

Economic Development

PROGRAM AREA AGENCIES

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	2005-07 Actuals	2007-09 Leg Approved Budget	2009-11 Governor's Recommended
General Fund	\$21,986,473	\$34,944,360	\$31,843,524
Lottery Funds	98,257,579	138,287,366	137,445,073
Other Funds	245,852,400	317,349,017	359,971,889
Federal Funds	384,302,675	396,519,046	399,431,708
Other Funds (Nonlimited)	3,231,495,904	4,052,089,871	3,697,711,941
Federal Funds (Nonlimited)	100,928,787	104,750,000	107,250,000
Total Funds	\$4,082,823,818	\$5,043,939,660	\$4,733,654,135
Positions	1,815	1,668	1,707
Full-time Equivalent	1,743.24	1,650.30	1,667.19

Overview

Agencies in the Economic and Community Development Program Area aid businesses, communities, and people in providing economic and cultural enhancement throughout the state. The current economic downturn means even greater responsibilities for the economic development agencies, but fewer resources to carry out the activities necessary to respond to the current situation. Economic development activities include job creation, placement, retention services, business recruitment and assistance, and workforce assistance and training. Agencies in this program area administer housing and infrastructure financing programs, and provide technical assistance to individuals, businesses and communities. The program area also includes funding for programs that support community development activities such as the arts.

Recommended Budget

The budget for the Economic Development Program Area is \$4.7 billion total funds, a 6.2 percent decrease from the 2007-09 Legislatively Approved Budget. General Fund and Lottery Funds total \$169.3 million, a 2.3 percent decrease from 2007-09 levels. Compared with the 2009-11 essential budget level, total funds are increased by 1.4 percent while General Fund and Lottery Funds are increased by 14.02 percent. The Governor's recommended budget focuses economic development efforts on creating and retaining sustainable businesses, activities and investments. The 2009-11 budget includes targeted investments to expand and diversify the state's economic base by attracting new industries, companies, investments and ideas to Oregon. Agencies in this program area work to ensure dollars spent on the economy are generating the maximum benefit.

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

- The recommended budget provides \$20.5 million Lottery Funds for continued direct public investments through OregonInc to promote research and innovative technology transfer to advance Oregon's economy. Some of the entities and initiatives receiving funding through this program include the Oregon Nanoscience and Microtechnologies Institute (ONAMI); the Oregon Food Innovation Center; the Oregon Manufacturing Initiative; the Forestry Cluster Initiative; the Built Economy and Sustainable Technologies Institute (BEST); the Oregon Translational Research and Drug Discovery Institute (OTRADI); the Oregon Wave Energy Trust; and the Seafood Initiative.
- The recommended budget includes \$18.4 million to preserve 1,500 units of Section 8 project based housing, which secures \$150 million in federal subsidy payments over the next 20 years.
- The creation, within the Economic and Community Development Department, of an Infrastructure Finance Authority (IFA) at no additional state expense. The IFA will provide resources to communities to develop sustainable asset-managed infrastructure systems.
- The recommended budget increases assistance to veterans, increases funding for veterans education and places veterans service officers on Oregon college and university campuses.
- The recommended budget includes \$3.5 million to establish a revolving loan fund to enable resident-owned cooperative purchase of manufactured home parks.
- Lottery Funds are provided for workforce program coordination and investment to address emerging industry workforce demands.
- The recommended budget creates an "Energy Matchmakers" account by providing \$4 million for low-income households to improve energy efficiency using renewable energy technologies, leveraging federal, state and private sector investments.

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ECONOMIC AND COMMUNITY DEVELOPMENT DEPARTMENT

	2005-07 Actuals	2007-09 Legislatively Approved	2009-11 Governor's Recommended
General Fund	\$1,791,094	\$4,227,676	\$5,431,047
Lottery Funds	93,797,043	132,354,598	128,448,725
Other Funds	31,994,929	42,926,613	59,095,000
Federal Funds	23,312,513	36,338,593	27,140,696
Other Funds (Nonlimited)	198,026,069	199,102,633	176,103,902
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$348,921,648	\$414,950,113	\$396,219,370
Positions	123	126	135
Full-time Equivalent	119.23	126.00	134.00

Overview

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

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

- Promote a favorable investment climate to strengthen businesses, create jobs and raise real wages.
- Assist Oregon communities to build capacity to retain, expand and attract business.
- Improve national and global competitiveness of Oregon companies.

The department's primary focus is helping Oregon businesses and industries in their efforts to remain competitive and successful. In the spring of 2007, OECDD embarked on reorganizing the department under a Governor's executive order to provide clarity, accountability and viability for the department's distinct missions of Business and Trade and Community Development. The 2009-11 recommended budget provides resources to further the department's reorganization.

The department provides grants and loans to communities for infrastructure improvements, and administers funds for community assistance and small business assistance. The department also offers technical assistance. In its efforts, the department encourages sustainable practices by creating flexible partnerships to solve problems. A seven-member commission, appointed by the Governor, oversees the department and the creation of economic development policies.

The Governor's Office of Film and Television (Oregon Film) is connected to the department in that Lottery Funds are passed through the department to Oregon Film for operating purposes. Oregon Film promotes the development of the film, video and multimedia industry in Oregon and works to enhance the industry's revenues, profile and reputation within Oregon and among the industry internationally. It recruits the industry to film features, movies and television series in Oregon, and actively recruits related

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businesses to relocate to Oregon permanently. The 1995 Legislature made Oregon Film a semi-independent state agency. As such, the office has no state employee positions. Staff is under direction of a five-member board appointed by the Governor.

In 1993, the Oregon Arts Commission joined the department. The Arts Commission provides leadership, funding and services to Oregon artists, art organizations, students and communities. The commissioners, appointed by the Governor, are responsible for policy and grant-making decisions. The commission also promotes Oregon's cultural resources outside the state. The commission administers a number of programs, including evaluating the impact of arts on Oregon's economy and providing National Endowment for the Arts funding for programs in Oregon. The Arts Commission also houses the operations of the Oregon Cultural Trust which is governed by a nine-member board of directors, seven-members of which are appointed by the Governor, and two ex-officio legislative members. The Oregon Cultural Trust is a statewide cultural plan to raise significant new funds to invest in Oregon's arts, humanities and heritage.

Recommended Budget

The Governor's recommended budget at \$396.2 million total funds focuses economic development efforts on transferring technology, creating and retaining sustainable business activities and business infrastructure investments. The 2009-11 budget includes targeted investments to expand and diversify the state's economic base by building on industry clusters and attracting new industries, companies, investments and ideas to Oregon. Agencies in this program area work to ensure dollars spent on the economy are generating the maximum benefit.

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

- Creates an Infrastructure Finance Authority at no additional state expense to expand communities' development of sustainable and asset-managed infrastructure systems.
- Provides \$20.5 million Lottery Funds for continued direct public investments to promote research and innovative technology transfer to advance Oregon's economy.
- Provides Lottery Funds for workforce coordination and investment to address emerging industry workforce demands.
- Provides \$1.1 million for small business support.
- Consolidates services to women, minority and emerging small business by moving the \$950,000 Certification program to OECD from the Department of Consumer and Business Services.
- Continues the Governor's support for Culture, Heritage, Arts, Movies, and Preservation (CHAMP), by providing the Arts Commission with \$1 million for its Creative Oregon II package.
- Supports operations of Oregon Film and proposes to expand the Oregon Production tax credit.

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The Governor's recommended budget supports 135 positions, nine of which have been added to enhance programs, among which is the department's connection to Oregon's workforce programs and the Oregon Arts Commission.

Due to Lottery Fund constraints, the budget reduces the Community Development Fund program area by \$5.4 million. The decision on how to allocate this reduction will ultimately rest with the Oregon Economic Development Commission, but a few of the programs and funds within this area include the regional investment program, the Industry Sector Outreach Fund, and the Marine Navigation Improvement Fund.

Revenue

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

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

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EMPLOYMENT DEPARTMENT

	2005-07 Actuals	2007-09 Legislatively Approved	2009-11 Governor's Recommended
General Fund	\$3,714,007	\$3,886,325	\$4,170,698
Lottery Funds	0	0	0
Other Funds	94,639,938	118,075,537	127,624,988
Federal Funds	247,466,002	243,543,767	251,978,197
Other Funds (Nonlimited)	1,076,205,892	1,436,098,557	1,496,309,317
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$1,422,025,839	\$1,801,604,186	\$1,880,083,200
Positions	1,373	1,288	1,332
Full-time Equivalent	1,356.77	1,273.35	1,297.39

Overview

The Employment Department's mission is to support business and promote employment. It operates three employment security programs:

- Unemployment Insurance provides wage replacement income to workers who are unemployed through no fault of their own.
- Business and Employment Services offers job listings, referral services and career development resources.
- Workforce and Economic Research coordinates the collection and dissemination of occupational and economic data for the state, workforce regions and counties.

The department is responsible for two additional program areas:

- Child Care promotes and regulates the child care industry.
- The Office of Administrative Hearings conducts contested cases for approximately 70 state agencies.

Recommended Budget

The Governor's recommended budget of \$1.9 billion total funds is a 4.4 percent increase from the 2007-09 Legislatively Approved Budget. The recommended budget maintains employment security programs at current levels. Growth in federal support for child care programs is expected to slow, resulting in reductions in funds transferred to state agencies, local governments and private agencies providing child care services.

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Reductions in federal revenues received by the employment security programs, similar to those taken in the 2005-07 and 2007-09 biennia, are not anticipated in the 2009-11 biennium. For a number of years, federal tax revenues distributed to the states for unemployment insurance administration, employment services, labor market information and veterans services have not kept pace with increasing costs for wages and benefits, facilities, materials and supplies and other expenses. Over the last two biennia, the department began holding positions vacant, consolidating offices, eliminating information kiosks and reducing expenditures for temporary employees, overtime, travel, etc. When the 2007-09 budget was adopted, the department anticipated that additional reductions would be necessary through 2011-13.

Reductions in federal support did not occur as anticipated in the 2007-09 biennium and are not now anticipated in 2009-11. Federal revenues for the three employment security programs are expected to increase by 5.5 percent from the 2007-09 Legislatively Approved Budget. This increase is predominately in the Unemployment Insurance Program and is due to the increased volume of Unemployment claims. In addition, the department has modified its funding and internal processes to optimize the state's share of federal funding.

Revenue

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

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

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

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

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

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

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

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HOUSING AND COMMUNITY SERVICES DEPARTMENT

	2005-07 Actuals	2007-09 Leg Approved Budget	2009-11 Governor's Recommended
General Fund	\$10,872,777	\$20,496,271	\$14,841,217
Lottery Funds	4,460,536	5,932,768	8,996,348
Other Funds	80,203,828	116,105,494	125,750,037
Federal Funds	113,524,160	116,636,686	120,312,815
Other Funds (Nonlimited)	1,548,604,772	1,808,419,156	1,537,062,014
Federal Funds (Nonlimited)	100,928,787	104,750,000	107,250,000
Total Funds	\$1,858,594,860	\$2,172,340,375	\$1,914,212,431
Positions	148	143	127
Full-time Equivalent	145.50	140.42	125.20

Overview

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

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

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

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

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

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Recommended Budget

The Governor's recommended budget is \$1.9 billion total funds. While the budget is 11.9 percent lower than the 2007-09 Legislatively Approved Budget, it continues all programs. Some programs, however, will operate more slowly or at reduced capacity.

The budget adds \$16.3 million to ensure that low-income individuals pay no more than 30 percent of their income for housing through the preservation of 1,500 units of Section 8 project-based housing. This investment secures \$150 million in federal subsidy payments over the next 20 years. One position was added to provide fiscal analysis and underwriting and one position was added to protect the investment in these assets.

The agency will use \$3.1 million of new resources to establish a revolving loan fund for preserving manufactured home parks. This model will provide gap financing which will enable parks to be purchased by resident-owned cooperatives, an approach proven successful in New Hampshire. Two to three parks, or over 100 spaces, will be preserved during the 2009-11 biennium.

The budget includes \$4 million General Fund for a new "Energy Matchmakers" account. This account will provide assistance to improve energy efficiency using renewable energy technologies for low-income households by leveraging federal, state and private sector investments. Because of this effort, 800 low-income housing units in Oregon each year will become more energy efficient.

Revenue

The agency operates mainly with Other Fund revenues from the sale or repayment of bonds. It also receives public utilities fees, investment income, grants, loan repayments, loan commitment fees and revenue from other state agencies. Nonlimited expenditure authority is used for bond-related costs and proceeds. General Fund finances the state homeless, emergency housing and food programs. The agency receives Federal Fund revenues from a variety of federal sources.

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Department of Veterans' Affairs

	2005-07 Actuals	2007-09 Leg Approved Budget	2009-11 Governor's Recommended
General Fund	\$5,608,595	\$6,334,088	\$7,400,562
Lottery Funds	0	0	0
Other Funds	34,645,935	40,241,373	47,501,864
Federal Funds	0	0	0
Other Funds (Nonlimited)	408,659,171	608,469,525	488,236,708
Federal Funds (Nonlimited)	0	0	0
Total Funds	\$448,913,701	\$655,044,986	\$543,139,134
Positions	112	111	113
Full-time Equivalent	111.03	110.53	110.60

Overview

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

- The Veterans' Loan Program provides home loans at a favorable interest rate. Tax-exempt bond revenue is used to finance the loans. Loan repayments and investment earnings pay off the bonds and cover the cost of program administration. Federal law allows the department to finance a loan to any veteran discharged within the past 25 years.
- The Veterans' Services Program provides benefit counseling, claims assistance, conservatorship services and education assistance. It operates through county service centers in 34 of the state's counties. The department finances the county Veterans Service Officer positions with a base amount and an amount based on the veteran population of the county. The agency headquarters is in Salem and directly serves veterans in Marion and Polk counties. The budget increases assistance to veterans, increases funding for veterans education and places veterans service officers on Oregon college and university campuses.
- The Oregon Veterans' Home Program opened for business in November 1997. This is a 151-bed facility in The Dalles, providing skilled nursing care and Alzheimer's disease care. The Department of Veterans' Affairs contracts out the facility's operation. The home had 141 residents as of October 31, 2008.

Recommended Budget

The Governor's recommended budget is \$543.1 million total funds. This is a 17 percent decrease from the 2007-09 Legislatively Approved Budget. Excluding Nonlimited Other Funds, which account for bond

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and loan activity, the recommended budget is a 19 percent increase from the 2007-09 Legislatively Approved Budget.

The recommended budget continues existing services in the loan program and at the Veterans Home in The Dalles. Five positions are added to increase services to veterans attending Oregon colleges and universities.

Revenue

Most of the department's budget is Other Funds. This money primarily comes from the bond-financed Loan Program. Specific sources include mortgage loan and contract repayments, investment earnings, mortgage insurance payments, property tax payments, fee and rental income and bond proceeds. The remaining 4.5 percent of Other Fund revenues come from revenues received for the benefit of veterans residing at the Veterans Home.

General Fund supports direct services to veterans; it increased 17 percent. The department earns some revenue through its conservatorship program that pays for approximately half of the services provided in the area.

