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Background Brief on...

# Oregon Economic and Community Development

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## Background

The downturn in the nation's economy during the last four years has also greatly affected Oregon's economy. Oregon has seen lost business growth, overall economic instability, and especially high unemployment rates across the state. To help combat these trends, the 2003 Legislature placed increased emphasis on general economic growth and job creation.

State economic development efforts are carried out by, and coordinated through, the Oregon Economic and Community Development Department (OECDD). With affiliated state boards and commissions the OECDD cooperates with a wide variety of regional and local economic development agencies to further the state's business interests.

## Oregon Economic and Community Development Department

The mission of OECDD is to "assist Oregon businesses and governments to create economic opportunities and build quality communities throughout Oregon." The department works with communities, organizations, and businesses statewide, with particular focus, as directed by ORS 285A.020 and 285A.045.

The OECDD is structured into divisions, regional offices, advisory commissions and funding programs which work together to develop both, Oregon businesses and Oregon communities.

## Business Development and Assistance

The OECDD provides integrated services to companies and organizations doing business in Oregon, primarily through its 13 regional offices. These services include; project development assistance, workforce development, finance assistance, incentive offers, small business programs, international trade assistance, tourism promotion, artistic/cultural development, and film industry support.

*Project Development Assistance* helps new businesses come to Oregon, and current businesses expand their physical operations in state. Through permit streamlining assistance the OECDD helps move projects from conception to completion. Infrastructure support is accomplished through the Special Public Works Fund, which provides Oregon Lottery money for public infrastructure to support business development projects that created or retain permanent jobs. Finally, the OECDD offers project

siting assistance by providing a custom proposal of available sites to traded sector companies interested in Oregon.

*Workforce Development Assistance* has become increasingly important with recent unemployment trends in the state. The OECD, with matching funds provided by the employer, awards grants to educational institutions, unions, and trade associations to help build training programs that are usually provided by public higher education institutions. Other workforce development tools include the governor's Workforce Initiative which utilizes regional Workforce Response Teams, the WorkSource Oregon web portal, and the Employer Workforce Training Fund to further link economic and workforce development efforts. OECD also coordinates with the Oregon Council for Knowledge and Economic Development (**OCKED**) to implement a competitive job strategy of putting Oregonians to work in jobs that are internationally competitive, to build a sustained economy, and to foster a stable tax base. OCKED will primarily focus on business and technology elements that build competitive advantages, and reinvestment in higher education with distinct centers of excellence. The goal of OCKED is to create a knowledgeable, dynamic workforce while simultaneously creating commercialized research.

*Business Financial Programs* administered by the OECD provide direct funding to Oregon businesses looking to expand their operations in various regions and markets. OECD administered funds include the Brownfields Redevelopment Fund, the Business Development Fund, the Business Retention Program, the Capital Access Program, the Credit Enhancement Fund, the Entrepreneurial Development Loan Fund, Industrial Development Revenue Bonds, Local Revolving Loan Funds, and the Oregon Trade Promotion Program.

*Oregon Business Incentives* deliver cost savings to firms investing or doing business in the state, and generally come in three forms: expense reducing incentives such as workers' compensation insurance; exemptions from taxation on new property through enterprise zones and the Strategic Investment Program (**SIP**); and reductions in State taxes levied on Oregon-based incomes.

*Small Business Assistance* is an important development component with 90 percent of all business enterprises in Oregon employing 20 or fewer people. The OECD works to connect small business ventures with regional and industry-specific organizations which specialize in small business support. A full listing of small business support organizations see:

<http://www.econ.state.or.us/BIsmbus.htm>

*International Trade* is supported through the International Division, which provides funding and support for Oregon companies looking for foreign market expansion. The division also encourages foreign firms to expand operations and investment within Oregon.

*Tourism Commission* promotes Oregon and Helps create jobs in tourism-related industries.

*Arts Commission* fosters the arts and cultural development in Oregon.

*Film & Video Office* (semi-privatized in 1995) promotes and provides a contact for the film, video, and television industry in Oregon.

### **Community Assistance**

OECD provides Oregon's communities with economic assistance by linking a community's developmental interests with those of viable business interests. The Community Development Division offers planning assistance to Oregon communities, with individualized economic development plans tailored to the community's specialized immediate need and long term strategic goals. Once a community's plan is synthesized, the OECD helps to lure viable businesses which share the community's developmental goals.

The same dual-goals of improving Oregon's communities and increasing economic opportunity in the state drive each of these service areas. However, the emphasis on how to achieve these goals periodically evolves to better reflect Oregon's economic situation. In 1997, the Legislative Assembly directed that Oregon's economic development system be designed to meet the changing economy in Oregon, to provide flexibility in funding statewide and regional needs, and to focus

on funding economic and community development services for rural and distressed communities. Recently the department has been reorganized to focus on job creation, while streamlining the industrial lands approval process to encourage business retention.

### **Recent Legislative Action**

House Bill 4026, passed during the 2002 First Special Session, required OECDD to develop an economic recovery plan for the state. That plan was completed in April 2002.

During the 2002 Third Special Session, the Oregon Senate passed Senate Resolution 4 (a non-binding expression of opinion), urging OECDD to improve its efficiency and productivity, provide accurate and verified performance-measurement data to the Legislative Assembly and submit strategies for improving high tech investment.

House Bill 2011, passed during the 2003 Legislative Session, had the purpose of reorganizing Oregon's development efforts to better reflect the state's current economic needs. The bill required the Oregon Economic and Community Development Commission to develop a mission statement for the OECDD that gives highest priority to promoting job development in Oregon. HB 2011 established the multi-agency Governor's Economic Revitalization Team (formerly the Community Solutions Team) for the purpose of coordinating and streamlining state policies, programs and procedures and providing coordinated assistance between state agencies and local governments. The bill also established the Governor's Council on Oregon's Economy made up of various state commission and board chairpersons, and directed to coordinate their assorted economic development efforts. Finally, HB 2011 directed the OECDD to identify and prioritize up to 25 large industrial land sites, throughout Oregon, with high potential for marketability and job creation, capable of being developed within a two year time frame. In December, 2003 OECDD identified the 25 "Opportunity Sites" in each of the regions designated by the bill.

House Bill 3613 (2003), recognizing the increasing demand for venture capital funding, attempts to increase the venture capital resources available to Oregon businesses. The bill requires the Oregon

Investment Council (OIC) to look first at Oregon opportunities for investment of venture capital, and additionally requires \$100 million be invested in Oregon businesses before January 1<sup>st</sup>, 2008 unless it is not prudent to do so. The bill also directed the OIC to place emphasis on investing venture capital in minority or woman operated business enterprises, and in "emerging growth businesses" as defined by ORS 348.701.

Senate Bill 715 (2003) streamlines the building code process for projects which are deemed "essential or vital to the state's economic well being." A rapid approval team of state building code officials, the OECDD and the Department of Consumer and Business Services are directed to improve this process.

In response to the relatively low level of spending on tourism promotion when compared to other states, the 2003 Legislature passed House Bill 2267, imposing a one percent statewide transient lodging tax to be used to fund state tourism marketing programs.

Several additional bills passed by the 2003 Legislative Assembly provided business development tax incentives: House Bill 2671 modified the requirements for eligibility for long-term non-urban enterprise zone tax incentive. House Bill 2299 reduced the minimum investment needed to qualify for strategic investment program property tax exemptions, if a project is located in a rural area. House Bill 3183 expanded the corporate credit allowed for investment in qualified research and development activities, and increased the sales factor used for apportioning the income of multi-state corporations, benefiting companies that produce goods in Oregon and sell them outside the state.

### **Staff and Agency Contacts:**

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