

OREGON ECONOMIC & COMMUNITY DEVELOPMENT COMMISSION



2005 ANNUAL REPORT

TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	3
WHO WE ARE AND THE IMPACT WE MAKE	5
AN EVOLVING ECONOMIC DEVELOPMENT STRATEGY	7
LEGISLATIVE RESULTS 2005	9
PROGRAM HIGHLIGHTS.....	13
BUDGET SUMMARY.....	18
MOVING FORWARD	20
APPENDIX A – COMMISSION MEMBERS.....	21

December 2006

On behalf of the Oregon Economic and Community Development Commission and department, I am pleased to offer our 2005 Annual Report.

The report describes the department's programs, priorities and performance in a year characterized by great transition. The commission and the department, under the leadership of Governor Ted Kulongoski, and with the support and advice of Oregon's diverse communities and businesses, engaged in a process of reinvention to reflect the needs of an economy that changed since the Governor took office.

On January 1, 2003, Oregon's unemployment rate was among the highest in the nation. Our state was reeling from a severe and protracted recession. Both 2003 and 2004 brought renewed, if uneven, growth. By 2005, Oregon was creating jobs at a record pace, adding over 100,000 jobs in three years. Our results were exceeded by only four other states. Today, more Oregonians are working in more Oregon firms than at any point in our state's history.

In 2005, we re-evaluated our growth strategies to focus on Oregon's competitive advantages, organizing our work around three key priorities: industrial lands, infrastructure and innovation. You will see these themes in our own programs and practices, in our partnerships with other state agencies and private-sector stakeholders, and in our work with the Oregon Legislature.

We have made tremendous progress. In addition to our continued investment in infrastructure, the department has teamed with the Oregon Innovation Council to plan for how we translate innovation in Oregon into economic growth. We also have increased our focus on developing industry clusters where Oregon has a significant competitive advantage over other parts of the world.

We are proud of our accomplishments. But we also know that much work remains to be done. We know you expect much from us, and we're working hard to meet those expectations.

Sincerely,



E. Walter Van Valkenburg, Chair



Portland Cityscape and Mt. Hood
PHOTO COURTESY OF PORTLAND OREGON VISITOR'S ASSOCIATION

“Nanotechnology is not a pie in the sky vision that only academics can get excited about . . . Nanotechnology will play a vital role in solving the energy crisis by giving us ways to create, store and transport renewable energy. That’s worth hoping for.”

– EXCERPT FROM REMARKS BY GOVERNOR TED KULONGOSKI, PORTLAND STATE UNIVERSITY, FEBRUARY 13, 2006

EXECUTIVE SUMMARY

Oregon’s economy is global. The success of people and firms in Oregon’s diverse communities now depends on their ability to deliver value in a fast-changing, worldwide marketplace.

This means Oregon needs:

- 1) World class **INNOVATION** capacity in our industries, higher education, school systems, public and private non-profits and government organizations—including the right mix of capital, talent, technology, information and access to markets
- 2) **AGILITY**—the ability to anticipate, advance and respond to major change—economic, social, environmental and political
- 3) **SPIRIT** found in the courage and willingness to apply our innovation capacity and adapt to world changes

The Oregon Economic and Community Development Department, as the state’s lead economic development agency, is committed to Oregon’s economic competitiveness on the world stage. The year 2005 marked a major turning point for us: with the support of the Governor and state legislature, we began to shift away from widespread cost-cutting and toward investing for the future.

To enhance capacity for innovation and ability to adapt to economic shifts, the department focused program spending and investments on three key areas:

INDUSTRIAL LANDS INFRASTRUCTURE INNOVATION

- The award-winning Industrial Site Certification Program (oregonprospector.com) enables global economic development professionals and site locators to access information about available sites, accelerating our ability to recruit new business and launch development. The program has identified over 100 sites appropriate for development. To date, 37 sites have been certified as “project ready”—audited for water, sewer, power and telecommunications capacity, and land-use and environmental impact requirements and ready for development within 180 days. Of these, 16 sites are under active consideration by prospecting companies that expect to begin development and create over 1,800 jobs.

WHO WE ARE AND THE IMPACT WE MAKE

As the state's lead economic development agency, the Oregon Economic and Community Development Department (OECD) works to create economic opportunity. The department's mission is simple: *Advance Oregon's Economy*. But the work is ever changing as Oregon firms, communities and residents navigate opportunities in an increasingly global—and sometimes volatile—knowledge economy.

OREGON'S ECONOMIC PERFORMANCE

During the 1990s, Oregon was among the fastest growing economies in the nation. In 2000, the state enjoyed its eighth year of record setting growth, though economic activity began to slow. By 2001, the state felt the effects of a national recession. In 2002, Oregon lost over two percent of its total job base. In 2003, unemployment climbed to rates not seen in over a decade. In 2004, new economic activity generated a welcome 34,000 new jobs. And finally, in 2005, Oregon's economy hummed once again, realizing 3.4 percent growth and creating new jobs during every month of the year. OECD has learned much during the economic roller coaster of the last five years. It is changing the way it does business—working closely with other agencies, reaching out to business and community stakeholders, and launching bold initiatives.

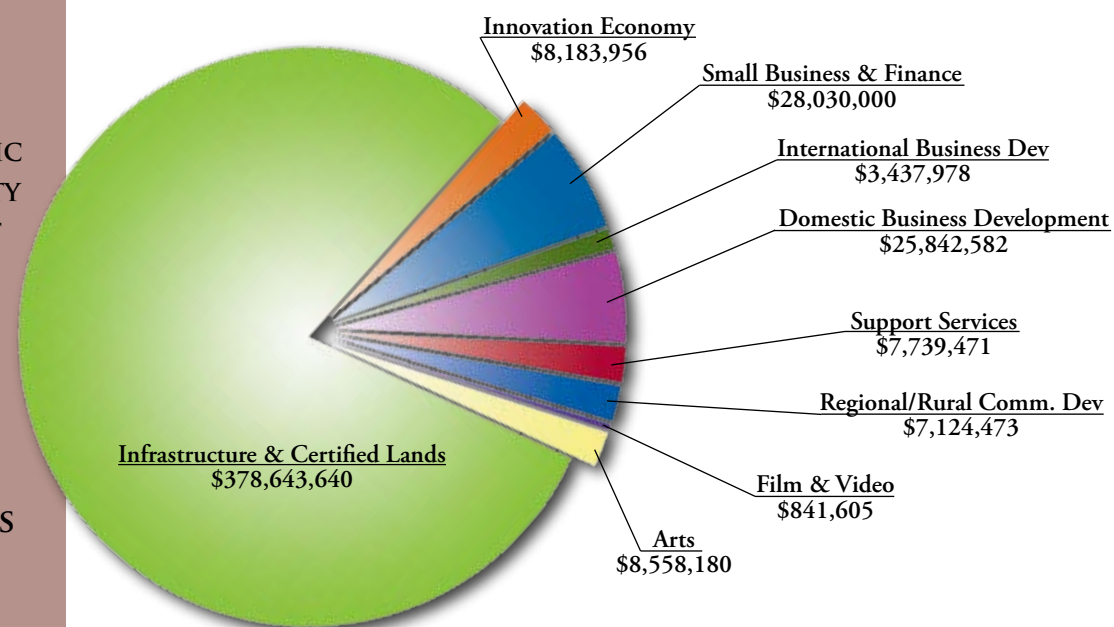
- Less than one year after its launch, the Industrial Site Certification Program was recognized by CoreNet Global as among the top economic development innovations in the nation. Other states scrambled to develop similar tools.
- In 2004, we created the Brand Oregon initiative, and proclaimed "Oregon. We love Dreamers." Accompanying this message everywhere it is used is the idea of Applied Idealism, that Oregonians don't just sit around and dream, but rather make their dreams into reality. By 2005, Brand Oregon messaging and design themes were implemented into all OECD advertising, and partnerships were being made with the Departments of Agriculture and Tourism to expand and maximize the effectiveness of the campaign.
- In 2005, we launched Oregon InC, a cross sector leadership team created by the Governor and state legislature to steward a long-term statewide innovation strategy. This unique public-private partnership released its Innovation Plan on September 19 of 2006.

- ConnectOregon—an investment of \$100 million (in new dollars) designed to vastly improve the state's inter-modal transportation system, a necessity if Oregon is to compete internationally and a direct support for family wage jobs across the state.
- The Oregon Innovation Council (Oregon InC)—a public-private partnership dedicated to advancing innovation in the state. Oregon InC developed an investment strategy designed to identify and invest in Oregon's top innovation-driven firms, technologies, industries and clusters. Oregon InC is comprised of 40 leaders and investors from across the state.
- We created over 4,658 jobs in 2005, through our business finance, small business, recruitment and retention and public works programs.

The budget for the 2005–2007 biennium, approved by the Oregon Legislature, is \$464.4 million. Federal government and infrastructure loan repayments make up 23.5 percent of these resources.

The balance of resources supporting the department's work include:

- Direct lottery funds, lottery carry-over, lottery bond proceeds, revenue bond proceeds and business program loan revenues total \$291.1 million (62% of the department's budget)
- Pass-through resources for which OECD serves as the state-level fiscal agent—the Oregon Cultural Trust, the Oregon Arts Commission, the Oregon Office of Film and Video and a variety of non-capital projects and programs total \$27.2 million (5.8%)
- General Fund revenues total \$1.3 million (.3%)



Industrial lands, infrastructure, innovation—we committed to major investment in each of these areas, and we are delivering. In turn, these investments are opening world wide doors to opportunity for people, firms and communities in all corners of the state, and everywhere in between.

This is just the beginning.

OREGON ECONOMIC
& COMMUNITY
DEVELOPMENT
DEPARTMENT

2005–2007
LEGISLATIVE
ADOPTED
BUDGET USES

We continue to realign, reengineer and reinvent ourselves, finding new ways to focus on the long-term competitiveness of the state and its key industries. At the same time, we've addressed the short-term needs and opportunities in Oregon's diverse communities, including their cultural life and livability.

The department sees many opportunities for Oregon in the global economy. Each day, we work with people, firms and communities to make these opportunities happen in every corner across the state. We hold ourselves accountable to the Governor, the Legislature and the people of Oregon to improve our performance and impact each year.

Increasingly, Oregon's approach to economic development includes a focus on the development of key industry clusters. An industry cluster is a group of firms that gains advantage by locating near one another. Clusters can take the shape of industries, supply chains or simply groupings of firms.

2005 INDUSTRY CLUSTERS:

AGRICULTURE AND FOOD PROCESSING

APPAREL AND SPORTING GOODS

BIOMEDICAL

CREATIVE SERVICES

VALUE-ADDED FOREST PRODUCTS

HIGH TECHNOLOGY/SOFTWARE

METALS/MACHINERY

PROFESSIONAL SERVICES

MANUFACTURING



AN EVOLVING ECONOMIC DEVELOPMENT STRATEGY

In 2005, we re-evaluated our growth strategies to focus on Oregon's competitive advantages. With the support of Governor Kulongoski, we organized our work around the three "I's."

INDUSTRIAL LANDS INFRASTRUCTURE INNOVATION

We worked to tighten our organizational goals, streamline our programs and improve our overall effectiveness.

By the end of the year, the department:

- Launched an internal restructuring initiative, reducing the number of divisions and increasing their focus.
- ✓ We combined the Community Development and Capital Projects divisions to better link investments in infrastructure to community-centered development efforts
- ✓ We combined the Business Development and International divisions to better accommodate the demands of the global economy
- ✓ We created the Innovation and Economic Strategies Division to better connect data and technology with strategy
- ✓ We invested in the contracting unit to improve the quality of proposals and their timing to better serve Oregon firms seeking to grow
- Adopted the following core operating principles to help gauge the processes we use to do our work

CUSTOMER ORIENTATION RESULTS DISCIPLINE

STRATEGIC OBJECTIVES 2005-07

The department identified seven strategic objectives to guide its work during the past year. These included:

1. Invest in community infrastructure to promote healthy environments and stimulate private investment
2. Reduce barriers to support a competitive business climate
3. Promote innovation and global competitiveness
4. Facilitate the creation of long-term, high-wage, high-skilled jobs
5. Promote and integrate arts and culture as a component of economic development
6. Provide responsive and accountable customer service
7. Communicate effectively and build positive relationships with decision-makers, partners, employees and customers

OECD staff incorporated these objectives into programs and operations at every level.

LEGISLATIVE RESULTS 2005

In 2005, Oregon's 73rd State Legislature invested in the department's priorities by supporting a series of important strategic initiatives.

INDUSTRIAL LANDS

The Legislature authorized \$45 million in new lottery proceeds to support Phase II of the Industrial Lands Certification Program. This program, authorized in the 2003 legislative session, enables the department to identify available industrial sites throughout the state, convene cross-agency teams to assess their readiness and address any barriers to development. The goal is to certify and market these sites as "project ready," promoting private sector confidence in the state's business development infrastructure. The focus of the program's Phase I was identifying and certifying sites. The focus of Phase II will be marketing available sites and will support an upgrade for the program's primary access point, www.oregonprospector.com. The program was named among the nation's most innovative by a major commercial real estate association, increasing its profile dramatically and resulting in over 500 visits to the web site daily.

State of Oregon Commercial Buildings and Land Site Selector
http://www.oregonprospector.com/

oregonprospector.com OREGON BUSINESS. COME FOR A WEEK, STAY FOREVER.

About Oregon Sites & Buildings Community Resumes Oregon Contacts

OregonProspector is Oregon's official website for site selection consultants and businesses interested in relocating or expanding a business in Oregon. This web resource provides a comprehensive database of available sites and buildings by city, county, type of property and size using a powerful geographic information system.

OregonProspector provides the site selection analysis tools and the information companies need when evaluating a business location. Here, you can [search properties](#) by criteria you choose, find [certified sites](#), gather demographics, view [community resumes](#), use interactive maps, and make [contacts](#) to help you take the next step.

The State of Oregon is committed to making your site selection process as easy and informative as possible. OregonProspector is an invaluable tool for you to learn more about the many opportunities and resources that are available in Oregon.

The State of Oregon wants to make your site selection process as easy and informative as possible. Professionals at [the Oregon Economic and Community Development Department](#) are available to answer your questions, help you plan a visit to our state, and connect you with the resources your company needs to choose Oregon. We think you'll find that.

Oregon works for you.
Call 1-866-4-OREGON and let us show you.

For more information about doing business in Oregon, visit www.oregon4biz.com.

[Click here to search for available commercial land and buildings.](#)

[Read about Oregon's economy, international markets, and sustainable business practices.](#)

[Learn more about OregonProspector.com and the Oregon's Certified Industrial Sites.](#)

EXAMPLE OF AN ONAMI SUCCESS STORY

OSU chemical engineering professor

and ONAMI researcher Goran

Jovanovic has developed a working

laboratory model of a tiny chemical

reactor for manufacturing biodiesel

that is efficient, fast, and portable.

In the future, this device could

enable farmers to produce a cleaner-

burning diesel substitute on their

farms using seed crops they grow on

their own land.

INNOVATION

Innovation is a key priority for the state of Oregon. In the 2003 legislative session, a major investment was made in the Oregon Nanoscience and Microtechnologies Institute (ONAMI), a unique public-private partnership and the state's first signature research center. Since that time, the Institute has attracted over 80 top-notch scientists, engineers and researchers working together in nanotechnology, microtechnology and biotechnology. It has garnered national attention and continues to attract federal and private-sector investments generating a return of \$10 for every \$1 of state investment.



OSU Chemical Engineering Professor and ONAMI Researcher Goran Jovanovic
PHOTO COURTESY OF OREGON STATE UNIVERSITY

“The *Innovation Plan* is a roadmap

for Oregon to apply and align our

indigenous advantages, the research

in our universities, the initiatives

in our industry clusters, and public

investments to target new market

opportunities that have the potential

to create jobs and opportunity in

every corner of the state.”

OREGON INC CHAIR DAVID CHEN
OF OVP VENTURE PARTNERS

“ConnectOregon has made it

possible for the Port of Newport to

move forward with the first phase

of rebuilding our International

Terminal facility. This project funding

is vital to maintain our ability to

provide commercial shipping which

contributes significantly to economic

benefit through wages, products,

services and marine transportation.”

DON MANN, GENERAL MANAGER,
PORT OF NEWPORT

WHAT IS OREGON'S ADVANTAGE?

The National Science Foundation has predicted that nano-related goods and services could be a \$1 trillion market by 2015. Nanotechnology will ultimately touch every physical product manufactured by humans—from semiconductors to food, pharmaceuticals, clothing and more.

In another demonstration of Oregon's commitment to innovation, the Legislature created the Oregon Innovation Council (Oregon InC) specifically for advancing a statewide innovation agenda. This council builds on the outstanding work of the former Oregon Council for Knowledge and Economic Development by moving from a business advisory infrastructure for supporting innovation to a partnership model investing in it. The council is comprised of 40 leaders from private industry, higher education and government—all of whom are active decision makers in organizations that depend on innovation. Their charge is to identify Oregon's top innovation-driven growth opportunities, maximize the state's competitive advantages and establish Oregon's unique place in the global economy.

Finally, Senate Bill 853 (05-07) creates a \$2 million fund for small businesses to commercialize university research into venture-ready business concepts. Supported by a tax credit program, the fund further connects the skills, talents and resources of Oregon's higher education and research community with its entrepreneurs.

PUBLIC WORKS

Investments in public works are crucial anchors in many of Oregon's communities. But the regulations guiding public works programs were often creations of past eras. With Senate Bill 1098 (formerly House Bill 2174), the legislature made great strides in streamlining the statutes guiding the state's programs—the Oregon Special Public Works Fund in particular—and made it possible for OECDD to fund new infrastructure and other public works programs throughout the state.

TRANSPORTATION

Senate Bill 71 (05-07) implements ConnectOregon, an investment of \$100 million in new dollars to improve the state's intermodal transportation system, including upgrades in rail, air and marine facilities. Administered by the Oregon Department of Transportation with OECDD support, this program represents a direct investment in family-wage jobs—and improved access to work opportunities—for residents and communities in our state.



Port of Newport; PHOTO COURTESY OF THE PORT OF NEWPORT

DEVELOPMENT FUNDS

Finally, the Legislature provided \$7 million for a strategic reserve fund to help catalyze economic and industry cluster development across the state. This will make it possible to grow new clusters and connect cluster based assets in one part of the state with those in another.



Governor Theodore Kulongoski, Amy Berliner of Amy's Kitchen, and White City Chamber leadership at the groundbreaking ceremony of the Amy's Kitchen facility, August 2005; PHOTO BY DAVID GIBB

STATUTORY REVIEW

As part of its oversight responsibility, the Legislature is charged with ensuring that laws guiding state departments and agencies are aligned with new statutes and legislative intent. The 2005 Legislature directed the Oregon Economic and Community Development Department to conduct a statutory review—to ensure that its guiding law is consistent with its current mandated goals and outcomes.

The department welcomed this review and launched a public outreach process to generate input. Proposed changes will seek to streamline processes and reduce barriers to improve efficiency and deliver better results for Oregon.

“They just made it clear they would do whatever they could to help us.”

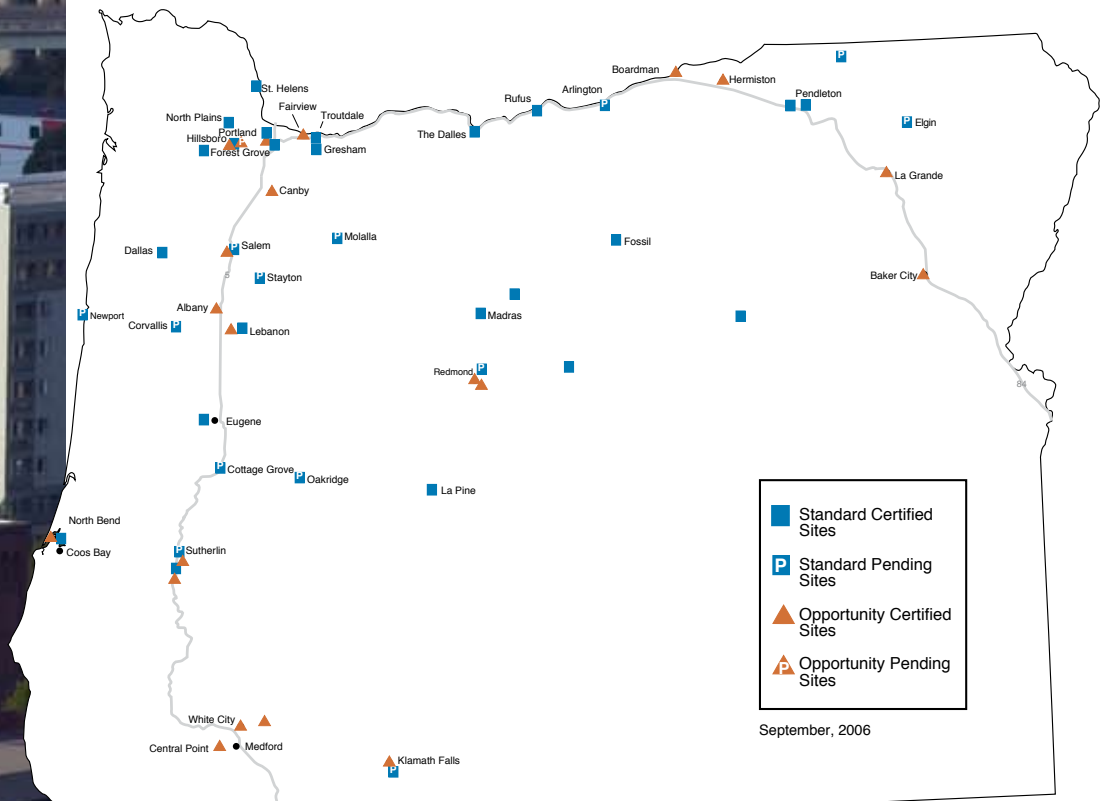
ANDY BERLINER, OWNER, AMY'S KITCHEN, ON PROJECT ASSISTANCE RECEIVED FROM THE OREGON TEAM

PROGRAM HIGHLIGHTS

In 2005, our portfolio of active economic development projects tripled, reflecting increased business, consumer confidence and investment growth. While the results of these recent projects will not be realized for some time to come, our work during the last three years has generated jobs, seeded firms and provided reasons for optimism for Oregon's business climate.

BUSINESS AND TRADE DEVELOPMENT

BUSINESS RECRUITMENT



The award-winning Industrial Site Certification Program (oregonprospector.com) enables economic development professionals and site locators from all over the world to access information about available sites, accelerating our ability to recruit new business and launch development.

The program has identified over 100 sites appropriate for development. To date, 37 sites have been certified as “project ready”—or audited for water, sewer, power and telecommunications capacity, and land-use and environmental impact requirements and

SMALL BUSINESS SERVICES

Small businesses are the engine of Oregon's economy. They comprise 98 percent of all businesses in the state, employ 51 percent of Oregon workers, and 44 percent of Oregon's payroll is generated by small firms. Approximately \$20.5 billion in small business payroll contributed over \$1.13 billion to state revenues in 2005.

On estimated projections for jobs created and retained by small businesses receiving services through the Small Business Development Center Network (SBDCN) and the Targeted Service Providers for 6/04-6/05, the combined figures below include both SBDCN and Targeted Providers.

- Assisted 5,590 small businesses
- Created and retained 3,800 jobs (avg. wage of \$24,650)
- Grant funding for technical assistance to small, minority- and women-owned businesses in 2003-2005 awarded to the SBDCs and Targeted Service Providers totaled \$3.1 million (\$1,550,000 for the period on jobs reported above)
- Additional leveraged funding from other sources contributed 5:1 on Oregon's investment
- On average, 34% of businesses served are women-owned
- SBDCs serve a 10% minority-owned business base while the Targeted Service Providers' client base averages 67%
- Almost half (47%) of both women-owned and minority-owned companies received services at the start-up stage

ready for development within 180 days. Of these, 16 sites are under active consideration by prospecting companies that expect to begin development on certified sites within 6 months of securing a property. Over 1,800 jobs have already been proposed on these sites.

One company that benefited from the certification program is Lowe's, the fast growing home improvement retailer. The firm plans a 1.4 million square foot warehouse in Lebanon, with possible expansion up to 2.2 million square feet. The facility is expected to create 300 construction jobs in the short term and up to 750 fulltime warehousing and distribution jobs paying between \$15 and \$20 per hour.

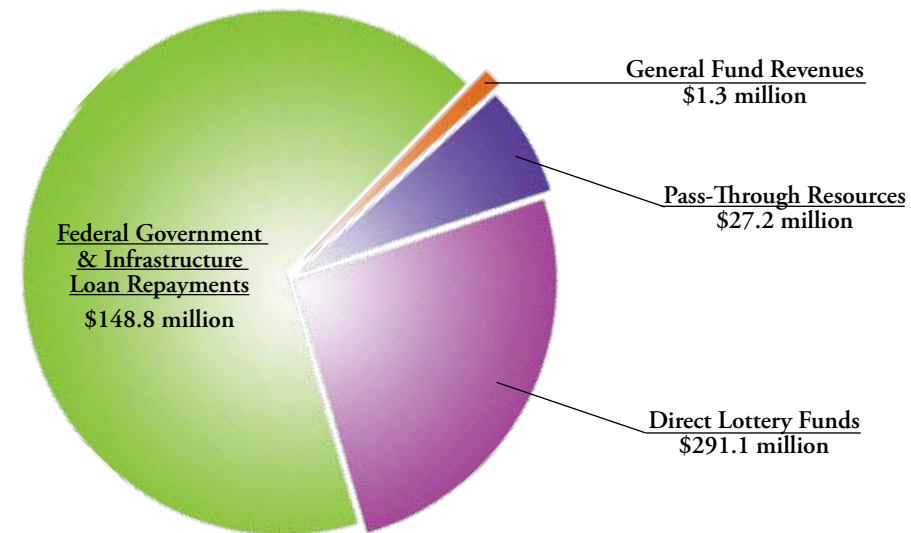


Jim Ruff, Lebanon Public Works Director, Mike Mabry, Lowe's VP, Governor Theodore Kulongoski and John Hitt, Lebanon City Administrator break ground August 2005, in Lebanon, the location for Lowe's new west coast regional distribution center; PHOTO BY GERRY LEWIN

Together, the state's recruitment and retention efforts resulted in 6,946 jobs in 2005.

These efforts were supported by a total investment of \$27,514,420, partially supported by the following department resources:

- Special Public Works Fund \$13,692,200
- Strategic Reserve Fund \$2,108,000
- Old Growth Diversification Fund \$186,982
- Industry Sector Outreach \$500,000



INTERNATIONAL BUSINESS DEVELOPMENT

Owing to major shifts in the economy and the increased importance of international trade relationships, the International Trade Division undertook a review of its mission and goals in 2005. The division, in partnership with the International Trade Commission, worked to assess the importance and impact of its programs and services, emerging market opportunities, and the role of the state in facilitating international trade.

Following this review, the International Trade Division was integrated with the Business Development Division to form the Business and Trade Development Division (B&TD). This action was undertaken to combine the agency's staff and resources around two of its three core goals: to improve national and global competition of Oregon companies and to create business opportunities and attract jobs with wages above the state average.

PROMOTING OREGON'S KEY CLUSTERS FOR EXPORT AND INVESTMENT

The Trade Development Section, now part of the Business and Trade Development Division, is aligning itself with the state's strategy to concentrate on key industry clusters contained in the *Oregon Business Plan*. The state's cluster strategy when fully implemented will help to emphasize the global dimension of business growth in the state. By focusing on clusters with international business potential, the trade development section will be better suited to offer a range of programs and services designed to help the state's small- and medium-sized (non-agricultural) firms successfully compete in today's marketplace. These program offerings include:

- Matchmaking services coordinated with Oregon's overseas network in China, Japan, Taiwan, Korea, Southeast Asia and Europe to identify agents and distributors for products of Oregon firms
- Consulting and capacity building services provided to Oregon firms on a range of issues: export planning, market selection, international distribution and product certification
- Market research prepared with the help of the department's overseas network and U.S. Export Assistance Centers to help Oregon firms access information about potential foreign markets for their products and services
- Other assistance by the International staff requires the state to serve as liaison for visiting foreign diplomats and overseas trade missions. International also identifies foreign trade shows and events to assist companies market their products and services in key overseas markets



Barge on the Columbia River
PHOTO COURTESY OF OREGON DEPARTMENT OF AGRICULTURE

The Oregon Film and Video Office returns \$53 in business for every \$1 it spends

BUSINESS FINANCE

OECDD's business finance programs offer development assistance and loan guarantees to businesses at different stages of growth supported by a variety of development funds. Program dollars leverage many times their value in matching funds.

Program investments for 2005 included the following:

Fund	Total Program \$	Total Project \$	Jobs*
Oregon Business Development Fund	\$6,045,654	\$31,070,854	647
Entrepreneurial Development Loan Fund	\$208,500	\$423,665	16
Capital Assistance Program	\$247,011	\$6,670,678	86
Credit Enhancement Fund	\$ Guarantee	\$9,428,704	343
Industrial Development Revenue Bond Program	\$ Bond Issue	\$3,000,000	80
Total	\$6,501,165	\$50,593,921	

*Jobs are projected.

FILM & VIDEO

The department acts as a fiscal agent for the Oregon Film and Video Office. Often thought of as an Arts program, the Film Office has proven its contribution to Oregon's business development. The Office promotes Oregon as a location of choice to foreign and out-of-state filmmakers and production companies.

The office also champions Oregon's own unique, largely independent film industry and the creative talent that makes it hum. The industry has seen year to year growth of 10 percent.

COMMUNITY DEVELOPMENT

The department maintains a number of community development programs aimed at developing or improving infrastructure, restoring the environment and improving public health. Funding sources, amount invested and the number of projects supported by each source are listed below:

FUNDING SOURCE	2005 CALENDAR	
	PROJECTS	\$ AWARD
Brownfield Redevelopment	1	\$50,000
Community Development Block Grant	49	19,688,849
Marine Navigation Improvement	2	210,000
Oregon Port Revolving Fund	1	192,200
Port Planning and Marketing	22	429,800
Safe Drinking Water	5	9,379,623
Special Public Works Program	53	59,760,613
Water/Wastewater	10	14,363,350
TOTAL	143	\$104,074,435

The Special Public Works Fund created or retained 2,480 jobs during the same period.



Performance at the Pi-Ume-Sha Treaty Days celebration
PHOTO COURTESY OF TRAVEL OREGON

ARTS & CULTURE

The 2005–07 Legislature adopted an \$8.56 million budget for Arts and Culture. The resources supporting their work include:

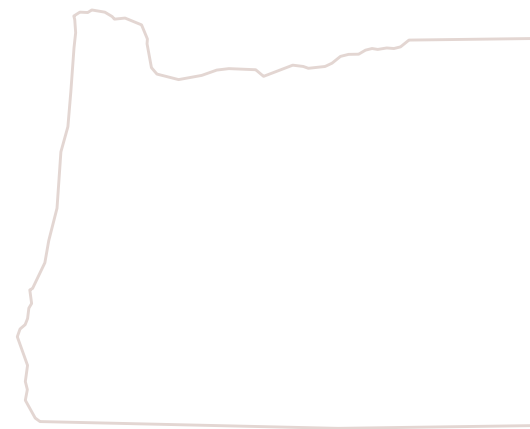
- General Fund \$1.3 million (14.8% of Art's budget)
- Cultural Trust \$5.2 million (60.9%)
- Percent for Arts \$.4 million (4.5%)
- Federal funding \$1.7 million (9.8%)

The department stewards public investments in the state's arts and cultural life by acting as a fiscal agent for two key arts agencies: the Oregon Arts Commission and the Oregon Cultural Trust.

The Oregon Arts Commission focuses on making arts and arts education central to the lives of Oregon's communities. Through grants, partnerships and the provision of technical assistance, the commission engages citizens to create, support and participate in their communities' rich and colorful cultural lives.

The Oregon Cultural Trust manages a statewide initiative intended to build a \$200 million endowment to invest in Oregon's arts, humanities, heritage and culture. Through a combination of advocacy, education and community engagement, supported by a tax credit program, the Trust seeks to enhance the cultural lives of Oregonians. To date, the Trust has raised \$7.5 million since inception, an endowment capital of \$4.7 million and \$3.5 distributed in cultural grants since 2003.

The Oregon Arts Commission and the Oregon Cultural Trust administer both federal (National Endowment of the Arts) and state investments in arts and culture.



BUDGET SUMMARY

Since 1999, Oregonian's individual incomes have fluctuated considerably, creating corresponding fluctuations in state revenues. Income volatility was not unique to Oregon during this time. It was largely the result of job loss linked to a national recession. However, Oregon's unique dependence on individual income taxes for over 90 percent of the state's General Fund and 75 percent of total state revenue left the state more vulnerable to revenue swings than its peers. Significant declines in Oregonians' incomes resulted in parallel declines in state revenues. This decline coincided with an increase in the demand for state services by businesses and individuals.

A series of short-term measures, ranging from early school closures to across the board cuts to programs and services balanced the budget but undermined community confidence. Even as the economy turned and state revenues began to rise in 2004, it was clear that repeatedly growing and shrinking allocations from year to year would not create the kind of long-term stewardship of the state's future that Oregonians demand and deserve.

- The state's 2005–2007 budget reflects a different approach to state spending. The Governor worked with the state legislature on a revenue package that started not from current service levels but from principles, including: life-long learning, professional development, and training needs of adults
- We must meet the basic needs of Oregon's most vulnerable residents (food, health, shelter)
- We must realize a positive business climate and invest in sustainable economic development that leads to growing businesses and family-wage jobs
- We must balance growth and development with environmental protections
- We must insure that Oregonians are safe—in their homes, communities and in Oregon institutions
- We must hold state government accountable

These six commitments influenced statewide budget negotiations, including that of the Oregon Economic and Community Development Department.

The department's budget for the 2005–2007 biennium, approved by the Oregon Legislature, is \$468.4 million. Federal government and infrastructure loan repayments make up 23.5 percent of these resources. Most of the resources are tied to specific infrastructure improvements or development projects, but can be used as leverage to attract resources for complementary initiatives—small business programs or workforce development, for example.

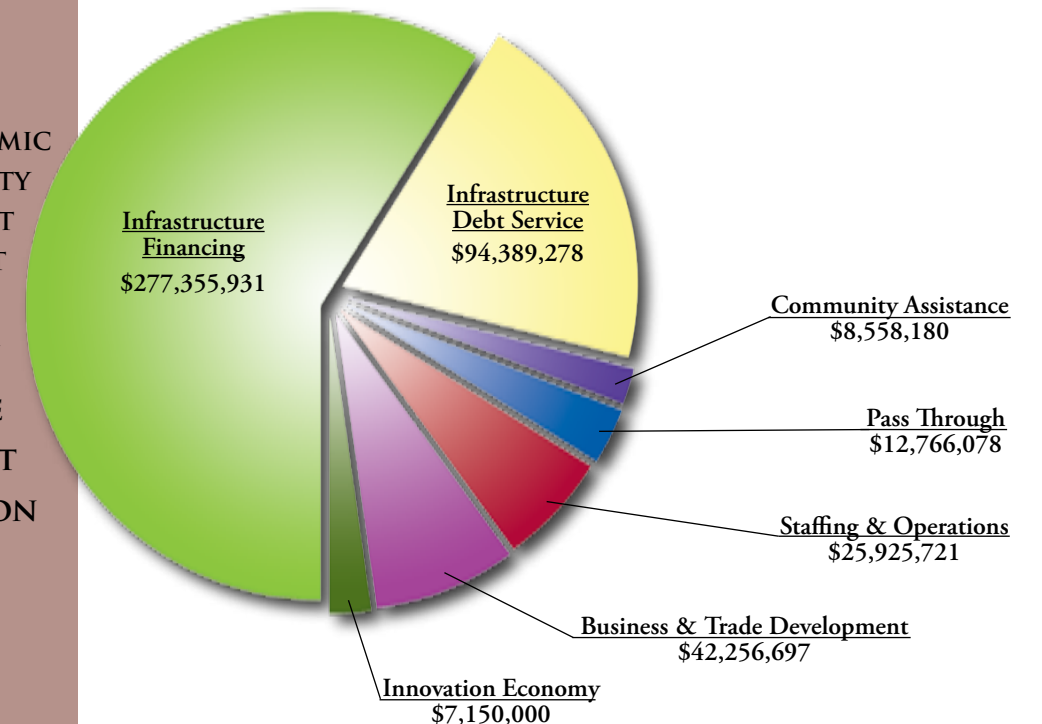
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- Pass-through resources for which OECDD serves as the state-level fiscal agent—the Oregon Cultural Trust, the Oregon Arts Commission, the Oregon Office of Film and Video and a variety of non-capital projects and programs—totaling \$27.2 million (5.8%)
- General Fund revenues totaling \$1.3 million (.3%)

The department allocated its resources to advance the following key objectives that support the Governor's six principles: innovation, business finance, small business, recruitment and retention, public works, and arts and culture.

OREGON ECONOMIC
& COMMUNITY
DEVELOPMENT
DEPARTMENT

2005-2007
LEGISLATIVE
ADOPTED BUDGET
BY FUNCTION



MOVING FORWARD

The department is changing the way it does business.

The department is investing for long-term future success—growing firms, good jobs and healthy civic and cultural environments for all Oregonians, by focusing on key principles, crafting a clear strategy with meaningful targets, and always looking for Oregon's future competitive advantages.

You can count on it.

APPENDIX A

THE OREGON ECONOMIC & COMMUNITY DEVELOPMENT COMMISSION



E. Walter Van Valkenburg, Chair, Portland / Appointed September 2003, Reappointed 2005

Wally Van Valkenburg is the managing partner of the Portland office of Stoel Rives LLP and is a past member of the firm's Executive Committee. He practices in the firm's Technology and Intellectual Property Group, where he focuses on transactions and business counseling. Wally has represented technology companies for over twenty years as well as clients in other industries such as footwear and apparel, sports and entertainment, health care, electric utilities, retail and wood products. He was selected by his peers for inclusion in *The Best Lawyers in America* and is listed in *Who's Who in America* and *Who's Who in the World*. Wally is a board member for the Oregon Sports Authority, the Portland Center State and a member of the Oregon Innovation Council.



Pamela Hulse Andrews, Bend / Appointed September 2003, Reappointed 2005

Pamela Hulse Andrews is the CEO of Cascade Publications in Bend, Oregon. The company's primary focus is the publishing of the Cascade Business News, Cascade Arts and Entertainment, and the Cascade Discovery. Her expertise includes nearly 25 years of hands-on experience designing, marketing, writing and publishing from numerous aspects of the business community. She is on the board of directors of the Deschutes United Way, the Redmond Chamber of Commerce, the Boys & Girls Club of Bend, the Tower Theatre Foundation and the city of Bend's Arts, Beautification and Cultural Commission.



Nancy L. Tait, Medford / Appointed September 2001, Reappointed 2003

Nancy Tait is currently President of the Oregon Shakespeare Festival Board of Directors. She is a member of the Southern Oregon University Advisory Board and the Oregon Business Council. Nancy has over 30 years experience in the retail and direct marketing industries. She is the former President and CEO of Bear Creek Corporation, which consists of both the Harry and David and Jackson & Perkins businesses.

Nancy is a past member of the Oregon Internet Commission, the International Trade Commission, the Southern Oregon Public Television Board of Directors, the Board of Yamanouchi Consumer Inc. and the Board of the Direct Marketing Association. She and her husband Jeff Monosoff live in Ashland, Oregon.



Carl Talton, Portland / Appointed September 2000, Reappointed 2005

Carl Talton is the Vice President for Government Affairs and Economic Development for Portland General Electric. Prior to joining Portland General Electric, Carl served as General Business Director for PacifiCorp's electrical operations in Montana, Washington and northern Oregon. Talton served as a board member of the Portland Development Commission from 1987-2002, and was board chair from 1995-1999. He now is a board member for several community organizations including Northeast Community Development Corporation, Oregon Association of Minority Entrepreneurs, United Way of Columbia-Willamette and the Mayor's Roundtable.



Tony Hyde, Vernonia / Appointed April 2004

Tony Hyde is a Columbia County Commissioner and has been serving since 1996. Tony spent over 20 years in the forest industry. Hyde has an extensive economic development background including Mayor of the city of Vernonia; he's served on the boards of the Columbia Pacific Economic Development Council, Northwest Oregon Economic Alliance and Association of Oregon Counties; and served on the Governor's Community Development Forum, Council of Forest Trust Lands, Forest Trust Lands Advisory Committee and the National Association of Counties Economic Development Steering Committee. Additionally, Tony has been involved in the arts, both as a working artist and art instructor for over 30 years.



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