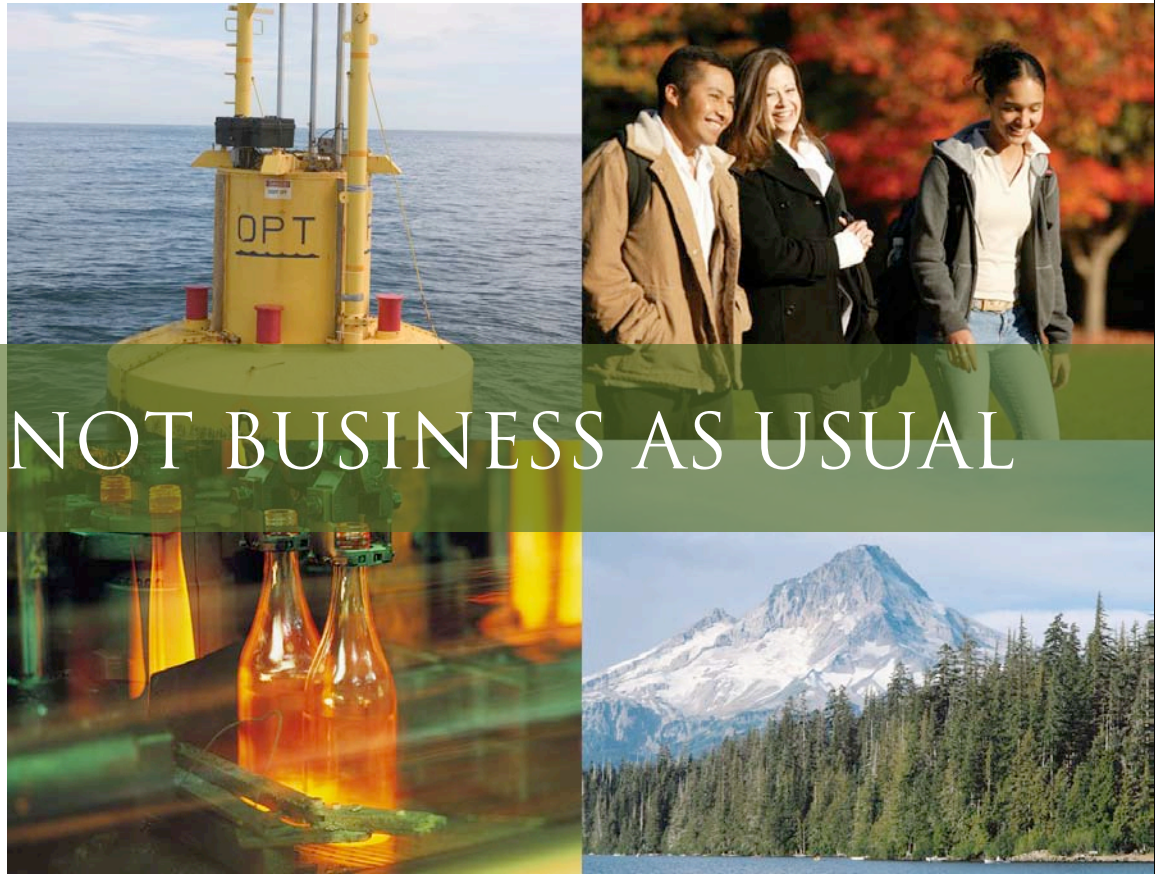


# AGENDA & PLAN SUMMARY



NOT BUSINESS AS USUAL

2010 LEADERSHIP SUMMIT

DECEMBER 13, 2010

### **Oregon Business Plan Steering Committee**

**Pat Reiten**, *Chair*, Pacific Power

**Eric Blackledge**, At-Large Member, Blackledge Furniture

**Sam Brooks**, Oregon Association of Minority Entrepreneurs,  
Portland Business Alliance, S. Brooks and Associates

**David Chen**, Oregon Innovation Council, Equilibrium Capital

**Justin Delaney**, Oregon Business Association, The Standard

**Matt Donegan**, State Board of Higher Education, Forest Capital Partners

**Kirby Dyess**, At-large Member, Austin Capital Management

**Dan Harmon**, Associated Oregon Industries, Hoffman Construction

**Steven Holwerda**, Portland Business Alliance, Ferguson Wellman Capital Management

**Randy Miller**, At-large Member, Produce Row Property Management

**Mike Nelson**, Oregon Transportation Commission, Nelson Real Estate

**Stephen Pawlowski**, Engineering and Technology Industry Council, Intel

**Wally Van Valkenburg**, Oregon Business Development Commission, Stoel Rives

**Malia Wasson**, Oregon Business Council, US Bank – Oregon

**Brett Wilcox**; At-large Member, Summit Power Alternatives

**Tim McCabe**, Oregon Business Development Department (*ex officio*)

## TO SUMMIT PARTICIPANTS

My Fellow Oregonians:

Welcome to the 2010 Leadership Summit. Thank you for coming.

This year is anything but business as usual. Too many Oregonians are out of work and we face an unprecedented fiscal crisis. Over the past two years, in a constricted global economy, our private sector has shed thousands of jobs. Oregon per capita income continues its long-term slide compared to the nation. This has jeopardized the financial security of Oregon families and reduced disposable income that would otherwise buoy small businesses. In turn, the faltering economy has led to declining revenues for public services and for nonprofits. Reduced resources for those services threatens harm to our economy and quality of life and could haunt us over the new decade. It's a toxic cycle.

Our immediate priority in this Summit is to focus on how we can break out of this alarming cycle. To do this, we will need to come together and take a new path that calls for redesigning public services and making better use of the resources we have. We will take up a set of fiscal and public service recommendations summarized in this document and discussed more fully at our website, [www.oregonbusinessplan.org](http://www.oregonbusinessplan.org).

At the same time, the Business Plan's mission is to shape policy choices to spur business development and high-wage job creation across the state. To that end, the Oregon Business Plan team toured all corners of our state this year, listening to business and community leaders, learning what they need to grow their economies, and adding their ideas to those of our working groups. The result is a set of 10 initiative recommendations to spark business and job growth. These, too, are summarized in this document and presented in full on our website. There you will also find more background and analysis on a variety of critical policy issues, as well as detailed information on Oregon's key traded-sector industries.

Thanks again for joining today's important discussions. The work outlined here is challenging but vital to Oregon's future.

Sincerely,

A handwritten signature in black ink, appearing to read "Pat Reiten". The signature is fluid and cursive, with the first name "Pat" being more prominent than the last name "Reiten".

Pat Reiten  
Chair,  
Oregon Business Plan Steering Committee

# AGENDA

## Not Business as Usual 2010 Leadership Summit

**7:30 a.m. Regional Economic Strategies (breakfast served)**  
Presentation and discussions will begin promptly at 8:00 am.

- Central Oregon E146
- Eastern Oregon D139
- The Gorge E141-142
- Klamath Basin E143-144
- NW Oregon D135
- Rogue Valley D137
- South Coast D136
- Willamette Valley E145

We invite all participants – especially from the Portland area – to join one of these sessions, where regional representatives will present their strategies and outline what state policymakers can do to help them succeed. This is also a good opportunity to meet people in other parts of the state and to learn about business opportunities in their regional economies.

**9:15 Plenary Session, Portland Ballroom**

### Opening Remarks

U.S. Senators Ron Wyden and Jeff Merkley  
Recognition of Governor Ted Kulongoski

**9:45 An Agenda for 2011 and Beyond**  
Pat Reiten, Chair, Oregon Business Plan Steering Committee

**10:15 The Five Crucibles of Public and Private Sector Innovation**  
Lenny Mendonca, Director, McKinsey & Company

**11:00 Reinventing Government: Survival in an Age of Permanent Fiscal Crisis**  
David Osborne, Public Strategies Group, and author, *Reinventing Government, The Price of Government*

**Noon Lunch**

**12:30 Keynote Address:** Governor-Elect John Kitzhaber

**1:15-2:00 Getting to Work**  
Senate President Peter Courtney  
Senator Bruce Starr  
House Speaker Dave Hunt  
House Republican Leader Bruce Hanna  
Congressman Earl Blumenauer  
Interviewer Panel: Justin Delaney, Dan Harmon, Malia Wasson,  
Members, Oregon Business Plan Steering Committee

2:15-3:30

**Round #1: Redesigning Public Services**

*Budgeting for Innovation, Continuous Improvement and Long-term Results (E145-146)*

Jim Piro, President & CEO, Portland General Electric

John Tapogna, Managing Partner, ECONorthwest

Brett Wilcox, Summit Power Alternatives

*Getting Greater Value from Our Investments in Education (E141-144)*

John Kitzhaber, Governor-elect\*

*Getting Greater Value in Health Care: The Role of the Health Exchange and Health Benefit Design (D135-136)*

Tim Ward, Principal, McKinsey & Company

John Worcester, Sr. Director, EVRAZ INC.

Mark Ganz, President & CEO, The Regence Group

Joe Robertson, President, Oregon Health & Science University

*Getting Greater Value from Our Investments in Public Safety (D137-140)*

Tim Nesbitt, Chief of Staff, Governor Ted Kulongoski

Max Williams, Director Department of Corrections

Elyse Clawson, Executive Director, Criminal Justice Institute

3:45-5:00

**Round #2: Actions to Grow Jobs**

*Aligning Business Finance Tools to Better Meet the Needs of Business (E141-144)*

Ted Wheeler, State Treasurer

Wally VanValkenburg, Chair, Business Oregon Commission; Stoel Rives

Tobias Read, State Representative

*Growing Manufacturing Jobs in Oregon (E145-146)*

John Carter, Chairman, Schnitzer Steel Industries

John Mohlis, Executive Secretary, Oregon Building Trades Council

*Accelerating Energy Efficiency (D135-136)*

Neil Nelson, President & CEO, Siltronic Corporation

Margaret Kirkpatrick, VP and General Counsel, NW Natural

Jules Bailey, State Representative

*Improving Forest Health and Increasing Demand for Biomass Energy (F149-150)*

John Shelk, Managing General Partner, Ochoco Lumber

Matt Donegan, Co-President, Forest Capital

Russ Hoeflich, Vice President and State Director, Nature Conservancy

*Preparing Oregonians for High-Demand, High-Wage Jobs (F151-152)*

Dave Williams, Vice President, NW Natural

Lori Luchak, President, Miles Fiberglass

Eileen Drake, Vice President, PCC Structural

*Making Industrial Land Quickly Available to Support Jobs (D137-140)*

Steve Clark, Publisher, Community Newspapers

Drake Butsch, First American Title Insurance

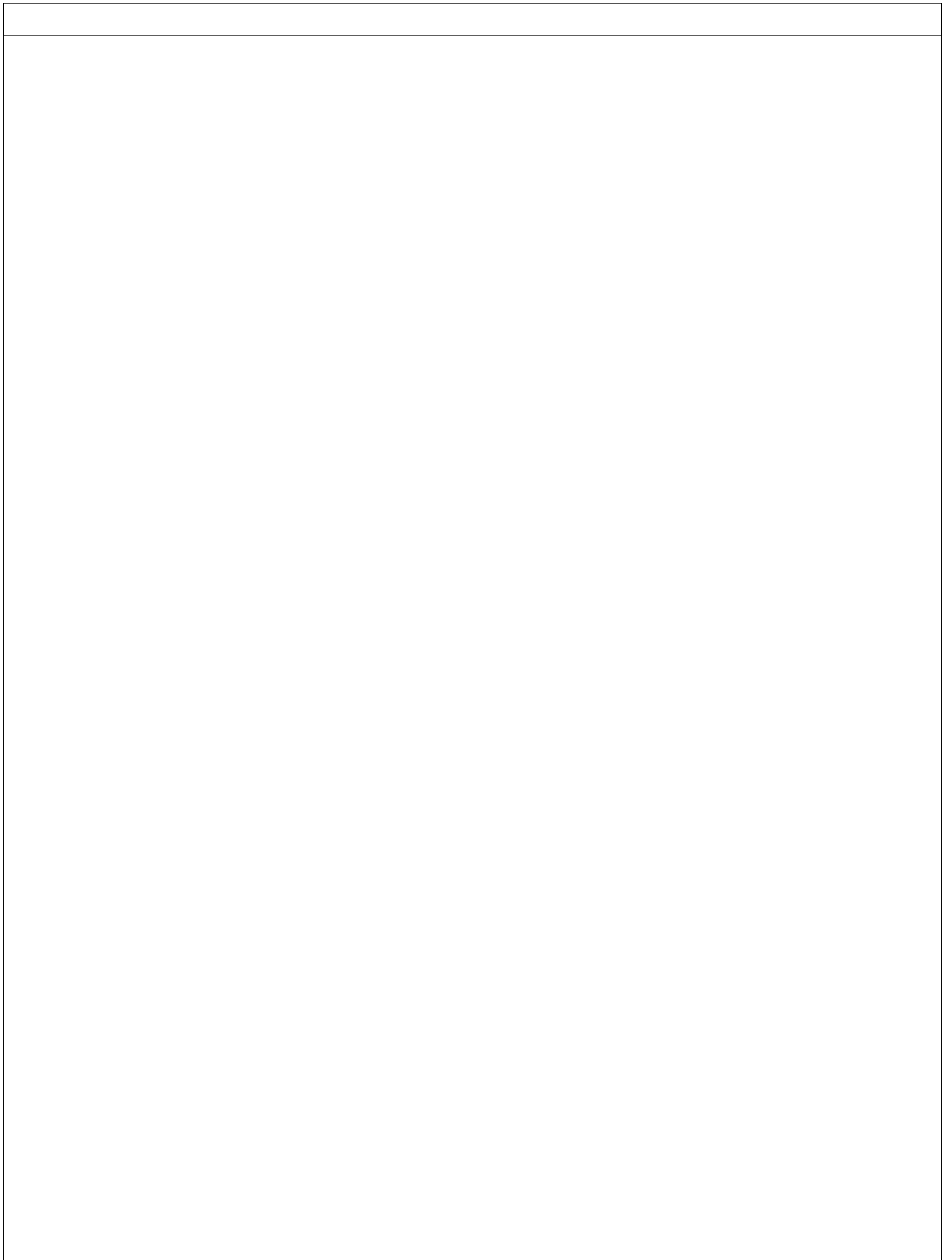
Terry Moore, Planning Director, ECONorthwest

Bernie Bottomly, Vice President, Portland Business Alliance

\* Governor-elect Kitzhaber will launch the education session and circulate to the others.

5: 00

**Wrap-up and Reception, Foyer**



# 2010 OREGON BUSINESS PLAN SUMMARY

This document summarizes the focus of the Oregon Business Plan for 2011 and beyond. To learn more about the plan, the analysis behind this summary, and the details of specific initiatives, please visit [www.oregonbusinessplan.org](http://www.oregonbusinessplan.org).

## Our Framework Remains the Same.

The Oregon Business Plan was conceived in 2002 with the following framework, which still guides our work.

### 1. The Goal: Quality jobs in every corner of Oregon.

- 25,000 jobs per year for the next ten years.
- Oregonians' per capita income exceeds the national average by 2020.

### 2. Vision for the economy: Innovative, globally competitive industries.

Traded-sector businesses, those that export products and services outside of Oregon, bring in fresh dollars that are re-circulated into local business and – through tax revenues – fund critical public services like education. Industries of all sizes in Oregon sell beyond state borders. These industries tend to cluster geographically based on a variety of factors such as critical mass in resources, talent, and suppliers.

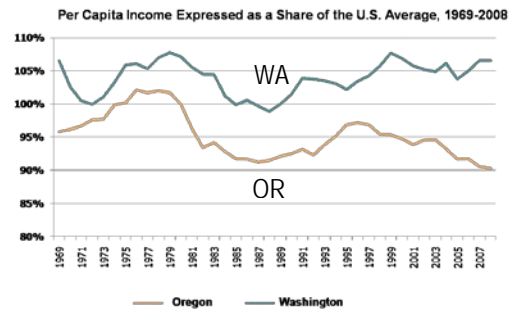
### 3. Conditions for Success: Four Ps for Prosperity.

By focusing on these clusters and their needs, we have a way to understand what we can do to promote creation of high-wage jobs in Oregon.

Representatives from key industry clusters report a set of conditions – Four Ps – that are critical for economic success:

- **People:** A talented workforce.
- **Productivity:** Quality infrastructure, resource utilization, competitive regulations and business costs.
- **Place:** A high quality of life that attracts and retains talented people.
- **Pioneering Innovation:** A culture of research, commercialization and innovation in product and process design

## Oregon's per capita income has fallen off the US pace

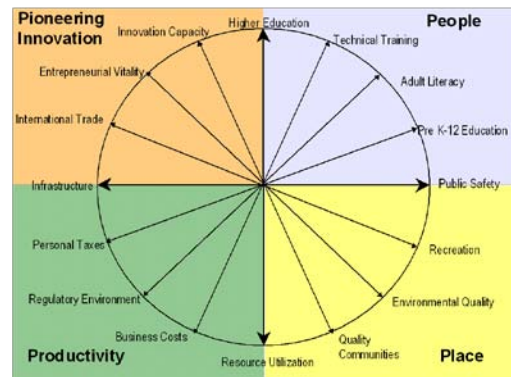


## Traded Sector Drives Growth

Most jobs are here: schools, hospitals, grocery stores, restaurants



But firms in this sector drive the economy



## BUSINESS PLAN OUTREACH

Throughout 2010, members of the Oregon Business Plan Steering Committee toured Oregon, participating in 19 regional meetings from Baker City to Coos Bay. Our purpose was to learn about the industries driving regional economies and what they need to grow and prosper. Their ideas inform this year's Leadership Summit and proposed initiatives for 2011.

### Who We Talked To

The Business Plan team met with business, economic development, education and elected leaders. They also connected with industry associations and industry cluster groups. One channel was the Oregon Cluster Network, a consortium of traded-sector industry groups. Over the past several years, this network has provided feedback on broad policy priorities for Oregon, as well as priorities specific to individual industry sectors. Another was the Alliance of Affiliated Associations, a group of trade associations organized by Associated Oregon Industries.

### What We Learned

Meeting after meeting, we heard a remarkably consistent set of responses to the question about how to improve the statewide climate for high wage job growth.

Our Steering Committee members were also struck with two broad, consistent findings in attending these meetings. First, we found once again Oregon has leading-edge companies and networks of companies in every corner of the state. While many are struggling, we found an optimism about the opportunities that give us great hope for Oregon's future. Our forest products industry, for example, while currently in a dark period remains a global leader and will be highly competitive when the economy turns. Oregon agriculture is diverse and innovative, often emphasizing sustainable practices as a competitive differentiation. Oregon remains strong in manufacturing. Footwear and sports apparel companies are burgeoning. Oregon has emerged as a national leader in clean technology enterprises. And the recent capital investment announcement by Intel bodes well for the state's high technology sector.

Second, Oregon enterprises support the general framework of the Business Plan. We invited our industry clusters to prioritize the major initiatives of the Oregon Business Plan. The results are shown on Table 1 below. It is evident from the responses that these industries broadly agree education, innovation, productivity, and quality of life, embodied in the Four Ps of the Business Plan, are all important ingredients for a healthy economy. These concerns echo what we heard voiced in regional meetings.

### Additional Perspectives

Regional businesses leaders also expressed these recurrent themes:

**1. Attitude and leadership matter.** A healthy private sector economy is vital for creating family-wage jobs and for generating revenues to pay for critical public services. They perceive inconsistent interest by Oregonians and policymakers regarding jobs and economic growth, and a general misunderstanding of the role that the private sector plays in supporting public services. This has to change.

#### 2010 Regional Meeting Stops

Albany  
Astoria (2)  
Baker City  
Bend  
Coos Bay  
Corvallis  
Eugene  
Klamath Falls (2)  
Medford (2)  
North Clackamas  
Pendleton  
Portland  
Redmond  
Roseburg  
Salem  
The Dalles-Hood River



Table 1  
Cluster Ranking of Oregon Business Plan Initiatives

Clusters' Cross Cutting Priorities (OBP Initiatives)	Extremely Important	Important
Adopt a long-term budgeting process that helps policymakers identify ways to deliver quality services at lower cost.	Aviation, Creative Services, Energy Efficiency, Environmental Technology & Services, High Tech, Tourism & Hospitality	Bioscience, Education Technology & Services, Electric Vehicles, Forestry & Wood Products, Manufacturing, Software, Solar
Reform the tax system to improve the stability of revenues and reduce reliance on the income tax.	Athletic & Outdoor, Creative Services, Energy Efficiency, Environmental Technology & Services, High Tech, Manufacturing, Software, Tourism & Hospitality	Bioscience, Education Technology & Services, Electric Vehicles, Forestry & Wood Products, Solar
Strengthen Prek-12 education	Athletic & Outdoor, Creative Services, Defense, Education Technology & Services, Energy Efficiency, High Tech, Tourism & Hospitality, Manufacturing, Software	Forestry & Wood Products, Solar, Wave Energy
Strengthen university and community college education	Bioscience, Defense, Energy Efficiency, High Tech, Manufacturing, Software, Tourism & Hospitality	Creative Services, Education Technology & Services, Electric Vehicles, Forestry & Wood Products, Solar, Wave Energy
Support efforts to strengthen commercialization and innovation (such as the Oregon Innovation Plan).	Defense, Electric Vehicles, Food Processing, Wave Energy	Bioscience, Creative Services, Energy Efficiency, Forestry & Wood Products, Manufacturing, Software, Solar, Tourism & Hospitality
Simplify and streamline regulations and permitting processes.	Agriculture, Aviation, Forestry & Wood Products, High Tech, Solar	Bioscience, Creative Services, Energy Efficiency, Manufacturing, Software, Tourism & Hospitality, Wave Energy
Improve access to capital for emerging and existing businesses.	Athletic & Outdoor, Bioscience, Creative Services, Electric Vehicles, Energy Efficiency, Environmental Technology & Services, High Tech, Manufacturing, Software, Solar, Tourism & Hospitality, Wave Energy	Education Technology & Services
Maintain and/or strengthen Oregon's tools & incentives for business retention, expansion and recruitment.	Athletic & Outdoor, Bioscience, Creative Services, Energy Efficiency, High Tech, Solar, Tourism & Hospitality, Electric Vehicles	Forestry & Wood Products, Manufacturing, Software, Wave Energy
Maintain and upgrade our infrastructure (transportation, water, telecommunications, etc.)	Aviation, Environmental Technology & Services, Tourism & Hospitality, Manufacturing	Bioscience, Creative Services, Energy Efficiency, Forestry & Wood Products, Software, Solar
Help "skill-up" the incumbent workforce.	Aviation, Bioscience, Energy Efficiency, Manufacturing, Wave Energy	Education Technology & Services, Forestry & Wood Products, Software, Solar, Tourism & Hospitality
Provide more assistance to small businesses such as assistance with market research, exporting, etc.	Athletic & Outdoor, Aviation, Defense, Manufacturing, Software, Tourism & Hospitality	Creative Services, Education Technology & Services, Electric Vehicles
Ensure reliable, affordable and clean supplies of energy.	Electric Vehicles, Energy Efficiency, Environmental Technology & Services, Manufacturing, Solar, Wave Energy	Creative Services, Forestry & Wood Products, Tourism & Hospitality
Bring down health care costs.	Manufacturing, Tourism & Hospitality	Creative Services, Electric Vehicles, Energy Efficiency, Forestry & Wood Products, Solar
Improve the availability of industrial and employment land, connected to infrastructure.	Environmental Technology & Services, Manufacturing	Bioscience, Education Technology & Services, Forestry & Wood Products, Solar, Tourism & Hospitality
Make more productive use of our natural resources.	Agriculture, Forestry & Wood Products, Tourism & Hospitality	Energy Efficiency, Solar

**2. Our fiscal path is unsustainable.** Poor economic performance combined with rapid growth in spending on corrections and health services has crowded out Oregon's support for education, particularly higher education. Our tax policy is unstable and leans too heavily on income and capital gains taxes. Underinvestment in education and disinvestment in higher education, along with an unstable tax system that dissuades high income earners and investors from being in Oregon, are driving down per capita income. Without a major change in course, this trend will worsen in the face of the coming "decade of deficits."

**3. A lack of industrial land, combined with uncertain and cumbersome regulatory and permitting processes, are costing jobs and incomes.** Burdensome, uncertain and inflexible regulations and permitting processes, poor agency coordination, questionable and endless appeals processes, inadequate mechanisms to protect industrial land from conversion to other uses, and inadequate resources to pay for infrastructure are among the barriers that must be overcome.

**4. Our efforts to strengthen our culture of innovation are working and should be continued.** Supporting collaborative efforts by industry and universities to design and implement new business processes and commercialize new products was an early initiative of the Oregon Business Plan. Many of these efforts are bearing fruit, not the least of which are the state's signature research centers and industry cluster initiatives supported by the Oregon Legislature through the Oregon Innovation Plan. The push for innovation is also gaining traction through other models of support, such as business incubators and accelerators, entrepreneur networks, the Oregon model for technology deployment, and economic gardening.

**5. Oregon has insufficient access to both debt and equity capital.** Concerns over the lack of seed, angel and venture funding persist. Oregon's tax policy and overall lack of wealth are often cited as culprits. Efforts by the state to spark a more robust capital formation industry have been met with mixed results. The Oregon Growth Account has worked well to earn returns for the Common School Fund while investing in promising Oregon companies. The Oregon Investment Fund, on the other hand, has failed in its intent to fund promising Oregon investments. Smaller funds, such as gap funds started through the signature research centers and the Oregon Angel Fund, are small but effective and should be continued and expanded.

In addition to the concerns about start-up capital, the current financial crisis has created difficulties even for established business to obtain operating and expansion loans. Lack of flexibility and a "one size fits all" approach by federal regulators is often cited as the biggest barrier to overcome.

**6. Oregon's economic development programs, tools, and incentives are critical to communities across the state, but they could be better structured and aligned.** Oregon's investment in economic development is tiny compared to most other states, and tiny when compared to the rest of the state budget. We need to prioritize keeping in place those economic development efforts and tools that are delivering returns for the state, add new tools where gaps exist, and better align all of the efforts and tools that expand across multiple agencies and multiple jurisdictions.

**7. Forest policy on public lands continues to handcuff rural Oregon.** Despite growing agreement among environmental groups, loggers, and local communities, and significant efforts by Oregon's congressional delegation, federal forest policy remains a detriment for Oregon's economy. While rural economies will never go back to the pre-1980s level of timber harvests, responsible thinning that reduces fire risk, sends smaller logs to mills and generates woody biomass is a win-win for Oregon and would create desperately needed jobs while protecting the environment.

**8. *There are near term opportunities to spark job growth in targeted sectors.*** Focusing on energy efficiency, biomass energy, streamlining permitting for energy facility and transmission projects, completing targeted transportation projects, and training Oregonians for jobs in high demand fields typify opportunities to help get the economy moving now as we work on the more fundamental business climate issues.

**9. *A declining metro area is impacting all of Oregon.*** A recent report by the Portland Business Alliance, Oregon Business Council, Oregon Business Association, Associated Oregon Industries, and the Port of Portland illustrates a long-term trend of declining wages and income in the Portland-metropolitan region, as well as significant job losses in Multnomah County. Because of its importance as an income-tax generator for all of Oregon, leaders must act quickly to address the issues in Portland-metro, identifying the underlying causes of the declining wages and incomes, as well as the job losses, and taking steps to correct these problems.

## INITIATIVES FOR 2010: CONFRONTING THE FISCAL CRISIS, SPARKING JOB CREATION

We're recommending two sets of initiatives to our public leaders this year. Of the two, the more challenging by far is the imperative to get Oregon's fiscal house in order. An unprecedented budget crisis is looming in Oregon, putting our public services and economy at risk, perhaps for the remainder of the new decade. We have to come to grips with it.

At the same time, we need a vigorous, broad based commitment to job creation and retention based on business growth. Following the fiscal recommendations, we present 10 ideas here that we believe can have high impact and rebuild confidence in Oregon's economy in all corners of the state. These have been endorsed by business leaders in working groups and regional meetings throughout Oregon the past year.

### The Fiscal Crisis

As highlighted in our presentation, "Breaking the Circle of Scarcity," we risk entrapment in a toxic cycle: Oregon's declining level of income and economic activity shrinks revenues available for public services. In turn, disinvestment in education, particularly post-secondary education, combined with higher personal income tax rates, threatens to drive our declining personal incomes (and revenues for public services) down even farther. Growing PERS liabilities and an increasingly older population with substantial health care needs could further sap the state's economic vitality.

*We risk entrapment in a toxic cycle of declining income, shrinking public revenues, disinvestment in education, and higher taxation that leads to further income declines.*

If we engage this challenge without understanding its gravity and potential for damage, service cuts and tax increases will dominate the debate. Raising the price of government while reducing the output would be a terrible solution. Rather, policymakers should be focused on growing income and redesigning services.

Our goals for fiscal reform should be to:

- Stabilize funding to provide free or affordable education for all Oregonians so every Oregonian can gain the skills necessary for a quality job. Quality education is vital for a strong, healthy economy.
- Provide a social safety net for the vulnerable and the unemployed.
- Ensure the public safety.
- Protect our natural resources.
- Provide targeted funding for economic development initiatives that have a strong return on investment.
- Create tax policies that incent economic growth, raise our standard of living, and generate higher public revenues.

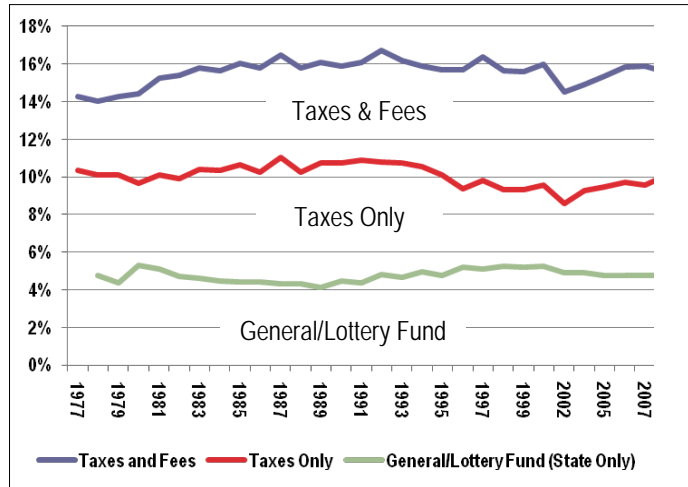
**Proposed Agenda.** The recommendations below support the imperative for fiscal reform. They grow from Oregon Business Plan background research and deliberations supported by some of Oregon's leading philanthropic foundations. Our recommendations are also informed by the Governor's Reset Committee reports. More detail is available at [www.oregonbusinessplan.org](http://www.oregonbusinessplan.org).

## 1. Revamp Oregon’s budget system.

Oregon needs a state budgeting system that funds priorities, builds appropriate incentives to align with desired outcomes, and supports a long-term vision. Specifically, the system should:

- Set the price of government citizens are willing to pay now and in the future that is fair, adequate, and affordable. Explicitly connect the available revenues to the level of income of Oregonians. That level has been remarkably consistent as a percentage of total personal income. We should not expect Oregonians to pay more.
- Forecast revenues, expenditures and related anticipated results under baseline assumptions at least a decade out. Create a preferred long-term budget that includes proposed steps necessary to make it a reality.
- Specify the outcome measures budgets are expected to help achieve as well as unit cost inputs to understand what we get for our tax dollar.
- Allocate expected revenue among the outcomes desired.
- Encourage service delivery redesign and continuous improvement by soliciting offers from agencies and other public service providers to achieve results within a set amount of money, by eliminating unnecessary compliance, reporting requirements and other barriers.
- Build accountability, learning, and performance improvement into budget and management processes.

Price of Oregon Government: State and Local Revenue As a Share of Total Personal Income, 1977-2008



Source: ECONorthwest

## 2. Launch design teams to figure out how to get greater value for our public dollars in three categories immediately and in the long-term.

**PreK-20 Education.** Create an Education Investment Team/Cabinet/Board to systematically identify opportunities for education system redesign under the guidance of Governor. Four early opportunities include:

- Removing the Oregon University System from state agency status, giving it more flexibility to achieve its mission. Hold the system accountable for results
- Rethinking the role and funding of Education Service Districts
- Advancing use of virtual learning
- Reducing the costs of student transportation.

**Public Safety.** Identify fiscally sound, research-based sentencing and corrections policies that protect public safety, hold offenders accountable, and control costs. Building on Governor Kulon-goski’s reset recommendations, policymakers should:

*Oregon has an opportunity to create greater value with its education dollars by removing OUS from state agency status , giving it more flexibility to achieve its mission.*

- Create a modern system of uniform, transparent, and proportional sentencing guidelines and practices that optimize prison use.
- Selectively adjust Measure 11 sentences.
- Expand and enhance electronic supervision and forms of home detention.
- Implement incentives and performance goals for counties.

***Health Care and Human Services.*** Policymakers should design and adopt an insurance exchange that creates strong incentives for individuals to choose health insurance options that reduce costs and increase the value of health care services. Apply the same principles to state employees and teachers. In addition, policymakers should examine:

- Sunsetting the senior medical tax deduction
- Limiting growth of the Oregon Health Plan
- Updating the foster care model
- Reducing the Oregon State Hospital population
- Implementing the Children’s Wraparound Initiative statewide.

### **3. Review public employee compensation.**

Public employees provide critical services to Oregonians, and we need to establish levels that attract and retain talent. At the same time, to maintain services we need to bring salaries and benefits in line with market conditions. The Governor’s reset report provides a good roadmap.

- Phase out the 6 percent PERS pickup.
- Phase in employee participation in health care costs.
- Establish upper limits on health benefit costs.
- Freeze cost of living increases.
- Freeze step increases.
- Sunset out-of-state PERS tax breaks.

### **4. Build reserve funds to stabilize funding for vital services throughout the economic cycle.**

- Continue to set aside an ending balance for the Rainy Day Fund.
- Protect the Rainy Day Fund by placing it in the constitution (similar to the education stability fund.)
- Direct personal and corporate kicker to reserves until the Rainy Day Fund is full.
- Once the fund is full, allow the personal kicker to “kick” checks back to the taxpayers.

### **5. Balance the 2011-13 budget with a long view and sense of urgency to deliver better results for citizens.**

Full implementation of a revamped budget system will take time, but we must start now. In the current budget, we recommend that the Governor and Legislature:

- Establish outcomes and funding allocations for the major categories of public expenditures.
- In setting priorities, give extra weight to outcomes that lead to economic growth (and greater state revenue collection) and/or reduce future safety net and corrections expenditures. These include education in general as well as Business Oregon investments. Targeted investments include ETIC, Oregon InC, and University Extension Service.
- Create a fund specifically to support system redesign proposals that can demonstrate major costs savings right away.

- Challenge service providers to provide greater value at the level of expenditure chosen through cost reduction, process improvement, and service redesign.
- Identify legal, regulatory, and administrative barriers that impede achievement of results and remove them.
- Develop a clear, streamlined process in both the executive and legislative branch for generation and adoption of ideas for improving service delivery as soon as they surface.

### **Ten Initiatives to Promote High-Wage Job Growth**

There are no magic bullets to get Oregon's economy back in gear. We expect recovery to be slow and uneven – with the timing affected by global events outside of our control. This year, we asked industry clusters, regional groups, and business associations to suggest ideas that will improve the business climate for the long run and help spark immediate job growth. Below are 10.

**1. Support the Oregon InC agenda and support and accelerate successful models for improving product and process innovation and technology commercialization.** Oregon InC has done a remarkable job of identifying investments to spark technology commercialization and innovation in both emerging and existing industries. The Oregon Business Plan continues to support Oregon's three signature research centers, and targeted investments to accelerate innovation in food processing, electric vehicles, and wave energy.

Other efforts have emerged in that are providing significant value and that don't cost the state significant resources. Oregon's public, private and nonprofit entities should work together to accelerate these efforts:

- Entrepreneur networks and angel funds to improve management talent and access to capital
- Business incubators and accelerators that are providing space and tools to assist new ideas and companies
- The Oregon Model for Technology Deployment, which connects providers of emerging technologies (new companies) with consumers of those technologies (large, established companies)
- Economic gardening services that assist growth companies with market research and other valuable data
- Better leverage of Small Business Innovation Research and Small Business Technology Transfer grants.

**2. Better structure and align Oregon's business development tools, resources and incentives to address gaps in capital availability and to better support high-wage job growth.**

Governor-elect Kitzhaber has asked Treasurer Ted Wheeler and Business Development Commission Chair Wally Van Valkenburg to review Oregon's economic development tools and resources and recommend ways to better structure and align them. We would suggest that Oregon:

- Preserve funding for the Oregon Growth Account that has been successful at delivering returns to the Common School Fund by making promising investments in Oregon companies and Oregon Funds like the Oregon Angel Fund.
- Restructure the management of the Oregon Investment Fund, or create a new fund, to better deliver on the purpose of the program to simultaneously maximize returns for the state pension fund while investing in promising Oregon companies. Examples abound for how other states and provinces structure these funds to both maximize return to pension holders and spark job growth. Some possible changes include hiring local fund managers or requiring fund managers to spend a certain amount of time in Oregon or meeting with Oregon companies.

- Maintain key economic development loan programs and incentives through Business Oregon
- Maintain a modified Business Energy Tax Credit.
- Streamline the management and delivery of all of the state's business finance tools and incentives, which currently reside in different agencies and departments. The Treasurer's office and Business Oregon should take the lead.
- Add new tools where gaps exist, such as payroll-based incentives that incent high-wage companies to expand in Oregon.
- Better leverage federal tools such as Small Business Innovation Research and Small Business Technology Transfer grants.

**3. Simplify and Streamline Regulatory and Permitting Processes.** As Michael Porter said at the 2006 Oregon Leadership Summit "If you can develop a land use system and regulatory environment that is both pro-business and pro-sustainability, that would be "epic." While progress was made during the early years of the current state administration, uncertainty still dominates Oregon's regulatory process. We recommend the following next steps. Others may also be appropriate.

- Review Governor Kulongoski's regulatory streamlining initiative, identify where it has worked well, what issues it has failed to address and why. Make a commitment to continue tackling regulatory streamlining as a top priority.
- When considering new regulations and permitting processes, include an assessment of job creation impacts.
- Reform the regulatory appeals processes to prevent endless or frivolous appeals.
- Establish requirements for agencies to act within specific time requirements on permits, pending enforcement actions and development of new regulations.
- Separate permits from policy functions in regulatory agencies and move toward a one-stop, efficient natural resource permit process.
- Require agency rules to meet strict needs standards and robust cost-of-compliance evaluation.
- Consider these goals when setting agency budgets.
- Establish regulatory streamlining initiatives at the local level, and mechanisms to coordinate between state, local, and federal agencies.

**4. Make industrial land ready to support creation of high-wage jobs.** Oregon has made progress with its shovel-ready lands and certified sites efforts, but these initiatives largely took care of "low-hanging-fruit." Oregon again finds itself in a bind: a lack of readily developable industrial land is costing jobs, incomes, and tax revenues in communities across the state.

There are major opportunities for improvement:

- ***Improve land supply***
  - Establish better definitions of "ready" to reflect market demands, including only lands that are immediately developable and excluding lands with serious pre-development constraints.
  - For lands that are not "ready," identify their "level of readiness" including all constraints and exactly what needs to be done to remedy them (including the time and cost involved).
  - Require jurisdictions to immediately replace land lost when converting industrial land to another use.



- Require a rolling five-year supply of immediately developable industrial land.
- Address barriers to brownfields redevelopment, including the need for effective incentives to spark investment and clean-up of these sites.
- Given that land assembly, permitting, remedial activities and development takes significant capital and patience, employ “patient developers” such as ports to strategically assemble parcels of industrial land and address identified development constraints.
- ***Address infrastructure barriers***
  - Redefine the transportation planning rule to better balance transportation planning with the need for new jobs and industry.
  - Create mechanisms to pay for infrastructure upgrades associated with industrial land, such as sharing income tax revenues generated by new developments with local governments.
- ***Address regulatory barriers***
  - Apply reforms to regulatory and appeals processes outlined in initiative No. 3 above.
  - Strengthen the application of Goal 9 in the land-use decision-making process.
  - Work with communities and regions such as the Willamette Valley and the Columbia Gorge to address wetlands mitigation issues.

**5. Advocate for active forest management of federal and state lands; utilize woody biomass for renewable energy.** Over the past few years, a coalition of environmental, business and community interests have come together with federal and state partners to address the opportunity for Oregon to actively and sustainably manage public forests to enhance environmental benefits while creating greater certainty of supply of forest products and biomass. Elements of the plan include:

- Implement the Federal Forestlands Advisory Committee recommendations, approved by the Board of Forestry and endorsed by the Governor, to encourage active management of public forests, especially dry-side federal forests, by thinning and reducing fuels and encouraging collaborative groups to engage in landscape scale forest management planning;
- Continue state and federal technical and financial support for the biomass industry, which has unparalleled opportunity for growth in Oregon;
- Strongly encourage recognition by both EPA and DEQ that woody biomass energy contributes to carbon emissions reduction;
- Promote the development of market opportunities and removal of barriers for wood products, including passage of an “Oregon Wood First” initiative for public buildings in Oregon; and
- Promote sustainable timber harvests from State Forests, particularly those in coastal Oregon, with increased recognition of the need to balance economic values with environmental and social values, in order to increase forest cluster jobs in rural communities and to fund schools and county governments.

**6. Accelerate energy efficiency efforts.** Energy efficiency creates jobs both directly (e.g., conducting retrofits) and indirectly (e.g., reducing energy expenditures that can be reinvested in the economy), and is by far the best way to meet our energy needs and reduce greenhouse gas emissions. It is time to take a fresh look at how to accelerate investments in this area. Opportunities include:

- Retrofitting school buildings
- Creating mechanisms for utilities to earn a return on capital for efficiency investments, so they can provide another source of capital to fund efficiency.

- Support models to increase residential and commercial retrofits, such as Clean Energy Works Oregon.
- Accelerate industrial energy efficiency through sector initiatives, such as the NW Food Processors Association effort to achieve 25 percent energy intensity reduction in 10 years.

**7. Advance infrastructure projects that create jobs and strengthen our economic foundation.**

- Electric and natural gas transmission upgrades are crucial for enhancing reliability and for meeting goals for carbon reduction.
- The Columbia River Crossing addresses one of the west-coast's largest transportation bottlenecks.
- Transportations projects under OTIA need to move ahead.
- Connect Oregon IV will add to our portfolio of transportation options.
- Implementing the Oregon Freight Plan will create jobs.

**8. Train Oregonians for high demand jobs.** Although Oregon faces high unemployment, there are certain sectors where job openings continue to go unfilled. In addition, as our economy recovers, new jobs created will require new sets of skills. Connecting Oregonians seeking work with the education and training needed to qualify for immediate job opportunities should be a top priority. Three ideas:

- Deploy the National Career Readiness Certificate, a valuable resource to develop, certify and identify work-ready Oregonians.
- Support the Engineering and Technology Industry Council investment that will train Oregonians for high paying engineering jobs.
- Expand on-the-job training programs.

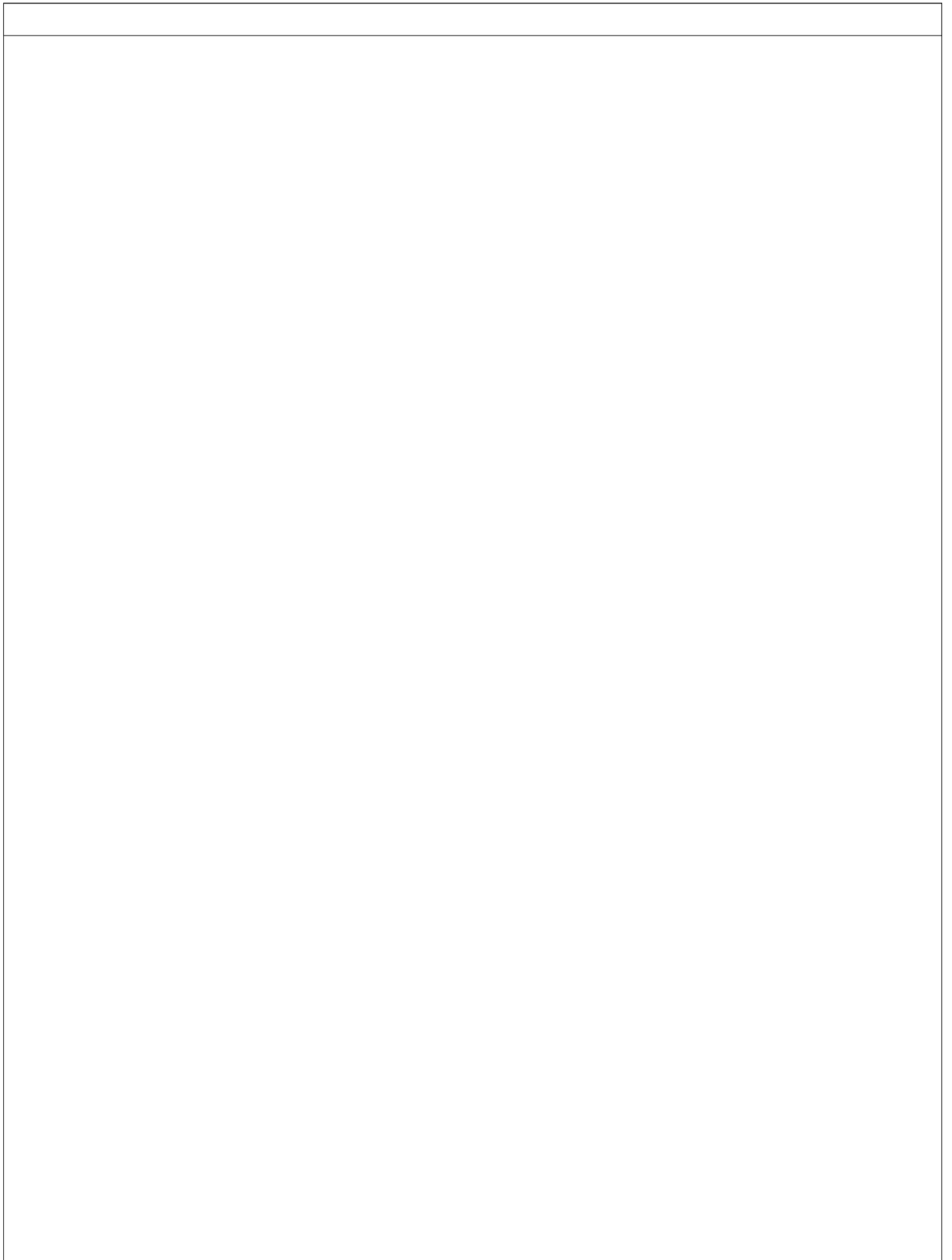
**9. Authorize water withdrawal from the Columbia River during high flow conditions.**

Current Water Resources Board rules preclude withdrawing water from the Columbia for irrigation and other beneficial uses between April 15 and October 1, regardless of flow conditions. There are times during this season where the flows are so high that the fish are actually harmed because the spills over the dams are too great. During such periods, the Water Resource Department staff should have the flexibility to allow withdrawal. Such a policy could help develop thousands of acres of land in Eastern Oregon, create jobs and add public sector revenues.

**10. Make targeted tax changes to spark growth.** Understanding the severe fiscal challenges facing Oregon, these steps will spark economic growth to create jobs and increase revenue.

- Targeted capital gains reduction for those who reinvest gains in Oregon.
- Extend Research and Development tax credit.
- Retain a modified Business Energy Tax Credit.
- Give Business Oregon the opportunity to apply payroll-based incentives that help retain and expand companies that pay high wages but may not be capital intensive.
- Consider revenue sharing for local governments that support economic development (potentially tie to enterprise zone renewal).
- Examine the impact of the 2009 tax changes on small- and medium-sized businesses and their ability to keep and grow jobs.

For more ideas to support job creation in Oregon's traded sector industries please visit [www.oregonbusinessplan.org/industry-clusters.aspx](http://www.oregonbusinessplan.org/industry-clusters.aspx).



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