



**POLICY PLAYBOOK FOR 2014**

## Oregon Business Plan Steering Committee

**John D. Carter**, Chair, Schnitzer Steel Industries

**Eric Blackledge**, At-large member, Blackledge Furniture

**Samuel Brooks**, Oregon Association of Minority Entrepreneurs; S. Brooks & Associates

**Justin Delaney**, At-large Member, The Standard

**Matt Donegan**, State Board of Higher Education

**Patrick Egan**, Oregon Transportation Commission, Pacific Power

**Dwayne Johnson**, Oregon Small Business Advisory Council, Globe Three Ventures

**Gregg Kantor**, Portland Business Alliance, Northwest Natural

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

**John W. Morgan**, Oregon Innovation Council, Avamere Family of Companies

**Neil Nelson**, Associated Oregon Industries, Siltronic

**Greg Ness**, Greater Portland Inc., The Standard

**Gary Reynolds**, Oregon Business Association, Perkins & Co.

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

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

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**Jon Chandler**, Oregon Homebuilders Association

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**Mike Salsgiver**, Associated General Contractors

**Duncan Wyse**, Oregon Business Council

## SUCCESSSES TO CELEBRATE ... THEN ON TO WHAT'S NEXT

Greetings to Our Friends and Partners,

2013 has been a banner year for the Oregon Business Plan. On the Plan's top three priorities — Fix PERS, Invest Wisely in Education, Build the Bridge — our elected leaders stepped up and demonstrated bipartisan cooperation. Across all 15 Business Plan initiatives, we can point to significant gains.

As the Oregon Business Plan enters its twelfth year, it is growing more effective as a tool to bring business, elected, and community leaders together in pursuit of policies that improve Oregon's economy and life.

We still have a lot of work to do. While job growth accelerated this year as our manufacturing sector picked up steam, our income levels and rate of poverty are on the wrong side of national averages. As we focus on strategies to grow the economy, we need to look for ways to help all Oregonians connect with opportunities.

The framework for the Oregon Business Plan, as described on the opposite page, remains sound. To achieve the goals of the Plan we need to periodically refresh our initiatives, identify new ones, and agree on concerted actions. That's a function of our annual Leadership Summit in December where we solicit input from participants to refine our initiatives as we move into the coming year.

As your Steering Committee looks ahead, we see great value in focusing on a few key actions among all the initiatives in the Plan. To grow jobs, increase incomes, and reduce poverty, here are three priorities for 2014:

Build the bridge, and more.

Connect education with careers.

Unlock natural resources to restore rural prosperity.

While all the initiatives in the Business Plan are important, as explained in this Playbook, we believe that the timing is right to vigorously pursue these three initiatives in 2014, and that in doing so we will accelerate progress in meeting our key goals.

Thanks for being part of this important work. Your involvement makes all the difference.

Sincerely,



John D. Carter, Chair  
Oregon Business Plan Steering Committee

# OREGON BUSINESS PLAN FRAMEWORK

## Goal:

### Quality Jobs in Every Corner of Oregon

- 25,000 net new jobs per year through 2020
- Per capita income above national average by 2020
- Poverty below 10% by 2020 (down from 17.2 percent today)

## Vision:

### Innovative, Globally Competitive Traded-Sector Industries

Traded-sector businesses drive the Oregon economy. They export products and services outside of Oregon, bringing in fresh dollars that re-circulate through payrolls, employee spending in the local economy, purchases from vendors, and tax revenues that fund critical public services like education. Industries that sell globally are both big and small. These industries tend to “cluster” based on access to shared resources, talent, suppliers, and other factors.

### Traded Sector Drives Growth

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



But firms in this sector drive the economy

#### Advanced Manufacturing

- Metals (Primary and Secondary)
- Machinery + Transportation Equip.
- Food Processing
- Defense

#### High Tech

- Semiconductors and Electronic Components
- Software
- Education Technology + Services
- Bioscience

#### Natural Resources

- Forestry and Wood Products
- Agriculture Products
- Wine/Winemaking
- Beer/Brewing
- Nursery Products
- Tourism and Hospitality

#### Athletic and Outdoor

#### Creative Industries

#### Clean Technology

- Green Building and Design
- Energy Efficiency
- Solar Manufacturing
- Wind Energy Development
- Wave Energy Development
- Environmental Technology + Services
- Electric Vehicles + Green Transport

## Strategy:

### Conditions Critical for Success: 4Ps for Prosperity

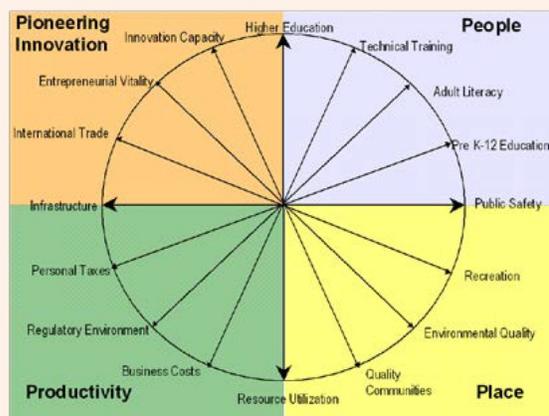
Representatives from key industry clusters report the following conditions are essential to promote high-wage job growth in Oregon:

**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



## Initiatives:

### Actions to improve the 4Ps

(See initiative matrices, pages 6 and 7)

# PROGRESS ON OUR GOALS

Our bottom-line goals are to grow jobs, raise per capita income, and reduce poverty. How are we doing? Our progress on these measures is mixed.

As shown in Figure 1, the Oregon economy *is* growing jobs — 58,000 since January 2011. This is shy of our goal to add 25,000 new jobs per year, but a positive trend, nevertheless. Looking across the state, metro Portland and Corvallis have returned to their pre-recession job counts. However, in Eugene-Springfield, Salem, Bend, and Medford, employment is still 7 to 13 percent below December 2007 levels.

We're not doing as well with per capita income. As Figure 2 illustrates, we've been below the national average since the early 1980s, have fallen below 90 percent of that benchmark the past few years, and are trending even lower. Although metro Oregon also falls below the national average (Figure 3), it is doing much better than non-metro areas, which faltered with declines in the forest products industry and have yet to recover.

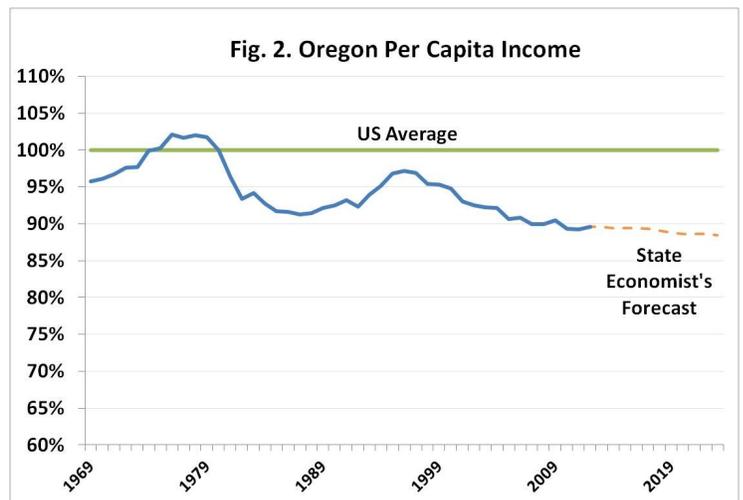
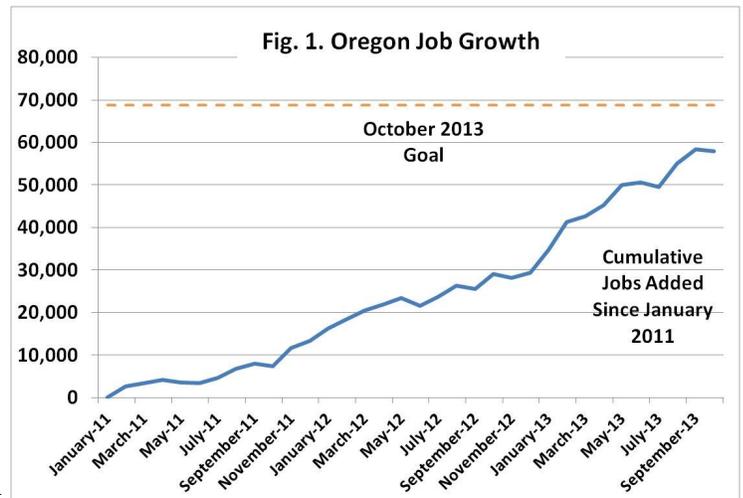
Oregon's relative underperformance on income also shows up in an elevated poverty rate (Figure 4). U.S. Census data show our official poverty rate declined narrowly between 2011 and 2012 but, at 17.2 percent, remains above the U.S. average and well above our goal of reducing poverty to 10 percent.

## Why the Mixed Performance

A range of factors bear on Oregon's economy: 1) the global economy is slow in its recovery, 2) although we are strong in durable goods manufacturing, that sector is cyclical and still hasn't returned to full steam, especially in forest products, and 3) most of our job growth has been in the local non-traded sector economy.

The nation's slow recovery from the Great Recession makes progress especially difficult for Oregon. The Congressional Budget Office forecasts that the U.S. economy won't return to its full potential until 2017 when unemployment rates are projected to fall below six percent.

The recovery faces several headwinds. Europe is in recession — or slowly emerging from it — and China's growth is off its historic pace. Domestically, housing prices are rising, but demand for new housing has yet to take off. In Oregon, the lack of residential construction hits both the homebuilding and wood products industries.



Recent Oregon job growth has been disproportionately concentrated in the local sector — goods and services sold within the state or within regions of the state. Oregonians have had enough faith in the recovery to spend more at local establishments. These are an important part of our economy, but the wages they pay are relatively low compared to many traded sector jobs that drive economic growth.

### The Outlook

Looking ahead, there is cause for optimism. Although traded-sector employment has not grown sufficiently this past year, export sales have. This bodes well at a time when global markets are expanding with a rapidly rising middle class in many parts of the world. Oregon has an opportunity to sell products and services into these markets, taking advantage of its inherent strengths in manufacturing.

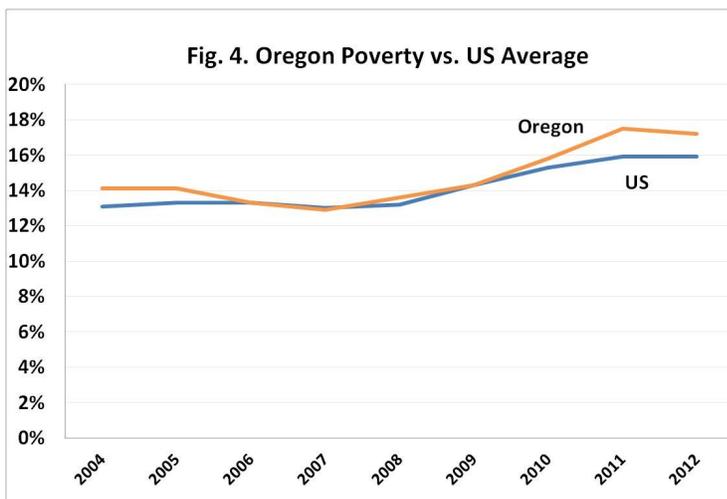
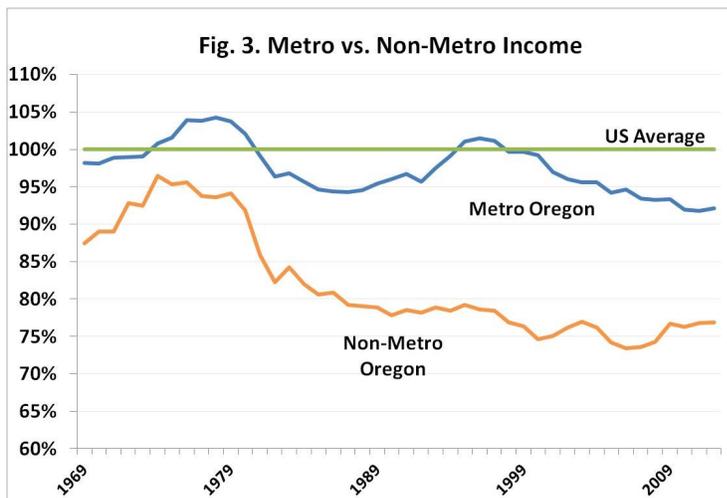
Oregon is well positioned to move on this opportunity.

Our high technology sector, for example, has fared better and shed fewer jobs than most other high technology centers in the United States. We are seeing a flurry of business startups and expansions, and our anchor employer, Intel, continues to invest heavily here.

### How We Can Help

If Oregon is to seize emerging opportunities, we need to support our traded sector industries, in particular by creating the conditions outlined in the 4Ps — advantages in people, productivity, place, and innovation that help businesses thrive. Full recovery in the forest products industry, for example, is dependent on timber supply, especially from federal forests. For each of our major industries, we need to identify opportunities and needs and act swiftly to meet them.

In particular, we must act on the connection between education, income, and poverty. On education measures, Oregon’s performance is middling. That’s why the unfolding overhaul of our education system is so critical to accomplish. As explained in our companion paper on poverty, we need to raise our levels of education attainment in general and, in particular, in skills that pay well, such as the sciences and technology. In doing so, we will increase the productivity of the traded sector and all parts of the economy which, in turn, will raise incomes and help reduce poverty.



## PROGRESS ON OUR 2013 PRIORITY INITIATIVES

The Oregon Business Plan vision and strategy provide a framework for identifying what is important to create jobs and grow incomes. The Business Plan initiatives are the specific actions to achieve the goals, vision, and strategy of the framework.

In 2010, we broke our initiatives into two broad categories. First, recognizing the crisis in public sector services caused by plummeting tax revenues and languishing public sector productivity, we grouped together six initiatives designed to strengthen critical public sector services.

These services, especially education, are critical for achieving the goals of the Oregon Business Plan.

Second, we created what became known as the “jobs agenda,” actions designed to spark economic growth both quickly and for the long-run. Nine initiatives fell into this category.

The matrices on pages 6 and 7 summarize our progress last year on these two agendas. Although we fell short in some areas, the progress in nearly every category gives us much to build on in the year ahead. Thanks to bipartisan cooperation and focused work by the partners participating in the Oregon Business Plan, we have much to celebrate.

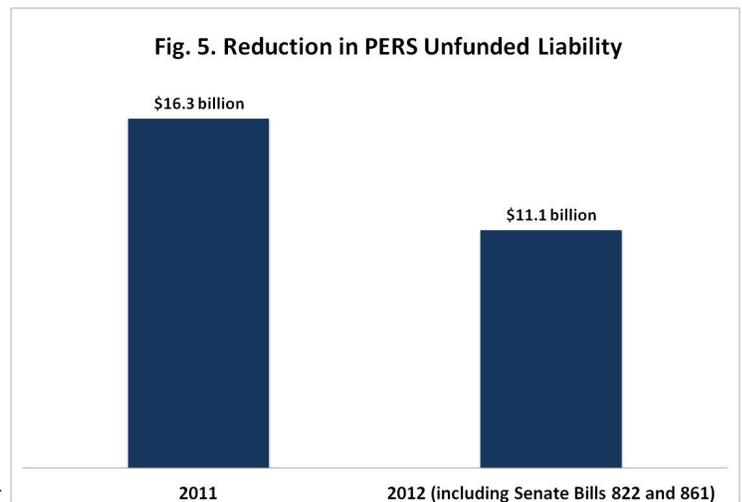
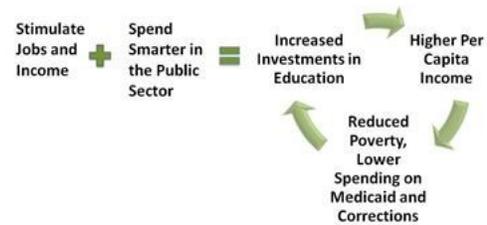
Out of all the initiatives, last year we picked three for priority attention: **Fix PERS. Invest Wisely in Education. Build the Bridge.** On all three, we made important headway.

### Fix PERS

The state’s pension system was a top focus of the 2013 regular and special legislative sessions. A poor benefit design interacted with the 2008 market crash to produce a large unfunded actuarial liability (UAL) and high employer contribution rates. Left unaddressed, these increases meant shorter school years, fewer teachers, and larger class sizes for K12, along with higher tuition for college students and diminished police, fire, library, park, and transportation services.

A coalition of business groups, education advocates, and government employers worked closely with the Governor and legislators throughout the regular and special legislative sessions to reduce the PERS UAL by \$5 billion and substantially reduce employer rate increases (Figure 5). We are pleased with the reforms accomplished but remain concerned about the future of the system. While the problematic benefit design is slowly phasing out and the market crash is five years behind us, rates charged to public agencies in Oregon will remain considerably higher than in other states and higher than Oregon’s historic levels. This problem merits close watching and further work if the system doesn’t appear to be sustainable over the long term.

### Oregon Business Plan: Restarting the Circle of Prosperity



## Invest Wisely in Education

We have good news. All levels of education saw sizable increases in their biennial budgets (Figure 6). And thanks to reforms in health care and public safety, the share of the General Fund allocated to education grew from 50 to 52 percent. Equally important, we are changing how we invest in education. For early childhood investments, new accountability hubs were launched that will coordinate local service delivery across a patchwork of education, healthcare, and human service providers and allocate funds based on results.

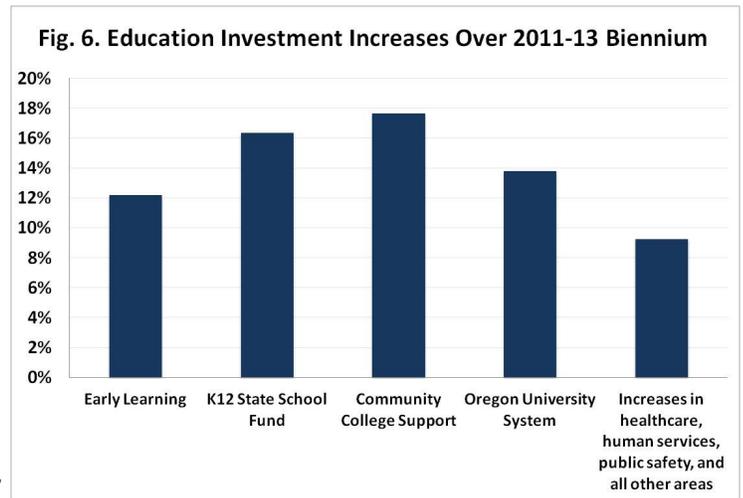
The 16.4 percent increase in funding for K-12 education secures a full school year for nearly every district in the state. In addition, the state will make \$73 million in strategic investments to create stronger professional development for educators, accelerate progress in STEM/Career Technical education, disseminate the Chalkboard Project's CLASS initiative, implement a new teacher evaluation system, and deliver reading tutors and mentors to high-poverty schools throughout the state.

The state also overhauled the way it invests in post-secondary education. It charged the Higher Education Coordinating Commission (HECC) to oversee postsecondary resource allocation, policy-setting, and system coordination. It created independent boards for Oregon State University, the University of Oregon, and Portland State University to give them more flexibility to meet student needs.

In all, investments and reforms enacted in 2013 — together with groundwork reforms in 2011 — represent the most significant changes to Oregon's education system in a generation, and they put the state on the right path to reach its 40-40-20 goal to vastly increase postsecondary attainment. With more resources and structural change in hand, we must now implement the vision.

## Build the Bridge

Early in the 2013 session, the Oregon Legislature authorized Oregon's share of funding for the I-5 bridge replacement contingent on Washington State authorizing its contribution by September 2013. When the Washington Legislature adjourned without committing its share of funding and Oregon's funding authorization expired, Governor Kitzhaber asked the project team which, if any, elements of the project could still move forward. The team proposed the Oregon-led concept, a phased approach that would build the replacement Interstate bridge, Oregon interchanges (Marine Drive and Hayden Island), light rail, and the SR 14 interchange during the first phase of construction. Washington interchanges north of SR 14 would be built as Washington funds are identified. This phased approach addresses congestion, freight mobility, and safety. The project is poised to move forward with construction after completing key milestones in the fall: These included mitigation agreements with businesses affected by the new bridge, a permit from the U.S. Coast Guard, and an endorsement from Washington Governor Jay Inslee to move forward with the Oregon-led phased approach. Early next year legislators will have the opportunity to hold hearings and take action.



## HIGHLIGHTS: OREGON BUSINESS PLAN PUBLIC SERVICE REDESIGN INITIATIVES – 2013

Initiative and Goal	What we Recommended in 2012	What Happened in 2013
<p><b>Reform the state budget process</b> to transparently align investments with long-term goals and desired outcomes.</p>	<ul style="list-style-type: none"> <li>• Build support among legislators for new process. Work with Ways and Means to base decisions off 10-yr projections of expenditures and revenues</li> <li>• Identify lessons learned and improvements for next cycle</li> </ul>	<ul style="list-style-type: none"> <li>• 2013-2015 Governor's budget was built on a new 10-year outcome-based process. The legislature did not change its budgeting process, but did enact critical reforms in education, corrections and other areas of the budget based on long-term, rather than short-term, cost savings and desired policy outcomes.</li> <li>• The Governor's office thoroughly evaluated the successes and failures of the 2013-2015 budget development process.</li> </ul>
<p><b>Redesign Oregon's education system</b> to ensure that by 2025, all Oregonians have a high school diploma, 40% at least a bachelor's degree and 40% at least an associate's degree or technical credential.</p>	<ul style="list-style-type: none"> <li>• Make five key investments to support 1) educators 2) parents 3) new school models 4) third grade reading and 5) STEM</li> <li>• Overhaul funding models for early childhood, ESDs, special education, ELL and postsecondary education to promote innovation and flexibility.</li> <li>• Reorganize state education agencies to help them fulfill core functions 1) investing and policy 2) building clear learning pathways 3) creating great educators and 4) communicating with public</li> <li>• Grant autonomy to U of O and PSU, and move post-secondary funding policy responsibility to a single state board</li> </ul>	<ul style="list-style-type: none"> <li>• Legislature invested \$75 million in the five key investments areas.</li> <li>• Legislature established a STEM Investment Council to set a statewide STEM education strategy.</li> <li>• Legislature overhauled early childhood funding; passed study bill on ESD, special education, and ELL funding.</li> <li>• Legislature restructured higher education system with independent boards for OU, OSU and PSU and new Higher Ed. Coordinating Commission.</li> </ul>
<p><b>Redesign Oregon's health care system</b> to improve the health of Oregonians while stabilizing costs for individuals, businesses, and the public sector.</p>	<ul style="list-style-type: none"> <li>• Continue to launch and support CCOs</li> <li>• Get ready to launch Cover Oregon</li> <li>• Adopt medical malpractice/patient safety reform</li> <li>• Patch 2013 gaps in Oregon Health Plan financing and develop a long-term financing plan</li> <li>• Mitigate market shock of Affordable Care Act</li> <li>• Encourage public and private employers to adopt purchasing, care and benefit models that encourage choice among providers, promote wellness, and incent high quality, lower cost care</li> </ul>	<ul style="list-style-type: none"> <li>• CCOs are up and running across Oregon.</li> <li>• Cover Oregon launched, but with a rough start.</li> <li>• New medical malpractice dispute resolution system established in SB 483.</li> <li>• 2013-2015 Medicaid funding gaps patched but big gaps possible in 2015-2017 and beyond.</li> <li>• Legislature passed HB 3458, a re-insurance mechanism to mitigate the shock of the ACA in the individual market.</li> <li>• Public employers moving to new benefit and care models.</li> </ul>
<p><b>Reform Oregon's public safety system</b>, in particular curbing prison growth, by investing in proven, effective, and affordable methods of reducing crime.</p>	<ul style="list-style-type: none"> <li>• Adopt package of public safety reforms that the Commission submits to the Governor and Legislature in December 2012.</li> <li>• Avoid the need to bond for and build more prison beds in the biennium</li> </ul>	<ul style="list-style-type: none"> <li>• Scaled-down version of Public Safety reform package passed, significantly delaying the need for more prison beds.</li> </ul>
<p><b>Reform public employee compensation</b> to address unsustainable growth in costs while ensuring competitive compensation for public employees.</p>	<ul style="list-style-type: none"> <li>• PERS: Use market rate to annuitize Money Match; Cap the COLA; Eliminate 6% requirement; Reduce pension spiking; Reduce assumed rate; Fix the tax remedy.</li> <li>• Health Care: Continue progress in stabilizing PEBB/OEBB rates through fixed dollar defined contribution and ongoing efforts to implement new care models, value-based benefit design, and improved health</li> <li>• Overall: Align total cost of comp with other states and the private sector</li> </ul>	<ul style="list-style-type: none"> <li>• \$16 billion PERS unfunded liability reduced to \$11 billion with COLA and tax remedy reforms.</li> <li>• PEBB/OEBB costs have continued to stabilize. PEBB now operating under fixed rate increase budget and RFP is out for new PEBB care model.</li> <li>• PSU Center for Public Service produced study comparing total cost of compensation in Oregon and neighboring states.</li> </ul>
<p><b>Reform Oregon's revenue system</b> to create stable and adequate funding for public services and effective incentives for economic growth.</p>	<ul style="list-style-type: none"> <li>• Form coalition to examine options and engage the public on revenue reform ideas</li> <li>• Draft a proposal for consideration by legislators and voters</li> </ul>	<ul style="list-style-type: none"> <li>• The Governor, business and labor groups are working together on public opinion research.</li> <li>• A study is underway to analyze fiscal and economic impact of different revenue structures.</li> <li>• A series of divisive ballot measures were filed with the Secretary of State that could threaten the broader tax reform effort.</li> </ul>

## HIGHLIGHTS: OREGON BUSINESS PLAN JOBS INITIATIVES – 2013

Initiative and Goal	What we Recommended in 2012	What Happened in 2013
<b>Transportation Infrastructure:</b> Create jobs today and in the long-run by improving our transportation infrastructure and access to markets.	<ul style="list-style-type: none"> <li>Adopt an investment package to replace the I-5 bridge.</li> <li>Pass Connect Oregon V multi-modal bonding program.</li> <li>Take steps to create permanent non-highway funding.</li> <li>Move forward innovative infrastructure financing models such as the West Coast Infrastructure Exchange and the Community Investment Initiative.</li> </ul>	<ul style="list-style-type: none"> <li>Oregon authorized its share of funding for the I-5 bridge replacement in March. After Washington failed to do its part, Oregon leaders advanced an Oregon-led, phased approach for consideration by the legislature.</li> <li>Legislature authorized \$40 million for Connect Oregon.</li> <li>The Infrastructure Exchange hired its first executive director.</li> </ul>
<b>Innovation:</b> Boost research, commercialization, new business formation, & productivity of existing companies	<ul style="list-style-type: none"> <li>Adopt the 2013-15 Oregon Innovation Plan, continuing funding for Oregon's three signature research centers as well as five industry initiatives.</li> </ul>	<ul style="list-style-type: none"> <li>Legislature funded the Oregon Innovation Plan at \$19.5 million supporting Oregon's three signature research centers and industry initiatives while also funding innovation capacity in the Southern Willamette Valley.</li> </ul>
<b>Capital Access:</b> Ensure Oregon companies have access to debt and equity financing to fuel their growth.	<ul style="list-style-type: none"> <li>The Legislature should create an Oregon Growth Fund to support portfolio that supports early stage, venture stage and later stage companies and include tools to leverage and grow private investment in Oregon.</li> </ul>	<ul style="list-style-type: none"> <li>Legislature passed HB 2323, codifying the recommendations of the Oregon Growth Board, creating the Oregon Growth Fund, and allocating resources to the fund. Progress was made statewide boosting business accelerators, seed funds, and angel and venture conferences and networks.</li> </ul>
<b>Regulation &amp; Permitting:</b> Increase certainty for business by adopting clear, consistent regulations and permitting processes.	Implement the Regulatory Streamlining Roadmap. <ul style="list-style-type: none"> <li>Adopt consistent management systems within and across state agencies.</li> <li>Create permitting ombudsman function inside Regional Solutions.</li> <li>Advance pilot projects identified in the Roadmap</li> <li>Launch awards program to recognize efficient and effective cities and counties.</li> <li>Improvements to land use appeals process.</li> <li>Eliminate overlapping regulations across jurisdictions</li> </ul>	<ul style="list-style-type: none"> <li>Legislature increased funding for Regional Solutions to step up its regulatory streamlining functions.</li> <li>Legislature passed HB 2620 directing alignment between state and local economic and community development functions.</li> </ul>
<b>Industrial Land Supply and Readiness:</b> Ensure Oregon has an adequate supply of right-sized, market-ready industrial land.	<ul style="list-style-type: none"> <li>Secure state funding for industrial land inventories and due diligence assessments.</li> <li>Create a partially forgivable state loan program for preparation oftraded sector industrial sitest.</li> <li>Streamline the UGB expansion process based on stakeholder group recommendations</li> </ul>	<ul style="list-style-type: none"> <li>Legislature established inventory and due diligence grant program but did not allocate funds to it.</li> <li>Legislature established forgivable loan program for preparation of industrial sites.</li> <li>Legislature adopted an improved population forecasting system (HB 2253) and a simplified UGB expansion process (HB 2254) but did not pass a companion measure to facilitate siting of large industrial projects (HB 2255).</li> </ul>
<b>Forest Health + Biomass:</b> Improve forest health and rural economies while preventing fire through active forest management.	<ul style="list-style-type: none"> <li>Accelerate forest restoration activities on east side federal forests</li> <li>Agree on and implement an O&amp;C solution</li> <li>Increase wildfire initial attack capacity</li> <li>Promote the innovative use of wood products</li> <li>Implement new state biomass strategy</li> <li>Promote sustainable harvests on state forests</li> </ul>	<ul style="list-style-type: none"> <li>Legislature provided \$2.88 million in Lottery funding to increase the pace and scale of east side forest restoration</li> <li>The US House approved a bill that would place about 1.6 million acres of O&amp;C federal lands in a state-managed trust. Soon after, Senator Wyden introduced a senate O&amp;C bill.</li> <li>Legislature changed the state's fire fighting funding formula, giving landowners more capacity to attack fires</li> <li>A second Wood Solutions Fair attracted more than 400 architects and engineers to study innovative uses of wood</li> <li>The state implemented new programs and incentives to support small biomass thermal projects.</li> <li>The Board of Forestry launched an initiative to change its management plans to increase economic performance and conservation outcomes on state forests in NW Oregon.</li> </ul>
<b>Energy:</b> Maintain Oregon's competitive advantage in energy costs while creating jobs and slowing carbon emissions.	<ul style="list-style-type: none"> <li>Further streamline energy facility and transmission siting to get projects off the ground while capital costs are low.</li> <li>Focus on energy efficiency and vehicle fleet conversion as the most effective ways to reduce emissions</li> <li>Protect Oregon's competitive advantage in energy costs.</li> </ul>	<ul style="list-style-type: none"> <li>Legislature passed HB 2820 &amp; HB 2105 to streamline Energy Facility Siting.</li> <li>Legislature passed HB 2801 expanding market opportunities for energy efficiency.</li> <li>Legislature avoided bills that would increase energy costs.</li> </ul>
<b>Workforce:</b> Employ targeted strategies to close the gap between skills Oregonians have and skills employers need.	<ul style="list-style-type: none"> <li>Achieve 100K NCRCs and &gt;24 counties certified as career ready by 2016</li> <li>Create STEM investment council and identify funding to double STEM graduates by 2025</li> <li>Continue recent investments in high school career and technical education</li> <li>Double the number of people served by Back-to-Work Oregon on-the-job training program for 2013-15</li> <li>Align workforce investments to meet industry needs.</li> </ul>	<ul style="list-style-type: none"> <li>Oregon is on track to meet NCRC goals.</li> <li>Legislature created STEM investment council and provided \$8M in funding.</li> <li>Legislature authorized \$10M for CTE programs in Oregon high schools.</li> <li>The Governor launched an effort to redesign Oregon's workforce development system.</li> </ul>
<b>Water:</b> Secure additional water for fish and farms in the Umatilla Basin	<ul style="list-style-type: none"> <li>Develop both in the short and long term additional capacity for storing Columbia River water during winter months for later use during irrigation and fish migration seasons</li> <li>Using water more efficiently and more productively</li> <li>Develop a stronger interstate approach to Columbia River water.</li> </ul>	<ul style="list-style-type: none"> <li>Declaration of cooperation signed by Governor, farmers and conservationists on 9-point plan for water development in the Umatilla Basin.</li> <li>SB 839 establishes a new program to fund multi-purpose water resources projects across the state, including \$10M in bonding capacity and 2 new positions.</li> <li>Regional interstate cooperation agreement drafted.</li> </ul>

## WHAT'S NEXT?

This past year, the Oregon Business Plan provided a strong framework for actions on many fronts, and in particular on the top three priorities for fixing the public retirement system, investing wisely in education, and building the I-5 bridge over the Columbia River. We have had a stream of successes in recent years that puts Oregon on a good footing.

We have the right plan and the key partners are on board. We need to build on recent progress and focus our energy on steps that will improve performance in two areas of greatest concern: lagging income and too much poverty. We have prepared a paper with a more detailed strategy to address Oregon's high rate of poverty. It contains key recommendations as part of the poverty reduction agenda for 2014.

### Build the Bridge, and More

Oregon has an enormous backlog of unmet infrastructure needs, and a huge deficit in needed funding just to maintain the infrastructure that we have in place. Investing now—in a time of low interest rates and high unemployment—not only creates jobs today, but supports economic vitality in the long term.

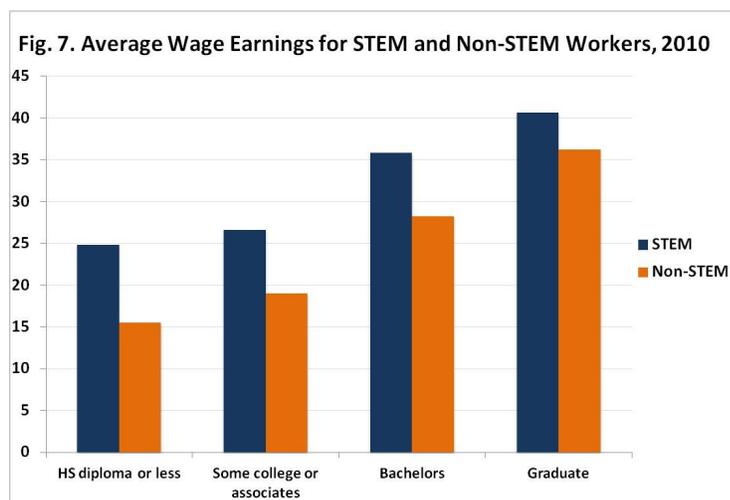
The Columbia River I-5 Bridge Replacement is ready to go. We need to confirm a financing plan in the February session of the Legislature, and get to work. The risk to our economy is not in financing the bridge, but in failing to get it built.

Beyond the bridge, we need to set aggressive priorities for our basic infrastructure needs that will ensure our continued ability to compete in the global economy. These priorities include university capacity to support research and commercialization of innovative technologies, transportation for commuters and freight mobility, reliable energy production, new transmission capacity for electricity and natural gas, information technology, and water/sewer treatment. Such facilities are needed to support the businesses we have, the business growth we want, and projected increases in Oregon population.

Finding the funding will continue to be a challenge. We need to take advantage of fresh ways to magnify our public investment by combining with private capital where feasible and by managing more wisely the money we invest in the planning process for infrastructure projects. We need to shift our focus to project delivery and reliability, and the capacity to support economic growth. Business and elected leaders should come together to develop an infrastructure financing plan for the 2015 legislature.

### Connect Education with Careers

Too many Oregonians are underemployed or unemployed because their skills don't match current and future job requirements. We need to fix that by investing more in STEM and Career/Technical education. As shown in Figure 7, jobs in these fields pay a premium. We must also provide a rigorous education to all students so they can prepare for and adapt to ever changing work requirements. We have set broad goals for improving education attainment. We have changed our governance structure to better measure outcomes and to invest more strategically.



As we look at priorities, we should be particularly attentive to what are sometimes called middle-skilled jobs, those that require less than a four-year college degree. Welders, electricians, and technicians of many kinds are in short supply in many sectors. Good jobs in these specialties improve incomes and reduce poverty.

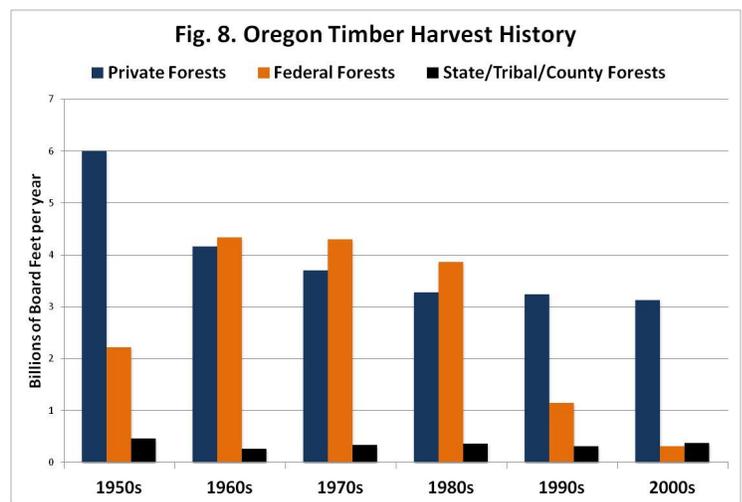
### Unlock Natural Resources to Strengthen Rural Economies

Unemployment and poverty are highest in rural Oregon. Over the past several decades these regions have struggled in a tug of war over natural resources driven by policies that serve neither the communities nor the environment especially well. Plunging harvest levels in federal forests, shown in Figure 8, illustrate the impact of such policies. If unlocked, such resources could grow rural economies in a short time – and in a way that actually improves environmental quality.

In Eastern Oregon, for example, community leaders are working for exactly this kind of solution with environmental representatives and state agencies to find a way to withdraw more water from the Columbia River for agriculture while protecting and enhancing fish runs. The economics are compelling. Additional water withdrawals in the summer months would translate into more than one billion dollars in agriculture output, creating thousands of new jobs and substantial new revenues for public services.

The biggest opportunity is to tap our federal forest resources more fully. In many parts of the state, our overgrown forests pose an ecological danger because they increase the risk of catastrophic fire and stress water tables. In Eastern Oregon, stakeholders are coming together and agreeing on specific actions to thin forests in

a way that supports economic growth and environmental goals. We need to step up this work to meet the Business Plan’s objective to thin 500,000 acres annually.



More generally, Oregon needs to increase active forest management and timber harvest on public lands. Below is a short list of steps that will help restore rural health and make a big dent in rural poverty:

- Agree on and implement an O&C solution
- Promote sustainable harvests on state forests
- Modernize federal land management policies
- Separate fire suppression costs from federal forest management budgets
- Strengthen new state and federal business models to increase pace and scale of east-side forest restoration
- Increase support for OSU College of Forestry’s renewable materials and forest management research

The purpose of the Leadership Summit each December is to review progress on all the initiatives in the Oregon Business Plan and to examine next steps in each topic for the year ahead. Based on the feedback received, the Oregon Business Plan Steering Committee updates the agenda for the coming year and beyond.

More detailed information about the Oregon Business Plan and its initiatives can be found at [www.oregonbusinessplan.org](http://www.oregonbusinessplan.org). We welcome comments and suggestions throughout the year to help identify the best next steps to help Oregon meet its economic goals.

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