



September 30, 2019

To: Amanda Beitel, LFO and Patrick Heath, CFO
Cc: June Shrimp, Legislative Administration IS
From: Chris Harder, Director, Business Oregon
Date: September 30, 2019
Re: Business Oregon Key Performance Measures

Dear Amanda and Patrick:

I am pleased to provide the accompanying FY 2019 Business Oregon Key Performance Measures (KPMs). We recognize the value in quantifying the work we do and welcome the opportunity to identify both our successes and areas for improvement. However, I would like to highlight the growing realization that some of our current KPMs do not accurately capture the work we are doing, are likely not reflective of the outcomes desired by the legislature, nor are they reflective of Business Oregon's new direction as outlined in our 2018-2022 Strategic Plan.

Historically, total job creation and retention have been the primary measure of success in economic development. The more jobs created or retained an economic development agency can directly claim, the better. Business Oregon's current KPMs are no different. In particular, KPMs 1 and 2 look at total jobs created and retained resulting from direct financial assistance. Under current KPM 1 and 2 definitions, the Governor's Strategic Reserve Fund (SRF) has been the primary driver of job creation and retention numbers. However, over the past eighteen months, guided by our new 5-Year Strategic Plan, Business Oregon and the Governor's Office implemented two significant shifts in how we use SRF.

First, due to a steadily decreasing SRF budget we are increasingly focused on the quality—rather than quantity—of jobs. This focus places a premium on job creation in disadvantaged communities where 25 jobs would arguably have a bigger impact than the creation of 250 jobs in the Portland metro area.

Second, we also shifted to using the SRF to invest in capacity development projects, which focus on longer-term economic outcomes over near-term job creation. Recent examples include our rural broadband initiative, marine infrastructure investment at Hyak Tongue Point in Astoria, and investment in the Oregon Enterprise Blockchain Venture Studio. In 2019, close to 50 percent of SRF investments went toward capacity building projects.

Additionally, KPMs 1 and 2 are limited by the data that feed the metrics. Currently, KPMs 1 and 2 don't account for the full breadth of our financial programs. For example, the Regionally Significant Industrial Site (RSIS), State Trade and Export Promotion (STEP), and Oregon Growth Fund (OGF) programs result in sizeable job creation numbers but are excluded from the current KPM calculation. The inclusion of RSIS alone would account for another 2,000 new jobs created into the measure.

More importantly, however, we are limited by considering only programs where the agency financially assists a company. We believe a more accurate measure of success would include the non-financial (technical) assistance we provide to business development projects. If we can positively impact a project without using public dollars, we will. That's a smart approach to economic development and strong stewardship of public resources.

We agree that KPMs are an important measure of our work, but believe they should truly represent the work we are doing. Under the guidance of our 5-year Strategic Plan, the agency is going through a process to update our metrics to better reflect our agency mission, our role in economic development outcomes, and the return on investment of our programs. This effort will occur in multiple phases over several years and will include working with the legislature and Legislative Fiscal Office to develop and track more appropriate KPMs. Details on our proposed metrics (12 new ones) can be found in our 2018-2022 Strategic Plan.

Warmest regards,

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Harder". The signature is fluid and cursive, with the first name "Chris" and last name "Harder" clearly distinguishable.

Chris Harder
Director

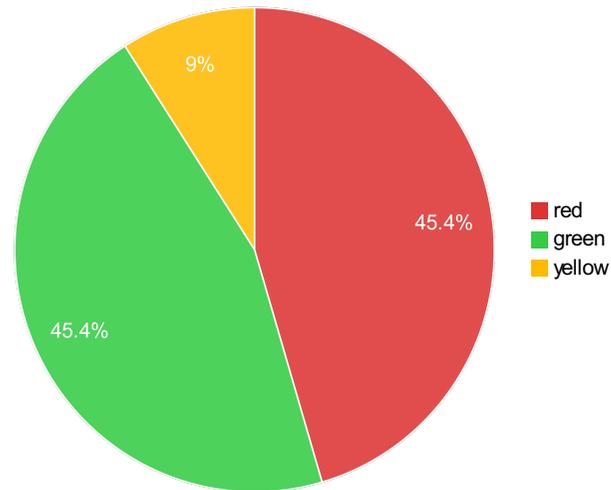
Business Oregon

Annual Performance Progress Report

Reporting Year 2019

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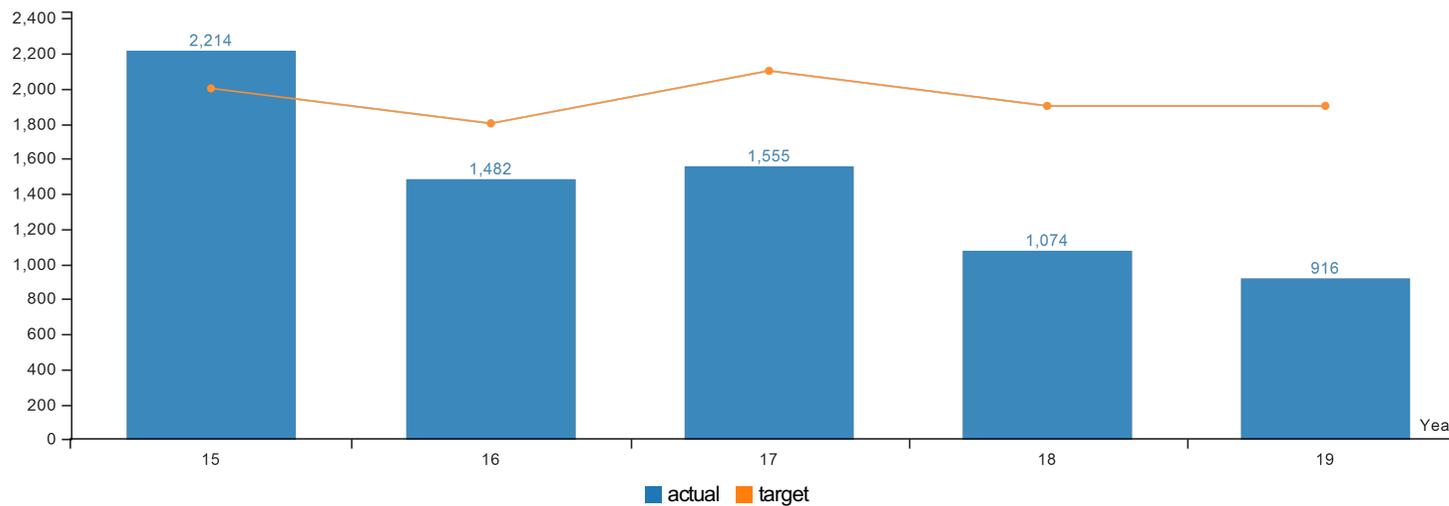
KPM #	Approved Key Performance Measures (KPMs)
1	Number of jobs created -
2	Number of jobs retained -
3	Personal income tax generated by the Department's investment in jobs -
4	New export sales of assisted clients -
5	a. Total dollar amount of federal contracts awarded to Oregon Businesses receiving Government Contract Assistance Program assistance. -
5	b. Number of federal contracts awarded to Oregon businesses receiving Government Contract Assistance Program assistance. -
6	Number of new industrial sites/acres certified "project ready." -
7	Number of community capital projects assisted for planning (infrastructure, community and organizational). -
8	Number of community capital construction financing projects that address public health and safety issues. -
9	Number of community capital construction financing projects that assist with future economic and community development. -
10	Customer Service - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, availability of information.



Performance Summary	Green	Yellow	Red
	= Target to -5%	= Target -5% to -15%	= Target > -15%
Summary Stats:	45.45%	9.09%	45.45%

KPM #1	Number of jobs created -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2015	2016	2017	2018	2019
Total jobs created					
Actual	2,214	1,482	1,555	1,074	916
Target	2,000	1,800	2,100	1,900	1,900

How Are We Doing

Business Oregon funds supported the creation of 916 jobs in Oregon in FY 2019. This was 52 percent short of the FY 2019 target of 1,900 jobs created. The number of jobs created in FY 2019 was 158 lower than jobs created in FY 2018, a decrease of 15 percent. Jobs created has steadily declined since FY 2015, when jobs created was 2,214.

The 916 jobs created reflect investments from the Strategic Reserve Fund, Business Expansion Program, Business Finance programs, and Oregon Innovation Council.

Factors Affecting Results

Employment in Oregon over this time increased by over 2 percent a year, as such, cyclical changes do not explain the decrease in jobs created at the department. Instead, the data reflects the multi-biennia decline in budget resources for job creation programs as well as several important strategic changes that have been implemented at Business Oregon to reflect the new economic priorities outlined in the agency's 2018-2022 Strategic Plan.

First, the primary driver of this metric is the Governor's Strategic Reserve Fund (SRF), which also includes the Business Expansion Program (BEP). Job creation decreased the most from Strategic Reserve Fund, with 573 jobs created in FY 2019, down 601 jobs from FY 2015. The primary focus of the agency's Business Finance programs and investments made by the Oregon Innovation Council—which both impact this metric—is not job creation, but providing capital for competitiveness, working capital, equipment purchase, R&D, etc. Over the past several biennia SRF/BEP resources have significantly declined. In 2013-15 \$11,760,442 in New Lottery Funding was awarded to SRF. In 2015-17, the amount was \$10,426,489, and in 2017-19 it declined further to \$6,722,639.

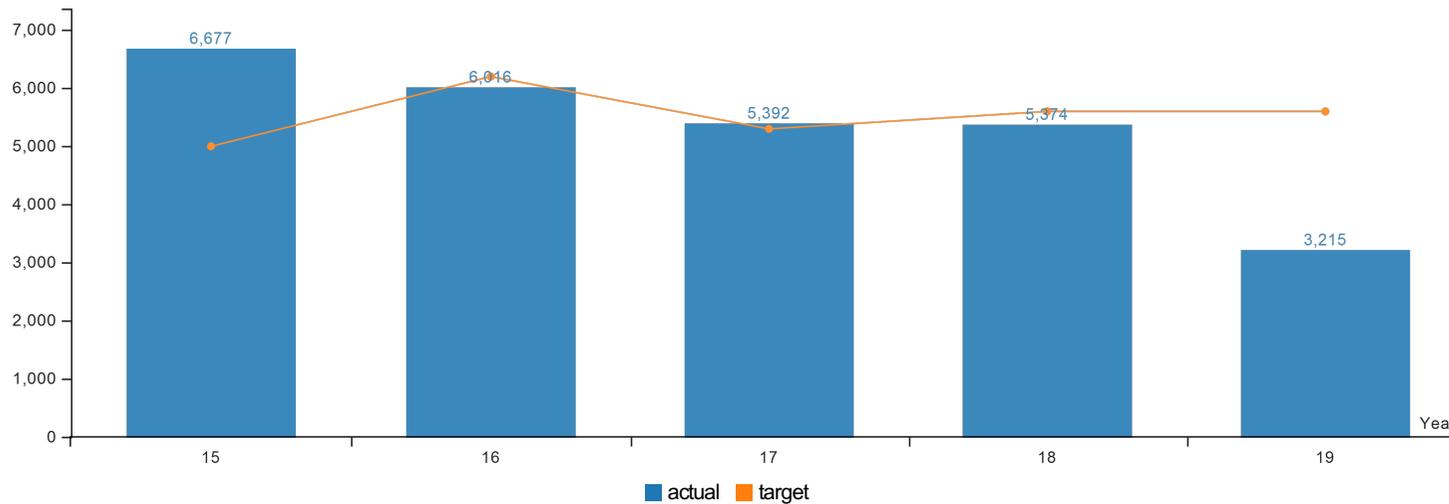
Second, under the direction of its 2018-2022 Strategic Plan Business Oregon is increasingly focused on the quality of jobs and the impact of jobs in underserved communities, versus our more historical focus—and this KPM's definition—of the quantity of jobs created. The agency's new focus places a premium on job creation in disadvantaged communities, where projects typically do not have as large of associated job numbers when compared to better-off urban communities.

Third, over the past two years—in coordination with the Governor's Office—Business Oregon adopted a new approach for SRF investments. Instead of a sole focus on direct job creation, the SRF invests in capacity development projects, which place a premium on longer-term economic outcomes over near-term job creation. Some recent examples include investments in 1) a rural broadband initiative, 2) support for cultural institutions, 3) marine infrastructure investments, and 4) resources for small business accelerators. In 2019, 47 percent of SRF resources went toward capacity development projects.

Lastly, this KPM only considers programs where the agency financially assists a company. It does not account for the non-financial assistance (technical assistance) we provide to many business development projects. If the agency can positively impact a business development project without using public dollars, we will.

KPM #2	Number of jobs retained -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2015	2016	2017	2018	2019
Total Jobs Retained					
Actual	6,677	6,016	5,392	5,374	3,215
Target	5,000	6,200	5,300	5,600	5,600

How Are We Doing

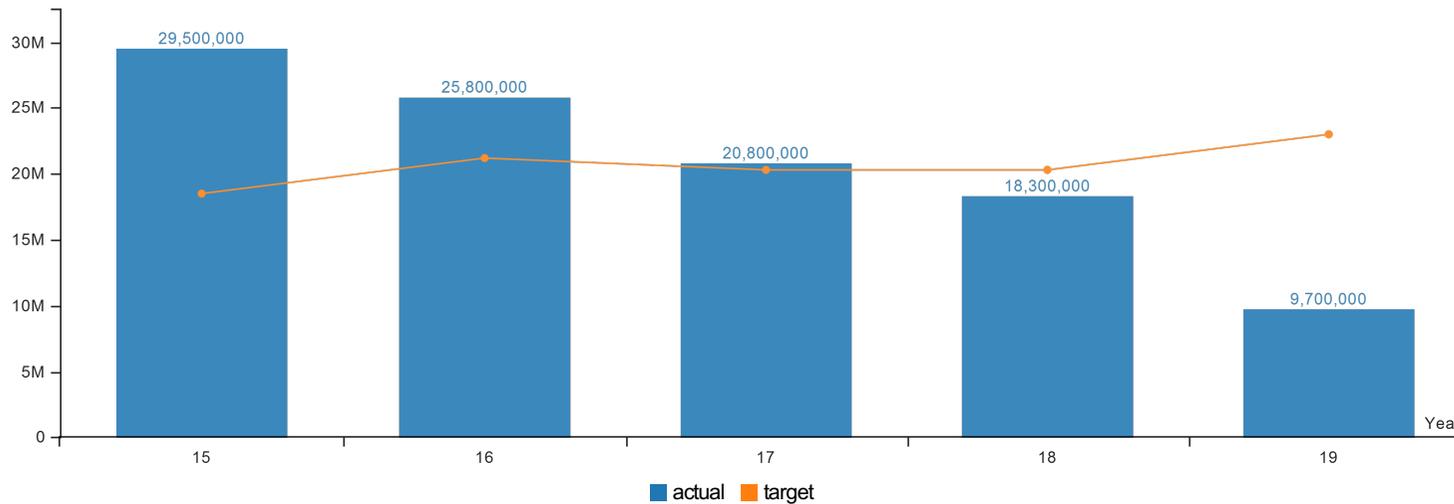
Business Oregon funds supported the retention of 3,215 jobs in Oregon in FY 2019. This was 43 percent short of the FY 2019 target of 5,600 jobs retained. The number of jobs retained in FY 2019 was 2,159 lower than jobs retained in FY 2018, a decrease of 40 percent. Job retention has declined since FY 2015, when jobs retained was 6,677. The 3,215 jobs retained reflect investments from the Strategic Reserve Fund, Business Expansion Program, Business Finance programs, and Oregon Innovation Council.

Factors Affecting Results

Employment in Oregon over this time increased by over 2 percent a year, as such, cyclical changes do not explain the decrease in jobs retained at the department. During times of economic growth the agency has historically seen a decline in projects specific to job retention as business stability is less of a concern. Similar to KPM #1, the data for KPM #2 reflects the multi-biennia decline in budget resources for job creation programs as well as several important strategic changes that have been implemented at Business Oregon to reflect the new economic priorities outlined in the agency's 2018-2022 Strategic Plan. The primary drivers of this metric are the Governor's Strategic Reserve Fund (SRF), which also includes the Business Expansion Program (BEP). Additional context and a more detailed explanation of can be found in the Factors Affecting Results section of KPM #1. In addition, a large portion of the decline from 2018 to 2019 is due to a project that was incorrectly categorized as a job retention project in FY 2018 that was removed from the FY 2019 analysis.

KPM #3	Personal income tax generated by the Department's investment in jobs -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2015	2016	2017	2018	2019
State Income Tax Revenue					
Actual	\$29,500,000.00	\$25,800,000.00	\$20,800,000.00	\$18,300,000.00	\$9,700,000.00
Target	\$18,500,000.00	\$21,200,000.00	\$20,300,000.00	\$20,300,000.00	\$23,000,000.00

How Are We Doing

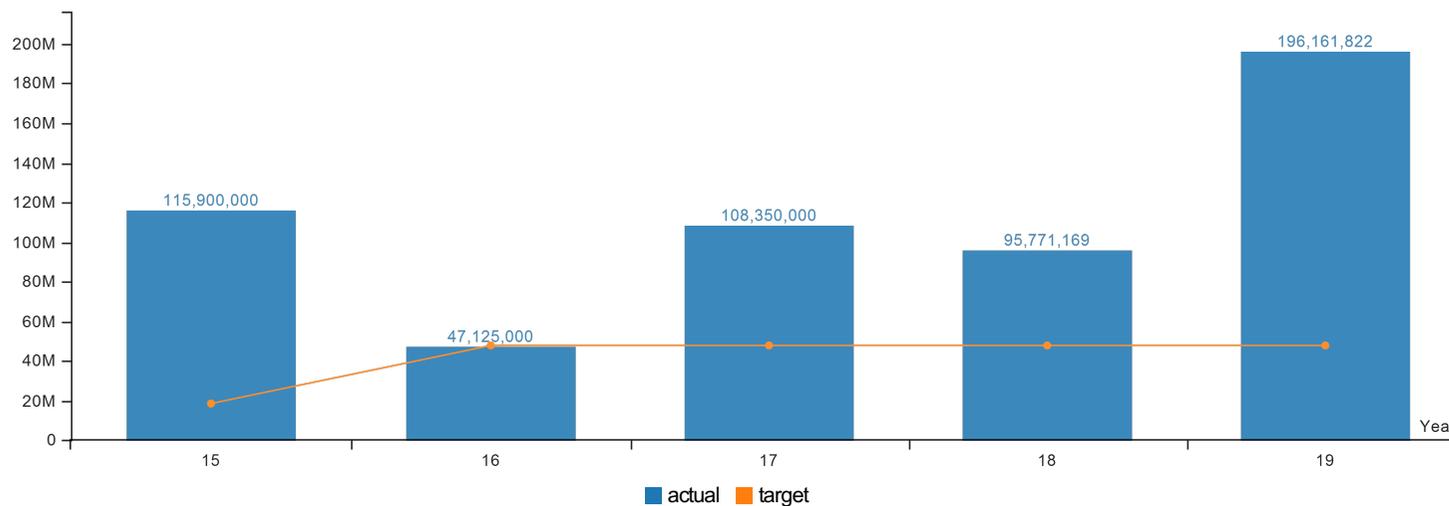
In FY 2019, jobs created and retained by businesses funded by Business Oregon generated an estimated \$9.7 million in state personal income tax revenue. This was 58 percent short of the FY 2019 target of \$23 million. Estimated state personal income tax revenue from jobs created and retained in FY 2019 was \$8.6 million lower than FY 2018, a decrease of 47 percent. The \$9.7 million in state personal income tax revenue reflect investments from the Strategic Reserve Fund, Business Expansion Program, Business Finance programs, and Oregon Innovation Council.

Factors Affecting Results

The combined jobs created and retained in FY 2019 were lower than FY 2018, which directly led to lower personal income taxes generated in FY 2019. A large portion of this decline is also attributed to a project that was incorrectly categorized as a job retention project in FY 2018 that was removed from the FY 2019 analysis. KPM #3 is directly correlated to KPMs #1 and #2. See explanations in the *Factors Affecting Results* sections of KPMs #1 and #2 for additional context and details. Lower personal income taxes generated by the department since FY 2015 are the result of lower jobs created (KPM #1) and retained (KPM #2) numbers over that time.

KPM #4	New export sales of assisted clients -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2015	2016	2017	2018	2019
New export sales of assisted clients (in millions of dollars)					
Actual	\$115,900,000.00	\$47,125,000.00	\$108,350,000.00	\$95,771,169.00	\$196,161,822.00
Target	\$18,475,000.00	\$47,800,000.00	\$47,800,000.00	\$47,800,000.00	\$47,800,000.00

How Are We Doing

Documented export sales for FY 2019 is \$196,161,822, exceeding the KPM target. This number includes immediate and expected export sales reported by companies receiving export assistance (both technical assistance and export grants) from Business Oregon, and sales reports from Business Oregon's Japan Representative office. Sales also were reported from Oregon companies active with Exlm bank, a supported partnership with Business Oregon where Business Oregon helps to identify and set up meetings with clients

In FY 2019, Business Oregon continued to utilize both a state-funded export grant program, the Oregon Trade Promotion Program (OTPP), and a federally-funded export grant program, State Trade Export Promotion program (STEP). Both programs help companies attend international trade events.

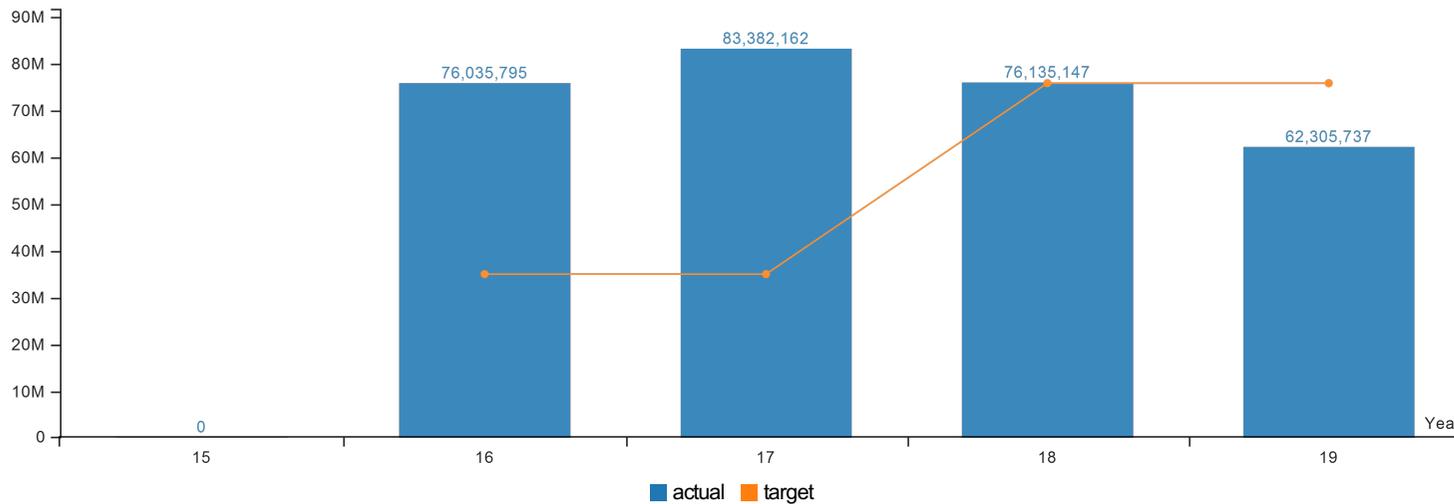
Factors Affecting Results

Over the last few years, demand for the department's services, connections, trade promotion opportunities, and export grants continue to increase as small businesses grow into the global economy. An important factor to consider is direct assistance to those companies seeking to grow their exports might not always lead to immediate sales or sales opportunities, especially for new to export companies or underserved businesses. Export development takes time and a commitment to a multi-year export development plan. Often, attendance at an international trade event is only the first step that will eventually lead to export sales.

FY 2019 produced another record year for exports in Oregon, despite mounting trade wars, tariff concerns, rising input costs, and a lack of container service for Oregon exporters at the Port of Portland. Exlm numbers are up significantly in FY 2019 due to this uncertainty around tariff and market entry barriers, as Exlm services help insure shipments are insured and paid for.

KPM #5	a. Total dollar amount of federal contracts awarded to Oregon Businesses receiving Government Contract Assistance Program assistance. -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2015	2016	2017	2018	2019
Total amounts of federal contracts awarded					
Actual	No Data	\$76,035,795.00	\$83,382,162.00	\$76,135,147.00	\$62,305,737.00
Target	TBD	\$35,000,000.00	\$35,000,000.00	\$76,000,000.00	\$76,000,000.00

How Are We Doing

The total amount of federal contracts GCAP achieved in fiscal year 2019 was \$62,305,737. This amount is 18 percent lower than the target.

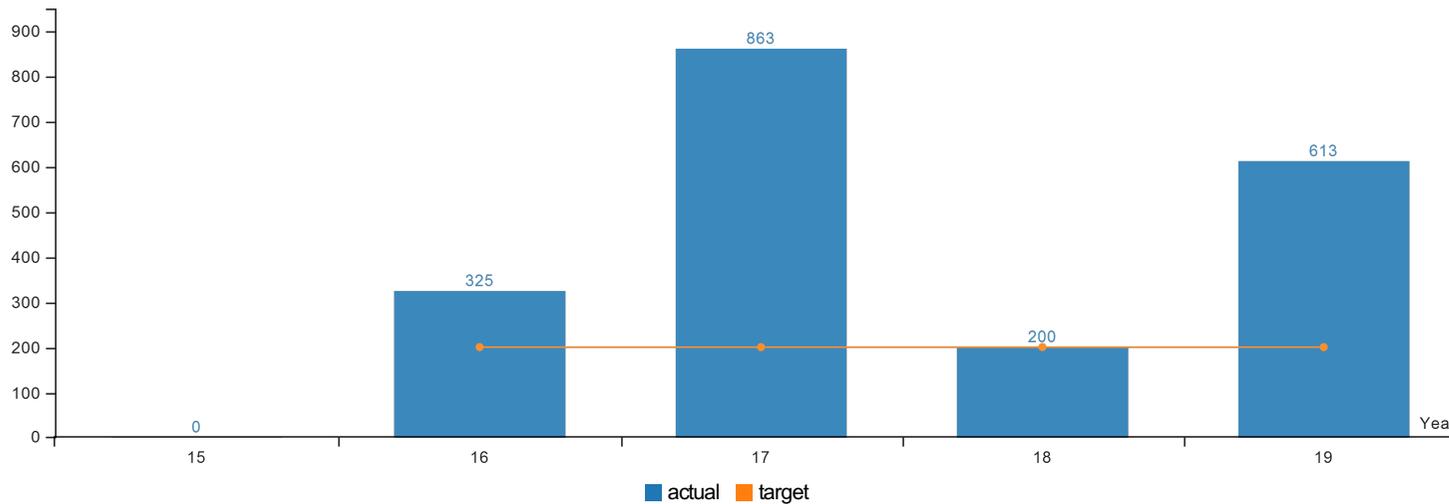
Business Oregon through its partnership with the organization for economic initiative's Government Contract Assistance Program (GCAP) assists new business start-ups and small firms seeking to grow their businesses through government contracting opportunities. The organization has over 25 years of experience in working with small businesses on early stage growth issues or training them on how to seek federal and state procurement contract opportunities. This measure looks at the total dollar amount of federal contracts awarded for the current fiscal year.

Factors Affecting Results

GCAP delivered 40 workshops in 2019. This is a 16.5 percent decrease in workshops from 2018. The decrease can be attributed to retirements associated with long-tenured staff. GCAP has replaced and trained relevant new staff and with the state's assistance—will increase workshops that provide assistance to distressed areas, as well as target underserved populations.

KPM #5	b. Number of federal contracts awarded to Oregon businesses receiving Government Contract Assistance Program assistance. -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2015	2016	2017	2018	2019
Total Number of Federal Contracts Awarded through services provided by GCAP					
Actual	No Data	325	863	200	613
Target	TBD	200	200	200	200

How Are We Doing

Oregon small businesses using the Government Contract Assistance Program (GCAP) received 613 federal contracts in 2019, greatly exceeding the target of 200.

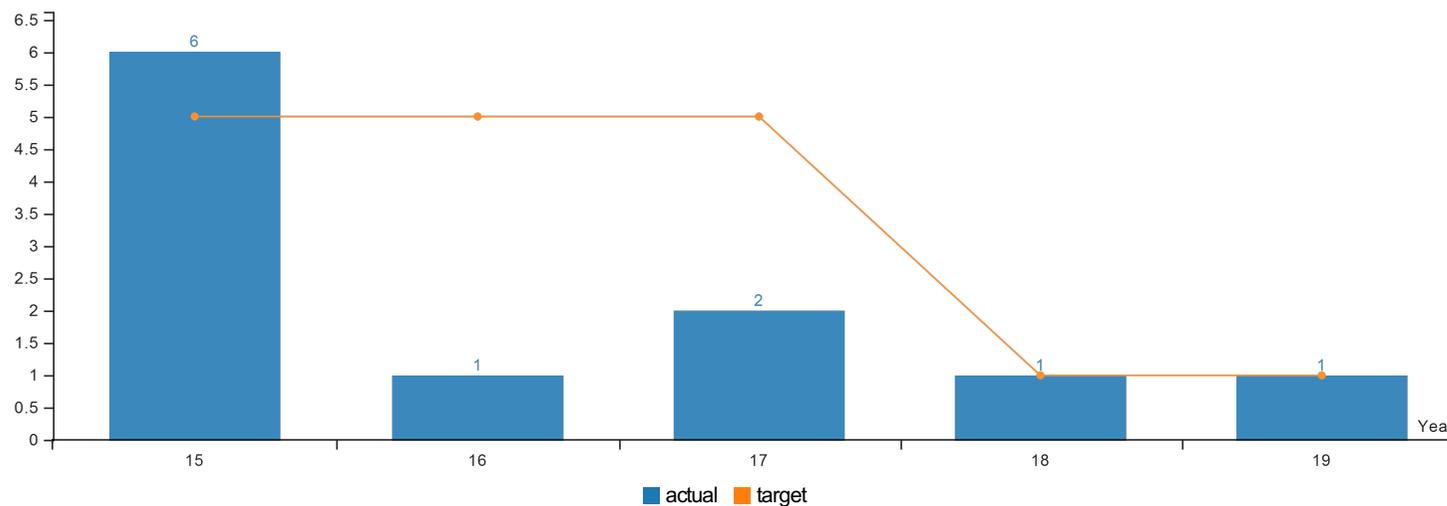
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Factors Affecting Results

GCAP increased staffing during the 2017-2019 biennium, and focused in previously underserved communities within Portland Metro, Central Oregon, and Eastern Oregon. GCAP will continue, with the state's assistance, to increase assistance to distressed areas as well as Woman-Owned, Minority-Owned, Veteran and Service Disabled Veteran-Owned small businesses.

KPM #6	Number of new industrial sites/acres certified "project ready." -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2015	2016	2017	2018	2019
Number of new industrial sites certified					
Actual	6	1	2	1	1
Target	5	5	5	1	1

How Are We Doing

- 1 Site Certified (Forest Grove) – 38.6 acres
- 0 Sites Pre-Certified – 0 acres
- 9 Sites Re-Certified - 756 acres
- 1 In-Process (Port of Columbia County) – 46.8 acres
- 1 In-Progress, Privately owned and self-funded/contracted
- 1 Intake (Salem) – 30 acres

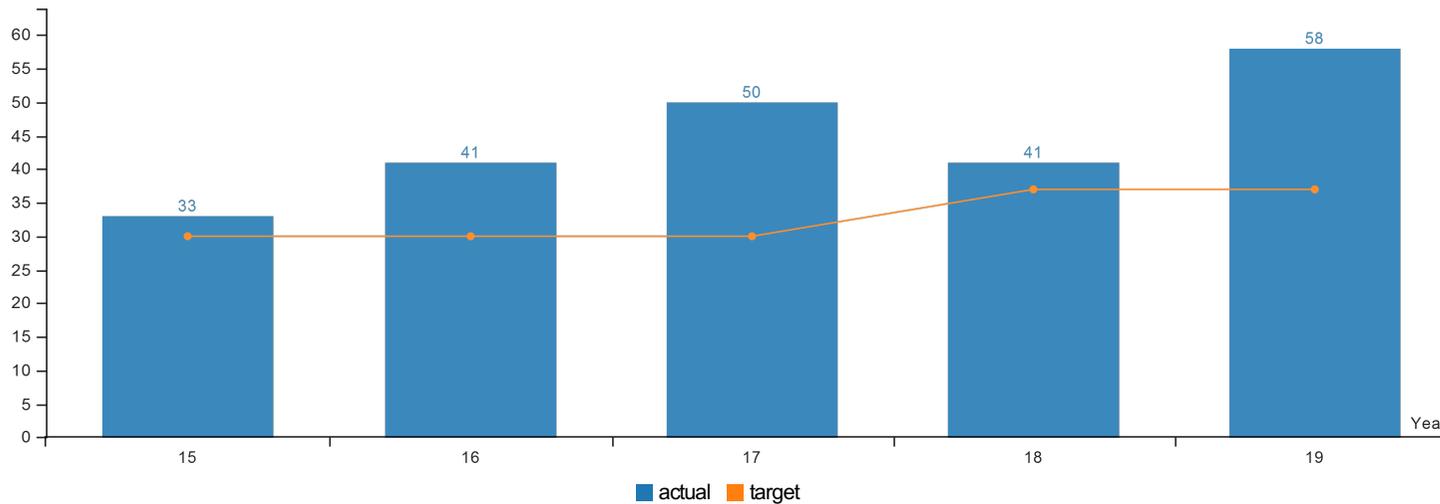
Factors Affecting Results

Limited options for funding site investigations and studies, and financing public infrastructure remains the challenge for many sites achieving or maintaining certification or recertification of sites. The reduction in number of sites recertified compared to previous reports is partly a result of state and local government resources and changing priorities of local economic development organizations.

Certifying industrial sites as "shovel ready" has become increasingly difficult and expensive due to the level of need at sites in the certification queue. Absent any new infusion of funding to certify sites, Business Oregon will continue to seek innovative solutions that assist local communities in developing an ample supply of "shovel ready" industrial sites. The department is utilizing the Special Public Works Fund's planning grant to fund this work for publicly-owned sites. Alternatively, privately owned sites have been provided a self-fund/contract option. Furthermore, the department continues to expand the Regionally Significant Industrial Site (RSIS) program, having three designated sites. Business Oregon expects to see 5+ plus applications for RSIS in the next year. The RSIS program allows site development costs to be recouped by a municipality from 50% of state income taxes created by new jobs meeting program thresholds at the site.

KPM #7	Number of community capital projects assisted for planning (infrastructure, community and organizational). -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2015	2016	2017	2018	2019
Number of community capital projects assisted for planning					
Actual	33	41	50	41	58
Target	30	30	30	37	37

How Are We Doing

The department awarded 58 planning projects exceeding its target of 37. The 58 projects represent approximately \$3.3 million in planning funds.

This measure includes planning projects associated with Infrastructure Finance Authority (IFA) statutory programs of Special Public Works Fund (SPWF), ports funding programs, Safe Drinking Water Revolving Loan fund, and Community Development Block Grants. Examples of planning projects are plans for industrial lands development, water system master and resiliency planning, and capital project plans that support community infrastructure and facilities such as wastewater treatment, safe drinking water and community facilities.

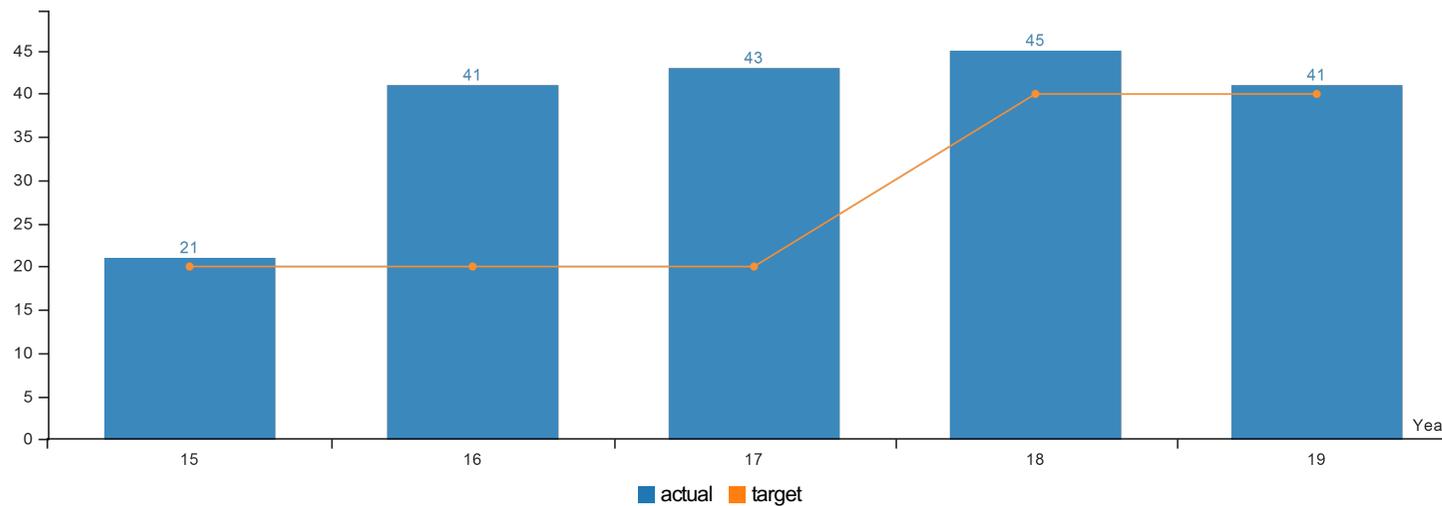
Factors Affecting Results

The increase in planning projects continues year-over-year, as the economy remains positive. The reporting year is up 17 projects over the previous year. Communities have acknowledged their existing utility plans are outdated and do not reflect the growth and development which has occurred over the past 10 years. Additionally, expected population growth in many areas is encouraging communities to review current facilities with an eye towards future facility needs and sizeable growth has occurred in planning grants for seismic resiliency purposes. Planning activity remains steady for many communities addressing community infrastructure needs. Cities recognize that updated facilities are necessary to serve local residents, as well as, to meet the requirements to retain, grow and attract businesses.

Business Oregon expects to see a steady demand for construction projects over the next few cycles as planning projects are completed and communities seek to move forward with implementing capital improvements. Of course, demand is also dependent on a positive economy. Historically, demand has increased and decreased with overall economic conditions. The steady demand for planning projects is complimented by the steady level of commitment for health and safety capital construction projects (KPM 8).

KPM #8	Number of community capital construction financing projects that address public health and safety issues. -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2015	2016	2017	2018	2019
Number of community capital projects that address water quality and environmental health issues					
Actual	21	41	43	45	41
Target	20	20	20	40	40

How Are We Doing

The department met and slightly exceeded its target having funded 41 projects for a total of approximately \$54.5 million. Project levels continue to trend upward. Many communities have vital health and safety improvement projects they are addressing with a strong economy. Additionally, communities are beginning to take on larger projects only recently seen in the last 1-2 years. The current year's total is consistent with previous years with many projects developed because of previously awarded planning funds (KPM 7).

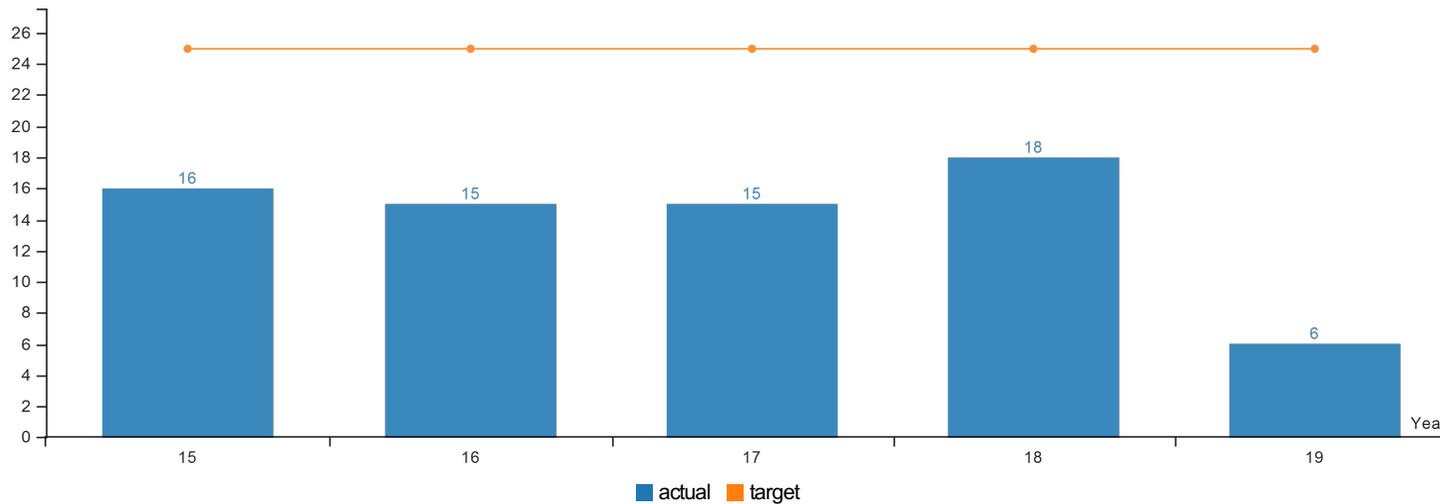
Factors Affecting Results

The need for municipal infrastructure construction remains high, as is the demand for financing. Project costs continue to grow and state-supported low interest financing is vital to small and rural communities that generally do not have bond ratings.

Business Oregon will continue to strive to meet the demand of local communities for financial assistance. To supplement lottery bond dollars awarded by the legislature, the department will continue to implement its bond bank authority with the next sale expected in 2020. While the Bond Bank is one tool for raising funds, it should not be considered the only tool. Lottery bond fund capitalization remains vital to the department's ability to assist communities with financing projects.

KPM #9	Number of community capital construction financing projects that assist with future economic and community development. -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2015	2016	2017	2018	2019
Number of community capital projects that assist with future economic and community development					
Actual	16	15	15	18	6
Target	25	25	25	25	25

How Are We Doing

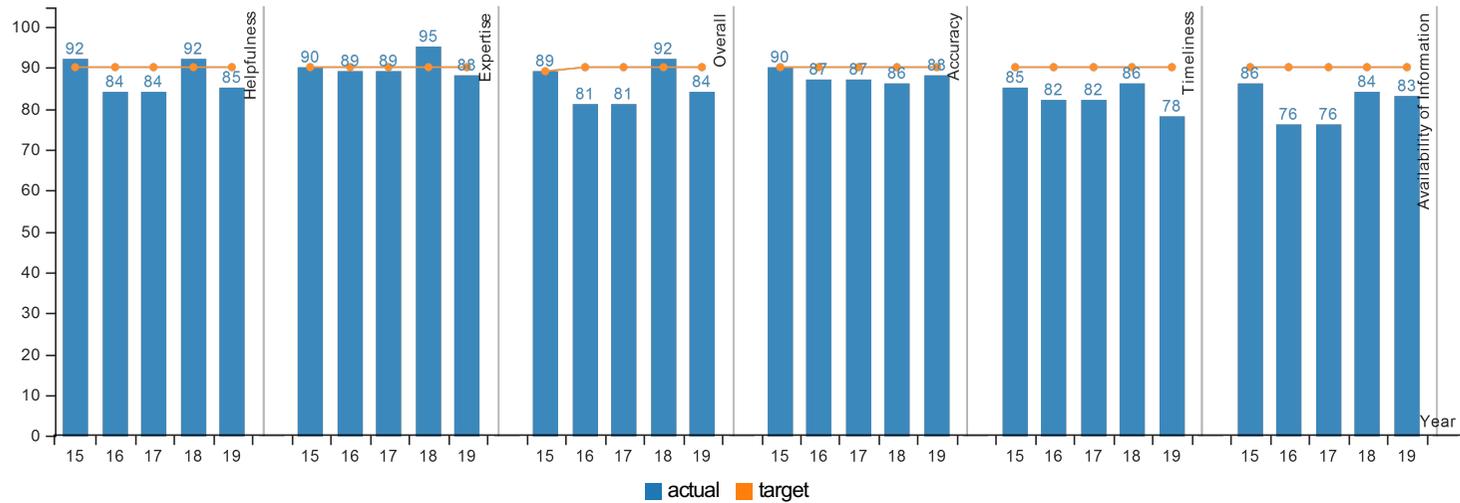
The department completed six projects out of a target of 25. Communities continue to focus their efforts away from economic and community development projects to health and safety projects, primarily water and wastewater projects. This is likely due to planning efforts for municipal water and wastewater projects with an emphasis on addressing an aging infrastructure and current and future demand. Business Oregon expects communities to shift attention to economic and community development efforts as public works projects are completed. However, infrastructure projects generally take three to five years to complete from planning to construction completion. Meaning, the shift will likely not occur for a few more KPM cycles. Additionally, undertakings associated with community and economic development infrastructure construction are highly dependent on economic cycles. Assuming the economy remains robust, municipalities will likely pivot to such projects.

Factors Affecting Results

The need for municipal infrastructure construction remains high and the demand for financing will continue to rise as communities address infrastructure needs for business opportunities. Communities continue to focus their efforts on water and wastewater infrastructure, which are generally larger high need projects. However, water and wastewater projects are the basis for future economic and community development activities as the latter cannot occur without the former.

While federal Community Development Blocks Grant funds have declined over previous years, Business Oregon received an increase in funds this fiscal year. It is unknown how many years the department can expect increases or flat funding. Business Oregon will work with its program partners (League of Oregon Cities and Association of Counties) to seek methods to improve funding for community facilities.

KPM #10 Customer Service - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, availability of information.
 Data Collection Period: Jul 01 - Jun 30



Report Year	2015	2016	2017	2018	2019
Helpfulness					
Actual	92%	84%	84%	92%	85%
Target	90%	90%	90%	90%	90%
Expertise					
Actual	90%	89%	89%	95%	88%
Target	90%	90%	90%	90%	90%
Overall					
Actual	89%	81%	81%	92%	84%
Target	89%	90%	90%	90%	90%
Accuracy					
Actual	90%	87%	87%	86%	88%
Target	90%	90%	90%	90%	90%
Timeliness					
Actual	85%	82%	82%	86%	78%
Target	90%	90%	90%	90%	90%
Availability of Information					
Actual	86%	76%	76%	84%	83%
Target	90%	90%	90%	90%	90%

How Are We Doing

Overall satisfaction with department services was 84 percent in FY2019. The Customer Satisfaction Survey was emailed to approximately 4,500 external customers using an online survey tool. Depending on the size of the list available for each program, customers were either sampled at random or using a non-random “convenience sampling” methodology.

A total of 278 surveys were completed in May - June 2019 for a response rate of six percent. Of these respondents, 211 indicated they interacted with Business Oregon in the last year. The 67 who did not were omitted. Over the past year, the 211 respondents reported using the following agency programs:

- Business Development (73%)
- Infrastructure (23%)
- Innovation and Entrepreneurship (24%)
- Arts (18%)

The survey included questions ranking Business Oregon on timeliness, helpfulness, expertise, availability of information, information accuracy, and overall satisfaction. Results with comparisons to recent KPM surveys are provided below (percent of customers giving Business Oregon a mark of “good” or “excellent”).

- Timeliness – 78% (vs. 86% in 2018; 84% average from 2014-2018)
- Helpfulness – 85% (vs. 92% in 2018; 89% average from 2014-2018)
- Expertise – 88% (vs. 95% in 2018; 91% average from 2014-2018)
- Availability of information – 83% (vs. 84% in 2018; 82% average from 2014-2018)
- Information accuracy – 88% (vs. 86% in 2018; 88% from 2014-2018)
- Overall satisfaction with department services – 84% (vs. 92% in 2018; 87% from 2014-2018)

Factors Affecting Results

In 2019, the agency adopted a new methodology and approach for KPM #10. From a methodical standpoint it may not be appropriate to compare results of 2019 to previous years. Factors to consider when comparing results include:

- Our survey sample was more robust this year due to a more comprehensive approach to gathering contact information from our databases. This year we made a significant shift and our survey list included customers who had engaged with staff on a project, not just customers receiving financial assistance as had been used in the past. The list also more accurately represents customers of all agency divisions.
- Due to broader customer engagement, we had a response increase of 72 percent (122 responses in 2018 vs. 211 in 2019).