

OMEP Testimony to the Oregon Legislative Ways and Means Committee

Introduction

Chairpersons and esteemed members of the Ways and Means Committee, thank you for the opportunity to present this testimony on behalf of the Oregon Manufacturing Extension Partnership (OMEP). Our organization is dedicated to bolstering the competitiveness and growth of Oregon's small and medium-sized manufacturing enterprises (SMMs) by boosting employment, productivity, and economic growth. Today, I will highlight the critical role these manufacturers play in our state's economy, share success stories exemplifying their potential, and underscore the indispensable support OMEP provides to ensure their continued prosperity.

OMEP is a non-profit 501C3 that provides expert consulting and, on the floor, shoulder to shoulder, technical support to manufacturers to enhance their competitiveness and ability to grow and thrive. Our dedicated team of consultants have extensive backgrounds in manufacturing at executive leadership levels and understand the challenges of running complex manufacturing enterprises.

OMEP is the MEP center for the State of Oregon (there is one MEP center in each state) as designated by the National Institute of Standards and Technology (NIST) Hollings Manufacturing Extension Partnership (MEP). OMEP has a cooperative agreement with NIST MEP which has a 1:1 match requirement. State funding is extremely important for OMEP to meet this match and draw the full funding allocated to Oregon by NIST MEP based on the number of manufacturers in our state.

Our state and federal funding is critical for small and medium manufacturers across Oregon. A small manufacturer located in Wallowa County gets access to world class manufacturing support in all areas of their business at a cost that is relative to their size and financial performance. State Funding allows us to support manufacturers in all reaches of Oregon and at a rate they can afford.

According to the latest report from the Northwest Economic Research Center (NERC), OMEP has had a substantial and sustained impact on job creation and retention. Dr. Tom Potiowsky, the former State Economist and NERC Director will review the NERC IMPLAN analysis. The report shows that employment numbers surged during economic downturns, demonstrating OMEP's ability to support manufacturers through challenging times. Notably, in 2020 and 2021, OMEP's contributions to employment more than doubled compared to 2019, reaching their highest levels since 2002.

OMEP's influence on manufacturing output has been even more pronounced, with reported impacts nearly tripling since 2019. The broader economy has benefited as well, with indirect and induced effects significantly exceeding direct payroll impacts. Additionally, OMEP has strengthened both urban and rural communities, with notable growth in rural economic contributions in 2022 and 2023.

As an MEP center, OMEP is measured by the real-world results we deliver to our clients. An independent third-party contractor, hired by NIST, surveys our clients six months after the completion of an engagement to assess the impact.

In fiscal year 2024, OMEP clients reported:

- Over \$265 million in new or retained sales
- More than 1,400 jobs created or retained
- Over \$165 million in new investments
- \$24 million in cost savings

Looking at the bigger picture, OMEP has generated more than \$3.9 billion in direct economic impact over time. These findings underscore OMEP's pivotal role in driving economic resilience and growth, demonstrating its effectiveness in supporting Oregon's manufacturing sector through both economic downturns and recovery periods.

The Vital Role of Small and Medium-Sized Manufacturers in Oregon

Oregon's manufacturing landscape is both diverse and robust. With nearly 5,600 manufacturers operating statewide, a significant majority are SMMs:

- Over 87% of these manufacturers employ fewer than 50 individuals.
- More than 74% have a workforce of fewer than 20 employees.

These statistics highlight that small-scale manufacturers form the backbone of Oregon's industrial sector, driving innovation, providing employment, and contributing substantially to local economies.

Economic Contributions of the Manufacturing Sector

Manufacturing remains a critical pillar of Oregon's economy, significantly contributing to the state's economic growth and employment. In 2021, Oregon's Gross Domestic Product (GDP) reached \$270.12 billion, with the manufacturing sector accounting for 13.76% of this total—approximately \$37.2 billion. The industry supports over 214,000 jobs, offering competitive wages averaging \$91,000 per year, well above the state's median income. Key manufacturing segments include semiconductors, electronics, food processing, and wood products, all of which drive exports and stimulate supply chain industries. Additionally, manufacturing fosters innovation.

OMEP's Statewide Engagement and Impact

Over the past two years, OMEP has been unwavering in its commitment to supporting Oregon's manufacturers:

Consulting Projects: With a dedicated team of 23, we have successfully completed nearly 400 consulting projects, tackling challenges from operational efficiencies to strategic growth initiatives.

Educational Events: OMEP has organized approximately 40 events, encompassing a variety of training programs such as:

- **Ready or Not Business Simulation Game:** An interactive experience that immerses participants in real-world business scenarios, enhancing decision-making skills.
- **Principles of Lean:** Workshops focused on streamlining operations, reducing waste, and fostering a culture of continuous improvement.
- **Workforce Solutions:** Initiatives aimed at developing a skilled workforce tailored to the unique needs of manufacturers.
- **Kata:** Training sessions that introduce a structured approach to problem-solving and process improvement.

Our reach extends across the entire state, having served clients in all four corners of Oregon and nearly every county in between. This widespread engagement ensures that manufacturers, regardless of their location, have access to the resources and support they need.

Over the past two years, OMEP has focused on leveraging the entire technical assistance ecosystem to support companies that may not yet be ready for our services but still need guidance to launch or begin scaling. A key part of this effort has been our growing partnership with the Oregon SBDC network. This collaboration has not only strengthened both organizations but has also delivered significant benefits to OMEP and SBDC clients alike. A great example is Zena Forest Products. The Oregon SBDC network assisted in early-stage growth, while OMEP enhanced operations and sales. Their success includes creating a new product category by repurposing scrap and fire-damaged wood into flooring, a product now used in the expansion of Portland International Airport.

OMEP's Innovative New Programs

To further support SMMs, OMEP has introduced several innovative programs designed to enhance efficiency, sales, and workforce development:

- **Rapid Standard Work Augmented Reality (AR) App for Training:** This cutting-edge tool leverages AR technology to provide immersive, hands-on training experiences, reducing training time and improving productivity.
- **Sandler Sales Program:** A proven methodology designed to help manufacturers improve their sales processes, increase revenue, and build stronger customer relationships.
- **Employee Lifecycle Program:** A comprehensive approach to workforce management that covers recruitment, onboarding, retention, and career development, ensuring a stable and engaged workforce.

These programs address critical pain points for manufacturers, enabling them to remain competitive and sustainable in an evolving industrial landscape.

Success Story: Blue Lotus Chai

A testament to the efficacy of OMEP's interventions is our collaboration with Blue Lotus Chai, a Eugene-based beverage manufacturer. Facing challenges in scaling their operations, Blue Lotus Chai partnered with OMEP to enhance efficiencies and expand their market presence. The results were remarkable:

Sales Growth: Achieved a 30% increase in sales.

Market Expansion: Expanded their retail partner network by 25%.

These outcomes underscore the transformative impact of targeted support and strategic planning.

Evolving Perceptions of Manufacturing Post-COVID

The COVID-19 pandemic has reshaped many facets of our society, including perceptions of the manufacturing sector. A recent Forbes article titled "Five Years Since COVID Wreckage Began, America's View on Manufacturing Has Changed" highlights a renewed appreciation for domestic manufacturing. The disruptions caused by global supply chain vulnerabilities have illuminated the importance of local production capabilities. Communities now recognize that a robust manufacturing sector is not just about goods production but also about economic resilience and national security.

Public Support for Strengthening Manufacturing

A February 2025 poll conducted by Cygnal revealed:

High Priority: Over 72% of likely voters consider strengthening small and medium-sized manufacturing a high priority.

Government Support: 78% of voters believes that both federal and state governments are not doing enough to support these manufacturers.

Funding Programs: An overwhelming 83% of voters support government funding for programs that bolster SMMs, recognizing their role in job creation and economic growth.

Client Testimonials

The value of OMEP's services is best articulated by the manufacturers themselves:

Blue Lotus Chai: "John Valachovic and OMEP were instrumental in helping us gain the efficiencies and capacity that are enabling us to expand to international distribution beginning with Canada. We couldn't do that without the improvements and strategy for continuous growth."

Scenic Fruit Company: "As a result of applying lean principles, the Scenic Fruit Company realized capacity gains, reduced changeover and downtime, and increased first-time quality."

The Imperative for Continued Support

Despite their resilience and contributions, Oregon's small and medium-sized manufacturers face numerous challenges:

- **Global Competition:** SMMs often struggle to compete with larger international firms that benefit from economies of scale.
- **Technological Advancements:** Keeping pace with rapid technological changes requires continuous investment in equipment and training.
- **Workforce Development:** Attracting and retaining skilled labor remains a persistent concern.

Without the support of organizations like OMEP, many of these manufacturers would find it challenging to navigate these obstacles. Our tailored consulting services, training programs, and statewide outreach equip SMMs with the tools and knowledge they need to thrive in a competitive landscape.

Conclusion

OMEP deeply values its partnership with Business Oregon. This collaboration enables us to support manufacturers across the state, strengthening communities, the workforce, and Oregon's economic prosperity.

Currently, OMEP receives \$2,000,000 per biennium from Business Oregon—an amount unchanged for four years despite rising service delivery costs. While we've maintained service levels, doing so is becoming increasingly difficult. To expand our reach, particularly in rural areas, we request a \$400,000 funding increase for the next biennium.

This additional investment will allow us to:

- Maintain offices and staff in rural communities.
- Host additional transformational events like our Ready or Not business simulation game.
- Make Advanced Manufacturing technologies, including our Rapid Standard Work Augmented Reality App available throughout the state.
- Delivery more broadly our robust workforce cohort, Employee Life Cycle Engagement.
- Bring the world-class Sandler Sales Business Systems training to businesses statewide.

Oregon's small and mid-sized manufacturers are vital to our state's economic health. Success stories like Blue Lotus Chai highlight the impact of strategic support. OMEP remains dedicated to helping these businesses thrive, innovate, and expand—locally, nationally, and globally.

We urge the committee to recognize the critical role of sustained investment in manufacturing. Your support ensures Oregon's manufacturers continue to grow and drive economic success.

Thank you for your time and commitment to Oregon's manufacturing sector.