and WF programs, the amount of claim settlements did not exceed insurance coverage for each of the past three years.

Note 11 - COMMITMENTS

The Department has signed contracts to fund various SPWF and WF projects. The amount of money committed but not disbursed at June 30, 2011 is:

	SPWF	WF	Total
$	15,000	12,680	27,680

Money for these projects is expected to be disbursed within three years. These commitments will be funded from current assets, future non-bond bank loan payments, and any amount provided from non-program sources, such as Oregon Lottery Revenue Bonds approved by the Oregon Legislature.

Note 12 - SUBSEQUENT EVENTS

The Department has called for Optional Redemption of $31,460 of outstanding State of Oregon, Oregon Bond Bank Revenue Bonds:

		Payable from		
Issue	Redemption date	SPWF	WF	Total bond call
1997 Series A	07/01/11	$ 95		95
1993 Series A	01/01/12	155		155
1993 Series C	01/01/12	180		180
1994 Series A	01/01/12	1,025		1,025
1995 Series A	01/01/12	180		180
1996 Series A	01/01/12	1,370		1,370
1996 Series 1	01/01/12		75	75
1996 Series 2	01/01/12		760	760
1997 Series A	01/01/12	3,015	1,205	4,220
1998 Series A	01/01/12	1,525		1,525
1998 Series B	01/01/12		1,730	1,730
1999 Series A	01/01/12		4,045	4,045
2000 Series A	01/01/12	4,270	790	5,060
2000 Series B	01/01/12	2,920	4,055	6,975
2002 Series A	01/01/12	3,105	960	4,065
		$ 17,840	13,620	31,460

The Bonds will be redeemed at par, plus accrued interest to the redemption date. Interest on called bonds shall cease to accrue from and after the redemption date.

Other Report

The Honorable John A. Kitzhaber, Governor of Oregon
Tim McCabe, Director, Oregon Business Development Department
Oregon Business Development Commission
Oregon Infrastructure Finance Authority Board

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited the financial statements of the Special Public Works Fund and Water Fund, enterprise funds of the State of Oregon, Business Development Department, as of and for the year ended June 30, 2011, and have issued our report thereon dated March 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Oregon Business Development Department is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Oregon Business Development Department's internal control over financial reporting relating to the Special Public Works Fund and Water Fund as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Oregon Business Development Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Oregon Business Development Department's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Special Public Works Fund and Water Fund are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management of the Oregon Business Development Department, others within the entity, the Oregon Business Development Commission, the Oregon Infrastructure Finance Authority Board, the Governor of the State of Oregon, and the Oregon Legislative Assembly and is not intended to be and should not be used by anyone other than these specified parties.

OREGON AUDITS DIVISION

Kate Brown
Secretary of State

March 21, 2012

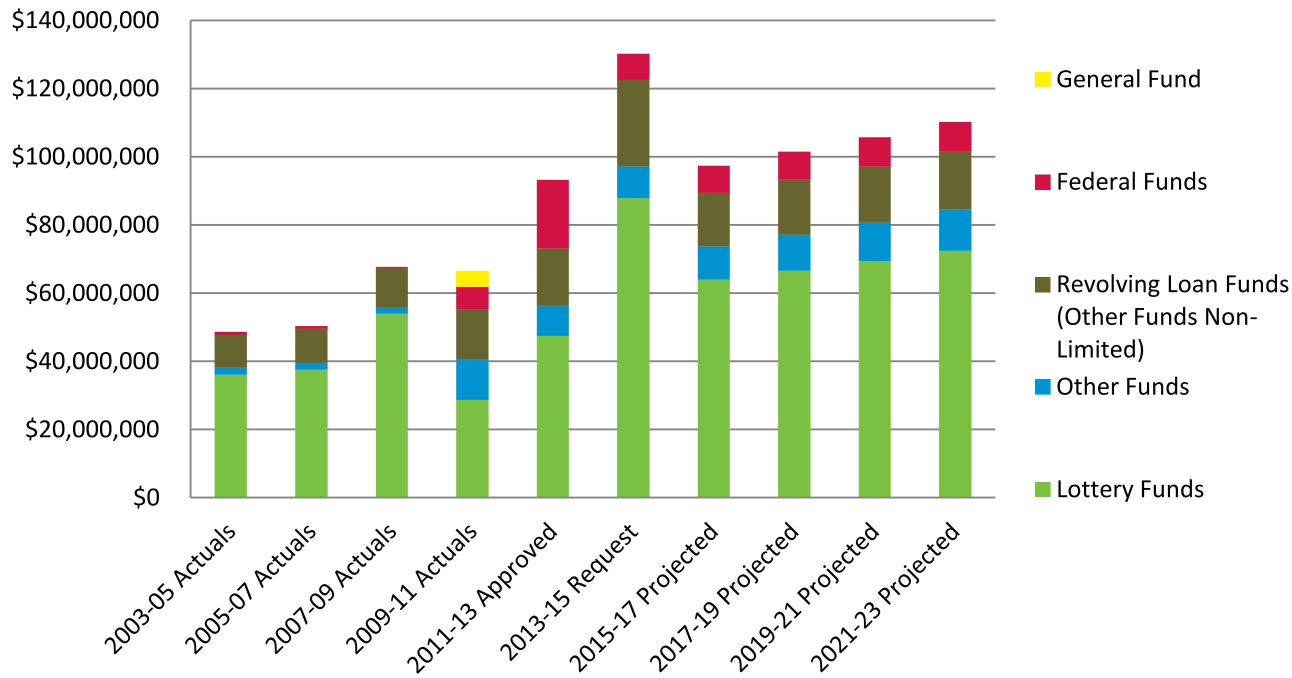
Oregon Business Development Department
2011-13 Reclassification Report for 13-15 Ways and Means Sub Committee
Appendix

Name	Pos #	Appt-Typ	From Class	From Class - DS	From Old-Base-Rate	To Class	To Class - DS	To New-Base-Rate	Increase Amount	Action	Eff-Dte	Justification
BITD / Clean Tech Section	0010307	PF	UA C0872AA	Ops/Policy Analyst 3	$ 4,787.00	UA C0873AA	Ops/Policy Analyst 4	$ 5,025.00	$ 238.00	Reclass Up	05/01/12	within 1 step
SS / Budget Section	0070103	PF	UA C1217 AA	Accountant 3	$ 5,266.00	UA C1245 AA	Fiscal Analyst 3	$ 5,524.00	$ 258.00	Reclass Up	05/01/12	within 1 step
BITD / Managing Director	0010214	PF	UA Z7010 AA	PE M/F	$ 8,490.00	UA Z7012 AA	PE M/G	$ 8,906.00	$ 416.00	Reclass Up	05/01/12	within 1 step (end WOC)
BITD / Global Strategies Section	0010210	PF	UA Z7008 AA	PE M/E	$ 7,962.00	UA Z7010 AA	PE M/F	$ 8,089.00	$ 127.00	Reclass Up	05/01/12	within 1 step
BITD / Bus. Finance Section	0060601	PF	UA Z7008 AA	PE M/E	$ 5,487.00	UA Z7010 AA	PE M/F	$ 5,756.00	$ 269.00	Reclass Up	05/01/12	within 1 step
BITD / Clean Tech Section	0030101	PF	MMS X7008 AA	PE M/E	$ 7,332.00	UA C0863 AA	Program Analyst 4	$ 7,332.00	$ -	Reclass Down	05/01/12	Red-Circled
BITD / Sm. Bus Asst Programs	3006000	PF	MMS X7008 AA	PE M/E	$ 6,992.00	UA C0863 AA	Program Analyst 4	$ 6,992.00	$ -	Reclass Down	05/01/12	Red-Circled
BITD / Sm. Bus Asst Programs	3006001	PF	UA C0863 AA	Program Analyst 4	$ 6,076.00	UA C0862 AA	Program Analyst 3	$ 6,076.00	$ -	Reclass Down	05/01/12	Red-Circled

Oregon Business Development Department
11-13 New Hire Report for 13-15 Ways and Means Sub Committee
Appendix

Name	Pos #	Class	Class - Description	Pay Rate	Range	Step	Action	Eff-Dte	Justification
Shared Services / IT Section	0070125	C1484	Info Systems Specialist 4	$ 1,687.50	25	1	New Hire (Job Share)	06/16/11	
Shared Services / Strategic Svc Section	0060431	C0118	Executive Support Spec 1	$ 2,282.00	17	1	Promotion	10/01/11	
IFA / Program	3001005	C0870	Ops/Policy Analyst 1	$ 2,945.00	23	1	Promotion	10/10/11	
BITD / Business Finance Section	3011006	C1001	Loan Specialist 1	$ 3,133.00	23	1	New Hire	12/01/11	
BITD / Business Finance Section	3011009	C1002	Loan Specialist 2	$ 3,600.00	27	1	Promotion	12/01/11	
BITD / Administration	0010312	C0104	Office Specialist 2	$ 2,246.00	15	1	New Hire	09/24/12	
BITD / Reg. Bus Devlpmt Section	0010314	X7010	PE M/F	$ 6,046.00	35X	2	New Hire	04/02/12	
IFA / Program	0060411	C0863	Program Analyst 4	$ 4,716.00	31	3	Promotion	06/01/11	Promotion - 1 step
IFA / Ports Section	3011005	C0861	Program Analyst 2	$ 3,904.00	27	3	New Hire (resigned)	07/18/11	Match Prior Salary
Director's Office Asst	3003018	Z0830	Executive Assistant	$ 4,039.00	25	3	New Hire	08/22/11	Match Prior Salary
Arts Division	3007003	X0865	Public Affairs Specialist 2	$ 4,980.00	29	3	New Hire	03/20/12	Match Prior Salary
BITD / Reg. Bus Devlpmt Section	0060428	X7010	PE M/F	$ 6,343.00	35X	3	New Hire	07/16/12	Match Prior Salary
BITD / Reg. Bus Devlpmt Section	0020107	X7010	PE M/F	$ 6,343.00	35X	3	New Hire	07/16/12	Match Prior Salary
Shared Services / Acctg Section	0060612	C0211	Accounting Technician 2	$ 2,624.00	17	3	New Hire	08/13/12	Match Prior Salary
Arts Division	1900002	C0107	Administrative Spec 1	$ 2,585.00	17	4	New Hire (LD Appointment)	02/09/11	Match Prior Salary
Shared Services / Strategic Svc Section	0060431	C0118	Executive Support Spec 1	$ 2,585.00	17	4	New Hire (Trial Svc removal)	03/01/11	Match Prior Salary
BITD / Reg. Bus Devlpmt Section	3011008	C1003	Loan Specialist 3	$ 4,787.00	30	4	New Hire	12/01/11	Match Prior Salary
IFA / Administration	0010213	C0107	Administrative Spec 1	$ 2,736.00	17	5	Promotion	04/11/12	Promotion - Forestry
IFA / Ports Section	3011005	C0862	Program Analyst 3	$ 5,098.00	29	5	New Hire	12/05/12	Match Prior Salary
BITD / Reg. Bus Devlpmt Section	3001032	X7010	PE M/F	$ 7,438.00	35X	6	Promotion	12/01/12	Promotion - 1 step
BITD / Business Finance Section	3011007	C1003	Loan Specialist 3	$ 5,790.00	30	7	New Hire	09/17/12	Match Prior Salary
Shared Services / IT Section	0070125	C1484	Info Systems Specialist 4	$ 2,437.00	25	9	Rehire (Job Share)	06/01/11	Match Prior Salary
Shared Services / IT Section	0010206	X7008	PE M/E	$ 7,811.00	33X	9	New Hire (existing State EE)	10/01/11	Promotion - Correct

Business, Innovation & Trade Division (BITD)



Executive Summary

The mission of Business Oregon and its Business Innovation and Trade Division (BITD) is to enable the creation, retention, expansion and attraction of businesses that provide diverse living-wage jobs for Oregonians – jobs that generate critical revenues that support state services. Business Oregon achieves this through public-private partnerships, professional assistance and leveraged funding to support Oregon companies and entrepreneurs.

Program Description

BITD promotes business retention, growth, and job creation by removing barriers to industry competitiveness; working with economic development partners across the state to address business needs; and working directly with businesses to help them grow. BITD works to create prosperity for Oregonians through a robust economy that provides living-wage jobs.

BITD's primary customers are existing Oregon businesses, working with small- and medium-sized companies to keep them operating and growing in Oregon. BITD also works with potential new businesses expanding to Oregon. BITD services include professional and technical assistance to Oregon companies, direct investments for job creation, loan guarantees, small business loans, trade promotion and export assistance.

These program services are separated into three sections within BITD:

1. **Business Development Services**
   The business development team works directly with businesses and public and private partners to provide leveraged tools and services to assist Oregon companies. Nine Business Development Officers (BDOs) are located throughout the state and serve as the first point of contact when interacting with businesses and communities. BDOs provide professional assistance with business planning, access to Business Oregon programs, access to other state or federal resources, and serve as a general business liaison to eliminate government barriers to growth. The following programs are used by BITD to help grow Oregon companies:
   a. *Governor's Strategic Reserve Fund* –forgivable loans used as a direct investment to create and retain jobs for businesses in Oregon.
   b. *Business Expansion and Retention Program* –forgivable loans available to traded-sector firms with 150 employees that establish at least 50 new full-time jobs at 150 percent of the state or county average wage, whichever is less.
   c. *Industry Competitiveness Fund* –Furthers industry-specific initiatives, assists with trade promotion, funds trade export grants for small businesses, and leverages other funding for projects and services that enhance the competitiveness of Oregon businesses.
   d. *Industrial Site Certification Program* – certifies industrial lands as "project ready" for specific industries, saving companies significant time, cost and risk with development.
   e. *Brownfields Program* – combines state and federal funding to offer low interest loans with flexible terms to begin the process of turning contaminated land into development-ready land.

2. **Global Strategies**
   The Global Strategies team helps businesses access foreign markets to enhance the state's competitiveness in the global economy and help Oregon companies grow through international sales. The Global Strategies team helps small- to medium-sized businesses export their products and existing exporters reach new markets. This is achieved through export counseling, market research, evaluation of international partners and opportunities, and small trade promotion grants. Federal dollars are leveraged by this team to provide additional export grants to Oregon businesses.

   The Global Strategies team also supports the work of the Oregon Innovation Council (Oregon InC) and its initiatives that integrate innovation into the state's economic development strategy. Driven by the private-sector, Oregon InC develops, champions and implements strategic initiatives and signature research centers that help Oregon industries and companies access the state's research and development assets to become more competitive and sustainable. The program bolsters innovative research that leads to new discoveries and new companies built around these breakthroughs. Each biennium, Oregon InC develops a new Innovation Plan with a targeted approach for funding of the state's cutting-edge signature research renters and industry-specific initiatives.

3. **Business Finance Services**
   Business Oregon has a team of finance professionals that assist businesses with their capital needs. The team evaluates projects and works with financial partners across the state to provide direct loans to small businesses, loan guarantees, packaging of loan programs, or matching a partner service provider with a business client. This team also provides specific services to small businesses, including certification necessary for minority, women and emerging small businesses to obtain some government contracts.

Program Justification

The BITD program area and its staff implement the state's economic development strategy and help create living-wage jobs for Oregonians throughout the state. As noted, this is achieved by providing professional business assistance, engaging in public-private partnerships and offering leveraged funding to support Oregon companies and entrepreneurs.

The BITD program area is a vital component of the 10-Year outcome to have *a diverse and dynamic economy that provides jobs and prosperity for all Oregonians*. In particular, BITD implements strategies 1 and 3 of the Economy and Jobs Vision, while Business Oregon's IFA program area is focused on implementing strategy 2. **The areas of focus and the strategies of BITD were modeled after, and work in sync, with the Oregon Business Plan**. Furthermore, BITD coordinates with economic development organizations at the federal and local level, as well as with private enterprises, to drive a unified approach to grow Oregon's economy.

BITD focuses its efforts on key strategies to retain and expand Oregon-based companies, as well as recruit new businesses to the state. ***All*** **of the components of the BITD program area are directly aimed at achieving the Economy and Jobs outcomes** and all can be associated with one or more of the identified sub-strategies. Some program components are specifically named, such as the Oregon Innovation Council (1.1, 3.1), others are implied such as the program's work to increase exports (1.1, 1.2), use leveraged financing to build industry clusters (1.1, 1.2), and provide minority business certification (3.1).

The BITD program area has been very successful in helping create and retain jobs and generate critical revenues with the limited resources at its disposal. In addition, BITD is also nationally recognized for its implementation of export assistance programs, administration of federal finance tools and partnerships with other entities to develop industry cluster strategies.

Program Performance

Funding allocated towards BITD is an investment in Oregon that ultimately provides a positive return back to the state. This program area is intended to create jobs that create prosperity for Oregon families, as well as generate revenue to support critical state services. The foremost performance measures used by Business Oregon are number of jobs created, number of jobs retained and income tax revenue generated. The primary data source for jobs created is the Oregon Employment Department. Job levels are collected for each business that received financial assistance and directly benefited in job creation/retention efforts. The table below provides a snapshot of the department's performance over the past five years in these key areas:

	2011	2010	2009*	2008	2007
Direct Jobs Created	1,957	2,005	1,559	3,538	4,041
Direct Jobs Retained	3,760	5,035	6,060	3,169	3,884
Income Tax Revenue (millions)	$13.9	$13.8	$17.2	$6.2	N/A

**The information above is taken from Key Performance Measure (KPM) reports submitted by the department to the Legislature. In 2009, the department significantly changed the methodology it employed to track and report jobs to the Legislature, and the variance between jobs created/retained reflects the new improved process.*

The main driver of the jobs figures above are direct Lottery investments made via the Strategic Reserve Fund (SRF). Tallying up the two-year job creation and retention estimates for SRF investments made in the 2009-11 biennium (**$8.5 million of the department's $28.6 million Lottery-funded business development budget**), the projects are expected to create or retain nearly **5,100 jobs**[1] and generate more than **$24 million**[2] in revenue back to the General Fund. In addition, these investments are projected to create approximately 8,800 indirect and induced jobs that return nearly $26 million to the General Fund.[3]

Since 2003, the state's **$58 million investment** in Oregon InC has **leveraged an additional $300 million in federal and private grants**. More than 227 companies use the labs and researchers available at Oregon InC's Signature Research Centers, gaining access to cutting-edge R&D technologies, and 18 new companies have been created to date. These new companies have raised over **$100 million in venture capital** that wouldn't have been realized otherwise.

Enabling Legislation/Program Authorization

The BITD program receives its statutory authority from Oregon Revised Statutes (ORS) Chapters 284, 285A, 285B, and 285C. The Department is also subject to Oregon Administrative Rule (OAR) Chapter 123.

Funding Streams

BITD is primarily supported by direct Lottery Funds. Federal Funds support the Brownfields sub-program, State Small Business Credit Initiative (SSBCI), State Trade and Export Program (STEP), and Electric Vehicle (EV) grant. Other Funds are from loan principal and interest repayments, loan and service fees, investment interest earnings and miscellaneous receipts.

Federal matching funds operate as follows:

- Brownfields: 20% match. Approximately 14% is matched by Business Oregon's "Other Funds-administration" and the remainder is local match.
- State Small Business Credit Initiative: match not required.
- State Trade and Export Program: 25% match provided by Lottery Funds.
- Electric Vehicle: match not required.

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[1] Figure based on performance contract requirements.
[2] Figure based on 2009 Effective Tax Rate for companies receiving direct assistance.
[3] Figure calculated using IMPLAN model.

<u>Significant Proposed Program Changes from 2011-13</u>

This 2013-15 request has the following additions requested from the 2011-13 budget. The increase in the 2013-15 request is by design, to maximize the state's ability to help kick-start business growth as the economy rebounds from the recession:

Oregon Innovation Council ($25,000,000 Lottery Funds)

- Placeholder package that represents 2013-15 Innovation Plan to be finalized by Oregon InC in August 2012. Oregon InC funding is an additional request for the department each biennium. Oregon InC develops, champions and implements strategic industry initiatives and signature research centers that help Oregon industries and companies access the state's research and development assets to become more competitive. Oregon InC is designed to attract research dollars into Oregon and lead to new discoveries and companies built around those breakthroughs.
- Oregon InC will graduate one of the 2011 initiatives – Northwest Food Processors Association will be independent of state support at the conclusion of the 2011-13 biennium.

Industry Competitiveness ($2,050,000 Lottery Fund)

- Provides funding for Export Promotion (Oregon Trade Promotion Program) to increase the number of businesses we can introduce to overseas markets in order to grow revenues.
- Provides funding for Work Ready Communities
- Provides funding for Oregon Manufacturing Extension Program, increasing the number of clients served and enhancing their suite of services.
- Provides funding for Small Business Innovation Research (SBIR) and Small Business Technology Transfer Research (STTR), both proven tools to convert university research into commercial ventures.
- Provides funding for Entrepreneurs and Small Business Services that supports new start-ups through program services provided by the Oregon Entrepreneur Network.

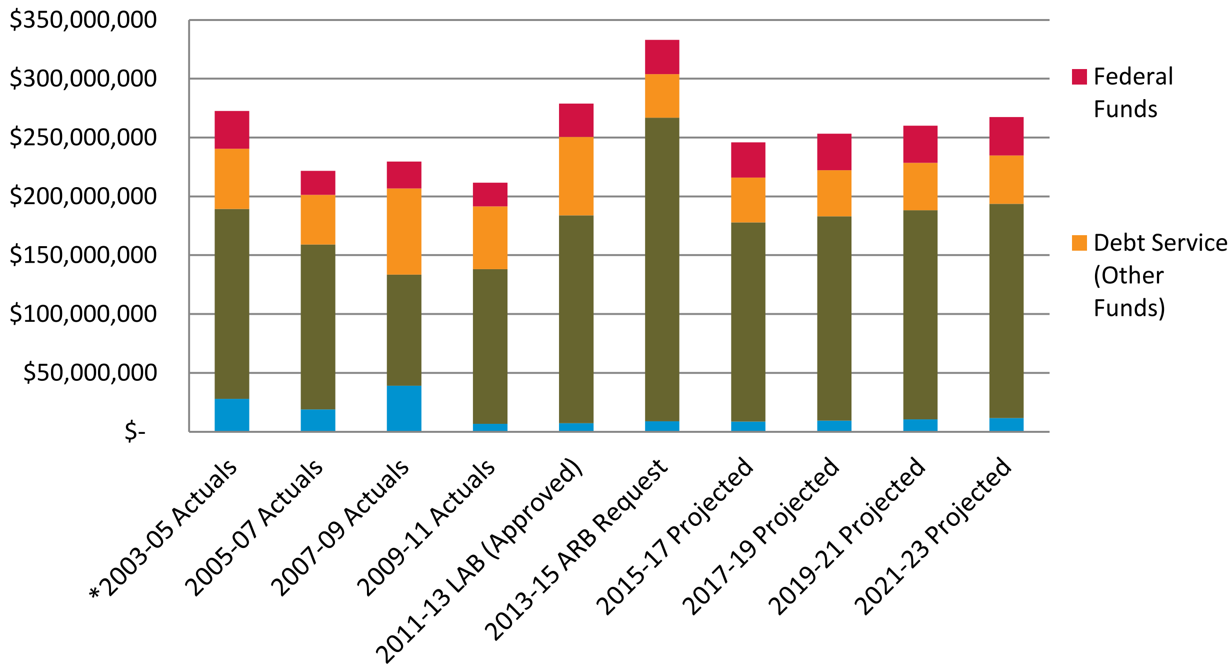
Innovation Infrastructure AND Oregon Investment Act (HB 4040); formerly titled Strategic Reserve Fund ($10,500,000 Lottery Fund)

- Provides funding for additional innovation infrastructure, which will meet the gap in the chain of innovation in Oregon and adds to the investments currently being requested for the Oregon Innovation Council (POP #101).
- Provides seed funding for the Oregon Investment Growth Board to identify the capital needs and gaps that exist in Oregon, and invest in an effective set of State-sponsored and other capital resources for businesses in Oregon per HB 4040.

Industrial Land Readiness and Site Certification ($127,737 Lottery Fund)

- Establishes a resource to provide integrated planning assistance to be leveraged with matching private, local, or other State Funds. (An addition of 1 pos / 1.00 FTE)

Infrastructure Finance Authority (IFA)



Executive Summary

The IFA assists communities to build infrastructure capacity to address public health, safety and compliance issues as well as support communities ability to attract, retain and expand businesses. The IFA is the least expensive and most readily available infrastructure funding source for Oregon rural communities, suburban areas, special districts, ports and tribes.

Program Description

IFA programs finance infrastructure projects for municipal entities (cities, counties, ports, special districts, and recognized tribes) with loans or grants from revolved loan funds, federal funds, or special appropriations. As communities identify projects, IFA staff work directly with applicants to develop preliminary proposals before proceeding to complete program applications. The project funding sources include:

Special Public Works Fund provides market rate (or below) loans and grants for municipal infrastructure and other facilities that support economic and community development. Loans and grants are available for planning, designing, and constructing municipal facilities such as water/wastewater/storm systems; port facilities; roadways and rail; industrial sites and utilities; essential public buildings (police and fire); airport facilities; and telecom systems.

Water/Wastewater Fund provides market rate (or below) loans and grants for municipal design and construction of public infrastructure needed to ensure compliance with the Safe Drinking Water Act or the Clean Water Act. Eligible facilities include water source development, treatment, storage/distribution projects, or wastewater collection and treatment systems.

Community Development Block Grant uses federal funds to provide rural non-metropolitan cities and counties with grants to develop economic opportunities and create suitable living environments for lower-income households. The program funds projects such as water/wastewater improvements, community facilities (homeless shelters, food banks, libraries, medical clinics), housing rehab and micro enterprise training.

Safe Drinking Water Revolving Loan Fund provides below-market loans and grants for the construction or improvement of public and private water systems to address regulatory compliance issues. The state receives an annual federal grant allocation. Eligible activities include: engineering, construction and /or installation of system improvements for water intake, filtration, treatment, storage, and transmission.

Port Revolving Loan Fund provides planning and construction loans for facilities and infrastructure that promote the maritime shipping, aviation, and commercial/industrial activities. Funding may be used for port facilities, infrastructure, or port-located business improvements including water-oriented facilities, industrial parks, airports and commercial/industrial buildings.

Port Planning and Marketing Fund provides grants to assist ports in conducting planning or marketing studies relating to the expansion of port commerce activity. Eligible planning or marketing projects must ultimately diversify the economy, develop new or emerging industry, or redevelop public facilities.

Marine Navigation Improvement Fund provides grants and loans for two categories of projects: 1) federally authorized where the federal government provides 75 percent of the funding and the state provides a 25 percent match through Legislative appropriations and 2) non-federally authorized projects that are smaller and authorized by the Oregon Legislature.

Program Justification

The IFA primarily helps carry out strategy 2 of the *Economy and Jobs Vision.* The IFA enables communities to efficiently and effectively plan and execute infrastructure projects that both set the stage for job growth through business growth, and enhance the quality of life for Oregonians. The IFA can help coordinate and finance infrastructure projects in Oregon communities as well as help access external financing resources.

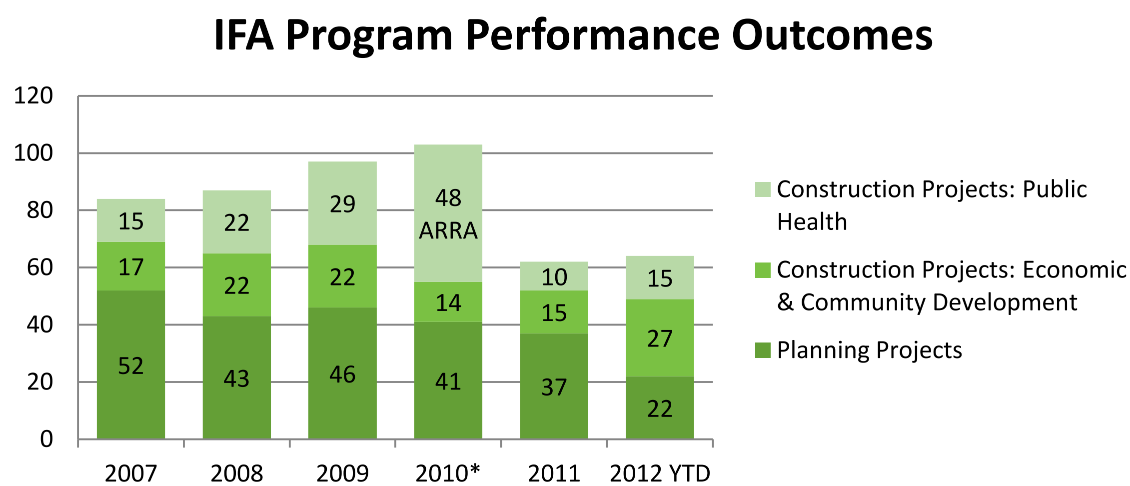
By working with communities across Oregon and participating in the Regional Solutions Teams, the IFA maintains a pipeline of projects to carry out, and matches projects with a variety of funding streams using state and federal programs, leveraging local and private funds as well. The IFA tracks projects submitted for funding and works closely with contacts at the federal level to coordinate which projects are the best fit for specific funding sources, as well as the prioritization. This is a critical component of strategy 2.1.

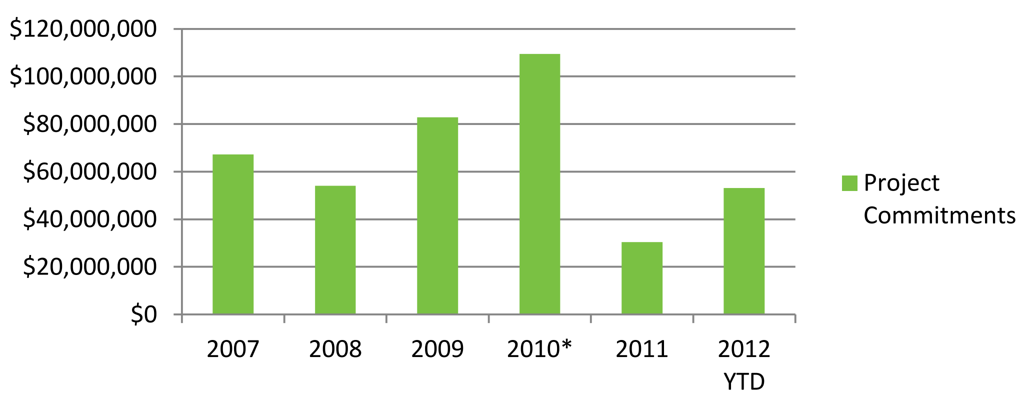
The IFA works with local and regional governments to localize decision-making while at the same time integrate local needs into a statewide strategy for better coordination, a key idea of strategy 2.3. For example, the IFA is working with the Oregon Public Ports Association to develop an infrastructure project plan that prioritized projects across Oregon's ports from a local perspective, and integrate that into state planning and funding streams.

Between the pipeline of incoming projects to fund, established funding mechanisms, ongoing collaboration with federal partners and meticulous tracking of project status, the IFA can serve as an effective tool to achieve the 10-year outcomes associated with strategy 2.

Program Performance

The different programs' approved projects and dollar volume is the performance metric used to measure IFA activities. The recession that began in 2007 marked a decline in municipal responses to community needs due to communities not wishing to incur additional debt. The IFA has implemented financial incentives to aid communities in addressing their needs.





** 2010 numbers reflect an increase in projects due to a significant amount of federal ARRA funding made available to IFA*

The success of the program is dependent on IFA staff expertise and local government capacity. The IFA actively works with communities to increase local government capacity and assure project success. Costs are driven by market factors. Ironically, the worst economic times provide the lowest project cost but also coincide with the time communities are least willing to take on any additional community debt.

To improve program performance, the IFA has implemented ways to reduce loan interest rates as well as use Lean practices to streamline loan/grant approvals, reducing processing time by 40% (loans can now be processed in 30 days). The results are evident by increased performance.

Enabling Legislation/Program Authorization

The programs of the IFA are authorized by Oregon Revised Statutes 285A.600 – 285A.732, and 285B.410 - 285B599. The programs are not mandated by the US or Oregon Constitution or federal or state law, however some IFA programs are federally authorized and the IFA has elected to administer them (EPA Safe Drinking Water and HUD Community Development Block Grant).

Funding Streams

The IFA programs are sustainable revolving loan funds (Special Public Works Fund, Water-Wastewater Fund, and Port Revolving Loan Fund), federal funds (EPA Safe Drinking Water and HUD Community Development Block Grant) and infrequent special allocations of Lottery funds (Marine Navigation Improvement Fund). Each program leverages local funds when a project is approved. Oregon receives federal program allocations via a funding formula that prorates state allocations based upon the national allocation amount; federal funding has decreased in recent years. Federal matching funds are provided by the Special Public Works Fund.

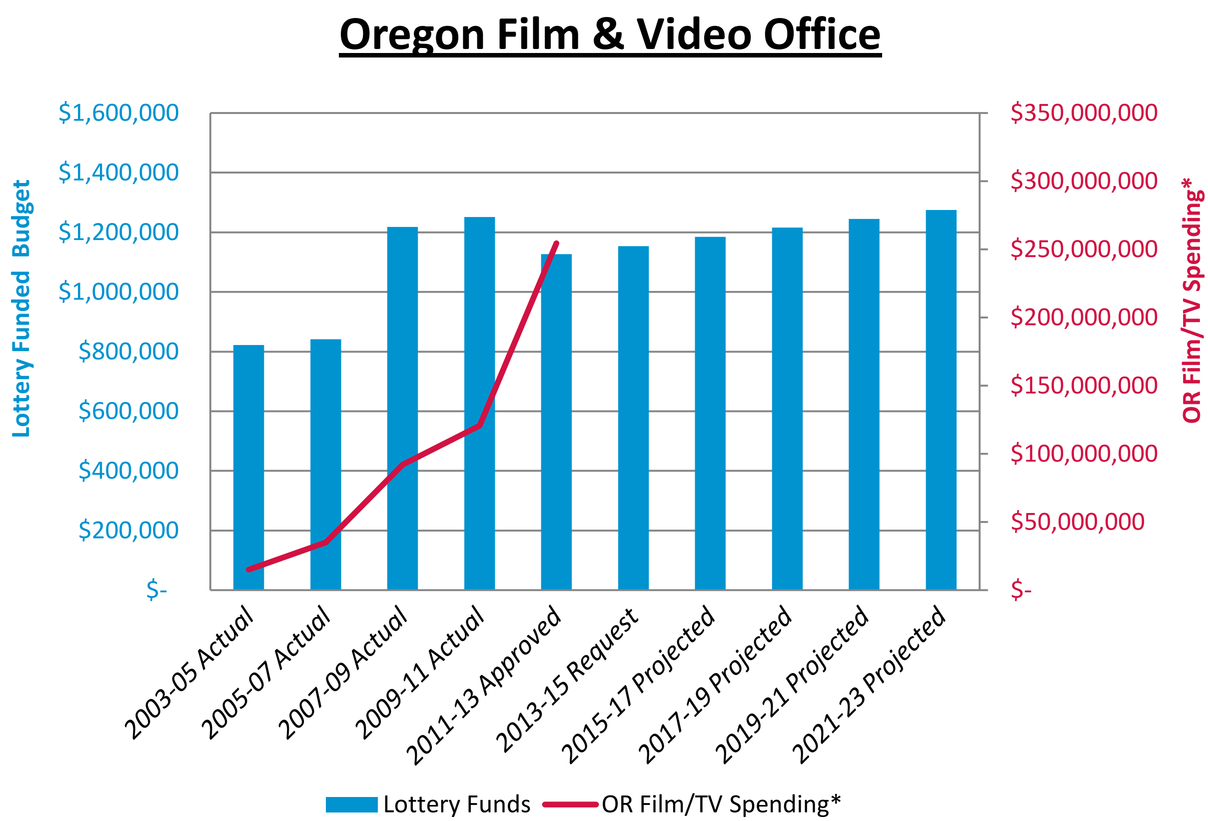
Revolving loan funds have dedicated funding from repaid loans and interest earnings by statutorily identified accounts: SPWF – ORS 285B.455; Water/Wastewater Fund – 285B.563; Port Revolving Fund – ORS 285A708.

Significant Proposed Program Changes from 2011-13

The proposed funding increases the SPWF activity over the 2011-13 funding level both short term and long term. The benefit is two fold to the 10 Year Plan and the Economy and Jobs Program Area. First, the pent up demand for infrastructure needs of communities statewide will be addressed directly by the additional program capital. Capital for pent up infrastructure demand will be available at a level $24.5 million higher than in 2011-13. Funding will be available for general infrastructure projects that include utility services for industrial land and Port projects that support the regional economies of port districts.

Second, the benefit of further SPWF capitalization is the interest earnings from the loans (assumes the additional capital is provided from lottery funded bonds) will be used to advance economic development 'across agency lines' statewide. The present SPWF revolving loan funds pay for SPWF operating expenses. Additional interest earnings will be used to pay for long term capital investment planning, Regional Solutions support, rural capacity staff for direct project development assistance, and grants to communities to reduce infrastructure development expense.

Agency Name: Oregon Film and Video Office



* OR Film/TV Spending represents total direct spending reported on film, television and television commercial production in Oregon. Data is based on calendar year data. 2012 numbers are estimates based on known projects and estimated spending from known projects.

Executive Summary

The Oregon Film and Video Office (OFVO) is a semi-independent agency designed to recruit and facilitate film and television production throughout the state. The office carries out this mission by being a first point of entry for both out-of-state and in-state film and TV production companies and by using key recruitment tools such as the Oregon Production Investment Fund and the Greenlight Oregon Labor rebate. The office works to create important public-private partnerships to foster a collaborative atmosphere in the local film and television industry. As emerging technologies impact traditional media, OFVO has looked to link Oregon's blossoming high-tech and creative communities thus providing new business opportunities in the state.

Program Description

The OFVO works as a new business recruiter, a marketing office, and facilitator for the state of Oregon specifically in the media and entertainment industry. OFVO's primary customers have traditionally been film, television, and television commercial producers, but recently this customer base has expanded out into emerging industries like animation and digital media.

Marketing –In addition to attending trade shows relevant to the film and TV industry, OFVO has also looked to partner with Oregon businesses and organizations to create events that best present the "Oregon Experience" to prospective clients. Examples of events include a wine and cheese tasting reception with Ponzi Vineyards, Rogue Creamery, and several other local creameries in Los Angeles, and a custom-made "Portlandia" bottle created by Rogue Brewery for the first and second season premiere of the Peabody-award-winning show "Portlandia."

In the past few years, the OFVO has shifted the focus of our marketing voice from traditional media to digital and social media platforms. OFVO's website "Oregonfilm.org" gets over 50,000 visits a year (from every continent excluding Antarctica). In 2010 OFVO created a blog focusing on Oregon-based film and TV work, and developed Twitter and Facebook accounts that now reach thousands of followers. In June of 2011, we expanded our social media blogging efforts with the addition of "Oregonanimation.com" – a blog dedicated to showcasing Oregon's world-class talent in animation and visual effects. Currently, our annual digital/social media related expenditures (including web hosting and all of the aforementioned services) are just over $1,500. In comparison, a single ¼ page print ad in a major publication can cost over six times that amount. Not only has OFVO been able to expand its marketing reach, it has demonstrated that Oregon's film and TV industry is relevant in the new media platforms.

Recruitment – In the current competitive environment of over 40 states vying for production work, Oregon has done remarkably well. The key tools for recruiting larger budget productions are the incentive programs (Oregon Production Investment Fund and Greenlight Oregon Labor Rebate). No state in the U.S. lands any amount of significant work without an incentive program. Despite the fact that Oregon offers one of the more modest programs in the country, the state's other advantages allow OFVO to compete, and often succeed, in recruitment.

Facilitation – OFVO also looks to connect film and TV companies with local efforts in other industries. In keeping with Oregon's reputation for sustainable stewardship, OFVO takes seriously its responsibility to connect productions with the green resources available throughout the state. Some of our green efforts include partnering with the Producers Guild of America to provide a searchable database of green and sustainable vendors available for productions; actively seeking out new partnerships with developing green businesses and educational institutions that are relevant to the film and television industry; providing productions with our Best Practices Guide; working closely with studio green mandates (where relevant) for shows shooting in state as well as making every effort to stay active, educated in current sustainable developments.

In a typical year the OFVO receives 100+ requests for assistance from companies producing either television commercials or magazine and catalog ads. In addition to using OFVO's 60,000+ image digital database, each project has "special" needs in order to complete a project in Oregon. OFVO acts as a facilitator/negotiator working to find what agencies like U.S. Forestry and Wildlife find acceptable film and television production practices. Sometimes this facilitator role involves two or more government agencies with overlapping control. Shooting on some bridges in Portland involves the production company as well as the City of Portland, Multnomah County, Oregon Department of Transportation, and Metro, with all parties being helped to find the common ground. Frequently OFVO finds itself acting as an advocate for the economic benefit of production. Simply the fact that the office is working with the production company sometimes helps to vet the production. Productions often have very little time to set up and produce their project and having OFVO available to accelerate the early stages of production is invaluable.

Program Justification

When you look at the employment data and the small business impact data, Oregon's film and video industry is a traded sector industry that uses both blue collar and highly skilled workers. A major project includes upwards of 30 drivers, teams of construction workers, highly skilled technicians, and talented actors, writers and directors. The scale of these projects can have great potential for job growth and high wages, bringing new capital into the state as outlined in the Economy and Jobs Vision's strategy 1.1.

In recent years Oregon has made a shift away from feature film production and towards television production. The shift has resulted in longer-term employment for freelance employees and more interaction with local small businesses. On a typical season of a series like "Leverage" or "Grimm," over 450 local hires are put on payroll and the total hours worked by these individuals totals between 215,000-250,000 hours per season. Most positions include benefits like healthcare and pension, and the average hourly wage is over $23/hour. The reach throughout the entire business community can be significant. Most television series like "Grimm" or "Leverage" interact with over 600 local businesses while in production.

OFVO also impacts strategy 3 of the Economy and Jobs Vision with our efforts to develop a workforce that is attractive to incoming projects. Talent recruitment for animation and digital media production is now proving to be a necessary pursuit for the continued growth of the industry. Many animation and visual effects companies have spoken of talent shortages in the state, thus hampering the potential for growth. OFVO continues to work with these companies to develop an effective talent recruitment and development initiative, and OFVO has taken the first step by developing materials online and sponsoring events to highlight the career opportunities in these rapidly growing industries.

There are also some projects produced in Oregon that impact the local tourism industry. The most significant example of this impact is the film "The Goonies" which was produced in Astoria. More than 25 years after the production of the film, tourists still travel to Astoria to visit the "Goonies House" and other key locations. For the 25th anniversary of the film, the city hosted a weekend event that brought over 3,000 people to the town. Other projects like "Twilight" and "Portlandia" have made significant impacts by way of media coverage and direct tourism impacts. The tourism impact is at no additional cost to the state and increases the ability of OFVO to create awareness that Oregon is a film friendly state. This serves towards strategy 1 of the Economy and Jobs Vision, leveraging resources towards common goals.

The volume of film and video work happening in the state is subsequently developing infrastructure for additional film and video projects and expanding the use of local supply chains within the state. In 2011, there were dramatic developments in infrastructure development, Electric Entertainment built out a 60,000 square foot facility that now serves as its soundstage;

local lighting, grip, and camera companies have invested heavily in equipment; and local animation and VFX companies have invested in computer equipment to service the demand.

Program Performance

Performance of OFVO is often directly related to the amount of film and television spending in the state of Oregon. As demonstrated in the chart on page one, Oregon's Film and Video industry has seen record growth in just a few short years. The chart reflects the amount of direct spending for all productions tied to the Oregon Production Investment Fund and the Greenlight Rebate.

Industry spending has risen dramatically over the past few years. In calendar years 2003 and 2004, the film office recruited nearly $15,000,000 of film and television production. In calendar years 2011 and 2012, that total direct impact is estimated to be over $250,000,000. The impact numbers also directly relate to local employment and local impact throughout the business community. With this success, also comes an increase in demand. The demand has been so great recently that Oregon's film incentives have been exhausted through 2013 leaving several projects intent on producing in Oregon to now look elsewhere. Should more funds be allocated to the film incentive program, more projects will come to Oregon.

Enabling Legislation/Program Authorization

OFVO receives its statutory authority from Oregon Revised Statutes (ORS) Chapters 284.305, 284.315, 284.325, 284.335, 284.345, 284.355, 284.365, 284.367, 284.368, 284.369, 284.370.

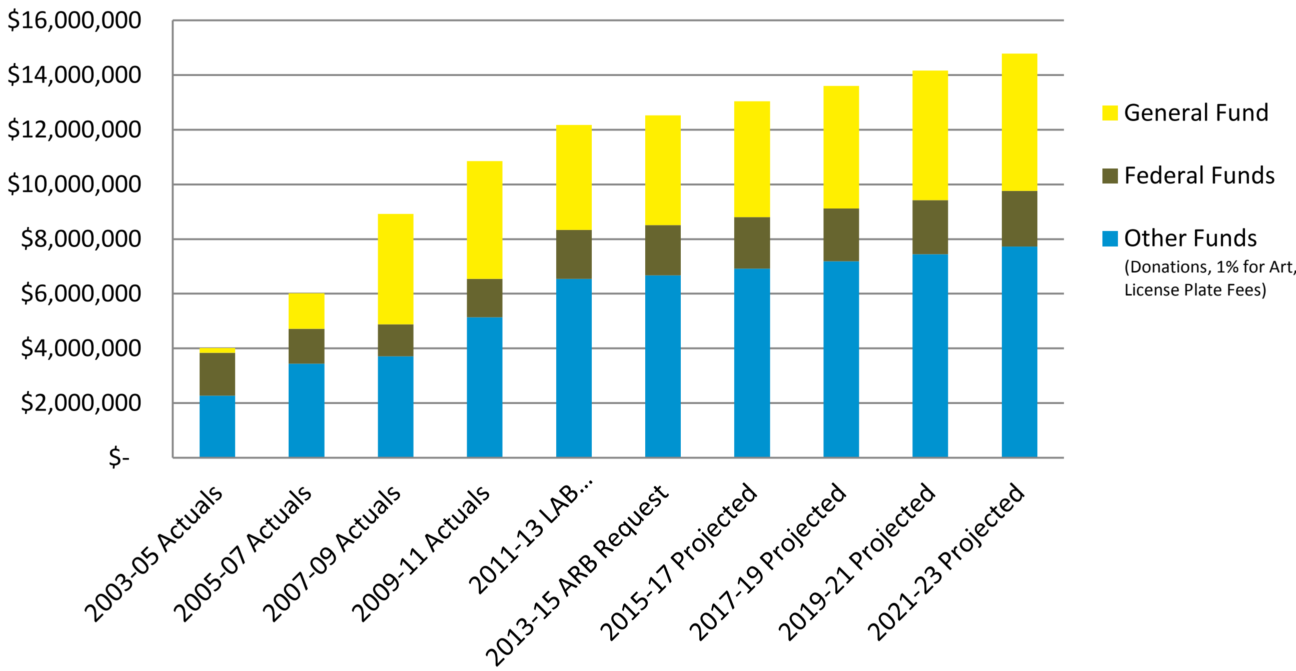
Funding Streams

The OFVO's operating expenses are funded by Lottery Funds. The Oregon Production Investment Fund is currently funded by the sale of tax credits capped at $6 million a year.

Significant Proposed Program Changes from 2011-13

This funding level is 2.4% higher than the 2011-13 budget to accommodate cost of living increases as prescribed.

Arts Division Expenditures
(Includes Oregon Arts Commission & Oregon Cultural Trust)



Executive Summary

The Arts Division of Business Oregon includes the Oregon Arts Commission and the Oregon Cultural Trust. The Arts Commission provides leadership, funding and arts programs to arts organizations, artists and communities. The Oregon Cultural Trust is a statewide initiative that raises significant funds for investment in Oregon's arts, humanities and heritage. In addition to the creation of a long-term protected endowment, Trust funds are distributed annually through competitive grants to cultural organizations; to cultural coalitions in Oregon counties and within federally recognized tribes; and to statewide cultural agencies.

The division's work is focused on increasing access to cultural experiences that promote lifelong learning for all Oregonians.

Program Description

Oregon Arts Commission
The Arts Commission is Oregon's largest and broadest cultural policy and funding entity which makes arts programs and opportunities possible across Oregon. Many of these programs would not exist or would exist in greatly diminished form without Arts Commission funding and support. The Arts Commission's work includes:

1. Grants: Competitive matching grant programs to arts organizations to increase their capacity to develop and provide quality arts programs that offer lifelong learning opportunities to Oregonians, provide access to arts programs for children and families, and bring visitors to the state.
2. Arts Education: Engaged in statewide and regional partnerships to increase arts education offerings for all students, K-12 and beyond; documenting and disseminating arts learning research and best practices to support all types of arts education opportunities.
3. Community Development: Supports arts and community-based organizations through the Arts Build Communities program, offering matching grant support and technical assistance to strengthen access to the arts.
4. Arts Organization Capacity Building: Online webinar and face-to-face professional development, technical assistance, and training for arts organizations to increase their capacity to present arts programs across Oregon.
5. Professional Development for Oregon Artists: Lifelong learning opportunities for Oregon's 20,000 resident artists through services, tools and competitive grants for artists and designers.

The Oregon Cultural Trust
The Cultural Trust is a statewide initiative that raises significant funds for investment in Oregon's arts, humanities and heritage.

Both the Oregon Arts Commission and the Oregon Cultural Trust work to expand Oregonians' participation in arts and culture, and to sustain Oregon's cultural assets. The Cultural Trust is nationally recognized as a model and best practice for its engagement of citizens around cultural issues and its support of the arts, heritage, history, historic preservation and the humanities.

Over 17,000 Oregonians have donated over $25 million to the Cultural Trust since its inception in 2002. Stakeholders for the Trust include its donors, over 1,300 cultural nonprofit groups headquartered in Oregon, over 500 individuals who engage local citizens around culture on a county and tribal level, and local, county and tribal governments who benefit from expanded cultural capacity across the state.

The Arts Commission and Cultural Trust:
- Support statewide, regional and local partnerships to facilitate information and research on arts education in Oregon to leverage in-school and in-community arts learning resources for youth.
- Support more than 150 nonprofit arts organizations offering public programs, enabling over 5.7 million individuals to experience and participate in the arts in Oregon each year and benefit from lifelong learning opportunities.
- Reach 400,000 youth each year through funding of arts and culture programs offered by Oregon nonprofit groups.
- Provide training and technical assistance to more than 300 arts organizations to better offer the arts to all Oregonians, including individuals experiencing disabilities.

- Provide training and technical assistance to more than 250 individual artists and creative workers to advance their arts and business skills, allowing greater opportunity for commercial and artistic success.
- Facilitate the selection of permanent artwork through Oregon's 1% for Art program, bringing contemporary artwork to enliven public spaces and engage community dialogue, including that on public university campuses.
- Improve opportunities for Oregonians to engage in arts and cultural activities.

Program Justification

The work of the Arts Division relates directly to ensuring Oregonians are prepared for lifelong learning, rewarding work and engaged citizenship. Over 400,000 youth benefit directly from arts and cultural programs in their schools and communities. As active citizens, they continue to engage on many levels during their life through hundreds of concerts, exhibitions, readings and performances, lectures and demonstrations. The arts permeate racial, geographic and generational walls.

Recent national research indicates that students who have arts-rich experiences in school do better across-the-board academically, becoming more engaged citizens; voting, volunteering and generally participating levels higher than their peers, preparing students for engaged citizenship.

The Cultural Trust, Oregon's national model for integrated cultural funding, is unique in its engagement of Oregonians around culture. Cultural coalitions in each of Oregon's 36 counties and the 9 federally-recognized tribes not only bring community volunteers together for cultural planning, but facilitate community dialogue about what cultural investments should be made.

Program Performance

To measure citizen engagement in the arts, the Arts Commission conducts an annual Creative Vitality Index study that measures both employment in the arts in Oregon and participation in the arts. Oregon exceeds the national average for creative vitality. Oregon has the second highest rate of arts participation in the nation, according to research by the National Endowment for the Arts. The Arts Commission also looks at the scale of its grant awards:

	# of Entities	Total Grant $
2008	218	$1,271,788
2009	239	$2,058,803
2010	229	$1,782,604
2011	250	$1,795,452

The Oregon Cultural Trust, designed to increase cultural participation in Oregon, does not have a formal Oregon benchmark. To assess how well the Trust is broadening cultural participation across the state, the following are measured annually:

- Total dollars contributed to the Cultural Trust, as well as the number of individual donations;

	# of Donations	$ Contributed to Cultural Trust
2007	6,768	$ 3,516,947
2008	6,957	$ 3,374,453
2009	7,436	$ 3,741,337
2010	8,098	$ 3,806,775
2011	8,180	$ 3,782,261

- Growth of the permanent Cultural Trust endowment; and
- The results of the Trust's grantmaking: cultural programs initiated, the number of Oregonians and visitors experiencing Oregon culture and other funds leveraged.

	# of Organizations Served	Total $ Granted
2008	109	$1,386,428
2009	103	$1,563,241
2010	97	$1,698,618
2011	103	$1,404,888

Enabling Legislation/Program Authorization

The Arts Division is not mandated by the U.S. Constitution or Oregon Constitution or Federal Law. The program is authorized by Oregon Revised Statute Chapter 359. The Oregon Arts Commission is authorized by ORS 359.020. The Oregon Arts Commission was created by the Oregon Legislature in 1967. The Oregon Cultural Trust is authorized by ORS 359.410. The Trust was created in 1999, with its funding mechanisms approved by the Oregon legislature in 2001.

Funding Streams

The Arts Commission applies for and receives both designated and competitive **federal** grant funding from the National Endowment for the Arts, which requires a 1:1 **general fund match**.

Other Funds:
Public Art- Management fees are earned as the Arts Commission is responsible for coordination of the state's public art program. ORS 276.073 to 276.090 provides that 1% of the construction costs of most state facilities be used for the acquisition of artwork for the building. 10% of this amount supports the management fees.

Cultural Trust - In 2009, the legislature authorized the use of revenue from the sale of special cultural license plates to support the Cultural Trust's marketing and outreach to Oregonians.

The Cultural Trust receives private contributions. 58% of the money raised each year goes to a permanent fund set up to support cultural activities. 42% is granted to Oregon's cultural nonprofits and county coalitions.

Significant Proposed Program Changes from 2011-13

The 2011 funding level is increased by 2.1% to accommodate for cost of living increases as prescribed. Additionally, $500,000 was added to the Arts Division in the Governor's Budget for grants to support partnerships between K-12 districts, post-secondary institutions, arts/cultural non-profit organizations and/or professional STEAM-industry businesses to increase opportunities for students in grades 6-12 to engage and connect with Oregon arts and creative industries. These two-year project grants will focus on increasing student proficiency in Twenty-First Century learning & innovation skills (creativity, innovation, critical thinking, problem solving, communication and collaboration) through work between schools and professional organizations emphasizing opportunities such as internships, mentorship programs, industry residencies in schools and student residencies at industry firms. (8-10 grants of $25,000 to $75,000).

And in order to sustain its support of the arts, heritage and humanities across Oregon and continue vital support of Oregon's network of cultural coalitions in each Oregon county and within the federally-recognized tribes, the Oregon Cultural Trust is seeking renewal of Oregon's unique and innovative tax credit through HB 2470 in the 2013 Legislative session. The credit, slated to sunset in December 2013, is credited with generating at least $50 million in revenues for Oregon culture, $25 million in direct support of arts, heritage and humanities nonprofits – and over $25 million contributed to the Oregon Cultural Trust since 2002.

The continued availability of the cultural tax credit is critical to the Cultural Trust's ability to meet its legislative mandate to provide support for culture in every region of the state. Prior to the establishment of the Cultural Trust in 1999, and the subsequent creation of the cultural tax credit, most of Oregon had no organized structure to support culture, and rural Oregon had virtually no support for culture on a state level. The Cultural Trust and its network of county and tribal cultural coalitions are now considered national models for cultural funding mechanisms.

Because the Arts Commission is committed to ensuring that more Oregon students have access to the arts in school and after school, the Commission will develop the Oregon Arts Education Partnership in 2013-15 to bring together - for the first time - arts education practitioners, educators and advocates across the state to share best practices, help determine new strategies and work toward the more equitable delivery of arts education resources across Oregon.

Through its Operating Support, Arts Services and Cultural Tourism Grants and through its Capacity Building services for arts organizations, the Arts Commission will implement programs and services to help move the arts and culture sector into the new economy: to promote innovation, entrepreneurship, self-sufficiency and meaningful community impact.

	2011-2013 Legislatively Approved Budget (LAB)						2013-2015 Governor's Balanced Budget (GBB)					
	GF	LF	OF	OF N/L	FF	All Funds	GF	LF	OF	OF N/L	FF	All Funds
Business, Innovation & Trade												
Operations	-	10,454,809	3,681,399	-	1,807,739	15,943,947	-	11,037,108	4,750,897	-	528,877	16,316,882
Program	-					-	-	-	-	-	-	-
Strategic Reserve Fund (SRF)	-	9,900,000	311,515	-	-	10,211,515	-	15,303,358	319,276	-	-	15,622,634
Bus Expansion Program (BEP)	-	4,000,000	-	-	-	4,000,000	-	-	-	-	-	-
Industry Competitiveness Fund (ICF)	-	1,745,283	-	-	-	1,745,283	-	3,406,799	-	-	-	3,406,799
Oregon InC	-	15,440,000	-	-	-	15,440,000	-	25,000,000	-	-	-	25,000,000
Innovation Center	-	-	-	-	-	-	-	5,500,000	-	-	-	5,500,000
Oregon Growth Fund	-	-	-	-	-	-	-	5,000,000	-	-	-	5,000,000
Business Finance Programs	-	950,000	1,682,629	12,789,432	16,063,458	31,485,519	-	-	1,255,773	12,104,456	4,551,641	17,911,870
Business Retention Services	-	147,901	85,269	-	-	233,170	-	151,451	87,429	-	-	238,880
Brownfields	-	-	498,211	4,002,025	2,581,512	7,081,748	-	-	-	3,202,296	2,644,643	5,846,939
Industrial Lands	-	-	-	-	-	-	-	-	204,932	-	-	204,932
Small Business Assistance Programs	-	1,996,125	-	-	-	1,996,125	-	2,044,032	-	-	-	2,044,032
OMWESB	-	-	977,146	-	-	977,146	-	-	1,539,914	-	-	1,539,914
BIT Misc / Unallocated	-	4,168,674	1,648,413	-	93,000	5,910,087	-	2,936,627	818,307	-	-	3,754,934
Total Business, Innovation & Trade	**-**	**48,802,792**	**8,884,582**	**16,791,457**	**20,545,709**	**95,024,540**	**-**	**70,379,375**	**8,976,528**	**15,306,752**	**7,725,161**	**102,387,816**

	GF	LF	OF	OF N/L	FF	All Funds	GF	LF	OF	OF N/L	FF	All Funds
Shared Services	-	6,647,656	1,258,575	-	-	7,906,231	-	6,811,394	1,466,172	-	-	8,277,566

	GF	LF	OF	OF N/L	FF	All Funds	GF	LF	OF	OF N/L	FF	All Funds
Infrastructure Finance Authority (IFA)												
Operations	-	-	6,471,241	-	1,528,836	8,000,077	-	-	7,016,740	-	1,589,953	8,606,693
Program	-	-	-	-	-	-						
Community Development Block Grant (CDBG)	-	-	-	-	26,785,011	26,785,011	-	-	-	-	27,376,651	27,376,651
Special Public Works Fund (SPWF) Program	-	-	53,104	123,637,793	-	123,690,897	-	-	135,677	108,685,487	-	108,821,164
Water/Waste Water Fund (WWF) Program	-	-	53,103	47,198,773	-	47,251,876	-	-	-	46,979,514	-	46,979,514
Safe Drinking Water (SDW) Program	-	-	40,000	69,887,002	-	69,927,002	-	-	-	61,645,590	-	61,645,590
Ports Program	-	-	699,513	2,542,344	-	3,241,857	-	-	716,301	5,488,786	-	6,205,087
IFA Misc / Unallocated	-	-	216	481	-	697	-	-	-	-	-	-
Regional Infrastructure	-	-	-	-	-	-	826,663	-	11,041,858	56,060,000	-	67,928,521
Seismic Rehabilitation Program	-	-	-	-	-	-	3,916,141	-	37,300,000	-	-	41,216,141
Special Projects:												
O&C Timberland Collaboration	-	-	-	-	-	-	-	-	44,459	1,605,000	-	1,649,459
Eastern OR Forest Collaboration	-	-	-	-	-	-	-	-	98,951	4,545,000	-	4,643,951
Confluence Project - Celilo Falls	-	-	-	-	-	-	-	-	47,055	1,965,000	-	2,012,055
Total Infrastructure Finance Authority (IFA)	**-**	**-**	**7,317,177**	**243,266,393**	**28,313,847**	**278,897,417**	**4,742,804**	**-**	**56,401,041**	**286,974,377**	**28,966,604**	**377,084,826**

	GF	LF	OF	OF N/L	FF	All Funds	GF	LF	OF	OF N/L	FF	All Funds
Film & Video	-	1,126,578	-	-	-	1,126,578	-	1,153,616	-	-	-	1,153,616

	GF	LF	OF	OF N/L	FF	All Funds	GF	LF	OF	OF N/L	FF	All Funds
Arts / Cultural Trust												
Arts Commission	3,842,479	-	747,943	-	1,793,093	6,383,515	4,483,930	-	770,284	-	1,836,186	7,090,400
Oregon Cultural Trust	-	-	5,792,902	-	-	5,792,902	-	-	5,882,125	-	-	5,882,125
Total Arts / Cultural Trust	**3,842,479**	**-**	**6,540,845**	**-**	**1,793,093**	**12,176,417**	**4,483,930**	**-**	**6,652,409**	**-**	**1,836,186**	**12,972,525**

	GF	LF	OF	OF N/L	FF	All Funds	GF	LF	OF	OF N/L	FF	All Funds
Lottery Bond Debt Service	**-**	**82,100,202**	**2,119,733**	**-**	**-**	**84,219,935**	**-**	**56,442,255**	**5,000,000**	**-**	**-**	**61,442,255**

	GF	LF	OF	OF N/L	FF	All Funds	GF	LF	OF	OF N/L	FF	All Funds
Total Oregon Business Development Dept.	**3,842,479**	**138,677,228**	**26,120,912**	**260,057,850**	**50,652,649**	**479,351,118**	**9,226,734**	**134,786,640**	**78,496,150**	**302,281,129**	**38,527,951**	**563,318,604**

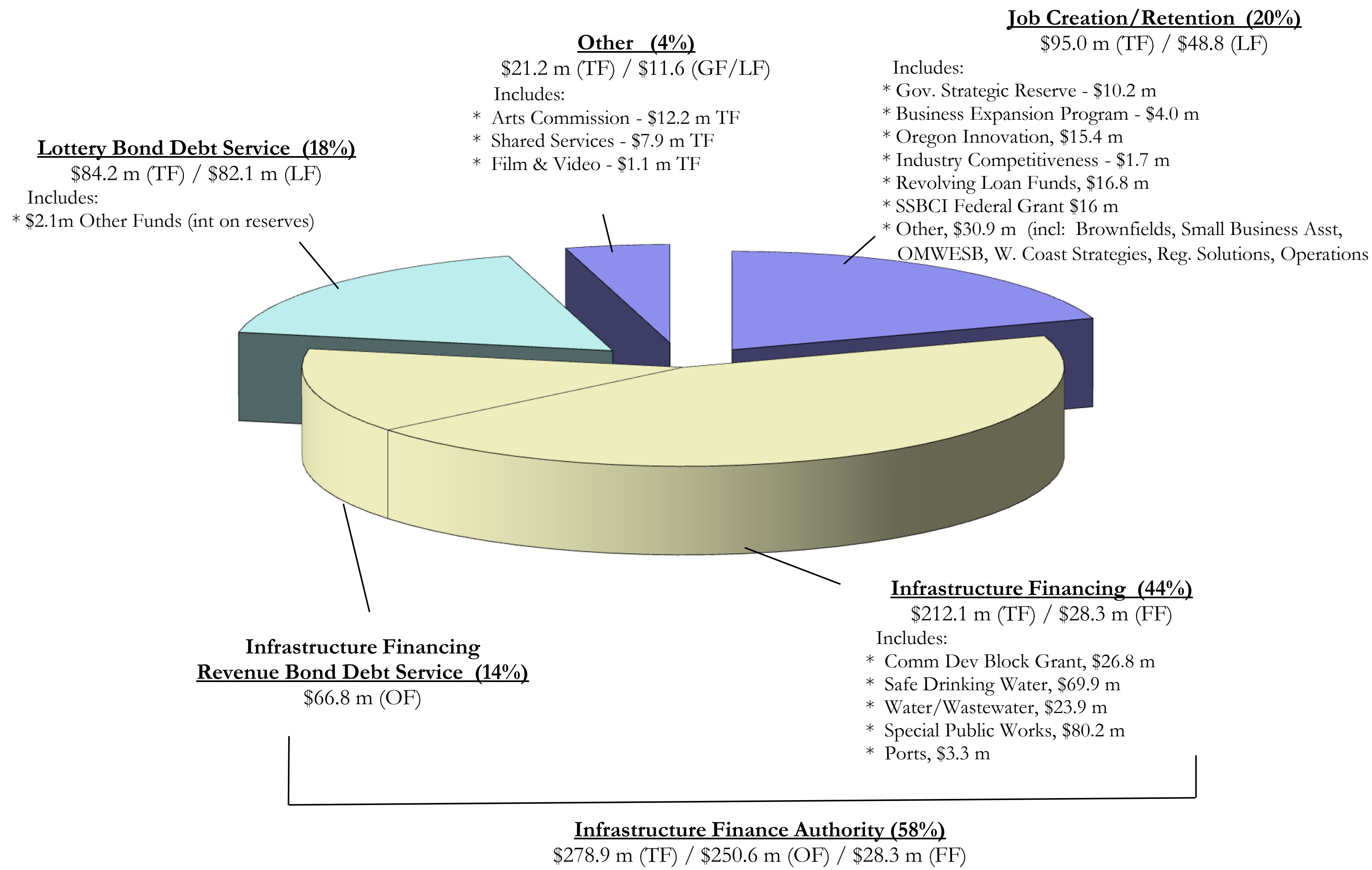
Core Programs

	2011-13 LAB GF/LF	2011-13 LAB TF	2013-15 GRB GF/LF	2013-15 GRB TF
1 Strategic Reserve Fund				
Base Funding	7.00	7.30	11.00	11.30
Lottery carryover	2.90	2.90	4.00	4.00
2013-15 Inflation (2.4%)	-	-	0.30	0.30
Total Strategic Reserve Fund	**9.90**	**10.20**	**15.30**	**15.60**
**** Other Fund is interest earned & repayments on forgivable loans**				
2 Business Expansion Program	4.00	4.00	-	-
**** 100% Lottery Funds**				
3 Industry Competitiveness Fund (ICF)				
Base Funding	1.30	1.30	1.30	1.30
Lottery carryover	0.40	0.40	0.02	0.02
2013-15 Inflation (2.4%)	-	-	0.04	0.04
2013-15 Policy Option Package (POP #103)	-	-	2.05	2.05
Total Industry Competitiveness Fund	**1.70**	**1.70**	**3.41**	**3.41**
**** 100% Lottery Funds**				
4 Oregon InC				
(POP #101)	15.40	15.40	25.00	25.00
Total Oregon InC	**15.40**	**15.40**	**25.00**	**25.00**
**** 100% Lottery Funds (Not in Base Budget - this is the reason for the POP)**				
5 Special Public Works Fund				
Projects	-	80.20	-	58.50
Debt Service	-	43.50	-	22.40
Re-capitalization (POP #102 - Sale Date 10/01/13)	-	-	-	22.50
Re-capitalization (POP #102 - Sale Date 03/01/15)	-	-	-	5.40
Total Special Public Works Fund	**-**	**123.70**	**-**	**108.80**
**** 100% Other Fund / Federal Fund**				

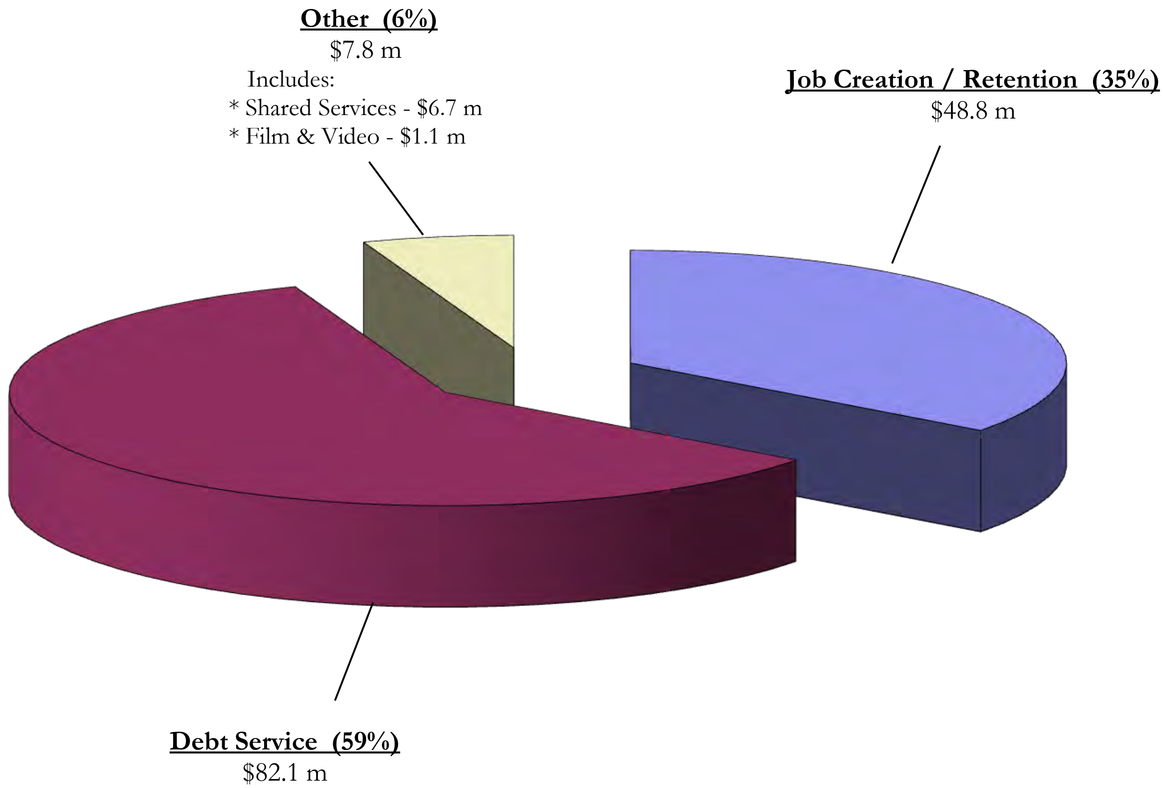
New Programs

	2011-13 LAB GF/LF	2011-13 LAB TF	2013-15 GRB GF/LF	2013-15 GRB TF
6 New funding for "Innovation Center" (POP #104)	-	-	5.50	5.50
**** 100% Lottery Funds**				
7 Seed Funding for Oregon Growth Fund (POP #104)	-	-	5.00	5.00
**** 100% Lottery Funds**				
8 Seismic Rehabilitation Grant Program				
Base Funding (transfer from Military Dept) (POP #475)	-	-	3.90	11.20
Re-capitalization Policy Option Package (POP #476)	-	-	-	30.00
Total Seismic Rehabilitation Grant Program	-	-	3.90	41.20
**** $200 K General Fund (Operations - positions) / $3.7 m GF Debt Service**				
$37.3 m Other Funds (bond proceeds)				
9 Regional Infrastructure (Reg Solutions)				
General Fund COP bonds (Pkg #090)	-	-	0.82	11.06
Regional Solutions Lottery Bonds (POP #102 - Sale Date 05/01/14)	-	-	-	22.77
Regional Infrastructure Lottery Bonds (POP #102 - Sale Date 03/01/15)	-	-	-	34.08
Total Regional Infrastructure (Reg Solutions)	**-**	**-**	**0.82**	**67.91**
**** $826 K General Fund Debt Service on $10 m Article XI-Q COP Bonds + $200 K Cost of Issuance**				
**** Reg Solutions - $20 m + Cost of Issuance / $30 m + Cost of Issuance**				
10 Special Projects (Lottery Bond Sales)				
O&C Timberland Collaboration (POP #102 - Sale Date 10/01/13)	-	-	-	1.65
Eastern OR Forest Collaboration (POP #102 - Sale Date 10/01/13)	-	-	-	2.32
Eastern OR Forest Collaboration (POP #102 - Sale Date 05/01/14)	-	-	-	2.32
Confluence Project - Celilo Falls (POP #102 - Sale Date 05/01/14)	-	-	-	2.01
Total Special Projects (Lottery Bond Sales)	**-**	**-**	**-**	**8.30**
**** 100% Lottery Bonded Projects - Other Fund for proceeds**				

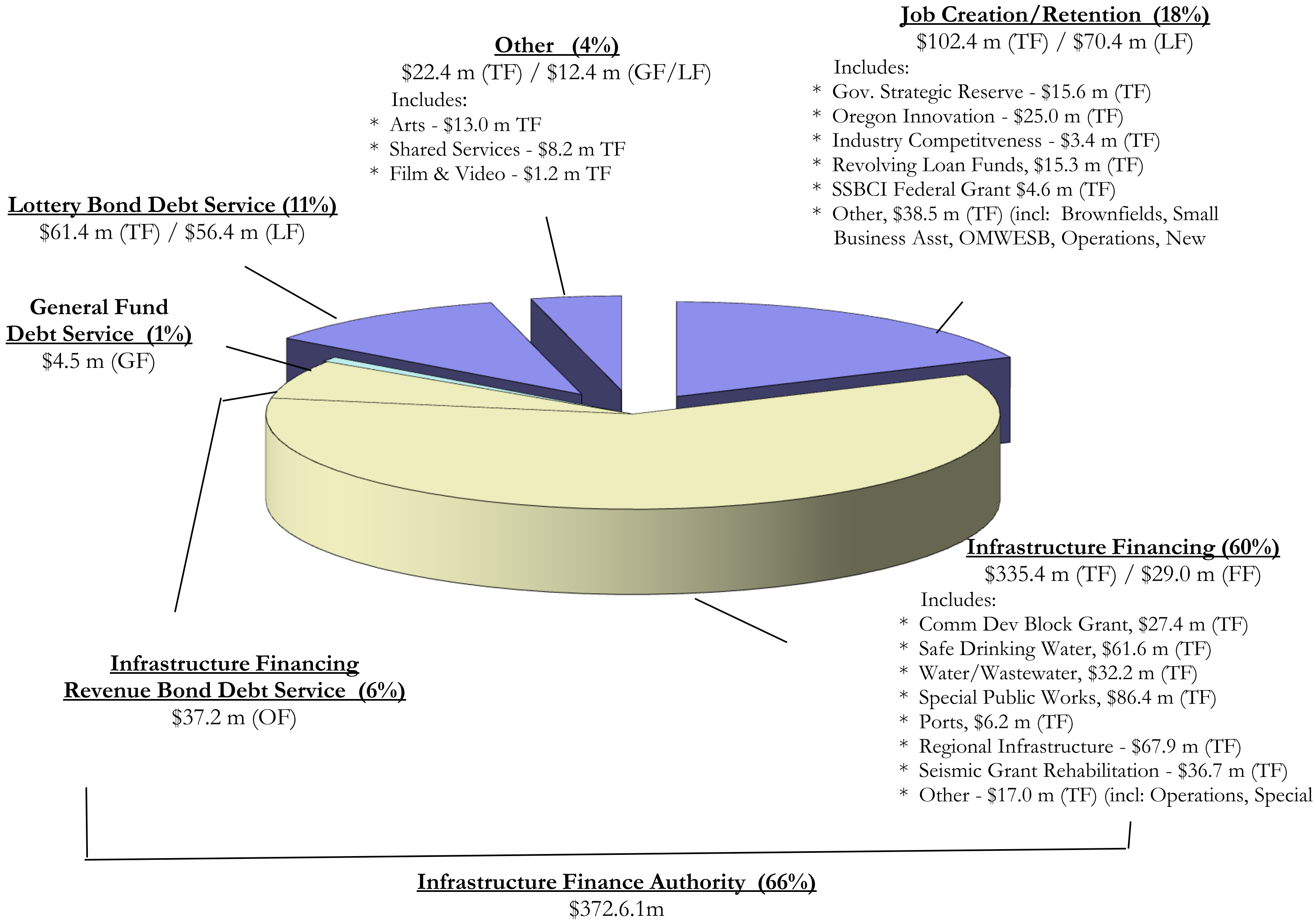
Business Oregon
2011-13 Legislatively Approved Budget
$479.4 million All Funds



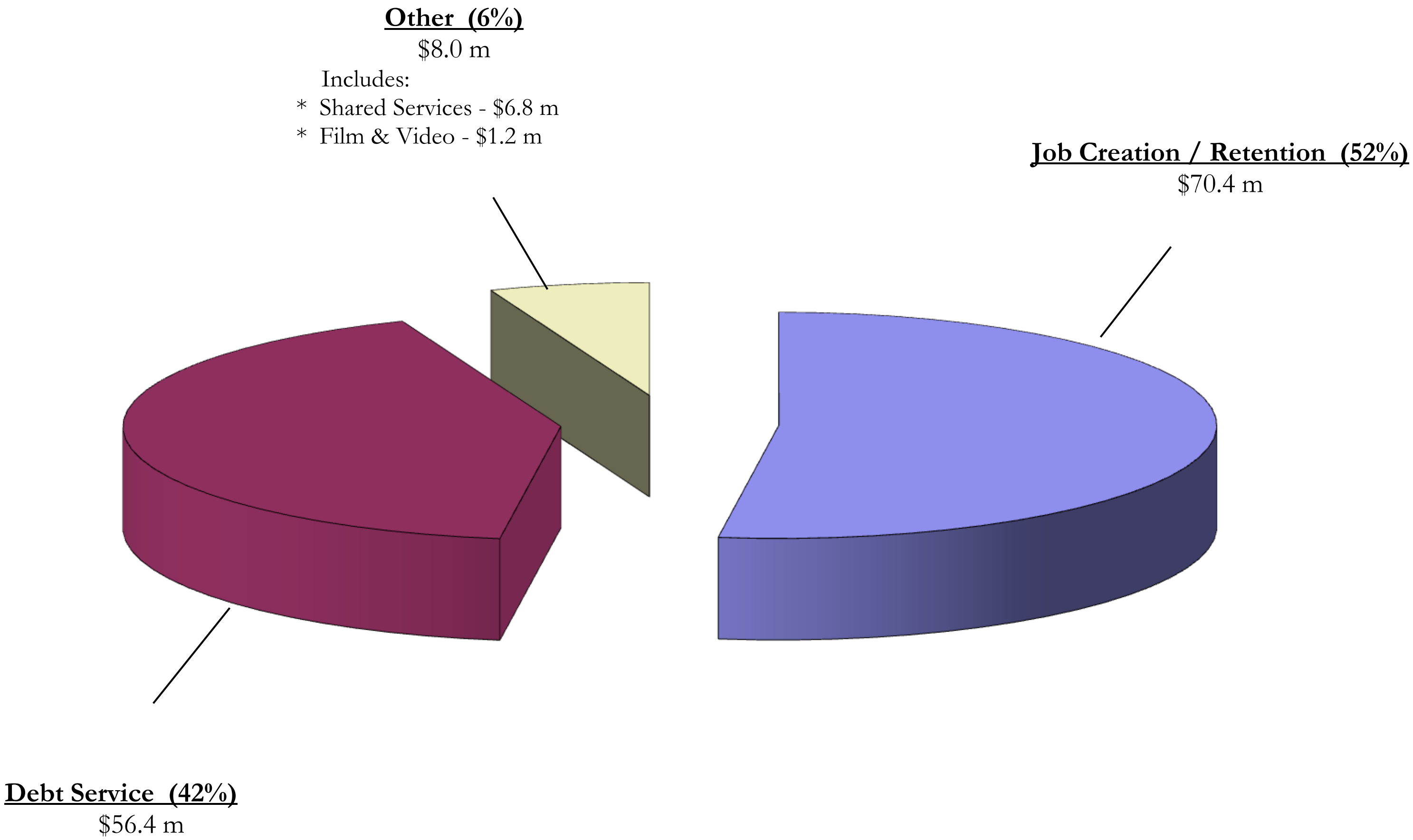
Business Oregon
2011-13 Legislatively Approved Budget
$138.7 million Lottery Funds



Business Oregon
2013-15 Governor's Balanced Budget
$563.3 million All Funds



Business Oregon
2013-15 Governor's Balanced Budget
$134.8 million Lottery Funds



2013-15 Governor's Balanced Budget

Policy Option Packages

Description	General Fund	General Fund Debt Service	Lottery Fund	Lottery Fund Debt Service	Other Fund Non Ltd	Other Fund Ltd	Federal Fund	Total Fund	Pos	FTE
Policy Option Packages										
Pkg. 101 - Oregon Innovation Council	$ -	$ -	$ 25,000,000	$ -	$ -	$ -	$ -	$ 25,000,000	-	-
Pkg. 102 - SPWF Recapitalization	$ -	$ -	$ -	$ 5,981,990	$ 91,940,124	$ 1,752,704	$ -	$ 99,674,818	3	3.00
Pkg. 103 - Industry Competitiveness Fund	$ -	$ -	$ 2,050,000	$ -	$ -	$ -	$ -	$ 2,050,000	-	-
Pkg. 104 - Strategic Reserve Fund	$ -	$ -	$ 10,500,000	$ -	$ -	$ -	$ -	$ 10,500,000	-	-
Pkg. 105 - Industrial Land Readiness and Site Certification	$ -	$ -	$ 127,737	$ -	$ -	$ -	$ -	$ 127,737	1	1.00
Pkg. 106 - OMWESB	$ -	$ -	$ -	$ -	$ -	$ 532,147	$ -	$ 532,147	1	1.00
Pkg. 109 - Rural Capacity	$ -	$ -	$ -	$ -	$ -	$ 183,300	$ -	$ 183,300	1	1.00
Pkg. 475 -Transfer of Seismic Rehabilitation Grant Program	$ 205,677	$ 3,710,464	$ -		$ -	$ 7,300,000	$ -	$ 11,216,141	1	1.00
Pkg. 476 -Seismic Rehabilitation Debt	$ -	$ -	$ -		$ -	$ 30,000,000	$ -	$ 30,000,000	2	1.00
Total Policy Option Packages	**$ 205,677**	**$ 3,710,464**	**$ 37,677,737**	**$ 5,981,990**	**$ 91,940,124**	**$ 39,768,151**	**$ -**	**$ 179,284,143**	**9**	**8.00**
Analyst Recommendation Packages										
Pkg. 081 - May 2012 E-Board	$ 9,006	$ -	$ 11,868	$ -	$ -	$ 283,968	$ 120,000	$ 424,842	-	-
Pkg. 090 - Analyst Adjustments	$ 500,000	$ 826,663	$ -	$ -	$ -	$ 10,235,000	$ -	$ 11,561,663	-	-
Pkg. 091 - Statewide Administrative Savings	$ -	$ -	$ (160,239)	$ -	$ -	$ 100,000	$ -	$ (60,239)	-	-
Pkg. 092 - PERS Taxation Policy	$ (2,893)	$ -	$ (35,554)	$ -	$ -	$ (28,683)	$ (3,743)	$ (70,873)	-	-
Pkg. 093 - Other PERS Adjustments	$ (23,144)	$ -	$ (284,429)	$ -	$ -	$ (229,466)	$ (29,950)	$ (566,989)	-	-
Total Analyst Recommendation Packages	**$ 482,969**	**$ 826,663**	**$ (468,354)**	**$ -**	**$ -**	**$ 10,360,819**	**$ 86,307**	**$ 11,288,404**	**-**	**-**
Total Policy Packages	**$ 688,646**	**$ 4,537,127**	**$ 37,209,383**	**$ 5,981,990**	**$ 91,940,124**	**$ 50,128,970**	**$ 86,307**	**$ 190,572,547**	**9**	**8.00**