



OREGON ECONOMIC & COMMUNITY DEVELOPMENT COMMISSION ANNUAL REPORT



# 2006 AT A GLANCE

- ✓ Oregon's economy was the eighth fastest-growing in the nation, adding more than 100,000 jobs during the year.
- ✓ Oregon ranked eighth in the Kauffman Foundation's *Index of Entrepreneurial Activity*.
- ✓ Oregonians established new companies at a rate greater than that of 42 other states.
- ✓ Oregon ranked fourth in the nation in patents registered per million residents and 12th in patent citations per million—it was the first year that Oregon placed above the national average in both categories.
- ✓ Oregon ranked 20th among all states for high-tech employment, third in semiconductor employment, tenth in software publishing employment, and tenth in computer and peripheral equipment manufacturing employment.
- ✓ Oregon ranked ninth in high-tech goods exports.
- ✓ More than 20,000 artists and 1,200 cultural nonprofits called Oregon home.
- ✓ Oregon ranked 13th in the nation in the number of high-speed Internet lines per 1,000 residents.
- ✓ Oregon was one of only four states to invest state resources in the renewable energy industry.
- ✓ Oregon ranked fifth as the state US residents would most like to call home and 11th as the American state foreigners would most like to call home.
- ✓ Filmmakers love Oregon. The state's environmental diversity, natural beauty, supportive cultural environment and Oregon Production Investment Fund program catapulted Portland to third place on the list of top film markets in the US.

December 2007

The Oregon Economic and Community Development Commission and the Oregon Economic and Community Development Department work together to bring opportunity to all Oregonians through economic growth, and 2006 showed great progress in advancing Oregon's economy.

Oregon added more than 100,000 new jobs in 2006, making the state's economy the eighth fastest growing in the country. As you will read, the department helped stimulate and nurture this growth, primarily through the work of its business and community development programs.

The department carefully tracks its performance according to legislatively adopted performance measurements. We are pleased that the department exceeded the majority of these goals, and are looking forward to reporting more progress next year.

By their very nature, annual reports look back and with that perspective, applaud successes, identify challenges and articulate plans for improvements.

On that note, we see great opportunities in new programs like the *Oregon Innovation Plan*, in reenergized relationships with private-sector enterprises like the Association of Oregon Counties and the Oregon Business Council, and in refocused partnerships with other agencies in the public sector that also advance Oregon's economy, agencies like the Department of Energy and governments like that in Baker City. Oregon's economic success depends on the table being round—and together telling the world that Oregon is a great place to do business.

We look forward to building upon the economic growth enjoyed, but not taken for granted, in 2006. We are designing our work towards developing a stable and growing economy for the long term. This means our programs will need to enhance both rural and urban communities; expand both existing and emerging industries, and assist both small and large businesses.

We are here to advance the economy of Oregon and with the help of our public and private partnerships, we will ensure there is hope and opportunity for all Oregonians in years to come.

Sincerely,



E. Walter Van Valkenburg, Chair  
Oregon Economic & Community  
Development Commission



Bob Repine, Director  
Oregon Economic & Community  
Development Department

Progress

SUSTAINABLE  
ECONOMIC  
DEVELOPMENT

EXPAND  
GLOBAL  
COMPETITIVENESS

CREATE JOBS

ASSIST  
COMMUNITIES

STRENGTHEN  
BUSINESSES

## MISSION

The mission of the Oregon Economic and Community Development Department (OECD), the state's lead economic development agency, is to

### ADVANCE THE ECONOMY OF OREGON

To fulfill this charge OECD organizes its work around three goals:

- **PROMOTE A FAVORABLE INVESTMENT CLIMATE** intended to strengthen businesses, create jobs and raise wages
- **ASSIST OREGON COMMUNITIES** to retain, expand and attract new business
- **IMPROVE THE NATIONAL AND GLOBAL COMPETITIVENESS** of Oregon firms and industries

The agency, through its divisions, provides the services needed to improve Oregon's economic viability. Each year, OECD works with the Oregon Legislative Assembly, the Governor's Office, industry and agency partners, and communities to ensure that programs and services meet policy makers' expectations, achieve measurable results and, ultimately, make a positive difference in the lives of Oregonians.

The commission and the agency continually seek opportunities to broaden Oregon's economic base by cultivating a range of growth industries. Strategically targeted industries such as food processing, sporting goods and apparel, advanced manufacturing, and semiconductor and photovoltaic production are examples of the state's industrial diversity that bring stability and hedge the effects of a national economic downturn.

OECD is proud of its achievements. Each time a patent is filed, an "open for business" ribbon is cut, or a new paycheck is cashed, Oregon citizens can be proud too.

# THE TABLE IS ROUND

Strong partnerships among OECDD, communities, agencies and the private sector make it possible to attract new firms, create new jobs and promote Oregon economic and community development.

OECDD's 2005–2007 biennial budget of \$469.3 million supported the work of five divisions:

- **Business and Trade Development** helps businesses expand in or move to Oregon, supports existing businesses, manages incentives programs, promotes international trade and provides small business services.
- **Community Development** works with local and regional jurisdictions and stakeholders to ensure that they can access resources and assistance from federal and state financing programs. These federal and state programs invest in infrastructure to ensure communities maintain quality of life and are prepared for economic growth.
- **Innovation and Economic Strategies** looks ahead to build support now for the industries of the future. It conducts industry and community outreach, supports research and development, promotes an industry cluster strategy and works closely with the Oregon Innovation Council (Oregon InC) to keep Oregon on the leading edge of technology.
- **Central Operations** tracks performance, administers financing programs and supports the department's programs and administrative services common to all divisions.
- **The Oregon Arts Commission and the Oregon Cultural Trust** advocates that arts and culture are cornerstones of community and civic life. Its work enhances and enriches the lives of all Oregonians.

The department had eight performance measures established by the Legislative Assembly that gauge progress across all programs. In 2006, OECDD exceeded five of the key performance targets and was within close reach of the remaining three performance targets.

Overall, the department showed great success fostering and nurturing the growth of Oregon's economy through business, community and cultural development, all of which make the state a desirable place to live, work and play.

## Executive Summary

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Research lab at Portland State University; a member of the Oregon Nanoscience and Microtechnologies Institute (ONAMI). Photo courtesy of ONAMI

## Agency Divisions

The Business and Trade Development Division sponsored and organized the state's trade mission to Japan and Korea from June 24 to July 1, 2006. The goal of the trade mission was to expand growth in exports from Oregon's small and medium enterprises to these two markets while also seeking to retain and increase investments in Oregon from Japanese and Korean businesses. The Oregon delegation to Korea comprised of 34 public and private representatives. Fifty Oregonians represented the state in Japan. The Oregon delegation met and developed business relationships with Japanese and Korean government and business leaders. The visit also celebrated the 15th anniversary of the Oregon-Toyama, Japan Sister State alliance. Since the visit, Business and Trade Development staff have maintained close ties with Japan and Korea to boost growth of Oregon's exports and new foreign direct investment into Oregon.

## BUSINESS & TRADE DEVELOPMENT

The Business and Trade Development Division (BTD) encourages business and industry growth, retention and job creation by making Oregon communities ideal places to do business. Program staff focused their efforts on removing barriers to industry growth; addressing common industry needs such as workforce development, financing or global market access; and promoting needed economic development infrastructure. Top-notch programs and services are delivered in four areas:

**Business Development** comprises twelve business development officers who serve as liaisons to all of OECDD's programs. Two of these business development officers support statewide recruiting efforts, providing site-selection assistance to firms seeking to locate in Oregon. Ten business development officers connected Oregon firms and industries that have similar interests or corresponding needs. These efforts promoted the state's industry cluster strategy, ensuring that the full complement of intelligence, resources and services from across public and private sectors are brought together to meet common needs.

**Business Support Services** program staff manage the state's business incentives including the Strategic Investment Program (SIP) and regionally managed enterprise zones. Staff also support and track business leads, project management and reporting. Business Support Services also administers the Governor's Strategic Reserve Fund and Industry Sector Outreach programs.



Governor Ted Kulongoski led an Oregon delegation on a trade mission to Japan in November 2006.

## OREGON 2006 GROSS DOMESTIC PRODUCT (GDP)

North American Industrial Classification System (NAICS) Industry	Millions of Dollars	% State GDP
Manufacturing	\$26,494	17.5%
Government	\$20,529	13.6%
Real estate and rental and leasing	\$20,402	13.5%
Health care and social assistance	\$11,309	7.5%
Wholesale trade	\$10,161	6.7%
Retail trade	\$8,662	5.7%
Construction	\$8,493	5.6%
Professional and technical services	\$7,273	4.8%
Information	\$7,156	4.7%
Transportation and warehousing, excluding Postal Service	\$4,776	3.2%
Administrative and waste services	\$4,019	2.8%
Agriculture, forestry, fishing and hunting	\$3,768	2.7%
Accommodation and food services	\$3,702	2.4%
Other services, except government	\$3,264	2.2%
Management of companies and enterprises	\$2,748	1.8%
Utilities	\$2,232	1.5%
Educational services	\$1,007	0.7%
Arts, entertainment and recreation	\$946	0.6%
Mining	\$162	0.1%
<b>Total Gross Domestic Product by State</b>	<b>\$151,301</b>	<b>100%</b>

Source: Bureau of Economic Analysis

**International Trade Services** staff connect Oregon's economy to global commerce by helping Oregon products find international markets. International Trade Services has four international trade officers who focus on capacity building and educating Oregon firms and industries about global opportunities in key business clusters. Trade officers link Oregon firms with agents, distributors and partners in foreign markets. International trade staff manage the Oregon Trade Promotion Program, which helps Oregon firms find and participate in events, trade shows and missions. The work of the International Trade staff is assisted by the state's foreign trade representatives in Japan, Korea, China, Taiwan and Europe.

## TOP 5 OREGON TRADING PARTNERS 2005–2006

### \$ VALUE OF EXPORTS

	2005	2006
Canada	\$1,753,802,838	\$1,982,680,123
China	551,472,628	997,383,548
Japan	905,571,061	897,386,481
Korea Republic	968,546,780	967,908,010
Malaysia	624,836,879	965,433,912

Source: International Trade Administration, U.S. Department of Commerce

**Small Business Services** program staff support a statewide network of Small Business Development Centers that provide services such as information, referral and training to current and aspiring small business owners. Additionally, Small Business Services aids Targeted Service Providers who offer specialized business support services to women, minorities or small businesses in economically challenged communities. Program staff also assist the Governor's Small Business Council, a state-level advisory body that offers guidance on how to maintain a strong economic environment for the state's small businesses.



## CENTRAL OPERATIONS DIVISION

The Central Operations Division provides services across the department to all divisions and tracks agency performance. Central Operations is an integral part of the delivery of department programs through such value-added services as:

- Contract development
- Business and public finance
- Information systems
- Budgeting and fiscal functions
- Administration, including facilities, performance measures, regulatory compliance, government relations and a range of internal support functions

In addition to providing critical operations support, division staff also work to maximize program efficiency. For instance, business and public finance staff pursue revenue returns from loan programs so that other agency programs in need of investment capital can be funded.

In 2006, program staff made major progress in mobile enterprise capability, increased the use and effectiveness of mobile devices and Web video-conferencing, improved productivity and decreased costs. Central Operations staff streamlined development and implementation of agency contracts. Additionally, the Budget and Fiscal Unit received a Gold Star Certificate from the state controller for excellence in financial reporting. The division also worked with the department's economist to better measure the public benefit of department programs through return on investment calculations.

Business finance staff, located within Central Operations, helps businesses and communities access financing from a variety of sources.

Business finance officers market business funds including:

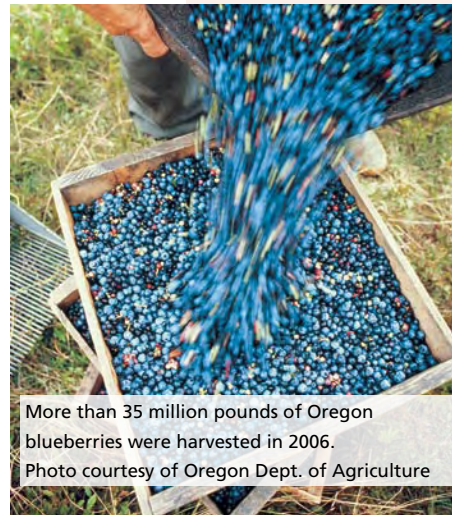
- Oregon Business Development Fund
- Capital Access Program
- Credit Enhancement Fund
- Entrepreneurial Development Loan Fund
- Industrial Development Bond Program

## Who's moving to Oregon?

Firms representing many diverse industries located to Oregon in 2006. Here are a few:

- Genentech, a biotechnology research firm headquartered in the San Francisco Bay area, announced that it would locate a \$250 million distribution center in Hillsboro, initially creating 350 jobs with plans for a \$50 million expansion.
- Google announced its intention to site a research and storage facility in The Dalles, creating 100 jobs by 2008.
- Amy's Kitchen opened the largest organic vegetarian food processing facility in the world in White City. The company's \$60 million investment has already created 400 jobs in southern Oregon.
- Alfa Leisure, a recreational vehicle manufacturer, created 200 new jobs and located on a Certified Site in the South Umpqua Valley Industrial Park.
- Tyree Oil, Inc., located their biofuel receiving and distribution center to Eugene on a former Brownfield site.
- Kerr Concentrates, Inc., moved their Washington

plant to their Salem location and expanded their food processing capability. They retained 44 jobs and created 16 new positions. They produce purees and concentrates with blueberries and other Oregon fruits and vegetables.



More than 35 million pounds of Oregon blueberries were harvested in 2006.  
Photo courtesy of Oregon Dept. of Agriculture

## Oregon InC

The Oregon Innovation Council (Oregon InC) was created by the Governor and the Legislative Assembly in 2005, and started work in 2006. Its initial task was to develop the first comprehensive statewide *Innovation Plan* for Oregon. Oregon InC launched a competitive request for proposal process to identify promising innovation projects. The council chose eleven of the proposals to comprise the *2006 Innovation Plan*.

Four of the projects were policy initiatives aimed at increasing capital available to Oregon entrepreneurs and streamlining technology transfer. These proposals required a mix of legislative, regulatory and policy action, but no direct state-level investment.

The remaining seven projects are ongoing program initiatives targeting Oregon's key industry clusters and required direct investment of state dollars:

- The Ocean Wave Energy Initiative called for support of the Ocean Wave Energy Trust, subsidizing permitting and licensing fees for private-sector development projects, research and development, and production incentives. This package accelerated the development of intellectual property and technology transfer opportunities tied to the emerging wave energy industry.
- The Food Processing and Seafood Initiative promotes innovation linked to food-related processing, storage and distribution.

*continued on page 9*

They are responsible for collections and portfolio management, reviewing applications, assessing risk and making financing recommendations.

In partnership with the Community Development Division, public finance officers assist communities structure funding for a variety of infrastructure projects that need public financing. Their expertise includes review of loan and grant applications, risk assessment, financing recommendations and approval of contracts for the Special Public Works Fund, Water/Wastewater Fund and Safe Drinking Water Fund. Additionally, public finance officers manage the Oregon Bond Bank.

In 2006, Business Finance staff completed a communication program to reach external lending partners and conducted eight training sessions around the state. Staff influenced several key loan structures, including those for the Port of Brookings Harbor, Port of Astoria and Port Westward Rail, among many others. Business Finance also upgraded its loan tracking systems to improve accounting and auditing of all finance projects.

## INNOVATION AND ECONOMIC STRATEGIES DIVISION

The Innovation and Economic Strategies (IES) Division is the newest agency division. Launched in 2005, IES was established to research and implement forward-looking policies and strategies to advance Oregon's economy.

The division organizes its work around mutually supporting functions:

- Industry and community outreach to promote innovation-based economic development
- Economic research and analysis
- Staff support for the Oregon Innovation Council (Oregon InC)

In 2006, IES staff focused its research, policy and outreach work around the areas of sustainability, cluster strategies and telecommunications.

Sustainability is an increasingly important lens through which economic activity is viewed across the globe. Oregon, long a proponent of sustainable technologies, products, processes and development, has established itself as a

leader in the sustainability movement. IES is working to help Oregon firms leverage sustainability as a key economic asset.

Renewable energy is a key area of sustainable development. In 2006, IES advanced a renewable energy agenda in Oregon by:

- Creating a Renewable Energy Feasibility Fund, a financial incentive for Oregon municipalities to invest in publicly owned renewable energy projects
- Supporting the launch of the Bio-Economy and Sustainable Technologies (BEST) signature research center and the Wave Energy Initiative, as part of the *Oregon Innovation Plan*
- Participating in the state's forest biomass working group, renewable energy working group and the Northwest Biofuels Association
- Co-sponsoring and organizing the state's Energy Summit, hosted by the Business Alliance for Sustainable Energy and the Central Oregon Intergovernmental Council
- Co-sponsoring the Oregon Science and Technology Partnership's inaugural biofuels conference

IES is pursuing cluster-based economic development strategies to advance innovation and competitiveness in Oregon. A cluster is a group of companies that interact based on inherent business relationships among firms and organizations in a region. IES uses research to identify Oregon clusters and coordinates strategies with other state and local agencies, industries and organizations. As an approach to economic development, cluster strategies are compelling because they rely on business networks and promote development rooted in an industry's unique economic strengths.

The IES Division supports the work of the Oregon Innovation Council (Oregon InC), one of the country's most forward-thinking public-private partnerships dedicated to promoting innovation as a long-term economic growth strategy. In 2006, Oregon InC developed the inaugural *Oregon Innovation Plan*, a portfolio of policies and investments in public-private initiatives to enhance Oregon's competitive advantage in key emerging and established industries including ocean wave energy, nanotechnology, infectious disease drug development, manufacturing, food processing, seafood and sustainable technologies.

- The Manufacturing Competitiveness Initiative included financing for program and technology improvements in Oregon universities and workforce training initiatives tied to advanced manufacturing.
- The recently launched Oregon Nanoscience and Microtechnologies Institute (ONAMI) received assistance to build capacity.
- The Oregon Translational Research and Drug Development Institute (OTRADI) received seed funding to focus on the development of pharmaceuticals for infectious diseases.
- Seed funding was provided to the Bioeconomy and Sustainable Technologies (BEST) Center to promote innovations in bio-based products, green building (and materials) and clean energy.
- An Innovation Accelerator Fund received funding to enable the cultivation of Oregon's next-generation innovation proposals, preparing them for competition in subsequent rounds of Oregon InC planning and program activities.

The Legislative Assembly invested \$22.9 million in the *Oregon Innovation Plan* in 2006–07. Almost as important as the investments themselves are the unprecedented public-private partnerships created as a result of the Oregon InC planning process. Oregon InC brought state economic development professionals together with some of the sharpest minds and most experienced innovators in the state to collaboratively shepherd Oregon's future economy.

## Identified industry clusters

These statewide clusters aren't the only clusters in Oregon; indeed, each contains many smaller, regional clusters. For example, winemaking is a subset of the agricultural product cluster.

- Business services (creative and design services, architecture, etc.)
- Wood/other forest products
- Electronics and advanced materials (semiconductor, electronic manufacturing, etc.)
- Logistics and distribution (transportation service providers, warehousing, storage services, etc.)
- Processed food and beverage products
- Agricultural products (crop production, livestock)
- Metals and machinery manufacturing
- Transportation equipment and parts
- Information technology (software publishers, telecommunications companies, Internet service providers)
- Apparel, sporting goods design and manufacturing
- Communication equipment (computer equipment manufacturing, audio/video manufacturing, magnetic/optic manufacturing)
- Medical products (medical equipment, pharmaceuticals manufacturing)

## INDUSTRY CLUSTERS

The future of Oregon's economy is a group effort—government and private sector—working together to ensure a climate of growth. The private sector will realize mutual benefit by working together in clustered groups, and government can more effectively meet their needs.

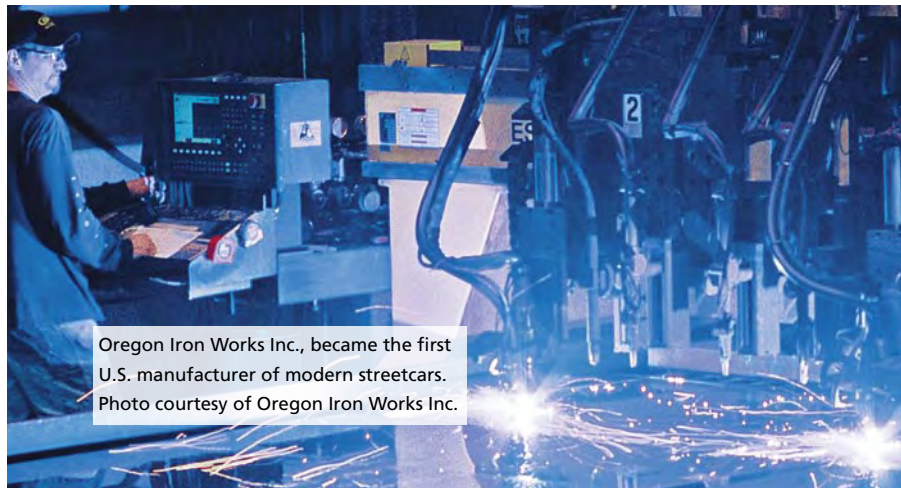
## WHAT ARE BUSINESS CLUSTERS?

Oregon defines clusters as groups of companies that interact based on inherent business relationships among firms and organizations in a region. These relationships are based on common or complementary products, production processes, core technologies, natural resource requirements, skill requirements and distribution channels. Clusters also typically represent the social and cultural values of their communities.

## WHY ARE CLUSTERS IMPORTANT?

Cluster strategies build on existing economic development efforts and strengthen Oregon's economy by clearly defining needs. Working together in clusters with other companies gives each single business clout on issues that are important to all the businesses within that cluster. State agencies can provide better service by:

- Linking workforce and economic development policy
- Providing important coordination mechanisms for training
- Streamlining regulatory and product development efforts



Oregon Iron Works Inc., became the first U.S. manufacturer of modern streetcars.  
Photo courtesy of Oregon Iron Works Inc.

## COMMUNITY DEVELOPMENT

The Community Development Division (CDD) helps Oregon communities meet their infrastructure and community development needs. Regional coordinators provide direct management of and technical assistance support for development projects, working with local jurisdictions, other agencies and port authorities.

CDD policy and program coordinators maintain specific expertise on a range of tools and resources available to help communities with development projects including:

- The Oregon Water/Wastewater Financing Program, Special Public Works Fund, Safe Drinking Water Revolving Loan Fund, and Port Planning and Marketing Funds
- Federal Community Development Block Grant and Brownfields Redevelopment Fund programs
- The Marine Navigation Improvement Fund, a joint US Army Corps of Engineers and state matching fund

Division staff help communities identify and qualify for specific programs or financial assistance, connect to other state or federal agencies with relevant resources or expertise, and navigate policy and implementation issues with neighboring jurisdictions. The Community Development Division also manages the Governor's Industrial Site Certification Program and works with the Oregon Department of Transportation to maximize the benefits of transportation projects launched under the ConnectOregon program.

In 2006, the Community Development Division awarded \$68 million in loans and \$13.6 million in grants to 81 development projects enhancing the quality of life for Oregonians. Examples include improvements to wastewater treatment facilities in Mosier and Ontario, public utilities in Bandon, large industry transport infrastructure in Albany and the construction of Harney County Hospital.

The Regional and Rural Investment Program supports the work of 13 regional investment boards to help local officials expand and diversify their economies by developing long-term strategic plans and short-term investment strategies. The boards also coordinate with the department to ensure that the state's economic development priorities are met. The boards are composed of representatives from cities, counties, tribes, ports and special districts. They also



Salmon Harbor (Winchester Bay), Oregon



include a representative of rural interests and significant representation from the private sector. The county commissions in each region appoint the individual members serving on the regional boards.

The program provides an incentive to communities to form efficient regional groupings and partner with the state to align economic development agendas and coordinate funding from multiple sources. The success of the Regional Investment Program is measured by job creation and retention and leveraged investment results. During the 2005–07 biennium, the Regional Investment Program was funded at \$7.1 million. The investments in 2005–07 by the regional boards contributed to creation/retention of 3,561 jobs and leveraged \$184 million in other public and private investments.

## ARTS, CULTURE & FILM

OECD staffs the **Oregon Arts Commission and the Oregon Cultural Trust**.

The Arts Commission advocates for arts and culture as cornerstones of community and civic life and its work is based on the understanding that:

- Arts help us discover who we are
- Arts bring people together, strengthening communities
- Arts are critical for our students
- Arts add value to Oregon's economy

Both the Cultural Trust and the Arts Commission work to ensure that art and culture touch the lives of all Oregonians. Over 5,000,000 Oregonians and visitors experienced the arts in 2006, and arts and cultural programs reached 503,000 Oregon youth. Over 23,350 artists were involved in arts programs.

Through advocacy, policy development and planning, the Arts Commission seeks funding for and makes grants to the artists and arts organizations. In 2006, the commission awarded 192 grants totaling \$988,422. Arts groups matched these funds with \$83,488,539 in earned and contributed income.

During fiscal year 2006, the Arts Commission began to develop a new strategic plan that focused on building the capacity of arts groups with increased grant funds, expanded technical assistance to artists and activities to forge stronger relationships between the business and arts communities.

Ed Carpenter's TECOTOSH sculpture at Portland State University's Maseeh College of Engineering. The work was commissioned by Oregon's Percent for Art in Public Places Program, administered by the Oregon Arts Commission.  
Photo by Bruce Forster.

The Cultural Trust is Oregon's unique mechanism to increase and leverage public and private support for culture, the arts, heritage and the humanities. In 2006, the Trust raised over \$2.8 million.

In fiscal year 2006, the Cultural Trust announced grants of more than \$1.3 million to 108 Oregon cultural organizations. Competitive grants were awarded to 58 cultural nonprofits, including projects that were pivotal to community revitalization including the Crossroads Arts Center in Baker City, the North Plains Public Library and the Oregon Film & Video Foundation for the renovation of Portland's historic Hollywood Theatre. More than \$415,000 was awarded to Oregon's 45 county and tribal coalitions and an additional \$415,000 was awarded to Oregon's five statewide cultural partner agencies.

The Arts Commission also manages the state's Percent for Public Art program. The state collection now includes more than 3,000 works of art enhancing public buildings and campuses of higher education. In order to make the collection available to the broader community, the Arts Commission, in partnership with the University of Oregon Libraries, embarked on the development of one of the most comprehensive, searchable databases of public art in Oregon. When complete, the database will make images and information on the state's public art widely available to the public.

The **Oregon Film and Video Office** helps productions large and small find exactly the right film locations in the geographically diverse and beautiful state of Oregon. In addition to finding locations, the Film and Video Office promotes the film, video and multimedia industry in Oregon, raising its profile by measuring and communicating the industry's economic impact.

In 2006, nine major productions were filmed in Oregon, infusing thousands of dollars into Oregon hotels, restaurants, hardware stores, retail shops and creative firms.



# Budget

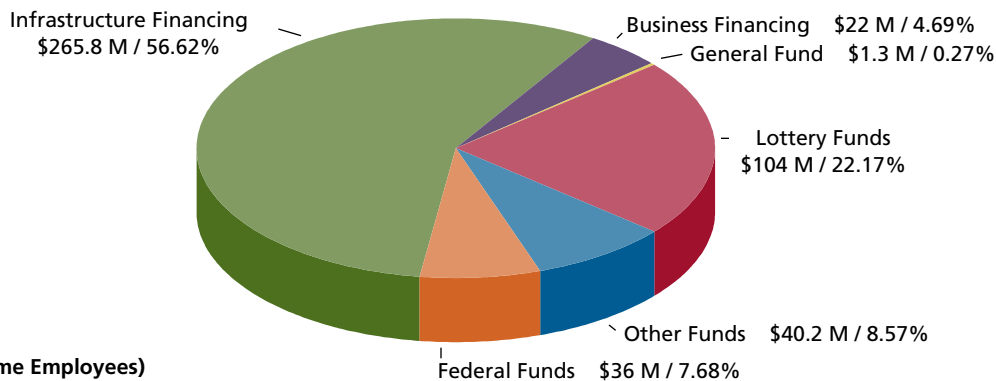
## SOURCES OF FUNDING

The department's funding for the 2005–2007 biennium was \$469.3 million. Importantly, nearly 69 percent of these resources were derived from two sources: the federal government and infrastructure financing. More than half of the federal resources were tied to “pass-through” programs for infrastructure improvements or development projects. Loan repayments, bond proceeds and interest earnings comprised the infrastructure and business financing sources.

The remaining sources of funding were:

- Oregon Lottery Funds, amounting to 22.2 percent of the department's sources of funding or about \$104 million. Lottery funds are a critical economic development resource in Oregon.
- Other Funds, including revenue from Department of Human Services for the federal Safe Drinking Water program, Cultural Trust donations, interest earnings and a variety of small sources.
- General Fund revenues, totalling \$1.3 million or .27 percent of the department's 2005–07 funding sources. These resources provided the state-funded matching dollars required to attract federal funds to the Arts Commission and other federal grant programs.

**2005–07 OECD Sources of Funding**  
**Total: \$469.3 Million**



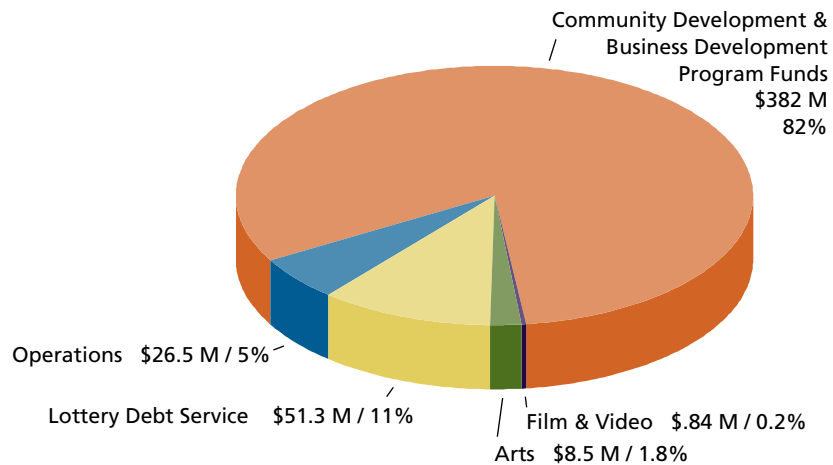
117.58 FTE (Full-Time Employees)



Resources are allocated across the different divisions of OECDD per direction of the Economic and Community Development Commission and the Legislature. The 2005–07 biennial budget allocation was:

- Community Development & Business Development Program Fund—\$382,052,886
- Lottery Debt Services—\$51,346,984
- Operations—\$26,552,201
- Arts—\$8,558,180
- Film & Video—\$841,605

**2005–07 OECDD Legislatively Approved Budget  
By Program Area  
Total: \$469.3 Million**



# Key Performance Measures

In 2006, the department streamlined its performance measurement system, both to achieve a greater focus and to encourage collaboration across agency programs.

The department measured nine key performance indicators that reflect the Legislature's strategic priorities. Progress on these indicators is summarized in the table.

The department exceeded five out of the eight targets that were set, and was one project short

of meeting its infrastructure planning target. The Site Certification Program was a new initiative that had a longer ramp-up time than anticipated. The department is looking for further ways to impact and evaluate export sales.<sup>1</sup>

The commission, the department and the Legislature will continue to evaluate the key performance measurements to ensure an efficient and effective return on public investment.

## 2006 PROGRESS ON KEY PERFORMANCE MEASURES<sup>2</sup>

2006 Measures	Target	Actual
<b>Jobs created</b> —the increase in employment among the firms participating in and directly benefiting from OECD programs	5,525	5,852
<b>Jobs retained</b> —the number of jobs retained by firms participating in and directly benefiting from OECD programs	2,975	5,420
<b>Export sales<sup>2</sup></b> —the growth in sales among Oregon firms assisted directly by OECD programs	\$18M	\$11.8M
<b>Industrial site certification</b> (sites/acres certified)	20 sites/ 1,800 acres	13 sites/ 768 acres
<b>Infrastructure constructions</b> —number of community capital projects assisted	50	65
<b>Infrastructure planning</b> —number of community capital projects assisted in planning	45	44
<b>Cluster business plans</b> —number of identified traded sector industry clusters with active business development plans	10	13
<b>Number of patents</b> per 10,000 Oregon businesses	180	195
<b>Customer service</b> —percentage of customers rating their experience with the agency good or excellent	No target— 2006 was baseline year	88%

<sup>1</sup>Just after OECD's performance was measured, a very significant export deal the department assisted with was closed. This will have a significant positive effect on next year's export sales performance.

<sup>2</sup>Because the fiscal year differs from the program year, 2006 performance comprises the four quarters between July 2005 and June 2006.

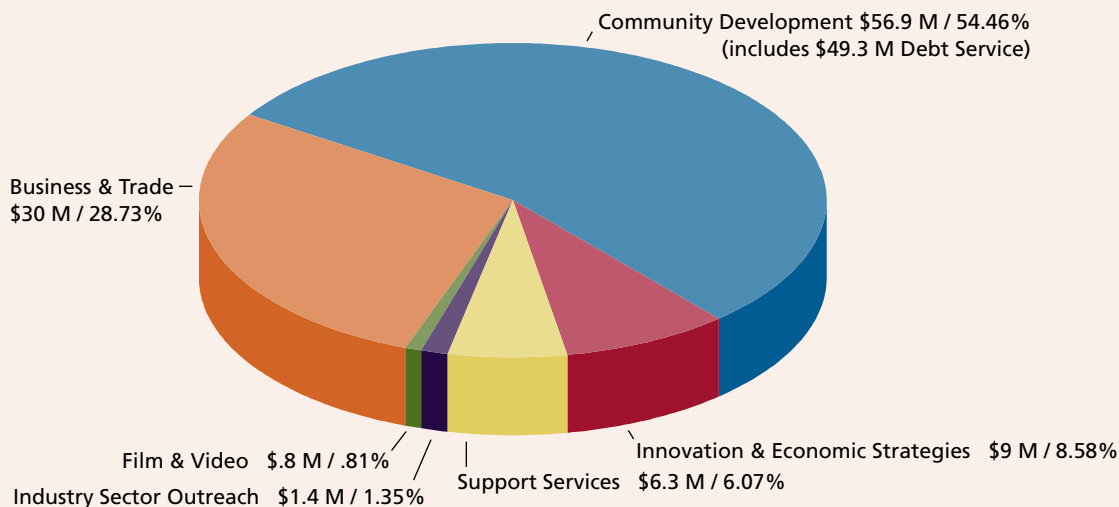
## Why the Lottery is a critical source of economic development revenue

The Oregon Lottery, created by voters through an amendment to the Oregon Constitution in 1984, was established for the express purpose of supporting economic development in Oregon. Of the revenue earned by the Lottery, 50 percent must be returned to the public in the form of prize money and 16 percent may be used for administration—the Lottery is entirely self-funded and places no financial burden on the state. The remaining 34 percent is invested back through the state for public purposes.

In 1995, Oregon voters passed a constitutional amendment adding public education to lottery funding. In 1998, voters added state parks and salmon conservation programs to the list of allowable uses of proceeds, in addition to economic development. Today, 64 percent of lottery profits are used for public education, 20 percent for economic development with the remaining going to state parks and watershed enhancement.

In the 2005–07 biennium OECD received \$104,452,624 in lottery funds.

**2005–07 OECD Legislative Approved Budget  
By Division—Lottery Funds  
Total: \$104.4 Million**



## 2006 OREGON ECONOMIC & COMMUNITY DEVELOPMENT COMMISSION

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Nancy L. Tait

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Tony Hyde

Rep. John Lim, Ex Officio

Sen. Betsy Johnson, Ex Officio

**O R E G O N**

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