LEARNING TO COMPETE IN A GLOBAL ECONOMY

INITIATIVE GUIDE

4th ANNUAL LEADERSHIP SUMMIT

January 9, 2006

Oregon Business Plan.org

WELCOME TO THE LEADERSHIP SUMMIT!

Welcome to the fourth annual Leadership Summit of the Oregon Business Plan. This is your guide to the policy focus of this year's summit and to the initiatives that business and policy leaders are pursuing to achieve the vision and strategy of the Oregon Business Plan.

The plan continues to pursue all of the policy initiatives identified in earlier summits, but this year we are paying especially close attention to two issues: 1) maintaining our momentum in developing Oregon's traded-sector clusters, and 2) responding to powerful trends demanding that Oregon increase the education attainment and skills of its citizens. These two issues will be paramount in this summit's presentations and discussions.

Thank you for taking the time to join this important conversation. Your efforts here benefit Oregonians in every corner of our state.

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LEARNING TO COMPETE IN A GLOBAL ECONOMY

Three years ago, the Oregon Business Plan asked Oregonians to ***Step Up*** – to pursue a future "defined by thriving businesses that lead their industries in ideas, innovation and design, market reach, and staying power." That would produce, the plan asserted, "well paying jobs that resist migration and sustain local economies and communities."

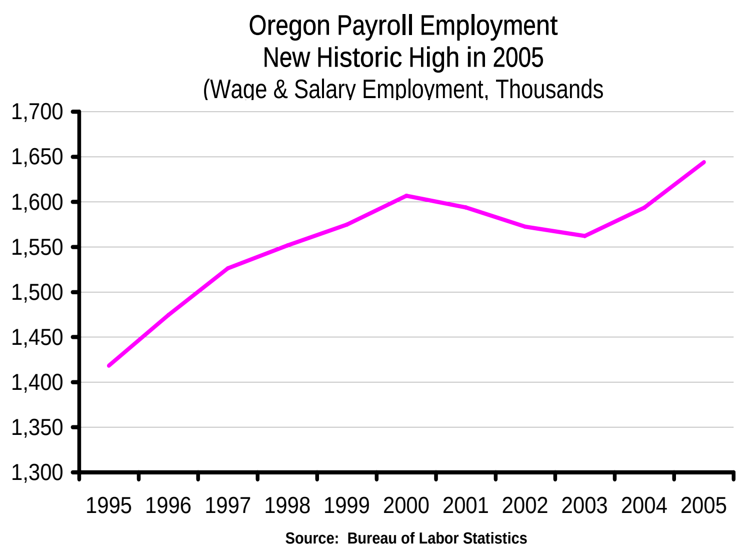
The plan envisioned "Oregon in fact and reputation as a state unique in its passion and ability to nurture clusters of innovative industries. This includes clusters we have already, those we can attract, and those we can build from scratch. It includes clusters in new technologies as well as traditional industries producing new products in new ways."

To support that vision the plan asked Oregon to create the supportive environment needed by competitive Oregon businesses, a strategy that has become known as the Four Ps for Prosperity.

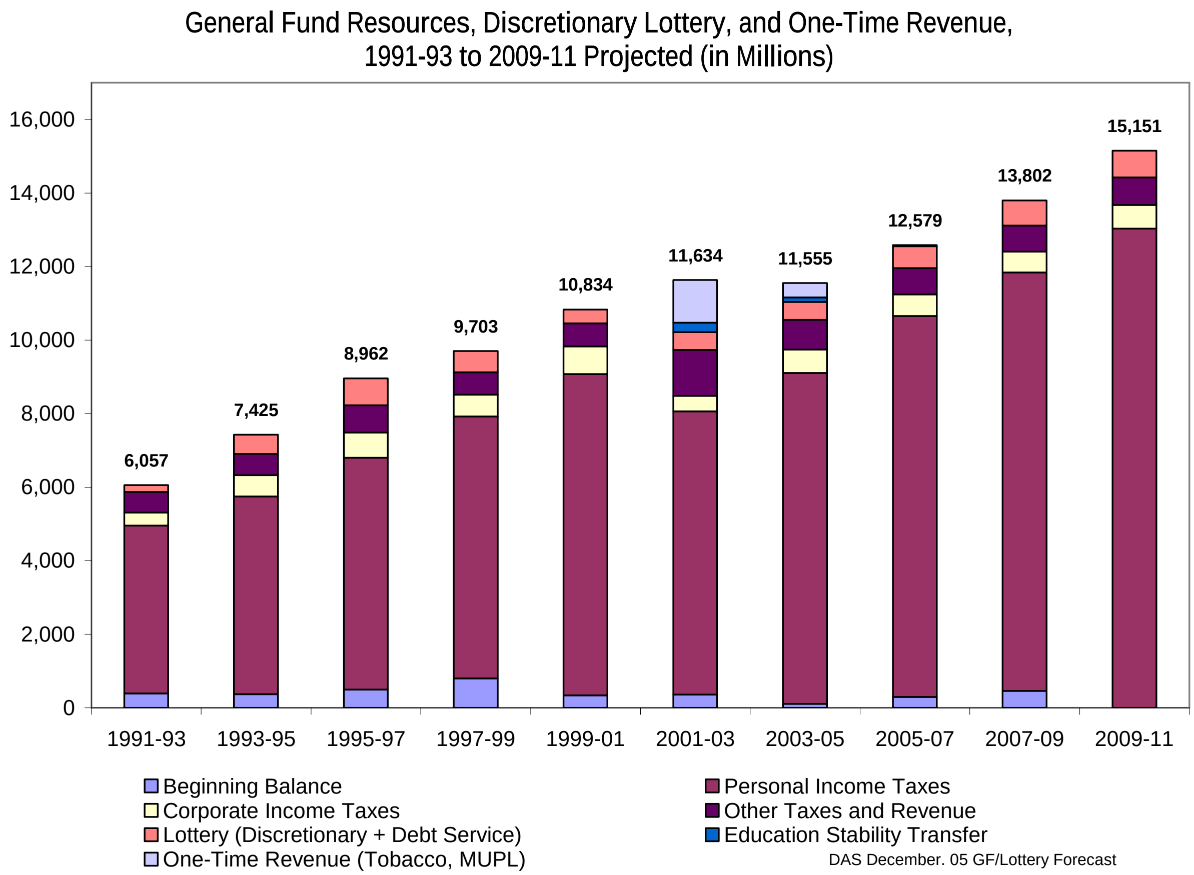
- **Pioneering Innovation** – a culture of research, innovation, entrepreneurship
- **People** – well-educated, capable people and education systems to sustain their skills
- **Place** – quality of life, good public services, attractive communities and environment
- **Productivity** – good physical infrastructure and resources, reasonable business costs.

The Oregon Business Plan believes that every one of these elements, in combination with sound public finance – a fifth P – is necessary to create the conditions for traded sector industry success.

Three years later, there is good news to report. Oregon's economy is growing once again. Over the past year, job growth in Oregon reached over 3 percent, the 5th fastest growth recorded by any state in the nation. Our unemployment rate, once the nation's highest, has been coming down. Over the past year, employment in every one of our key traded sector industries – electronics, forest products, metals, transportation equipment, food processing – has increased. Key measures of innovation and new business formation show positive movement. Clearly, we've put the 2001 recession behind us.



Good economic news translates into good news for public services, which took a beating in the recession along with the private sector. Government leaders made tough fiscal choices, just as business leaders did, and now the outlook is much brighter. If the economic progress continues, our public officials will have the opportunity to invest in education and other vital services and to add to our reserves as protection against the next downturn.



Finally and perhaps most importantly, Oregon has achieved a remarkable degree of progress on the specific initiatives developed in the Oregon Business Plan. For example, during the 2005 Legislature, the Steering Committee adopted a list of 17 priority bills to achieve before adjournment. Thirteen were accomplished in full, while another was partially completed. For a complete list of accomplishments, please see the Oregon Business Plan Initiative Tracker at www.oregonbusinessplan.org.

What is perhaps most exciting about the Oregon Business Plan is that it provides a structure for constructive dialogue and collaboration among business community and public leaders. If we can build on this structure, we have a tool for doing the hard work all communities must do to achieve long-term prosperity.

No Time for Complacency

This improvement is real, but Oregon faces unrelenting challenges. The forces of globalization and intense, knowledge-driven competition have only accelerated since the Oregon Business Plan was introduced. We need to rededicate ourselves to the long-term task of building a solid foundation for Oregon's prosperity for decades to come. Prosperity requires persistence.

The Oregon Business Plan presents a framework for a sustained partnership among Oregon leaders in pursuit of a shared agenda for economic prosperity. At the heart of this partnership is the annual Leadership Summit, where we come together to take stock of progress and to plan for the period ahead. While we expect our vision and strategy to largely stay the same, we anticipate change within and among the initiatives as we succeed at current ones and as new challenges and opportunities emerge. And we expect that the yearly summits will provide the opportunity for greater focus on specific issues within the plan, even while we update and agree to pursue the full agenda.

Strengthening industry clusters and PreK-20 education – literally call for learning to compete in a global economy.

With this in mind, this year the Steering Committee has chosen to focus on two key priorities: strengthen Oregon's industry clusters and its PreK-20 education services. Hence the theme, *Learning to Compete in a Global Economy*. In the future, we anticipate that the Oregon Business Plan will devote concentrated effort to each of the other parts of our strategic framework, as well. We'll continue to advance our initiatives in all of the Four P areas, but we want to focus the entire state this year on these two important opportunities.

Strengthening Oregon Clusters

Strengthening the state's leading traded sector industry clusters is central to our strategy. Over the past year, we've taken aggressive steps to make clusters the fundamental organizing principle of economic development in Oregon and to work with each of the state's traded sector industry clusters.

- Working in close cooperation with the Oregon Economic and Community Development Department, we've formed the Oregon Cluster Network Leadership Council, composed of business leaders, economic developers and supporting organizations throughout the state. Together we have:
  - Identified approximately 40 active cluster development efforts around the state.
  - Linked efforts through a new website, www.OregonClusters.org, which serves as a clearinghouse and meeting point for all of the groups interested in cluster development around the state.
  - Conducted intensive sessions on technology transfer, workforce development, cluster analysis, and policy connections to clusters.
  - Worked to integrate the cluster perspective into the Oregon Business Plan. We've asked each cluster to review the Oregon Business Plan strategy and initiatives and to evaluate its applicability to that industry cluster. In addition, we have asked each industry cluster to identify its own proposed initiative for inclusion in the Oregon business plan.

One clear message that emerges from all of our work with clusters is that the state's leading traded sector businesses share the Oregon Business Plan vision for an innovation-led economy. In every cluster, in every part of the state, businesses are working to develop new products, and new processes, to meet consumer needs better and more quickly. There are many positive examples of progress.

Common themes have emerged from many of our discussions with industry clusters. They agree that innovation is important, and in virtually every industry, from food processing to software, from electronics to wood products, they emphasize the importance of a highly skilled workforce to realize their objectives.

Manufacturing in the Mix

Manufacturing is a critical element in many of Oregon's traded sector clusters, and Oregon ranks among the highest in the nation in terms of gross state product from manufacturing. This year, along with our cluster work, industry and labor leader teamed up to develop a comprehensive manufacturing workforce strategy and submitted its findings to the Oregon Business Plan.

Manufacturing still has a bright future in Oregon, despite all the challenges of global competition. Oregon firms are applying sophisticated technology and what has become known as "high performance" manufacturing practices, practices that rely on the talents and skills of frontline workers to improve productivity and quality. To make this model work, skilled employees are essential.

Many recommendations from the cluster groups and the manufacturing team have been incorporated in the initiative proposals in this report. The full list of ideas is even larger, and presents a wonderful menu for future work.

Deepening Strategy: A Focus on Education and Workforce

This year we're paying special attention to education and workforce skill, essential elements of *People* within the Four Ps. This focus is economically critical due to two inescapable facts about the evolving 21st Century economy: 1) there is greater global competition for relatively low-skill production, and 2) there is greater reward for undertaking high-skill work than ever before.

In a global economy, we face more competition than ever at the low end of the labor market. Around the world, high school education is universal in developed countries and even in developing countries such as India and Mexico where two-thirds of young adults complete secondary school. Today, U.S. students account for less than a sixth of those enrolled in college around the world. And more English speakers live outside North America than do here.

The economic data are unmistakable on this point: raising incomes, for individuals and for the state, depends directly on increasing worker skills and improving education.

Given this growing population of workers around the world with a basic education and a command of English, we continue to lose low-skill work that can be done anywhere. So, we have to move up the value chain if we are to enjoy high incomes and a good standard of living. Individuals will not be personally successful, businesses will not be competitively successful, and our state will not realize its economic potential without a very well educated, highly skilled population. The economic data are unmistakable on this point: raising incomes, for individuals and for the state, depends directly on increasing worker skills and improving education.

The college-high school wage premium – the amount by which the average earnings of a person with a bachelor's degree exceed those of a person with only a high school diploma, – has nearly doubled from about 20 percent in the late 1970s to more than 40 percent today. What is true for individuals is also true for states. One of the strongest predictors of income growth in different regions over the past decade is the level of education of the local population. Places with well-educated people have seen significantly greater growth in per capita income. The per capita income of the ten best-educated regions in the U.S. grew 1.8 percent annually over the 1990s; the per capita income of the ten least well-educated large regions grew less than half as fast.

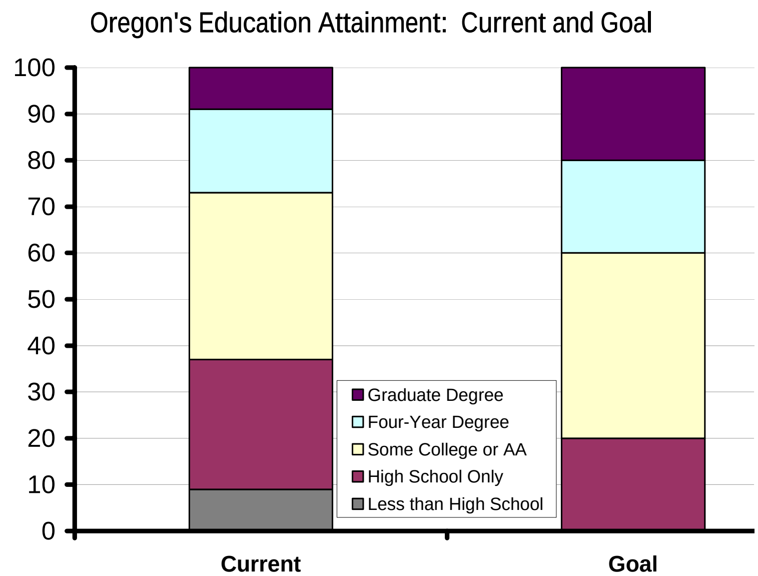
Oregon must increase the education attainment of its citizens across the board.

Against this background, two huge demographic shifts must be factored in to the competitive challenges we face: a generation of workers are due to retire, and our population is growing increasingly diverse. In just the next few years, baby boomers, now in their peak earning years, will begin retiring, taking with them a huge reservoir of skill and experience. Already, shortages are occurring in a number of fields including nursing and highly skilled manufacturing occupations.

In addition, it's clear that the 21st Century workforce, especially in Oregon, will look very different from the kind of workforce we’ve had in the past. Our population is daily growing more diverse, propelled by an influx of immigrants from the Americas, Europe, and Asia. Nearly one in six five-year-olds in the state today is Hispanic. Our education system has to prepare these children, along with those of long-time residents, to realize their full potential in the Oregon of tomorrow.

Raising the Attainment Bar

That means Oregon must increase the education attainment of its citizens on a massive statewide scale. The idea of overhauling our education system in the face of major economic changes may seem daunting. However, Oregon, along with the nation, has done it before, most notably in the 1950s and '60s in response to an expanding economy and Cold War geopolitical competition. That effort alone increased from one-tenth to one-third the nation's output of college graduates.



Source: Census 2000

Now it's time again to raise the bar. Today, about 15 percent of Oregon's adults have not completed high school; 26 percent have only a high school diploma, 34 percent have completed an associate's degree or taken some college, 16 percent have a four-year degree only, and an additional 9 percent have completed a graduate degree.

To prepare for the kind of economy now unfolding, Oregon must increase attainment levels in all categories. Experience will lead us to the ideal mix, but our initial targets should be ambitious. For example, no Oregonian should fail to achieve a high school diploma. Forty percent should have completed an associate’s degree or postsecondary certification representing specific job or career skills. Beyond that, 20 percent should have achieved a four-year degree, and an additional 20 percent should have completed a graduate degree.

As a part of these levels of certification, Oregonians should have increasingly higher skills not only in specific technical fields, not only in reading, writing and mathematics, but also in adaptive learning, problem solving, and organization. As Anthony Carnevale and Donna Desrochers point out in *Standards for What: The Economic Roots of K-16 Education Reform*, technological and economic change is pushing employers to seek out and hire workers who have learned how to learn, who can work well in teams, who have excellent communication skills, who are adept and problem-solving, and who bring creativity to the workplace.

Skills and Abilities in the Knowledge Economy

- Basic skills: reading, writing, and mathematics
- Foundation skills: knowing how to learn
- Communication skills: listening and oral communication
- Adaptability: creative thinking and problem solving
- Group effectiveness: interpersonal skills, negotiation, and teamwork
- Influence: organizational effectiveness and leadership
- Personal management: self-esteem and motivation/goal setting
- Attitude: positive cognitive style
- Applied skills: occupational and professional competencies

Source: Carnevale & Desrochers

Education System Overhaul

Expanding the attainment and skills of Oregonians at the scale and quality envisioned above is a huge challenge. Many individual schools across the state are already finding new, promising approaches to higher student achievement. Yet, without substantial improvement in our state-level policy and administrative support framework, these frontline educators, and Oregon as a whole, cannot hope to accomplish this enormous task. Our education systems need, among other things, substantial overhaul in standards, curriculum alignment, credentialing, student aid, budgeting, and performance accountability across the PreK-20 spectrum.

Oregon's leaders in all sectors have already started to tackle this challenge. The past year and a half these partners in education improvement have been working on a series of detailed proposals to reshape the way we think about, finance, and operate our education system to better meet the needs of our students, society, and economy. It's within our control to make all of the important policy and resource choices that affect the education and training opportunities available to Oregonians. It's time to step up.

The rest of this report presents specific Business Plan initiatives for 2006 and beyond. Companion reports spell out in greater details the rationale and background for many of the initiatives summarized here. We welcome the continued involvement of all Oregonians in this effort!

INITIATIVE PROPOSALS FOR 2006

The following pages contain the Business Plan initiatives for 2006 and beyond. Each initiative describes specific goals, accomplishments to date, and a detailed agenda which supports the Oregon Business Plan vision and strategy. These initiatives are a work in progress, and we invite comments and suggestions for initiative leaders and the Steering Committee as they shape the 2006 agenda coming out of the Leadership Summit.

The agenda embodied in these initiatives is bold, yet specific and achievable. By fleshing out these proposals and putting them into action, we can solidify Oregon as a top-tier place for traded sector firms to compete. Many of the recommendations can be acted on immediately, while others must wait for the Legislature to meet in 2007.

As always, teams of business leaders develop these initiatives. They seek the input of our public sector partners and are mindful that government agencies often have the principal responsibility for implementing recommendations and action items. Our public partners take part in discussions that shape these initiatives, but they do not necessarily agree in all cases with specific recommendations or portions of recommendations.

Most of the initiatives described here were included in some form in the original plan. One notable exception this year is the inclusion of a workforce initiative. This initiative addresses two key workforce priorities: connecting education and training with the continually evolving needs of employers, and increasing participation in the workforce to address Oregon's upcoming worker shortage. This new initiative was developed by combining four specific proposals: 1) promoting drug-free workplaces, 2) making strategic investments in early childcare and education, 3) accommodating individuals with disabilities, and 4) utilizing innovative education, training, and high performance practices in Oregon's manufacturing industry.

Also woven into several of the initiatives are specific recommendations from industry clusters. As Oregon's work with clusters advances, we expect our traded sector industries to play a larger role in shaping the Business Plan initiatives.

The Business Plan Steering Committee will adopt the final agenda for 2006 after the Leadership Summit. Progress on each initiative will be followed and reported, as always, on the Initiative Tracker at www.OregonBusinessPlan.org.

IMPROVE PUBLIC FINANCE AND SERVICES

Objective

Revamp our system of public finance and budgeting to provide stable funding for critical public services and create strong incentives for effective, efficient public sector performance. *Quality public services are critical for a strong economy*

What Oregon Has Accomplished Thus Far

From 2000 to 2004, Oregon endured a fiscal crisis for which it was ill prepared. The state entered the economic downturn vulnerable to Oregon's predominant and volatile income-tax-based revenue system and no rainy-day fund. At the same time, unfunded liabilities in the state's pension program mushroomed because of poor program design and improper management. By many observers' accounts, Oregon's fiscal crisis was among the worst in the nation.

To date, the Oregon Business Plan's public finance initiatives have focused on guiding the state through tough fiscal times and building a foundation for a competent, efficient, and stable public finance system. The original plan called for a comprehensive overhaul of the PERS system, the adoption of ten-year fiscal projections, the creation of a rainy-day fund, and a tax system overhaul that decreased the state's reliance on income taxes, encouraged capital investment and economic development, and reduced regressivity for low-income taxpayers. Some key accomplishments include:

- PERS Reform. Governor Kulongoski and the 2003 Legislature enacted comprehensive PERS reform that created a separate system for newly hired employees, eliminated outdated actuarial assumptions, and limited conditions under which more than the PERS guaranteed rate could be credited to Tier I members. In September 2005, the PERS Board devised a new method to recoup the improper 1999 payments, though long-term employer rates under the overhauled system remain unclear.
- Prioritized Spending. Governor Kulongoski organized his 2005-07 budget around six strategic principles and required agencies to submit budgets that demonstrated how they support his administration's strategic vision. The method—adapted from recommendations outlined in *The Price of Government*—forced agencies to construct budgets from a zero base and facilitated the development of a balanced 2005-07 budget largely absent of one-time revenues or accounting gimmicks.
- Education Stability Fund. In 2003, Oregon voters created the Education Stability Fund—the state's first sizable reserve fund. The Education Stability Fund is financed by lottery revenues and earmarked to K-12 and higher education. The fund's balance cannot exceed five percent of the state General Fund and, assuming no economic downturn, is forecast to reach $629 million by 2011.
- Tax Changes. The 2003 Legislature expanded the "single sales" factor, which allows corporations to determine their income taxes based on their share of sales in the state of Oregon. Now fully implemented, the tax policy makes Oregon an attractive location for capital investment by traded-sector firms that do high volume business outside of the state's borders. Also in line with OBP principles, the 2005 Legislature made the State earned income tax credit refundable, allowing low-income Oregonians to receive it in the absence of a tax liability. The change reduces regressivity for low-income taxpayers.

The Agenda for 2006 and Beyond

The state's recent fiscal woes have tarnished its hard-earned reputation for managerial competence and public sector innovation. In its 2005 review, the Government Performance Project—a venture of *Governing* Magazine and Pew Charitable Trusts—gave Oregon a "D" for money management, attributing the weak grade to the volatile income-tax dependent revenue mix, the unpredictable individual and corporate tax kickers, and the well-documented pension problems. As described above, Oregon has made headway in restoring its fiscal reputation. Building on this momentum, the Oregon Business Plan 2006 agenda seeks to re-establish Oregon as an efficient and competent provider of essential public services. Recommendations for 2006 and beyond include:

- Manage the 2007-09 Revenue Rebound and Expand the Stability Fund. Good news: After three biennia of weak or declining revenue growth, the state economist forecasts Oregon's 2007-09 General and Lottery fund revenues will exceed the 2005-07 level by $1.2 billion. This creates a wonderful opportunity to create reserves to set aside additional reserves to better cope with future fiscal shortfalls. As interest groups lobby to restore programs and service levels, it is critically important that a disciplined process for decision-making be adopted. The Governor and Legislature should extend the prioritization process that began this past biennium, with a particular focus on education. The first action should be to expand our reserve fund. Given Oregon's extraordinarily high reliance on income taxes, the Oregon Business Plan supports raising the cap on the Stability Fund to 10 percent of the General Fund, up from its current cap of 5 percent. SB 841 and SJR2, which passed the Senate and the House Revenue Committee last session, provide an excellent model. These bills would have placed ending balances into the education reserve fund. Unfortunately, both bills stalled in the waning days of the Legislature. During the interim, the Legislature should prepare similar legislation to pass as its first order of business in 2007. It should also review options for how to use the reserve fund to stabilize education funding.

- Craft a Transparent, Performance-based Budget, starting with Education. Oregon's budget process does little to educate policymakers, taxpayers, or other stakeholders about the array of services provided by government. The traditional budget presentation provides an incomplete, overly aggregated, and confusing accounting of spending on public services. Put simply, when policymakers pass a budget they should know what they are buying and what is driving its cost. Beginning with the 2007-09 education budget, the Governor should build on the work started last session. In particular, the Governor's 2007-09 education budget should span the PreK-20 continuum, isolate programs with distinct goals and purposes, report costs on a per-student basis, and reveal all associated spending regardless of its source. A finite set of easily measurable performance indicators should accompany each program. The business and philanthropic community should support the Governor in the design of this budget framework, including providing assistance to the Legislature on how to best review a transparent performance budget when it receives it from the Governor.
- Embrace a Long-Term Fiscal Vision. Given the well-anticipated effects of our aging population on state budgets, policymakers need routine forecasts that go beyond the upcoming biennium. In developing the 2007-09 budget, the Governor should include a comprehensive, rigorous expenditure projection that matches the duration of existing revenue forecasts. Moreover, the expenditure and revenue projections should go beyond simple trend analysis and illustrate revenue and expenditure impacts during recessionary periods. Again, business and philanthropy should support this work.

  Additionally, the state should provide updated annual estimates of future liabilities, assets, and the unfunded or over funded status of each key area (PERS, health care, etc.). This could force awareness and discussion about problems that may be "out of sight, out of mind."
- Quantify and Manage the PERS Liability and Evaluate Total Compensation in the Public Sector. Policymakers must demand a rigorous, long-term PERS rate forecast that clearly illustrates how uncertainty around market returns and retirement behavior will affect rates. With a better understanding of the system's future under the Lipscomb Settlement, policymakers should identify, debate, and where appropriate, implement policies that would further reduce the system's liability.

  Growth in health benefit costs across the public sector looms as the next major challenge, just as they are for business. Both government and businesses are exploring ways to manage health care costs, and can learn from each other. State government should consider the initiatives proposed by the Oregon Business Council Task Force on Health Care, and take a leadership role in improving the efficiency and controlling the cost of health care and benefits.

  While paying special attention to PERS and health care, policymakers should also thoroughly review trends in total compensation in the public sector. Either the Governor or the Legislature should appoint an independent commission to compare the salaries, retirement benefits, and health benefits of Oregon's public employees to their public-sector counterparts in other states, as well as to private-sector counterparts in Oregon. A recent study on this topic by the Department of Administrative Services would be a good starting point for this work. State and local government employers should use the commission's findings as a guide for future salary and benefit negotiations.
- Create a Public Sector Performance Excellence Award. Starting with education, the Business Community should develop an award to be given to high-performing public agencies, modeled after the Baldridge Criteria for Performance Excellence. The purpose of this award is to provide a framework and process for organizations to engage in continuous improvement and apply performance measurements and quality practices to improve their overall effectiveness. The Business Community should begin this process in 2006 by working with the Department of Education on the criteria and selection process for the Superintendent's Celebrating Student Success Award, given to schools or school districts across the state for outperforming their peers and making significant strides in closing the achievement gap for minority and economically disadvantaged students.
- Diversify the Revenue Base. We don't know when Oregon will be ready to make comprehensive changes to its tax structure. The business community has been consistently advocating for change for several decades. Oregon remains overly reliant on personal income and capital gains as a source of revenue. Both these revenue sources are highly volatile and discourage investment. As we diversify the tax base, we remain convinced that reducing capital gains and

income tax rates should be part of the package. To achieve these and other goals, Oregon needs to take a fresh look at alternative sources. In particular, we need to be open-minded about consumption taxes.

Business Initiative Leaders	Public Sector Partners
Ronald C. Parker Brett Wilcox, Golden Northwest Aluminum Ken Thrasher, Compli Ray Guenther	James Sager, Education, Workforce and Revenue Policy Advisor, Office of the Governor Susan Castillo, Superintendent of Public Instruction

Background Resources

"Providing Stable and Adequate Funding For Public Services" (PDF) – Oregon Business Plan White Paper (January 2005)
Summit 2003 Discussion Paper: Public Finance (PDF) – December 2003
"Making Government Work For Oregonians" (PDF) – January 2004 Report by Advisory Committee on Government Performance and Accountability)
"Oregon Budget Principles"–See Governor's Web Site, www.governor.oregon.gov/Gov/budget/future.shtml
"Grading the States" -- Government Performance Project Website

Increase the Education Attainment and Skills of All Oregonians

Objective

Education is the state's largest public expenditure and its most important investment to assure a strong economy, vibrant communities, and enhanced life prospects for Oregonians.

Since 2004 the Oregon Business Plan education initiative has incorporated earlier initiatives calling for:

- Higher achievement by K-12 students through higher standards in curriculum, demonstrated proficiencies, and uniform assessments
- More targeted state investment in postsecondary education, giving institutions greater management flexibility and making them more affordable to students
- Doubling of the output of engineers and computer science graduates by 2009.

While much progress was made on each individual initiative during the first two years of the Oregon Business Plan, by the 3rd Annual Leadership Summit it was clear that a new approach to education governance and delivery is required for Oregon to meet its ambitious education objectives.

The objective of the consolidated initiative is to increase Oregonians' preparation for, access to, and completion of the highest levels of education possible so students of all ages are prepared for advanced education, training, work and citizenship, leading to higher paying jobs and job growth. Specifically, no Oregonian should fail to achieve a high school diploma; 40 percent should complete an associate's degree or postsecondary certification representing specific job or career skills. Beyond that, 20 percent should achieve a four-year degree, and an additional 20 percent should complete a graduate or professional degree. Moreover, in attaining these levels, Oregonians should have increasingly higher skills in specific technical fields, in reading, writing and mathematics, and in adaptive learning, problem solving, and organization.

To achieve this objective, the initiative calls for three changes in state level education policy

1. Better integration of curriculum standards, proficiencies, and assessments throughout the PreK-20 continuum, especially between high school and college
2. Smarter investment in Oregon education through unified, transparent budgeting tied to outcomes
3. An integrated data system to measure student progress, ease student transfer, help students plan their education path, and hold institutions accountable for results.

These state-level changes will support the work of schools to improve student learning. Better outcomes include higher and measurable student proficiency at all levels, greater need-based student aid, higher student persistence to postsecondary degrees, job attainment after graduation, improved delivery systems and instructional capability, and improved system efficiencies.

What Oregon Has Accomplished Thus Far

Building on previous work, Oregon in 2005 was active on dozens of fronts in education, making needed improvements and building momentum for even greater accomplishment. Notable achievements in that regard came from policymakers, education officials, individual schools and school districts, and policy and advocacy groups supported by business and philanthropy. Those accomplishments include the following:

- The Governor recommended and the Legislature adopted key recommendations of the higher education working groups and their state agency and campus partners. As a result:
  - The Legislature doubled state need-based aid for postsecondary students and for the first time included part-time students as aid recipients.
  - Community colleges and OUS schools streamlined transfer of lower division student credits.
  - The Legislature created the framework for expansion of accelerated studies for high school students.
  - The Legislature authorized $4.8 million to develop the data system needed to automate transfer of student transcripts among K-12 schools and between schools in the K-12 and public postsecondary systems. K-12, community college, and OUS officials working to improve transcript transfer also made progress on the blueprint to create a more robust student data system integrated across the PreK-20 spectrum.
- The Governor charged the Joint Boards of Education and Higher Education to oversee and facilitate a PreK-20 agenda that includes the three planks of the Oregon Business Plan initiative: coordinating curriculum standards,

developing a unified, transparent budget model, and developing an integrated student data system. The Joint Boards Working Group has assigned subcommittees to work on each of these issues.

- The Governor made a commitment to present a unified, transparent PreK-20 education budget to the 2007 Legislature, with the next iteration to be in a presentation format that more clearly shows how funds are spent and the major outcomes.
- The State Board of Education launched a comprehensive review of K-12 standards, credentials, and assessments. The Bill & Melinda Gates Foundation is providing substantial funding for this effort.
- Oregon became a partner in the American Diploma Project, an effort by Achieve, Inc., business and education leaders, and the Bill & Melinda Gates Foundation to raise high school diploma standards to levels that enable graduates to participate in higher education.

The Agenda for 2006 and Beyond

Building on the accomplishments of 2005, Oregon should pursue the following education agenda for 2006:

- Curriculum Integration. By the fall of 2006, the Board of Education and the Board of Higher Education should prepare rules and draft Legislation to integrate curriculum standards, proficiencies, assessments, and credits within the K-12 system, between the K-12 and postsecondary systems, and within the lower division postsecondary curriculum at Oregon's community colleges and state universities. The aim of the redesign should be to help students connect learning with future goals, learn at their own pace, and navigate as easily as possible from one step to the next. Features of the redesign should include:
  - Common curriculum standards and assessments for similar classes across systems
  - Common assessments for advancement and placement
  - Exit standards for one stage matched to entry requirements for the next
  - Student credit for learning in a variety of venues, including internships, integrated classes, and internet-based learning
  - Rigorous standards that represent what all students need to master to succeed in further school, work, life, and citizenship

Employers in particular should be actively involved in the design of this system.

- Single, Transparent Budget. As he prepares the 2007-09 budget, the Governor should create a single, transparent state education budget for the entire education continuum that defines expenditures by major category of education service and establishes performance measures for those services. Using the prioritization framework that began for the 2005-07 budget, he should decide which areas to prioritize for investment, performance review, and possible redesign.
  - The Open Book initiative of the Chalkboard project should be fully implemented to provide parents and all citizens information on budgets of their local schools.
  - The business and philanthropic community should provide assistance to the Governor and the Legislature to help them created an integrated and transparent performance budget for the PreK-20 education continuum.

  With a transparent budget as the tool, the Governor and the Legislature should target dollars and demand accountability for performance around several critical priorities:

  - High School Performance. Establish performance contracts with schools to raise achievement of high schools. Create incentives to reward schools that support the greatest progress in student learning, particularly student preparation for postsecondary education including both academic and workforce skills.
  - Postsecondary Affordability. Improve student access to postsecondary education by making it more affordable through increased need-based aid that follows students wherever they choose to enroll. Use the budget process to link the trade-offs between student aid and general institutional (tuition offset) support.
  - Service and Capacity. Improve education delivery systems and instructional capacity, with particular attention to capacity shortages in high-demand lower division postsecondary courses, including critical professional-technical education courses.
  - K-12 System Efficiencies. Improve return on investment through system efficiencies (e.g., student transportation) and intensive management of high-growth expenditures (e.g., special education, healthcare

benefits).

- **Ties to the Economy.** Insure continued and improved strategic investments in programs and outcomes beneficial to Oregon's economy (e.g., engineering , professional-technical, healthcare).
- **Data System Development.** Continue to design and build an integrated PreK-20 student data system that will automate student credit transfer, help students build education profiles and plans, measure institutional performance in student achievement. The E-Board should release funding to develop automated student credit transfer and that capability should be up and running by fall 2006. State officials working on the data system should complete design specifications for the education profile and plan by fall 2006, and implement system wide profile and plan capability by fall 2007.

Connection with the Public.

- The Governor, the Legislature, and the Joint Boards should engage in community meetings throughout the state as they respond to these recommendations. Business and philanthropy should be actively involved in those meetings.
- The Governor and the Legislature should thoroughly review the 15 recommendations prepared by the Chalkboard Project, which were the result of a substantial public engagement process.
- Business and philanthropy should conduct a concerted campaign to focus public attention on the need to improve Oregon's education performance.

Employer Involvement

- Employers should participate in partnerships with education and encourage employee participation in school.
- Goal: At least 500 employers will participate in the Employer to Classroom challenge sponsored jointly by the Chalkboard Project, E3 and the Oregon Business Plan.

Business Initiative Leaders	Public Sector Partners
Gretchen Pierce, Hult & Associates	Susan Castillo, Superintendent of Public Instruction
Howard Sohn, Lone Rock Timber	George Pernsteiner, Chancellor, Oregon University System
Ken Thrasher, Complí	Cam Preus-Braly, Commissioner, Department of Community Colleges & Workforce Development
	James Sager, Education, Workforce and Revenue Policy Advisor, Office of the Governor

Background Resources

Education white papers for past Oregon Leadership Summits, www.OregonBusinessPlan.org

Six white papers on education issues developed for the Oregon Education Roundtable, www.OregonEdRoundtable.org and www.OregonBusinessPlan.org

The Chalkboard Project (survey findings and publications), www.chalkboardproject.org

Oregon Department of Education http://www.ode.state.or.us

Department of Community Colleges and Workforce Development, http://www.oregon.gov/CCWD

Oregon University System, www.ous.edu

State Board of Education white paper on the need to align curriculum, standards, credits and proficiencies, and assessments, http://www.ode.state.or.us/stateboard/boardwhitepaperfinal.pdf

MEET TARGETED WORKFORCE NEEDS OF INDUSTRY

Objective

Creating and retaining a world-class workforce is an integral part of a prospering economy. If Oregon is to compete globally, it must be able to attract, retain, and train a workforce that can compete with any in the world. To achieve this end, we must create new high performance work environments and flexible, responsive education and job training programs that are competency-based, responsive to the demands in a rapidly changing labor market, and are tied to new technologies, customer needs, and evolving production processes. To address the upcoming labor shortage, Oregon must drastically expand its pool of qualified workers, and we must take steps to ensure that all Oregonians are able to participate in the workforce.

What Oregon Has Accomplished Thus Far

This is a new initiative for the Oregon Business plan, but it incorporates some items that were included previously in other parts of the plan. Industry leaders have repeatedly raised workforce quality as a critical issue for business success in Oregon. In the opening section of this booklet, *Learning to Compete*, we discussed the importance of bolstering Oregon's manufacturing workforce. The PreK-20 initiative outlines ways to restructure the way we deliver, budget for, and evaluate education in Oregon. The Economic Innovation initiative connects university research to industries and focuses on key innovation opportunities within clusters. Here, we complement those efforts by tackling two of Oregon's biggest workforce challenges and opportunities as they relate to the *People* part of the Four-P strategy.

- Connecting education and training with workforce needs through an aligned set of certificates and credentials – and through greater employer collaboration with educators
- Increasing participation and stability in the workforce by attracting people of diverse backgrounds, Oregonians with disabilities, and Oregonians with young children, while taking bold steps to stem drug use in job seekers and high school students with a goal to dramatically increase the number of drug-free workplaces.

The Agenda for 2006 and Beyond

Better Connect Education And Training With Skills That Meet Employer and Worker Needs

Oregon must take steps to ensure that students are prepared for the demands of the industries in which they will be employed. To meet this goal, employers and industry associations should work with the various education boards and workforce systems to develop curriculum and credentials to better connect education with economic opportunities. Specific recommendations include:

- **Renew the Value of the High School Diploma.** Employers should participate extensively as the Board of Education reviews the high school diploma requirements. Employers should advocate for: aligning high school graduation requirements with entry requirements to Oregon's colleges and universities and with workplace credentials used for employee selection and advancement. Student demonstration of proficiency should also be a requirement of graduation, using assessment tools that assure consistency throughout the state and that document both basic and workplace readiness skills
- **Develop a standardized skills assessment tool and accompanying work readiness certificate.** Employers should work with Oregon Workforce Investment Board (OWIB) to develop the assessment tool and readiness certificate. These items should be used by all Worksource Oregon centers and in all Oregon community colleges, and should be consistent with the assessment tools and certificates utilized by the education system. Test this concept, prior to adoption, to understand the financial implications and ensure that it has value for businesses and workers, and has currency in the marketplace.

Adopt a policy that clarifies the state's role in incumbent worker training. OWIB should take the lead in developing the policy, and should identify flexible resources to assist businesses with training needs, especially for low-skill adult workers.

- **Tailor community college training programs to better reflect current and future employer needs.** Oregon desperately needs to develop a culture of continually monitoring employer needs as they change over time. Larger structural reforms are needed, but a good start includes increasing collaboration between employers and community colleges. Recommendations include:
  - Involving business leaders in academic instruction and in developing skills assessment tools, utilizing

employers as technical training instructors/partners, including education system staff in workforce development discussions, and forming common agreements on worker readiness standards and certification.

- Modularize training & build flexibility into curriculum. Community colleges should build modularized training and career pathways for adult workers. These programs should adhere to the standards and certification discussed above.
- Review OBP Cluster Submissions to identify clusters with specific workforce challenges, such as the need for regulatory (FDA) training for the bioscience industry, replacement workers in the metals industry, entry level through high level candidates to fill jobs in the semiconductor industry, etc.

- The state should continue to support three critical workforce priorities:
  - Engineering. Increasing the number of engineers through the leadership of the Engineering Technology Council (ETIC). Develop a state- supported marketing campaign to highlight the benefits of general interest and options for careers in Math and Science that reaches a broad audience. Meet our goal of doubling the output of engineering and creating a top tier program by 2009.
  - Manufacturing. Manufacturing is at the heart of many of Oregon's most important traded sector industries. With looming retirements, we need to secure a pipeline of talented new employees. Build on the Cross-Industry Skills Standards project, using the career pathways model that reduces cycle time in training. The state should also work with employers and manufacturing associations to develop a sustainable media/communications campaign to promote Oregon manufacturing and careers
  - Health Care. Establish a public-private healthcare workforce institute to provide consistent and reliable research about healthcare occupational shortages and develop policies and resources to resolve the shortage. Review and apply strategies outlined in the Oregon Nursing Leadership Council's strategic plan, Solutions to Oregon's Nursing Shortage, and the Oregon Center for Nursing's annual report.

Increase Participation and Stability in the Competitive Workforce

- Launch OBP diversity task force with the goal of developing a comprehensive diversity initiative for the December 2006 Leadership Summit. For Oregon to be globally competitive, its public and private entities must be a reflection of the communities that they serve. The demographics of Oregon and the nation are changing rapidly, and its future workforce will, and should, change accordingly. The bottom line: Diversity is a business issue. Oregon companies are being presented with a new pool of potential talent, a new customer base, and new consumer preferences. Making diversity a top priority will be critical to the success or failure of these companies in the future. This effort must be statewide and begin with delivering a quality education to every Oregonian, from grade school through graduate school. The OBP Diversity task force will convene in early in 2006 to begin developing this initiative. Please contact the workforce initiative leaders to become a part of this effort.
- Increase inclusion of people with disabilities in the competitive workforce: Individuals with disabilities represent a highly qualified worker pool that, with proper accommodation, can bring much needed skills and talent to the workforce. We must adopt business strategies that demonstrate that recruiting and retaining workers with disabilities is good for business. The Oregon Business Leadership Network, together with Oregon businesses and public sector partners, should work to:
  - Develop a private/public clearinghouse of accommodation resources and brokerages that provide quick access for businesses to Oregon resources around workplace accommodation in a way that meets business needs within sectors.
  - Initiate a dialogue between businesses and state resource organizations around creating mechanisms for a smoother interface between accommodation expertise and Oregon business.
  - Maintain an interactive website that provides a forum for business-to-business networking, and establish strategic links with national, regional, state, and local expertise on accommodation.
  - Provide a series of business-led leadership forums on linking accommodation strategies and measures to business plans.
- Make Strategic Investments in Early Care and Education. Over the next decade, it is projected that 85 percent of Oregon's workforce will consist of working parents. Our future economic success is tied to making childcare accessible for workers, affordable for employers, and of the highest possible quality for children. Oregon businesses and public sector partners should work together to:

  - Create a committee of policy makers and business leaders to evaluate Oregon's existing employer child care tax credits. If necessary, recommend changes to make them more attractive to business, and advocate for those changes at the Legislature. If the tax credits are viable in their current form, assist in educating employers about their availability.
  - Champion the use of structural indicators to assess and improve the quality of childcare in Oregon communities. There are seven structural indicators that lead to high quality childcare. A pilot project to evaluate facilities and distribute quality information is currently taking place in the tri-county area.
- **Build a Drug-free Oregon Workforce.** Businesses in five of nine Oregon Business Plan Bus Tour stops in 2004 identified drug use as a key obstacle to hiring otherwise qualified workers, and the percentage of Oregon employers identifying on-the-job drug use as a great concern has risen to an all-time high. Oregon employers (public and private), under the leadership of the Workdrugfree Employer Task Group, should:
  - **Mount a statewide campaign to boost the percentage of certified drug-free workplaces from 25 percent in 2006 to 75 percent in 2008.** The campaign should include employer-to-employer education and mentoring, technical assistance and training, and a drug-free workplace certification program. It should also engage insurers and legislators in exploring financial incentives that encourage drug-free workplace programs.
  - **Raise legislators' awareness of the impact of drugs on business competitiveness.** Continue to engage them in developing legislation to better align employer responsibility to accommodate medical marijuana cardholders with workforce safety and productivity needs
  - **Assist Oregon's Workforce Investment Board in establishing a Substance Abuse Prevention Standard for job seekers that meets employer needs.** Include a workforce development agency policy statement and supervisor and staff training, and insure improved linkage with substance abuse evaluation services. Evaluate the standard through a demonstration project.
  - **Assist the State Board of Education in creating a Career-Related Learning Standard to prepare students for employment in a drug-free workplace.** Assist education agencies in strengthening school drug policies and administrator training and encourage state agencies to include student preparation for the workforce in drug prevention initiatives.

Business Initiative Leaders	Public Sector Partners
Eileen Drake, PCC Structurals, Inc. Elizabeth King, ESCO Corporation Don Skundrick, LTM Inc.	Lucy Baker, Oregon Business Leadership Network Claire Berger, Workforce Policy Coordinator, Office of the Governor Mimi Bushman, Workdrugfree Lita Colligan, Workforce Policy Advisor, Office of the Governor Tom Olson, Oregon Employment Department Greg White, Executive Staff, Oregon Workforce Investment Board

Background Resources

"Building a Drug-Free Oregon Workforce." Oregon Business Plan initiative proposal (October, 2005)

"Enhance the vitality of Oregon's business and workforce climate through increased inclusion of people with disabilities in the competitive workforce and the buying power of this customer base." Oregon Business Plan initiative proposal (October, 2005)

"Build Oregon's Economy and Workforce Through Strategic Investments in Early Care and Education." Oregon Employment Department (August, 2005)

Oregon's Manufacturing Workforce Strategy (December, 2005)

Oregon Center for Nursing, http://www.oregoncenterfornursing.org.

EXPAND OREGON'S CAPACITY FOR ECONOMIC INNOVATION

Initiative Objective

Increase the competitiveness of Oregon traded-sector and knowledge industry clusters by enhancing the capacity for innovation, technology development, and product creation. Strengthen ties between Oregon university research excellence and Oregon's traded-sector clusters.

What Oregon Has Accomplished Thus Far

- **Oregon Inc:** The Oregon Legislature passed and the Governor signed SB 838, establishing the Oregon Innovation Council (Oregon INC). The Council will coordinate the multiple knowledge economy and innovation efforts that will leverage public and private resources into a single statewide plan. The Council will focus on commercializing research, increasing early stage capital, developing entrepreneurial capacity, enhancing Oregon's international markets, and fostering a strong science and technology- based workforce and industry clusters.
- **Signature Research.** The Oregon Nanoscience & Microtechnologies Institute (ONAMI) was established as the state's first signature research center. In 2003 the Oregon Legislature provided $20 million in capital and $1 million in operations. In its first year of operation, ONAMI leveraged more than $25 million in new federal and private research from less than $1 million of state funds. In July 2004, the Micro-Nano Breakthrough Conference was held with more than double the anticipated attendance. The 2005 Legislature appropriated $7 million additional dollars to the effort. ONAMI is receiving national attention because of the level of the deep collaboration among universities and businesses.
- **Economic Development Refocus:** In 2003 the Governor, Legislature, and new department director formally realigned the mission, organization, and budget of the Economic and Community Development Department (OECDD) to strengthen business retention, expansion, and recruitment. OECDD was allocated a $10 million "strategic reserve" fund to work with industry.
- **Industry Clusters:** The website www.OregonClusters.org launched in January of 2005, and the Oregon Business Council and the Oregon Economic and Community Development Commission have jointly created the Oregon Cluster Network, which has met regularly since the spring of 2005. Industry clusters have helped shape the 2006 Oregon Business Plan agenda by offering feedback on the core initiatives and suggesting cluster-specific initiatives to improve competitiveness. Clusters and their unique industry-wide priorities will be a focal point of the 4th Oregon Leadership Summit. In the collaboration with Oregon, Inc., OECDD, and other statewide partners, the Cluster Network will continue to identify clusters, promote cluster development, establish best practices, and develop techniques to measure and analyze cluster health and performance over time.
- **University Research:** In February of 2004, the Oregon State Board of Higher Ed formed the Academic Excellence/Economic Development (AEED) Working Group. Building off of the work of the Oregon Council for Knowledge and Economic Development (OCKED), AEED has since identify 11 areas with high economic development potential that could build on existing or emerging academic excellence in Oregon's postsecondary institutions. AEED has extensively researched these areas, and is now perfectly positioned to work with Oregon Inc to leverage public and private resources into a statewide plan. AEED also recommended that the Board of Higher Ed establish Research Council to capitalize on research excellence in Oregon's universities. The creation of the council began in December of 2005.
- **Venture Capital.** The 2003 Legislature created the Oregon Investment Fund, which enhances Oregon's in-state venture capital resources by $100 million.
- **Commercialization of Research:** The 2005 Legislature passed and the Governor signed SB 853, creating a tax credit (capped at $14 million total) for individuals who invest in OUS and OHSU research commercialization funds.
- **Top-Ranked MBA Program.** In 2005, Babson University announced the opening of an Executive MBA program in the state while the highly regarded Oregon Executive MBA moved into a new state-of-the art facility in Portland, both offering increased opportunities for Oregonians.

The Agenda for 2006 and Beyond

By the end of 2006, Oregon Inc. will identify five compelling opportunities to advance innovation in Oregon. Industry cluster representatives and Oregon Business Plan initiative leaders should be offered the opportunity to propose ideas. The Council should look for opportunities that will give Oregon a distinct competitive advantage in sparking growth in high wage industries. These opportunities should be presented at the fifth annual Leadership Summit.

The Oregon Cluster Network will continue to support industry cluster development and help identify specific opportunities to spark industry sector growth. Initiatives for 2006 include:

- Forestry Biomass. Design and begin implementation of a multi-year initiative to use woody biomass for energy production. Using woody biomass for electric energy, bio-fuels and bio-products will improve forest health, support rural economies, provide new sources of renewable energy and strengthen Oregon's forest products industry. .
- Wood Innovation. Increase funding for start-up and expansion of the OSU Wood Innovation Center to promote wood to enhance the global competitiveness of Oregon's forest cluster and the productivity and value of Oregon's forests; to ensure that forest practices regulations effectively produce desired environmental benefits while limiting their economic burdens on landowners; to expand public recognition that wood is an environmentally preferred consumer product choice; and to improve market opportunities for Oregon's distinctive tree species and specialized wood products through improved technologies and marketing linkages for lumber, structural panels, engineered wood products, paper, and other wood-based products.
- Food Innovation. Establish a technical assistance program with the Food Innovation Center that focuses on business/financial assistance for marketing and the testing of food products.
- Manufacturing Excellence. Support the Northwest Center for Manufacturing and Infrastructure Engineering and regional Centers of Excellence to focus on research and development and workforce training support that will benefit Oregon's metals, transportation equipment, and defense industries.
- Bioscience, Healthcare, & High Tech. Create an Oregon Health Information Infrastructure (OHII) to establish Oregon as a state with top-notch, interconnected medical care and a supportive environment for the development of a health care information technology industry. The OHII would be a multi-stakeholder, collaborative effort to accomplish the private and secure exchange of health data. (See Health Care Initiative).
- Open Technology. Position Oregon as a leader in Open Technology by integrating open technology into community source projects and infrastructure. Leverage the region's strengths in Linux software and open source community development and management to position Oregon as one of the global leaders for expertise and infrastructure to create, connect and manage open source communities. Oregon Inc will focus on two near term goals: 1) actively recruit firms to set up headquarters or establish presence in Oregon; and 2) engage state agencies to apply open source technologies and to become catalytic leaders in open source government.
- Workforce and Education. A series of specific workforce and education initiatives presented by industry clusters should be reviewed and acted upon by the education and workforce organizations.
- Other specific initiatives will be identified for inclusion in the Business Plan drawing on cluster submissions and presentations at the Leadership Summit.

Connect Oregon University research assets to support innovation and industry clusters. Based on a survey by the Academic Excellence and Economic Committee (AEED) chartered by the Board of Higher Education and drawing on cluster submissions, these are targets of opportunity:

- Nanoscience and Microtechnology. As demonstrated in ONAMI activities, nanoscience and microtechnology are potential long-term economic drivers in Oregon. Applications extend beyond the high technology industry AEED has recommended that ONAMI capitalize on Oregon's research in sustainability, acting as the technical underpinning of the sustainability area. Forest products and processes should also be included in the nanotechnology research agenda of ONAMI.
- Sustainability and natural resources. Oregon should consider creating several significant "centers of excellence" for innovation in sustainable industries at Oregon universities. Possible candidates include a clean energy institute at PSU/OHSU, Sustainable agriculture and wood products at OSU, and Green chemistry, Green building, and Product packaging at U of O. Support the investigation and development of clusters based on production waste, i.e. where one company's waste becomes another company's raw material.

- **Neuroscience and biomedical research.** Academic excellence is well established. We need to address technology transfer, capital access, and early stage business and technical talent.

- **Embrace High-Performance Manufacturing.** Share best practices in high-performance manufacturing through a High Performance Consortium Network. Base the consortium on the established models of the Northwest High Performance Enterprise Consortium and the Southern Oregon High Performance Enterprise Consortium. Connect these networks with the high performance manufacturing workforce initiative and the Manufacturing Center presented elsewhere in this Guide.

Business Initiative Leaders	Public Sector Partners
David Chen, OVP Venture Partners Walter Van Valkenburg, Stoel Rives LLP Kirby Dyess, Austin Capital Management	Randall Edwards, State Treasurer Mike Salsgiver, Interim Director, Oregon Economic and Community Development Department

Background Resources

Renewing Oregon's Economy: Growing Jobs and Industries Through Innovation – Oregon Council For Knowledge & Economic Development (December 2002) www.ous.edu/cpa/OCKED

Core Research Competencies in Oregon – OCKED (February 2004) www.econ.state.or.us/OCKED.pdf

"Expanding Our Capacity for Innovation" (PDF) -- Oregon Business Plan White Paper (January 2003)

"*Refocus Economic Development on Industry Clusters*" (PDF) -- Oregon Business Plan Summit 2003 Discussion Paper (Decrmber 2003)

www.oregonclusters.org. A new tool for learning and networking Oregon clusters.

ENHANCE OREGON'S TRANSPORTATION INFRASTRUCTURE

Objective

Expand the market reach and productivity of Oregon businesses through strategic, trade-related transportation infrastructure investments and improvements in Oregon's existing international, regional, and in-state passenger and freight air connections.

What Oregon Has Achieved Thus Far

Since the release of the Oregon Business Plan in 2001, Oregon has continued to set ambitious transportation goals and meet them. Oregon has made steady progress building and maintaining our transportation infrastructure across many modes of transportation:

- International Air Service. With the support of the business community, Portland International Airport secured four new non-stop international flights to China/Asia via Air China Cargo; to Europe via Lufthansa; to Japan/Asia via Northwest Airlines; and to Mexico, via Mexicana Airlines.
- State Highway Funding. The 2003 Legislature passed the Oregon Transportation Investment Act 3 - a $2.5 billion package for repair or replacement of city, county and state roads and bridges on Oregon's key freight transportation corridors. It also funded strategic freight capacity on the state's road system and increased funding for local government road and street maintenance and operation.
- Federal Funding for Critical Projects: In 2005, Congress appropriated more than $100million for Oregon highway projects, including six of the eight projects of statewide significance identified in the Statewide Transportation Investment Plan and eight of nine projects identified by the Oregon Transportation Commission.
- Revamping ODOT. The Oregon Department of Transportation (ODOT) hired Oregon Bridge Delivery Partners to manage the development and delivery of $1.3 billion in state bridges on the interstates and other major freight routes. This allowed ODOT to deliver the bridge and highway improvements without additional staff, changing its business model from in-house project delivery to strategic management of Oregon's transportation system.
- Columbia Channel Deepening. Deepening of the Columbia River navigation channel to 43 feet will allow farmers and businesses in the Pacific Northwest to compete in overseas markets. Congress appropriated $9 million in the Fiscal Year 2005 budget for the first year of actual dredging and associated ecosystem restoration. In Fiscal Year 2006, Congress appropriated an additional $15 million. By the end of calendar year 2005, about 25 per cent of the navigation channel will be deepened to 43 feet.
- Public-Private Partnerships. In 2003, the state adopted legislation to establish a new tool—an innovative partnership program within ODOT. Experiments in public-private partnerships to build or enhance transportation systems are being developed worldwide. Administrative rules have been adopted and ODOT is negotiating with a major firm selected in its first "Request for Interest."
- Mileage Fee Pilot. The Road User Fee Task Force, created by the 2001 Legislature to examine alternatives to fuel taxes, is embarking on the next stage of its program to demonstrate how mileage-based fees might work in practice. Other states have shown interest in Oregon's efforts to move the program from the theoretical to the practical.
- "Connect Oregon." In 2005, the Legislature passed "Connect Oregon" which designated $100 million to fund critical non-road multi-modal transportation initiatives that will improve the flow of commerce. Investments will focus on rail, transit, aviation and marine projects. Decisions on projects to be funded under this program will occur in 2006.

The Agenda for 2006 and Beyond

Oregon can be proud of its recent transportation accomplishments. Yet, as we look ahead to the needs of the next several decades, we foresee both challenges and opportunities. This past year, the Transportation Commission asked a steering committee to develop a new comprehensive plan, which is now in public review. The findings in the draft report are sobering. Current revenues do not adequately maintain our existing infrastructure, much less provide for all the needed improvements. Increasing congestion in our metropolitan areas is choking access to major markets. The gas tax, our major tool for transportation funding, is not a sustainable revenue source with the emergence of hybrid and more fuel-efficient cars. Our governance of roads and highways is balkanized and out dated given the growth of cities. More optimistically, we also have the opportunity to apply technology to help address congestion and improve highway safety. And based on the work of the past few years, we are better able target projects that support economic growth. Looking forward, our agenda should include the following.

Focused Investments

- Improved Access to Markets. Targeted transportation improvements that improve market access for Oregon's businesses, have a positive return on investment, and address congestion on key corridors in metropolitan areas are needed to retain and grow our industries and to remain competitive with other states that are investing for improved market access. This includes involving the private sector more fully in identifying and evaluating projects that serve business access needs. A recent study "The Cost of Congestion to the Portland Economy" found that the Portland region's competitiveness is largely dependent on efficient transportation, and congestion threatens the region's economic vitality. Failure to invest adequately in transportation improvements will result in a potential loss of *$844 million annually by 2025 – that's $782 per household -- and 6,500 jobs.* Additional regional investment in transportation would generate a benefit of at least $2 for each dollar spent.
- Targeted Transportation Investments to Support Development of Key Industrial Sites. To be successful in promoting industrial land development as proposed in another Oregon Business Plan initiative, the state should consider going beyond site certification to ensure that certified sites have transportation access for all relevant modes to key transportation corridors. We need a mechanism and process to tie our inventory of industrial lands with a competitive process to identify and focus on the transportation improvements needed to enhance their attractiveness and responsiveness to market opportunities.
- Columbia Bridge Crossing. This is potentially the single most important, as well as one of the most expensive, pieces of infrastructure that must be built in the next half century. Accelerating work on this project will address the bottleneck between Oregon and Washington, which is adding millions of dollars in transportation costs and delay to the economies of the Pacific Northwest. This bottleneck affects commerce on two interstate highways, two national railroads, one international airport, two ports, two great cities, and an international trade corridor. If we do not act now to build a solution, the future effects on Oregon's economy – our entire economy, not just Portland and Vancouver – will be debilitating.
- International Air and Marine Links. As we did in successfully pursuing international air service, Oregon leaders must collaborate to enhance and preserve Oregon's international market connections. This includes preserving existing international air services; securing more regular steamship service to key markets; and exploring freighter service to Europe. To do this, given Oregon's relatively small market size, Oregon must partner with the business community to ensure international passenger and cargo air services are fully used; strengthen export manufacturing; and encourage import distribution and logistic facilities. Road improvements for trucks to efficiently transfer commodities to and from the state's marine and airport facilities is also needed.
- Accelerate Implementation of Congestion Management Tools. Already, ODOT is a national leader in using technology, known as Intelligent Transportation Systems, to reduce congestion, keep traffic moving, and provide real-time information to drivers so that they can make transportation choices regarding where, when, or how to travel from one place to another. With tools such as TripCheck, ramp meters in the metro area, on-line cameras, Comet Incident Response vehicles, and reader boards, we can keep people and goods moving while extracting the greatest value from the existing system
- Maintenance and Preservation. Oregon has to continue to address the transportation maintenance and preservation backlog in the transportation system. The existing system is a multi-billion dollar asset. If not maintained properly, the ultimate cost of repair or replacement is vast. If the entire existing system cannot be maintained with existing funding, ODOT, counties and cities will need to start making tough choices about how to prioritize critical preservation priorities for the system, recognizing that this may mean deterioration of less vital streets, roads and highways.

Funding

- Prepare Funding Proposal for 2007 Legislature. While a long-term solution is needed to address sustainable transportation funding, currently the gas tax, is a key revenue source for road maintenance and new projects. Oregon's gas tax has not been increased since 1993. The business community working with the Transportation Commission, local governments and stakeholders should develop a proposal for submission to the Legislature to increase the gas tax and index it with inflation. The gas tax will be the transition funding mechanism until a new funding source is developed.
- Examine options for mileage and congestion pricing. Oregon was the first state to adopt the gas tax. We should set a goal to be the first state to replace it with a modern system for revenue collection. ODOT should present the Legislature and other stakeholders options for switching to a new system. ODOT should examine options for mileage fees and congestion pricing as alternatives to the gas tax.

Business Initiative Leaders	Public Sector Partners
Michael R. Nelson, Nelson Real Estate Tom Zelenka, Schnitzer Steel Industries	Matt Garrett, Director, Oregon Department of Transportation Bill Wyatt, Executive Director, Port of Portland

Background Resources

"Strengthening Our Investment in Roads and Bridges" (PDF) -- Oregon Business Plan White Paper (January 2003)
Oregon Department of Transportation (www.Oregon.gov/odot)

- Oregon Transportation Investment Act (OTIA)
- Oregon Dept. of Transportation Innovative Partnerships Program
- Oregon Rail Plan
- Oregon Transportation Plan Update
- I-5 Rail Capacity Study

Columbia River Channel Coalition (www.channeldeepening.com)
Oregon Department of Aviation (www.aviation.state.or.us)

- Oregon Aviation Plan

Port of Portland

- "Freight Rail and the Oregon Economy"
- "Marine Terminals Master Plan"
- "Cost of Congestion to the Economy of the Portland Region"

American Assn. of State Highway Transportation Officials Freight Transportation Network (freight.transportation.org)

- "Freight Rail Bottom Line Report"
- "Freight Capacity for the 21st Century"

MAKE LAND AVAILABLE FOR TRADED-SECTOR INDUSTRY DEVELOPMENT

Objective

Ensure that our land use system provides an adequate short- and long-term supply of land for traded-sector industry, and the critical wholesale, warehousing and transportation infrastructure that supports industry, while protecting other critical values important to Oregon's quality of life.

Key Accomplishments

Initial Accomplishments

- Certified Sites. In May 2004, the Governor announced the first 11 industrial sites to be certified as "project-ready" for businesses wishing to expand in or move to Oregon. Each site has been certified by a third-party, private sector verifier that it is no more than six months away from development, and exceeds national standards for project-ready status. Additional sites are in the certification process.
- Online Site Inventory. The state has created a website – www.OregonProspector.com -- that allows business officials to search for land in Oregon by city, county, property type, and size, and to determine if that land is certified as project-ready.
- Industrial Lands Taskforce. In March 2003, the Governor issued an Executive Order setting up an Industrial Lands Task Force that released policy recommendations in fall 2003. The Governor's Economic Revitalization Team (GERT) and other entities have implemented a number of the Task Force recommendations. The Executive Order also directed the GERT to identify and prepare industrial sites "to make ready for immediate development opportunities."
- Site Development Legislation. The 2003 Oregon Legislature adopted HB 2011, which directed the GERT and the Oregon Economic and Community Development Department to work with other state agencies to coordinate and streamline state policies, programs and procedures – and to provide coordinated assistance to local governments. In addition, this legislation called upon the state to work with local governments to identify 25 "opportunity sites" by December 15, 2003. That was accomplished.
- Land Conversion Study. HB 2011 also directed the Land Conservation and Development Commission (LCDC) and the GERT to study and report on the conversion of industrial land to non-industrial land. The resulting Industrial Conversion Study Committee recently completed its work, including policy recommendations.
- Goal 9 Review. The Economic Development Planning Advisory Committee was appointed to advise LCDC on revisions to Goal 9 (Economic Development) and its implementing rule. LCDC adopted amendments to the Goal 9 rule in December 2005, to clarify and streamline the local process for identifying and planning for industrial and other employment lands. The amended rule focuses efforts on ensuring an available "short term" supply of land for economic development.

Recent Accomplishments

- Land Use Review. The 2005 Oregon Legislature passed legislation to appoint a 10-person citizens task force to complete a 30-year review of Oregon's land use system and make proposals for recommended changes to the 2007 and 2009 Legislatures. Passage of this legislative was initiated by Lane Shetterly, director, Department of Land Conservation and Development, and was actively supported during the 2005 Legislature by the Oregon Business Council.
- Project Ready Sites Increase. Efforts continued to identify and certify a twofold increase in the project-ready industrial sites located throughout Oregon. At present 37 sites have been certified statewide, and increase from 26 in May 2004. Efforts continue to add to the list of project ready sites. (According to Sarah Garrison and Ron Fox at OECDD)
- Land Ties to Economic Strategies. A coalition of business organizations through the Portland Metropolitan area, including Clark County, Washington, has developed a regional economic strategy that will be introduced in January 2006. Along with the three other initiatives, the regional economic strategy emphasizes land use programs and policies that will support and sustain the regional economy for the next 20 years. Recommendations are expected to call for land use policies and programs that: are responsive to market factors; promote a healthy economy; accelerate land use decision-making and allow for greater flexibility; identify funding to allow Urban Growth Boundary (UGB) expansion areas to be put in to productive use; and ensure adequate infrastructure to serve employments land throughout the region.
- Citizen Partnership. Efforts have been undertaken to open communication with Oregon citizens, community leaders

and representatives of advocacy groups to achieve greater understanding of mutual needs and initiate and preserve partnerships that provide for both livable communities and greater industrial, traded sector land use.

The Agenda for 2006 and Beyond

Building on the accomplishments of 2005, Oregon should pursue the following agenda in 2006.

- Land Use Review. Support appointment of a 10-person citizens task force that is committed to Oregon's broad economic and community needs by completing a 30-year review of Oregon's land use system. Actively engage in a complete review of Oregon's land use policies and programs to support task force proposals for recommended changes to the 2007 and 2009 Oregon Legislatures. These recommendations should support Oregon's economic, community and environmental needs in the 21st century.
- Project Ready Sites Increase. Support efforts in 2006 to increase to 50 the number of project-ready industrial sites located throughout Oregon. At present 37 sites have been certified statewide.
- Implementation of Regional Economic Development Strategies. Support and engage in efforts by business organizations through the Portland Metropolitan area to implement a regional economic strategy that among other things prioritizes changes in land use policies and programs that benefit and sustain the regional economy. Assist in the development of other regional economic development strategies throughout Oregon. Participate in the implementation of these plans.
- Citizen Partnership. Expand and report on efforts to open communication with Oregon citizens, community leaders and representatives of advocacy groups and the business community to build greater understanding of mutual needs and initiate and preserve partnerships that provide for both livable communities and improved policies and programs that support industrial and traded sector land use.
- Panel of Experts on Market and Busines Trends. Convene a panel of local and national experts on business and market trends to review current conditions and forecast future needs in terms of land supply, regulation, and other business climate issues. Recommendations from this panel will provide a framework for the state land use review, site certification, and future economic development strategies.

Business Initiative Leaders

Steven J. Clark, Community Newspapers
Margaret D. Kirkpatrick, NW Natural

Public Sector Partners

Mike Salsgiver, Interim Director, Oregon Economic and Community Development Department
Lane Shetterly, Director, Oregon Department of Land Conservation and Development

Background Resources

Oregon Business Plan White Paper: *Securing Land for Traded-Sector Development* (PDF)
Report of the Governor's Industrial Lands Task Force – October 2003 (PDF)
Report of the Industrial Conversion Study committee – November 2004

SIMPLIFY AND STREAMLINE REGULATION AND PERMITTING

Objective

Create and maintain an efficient, simple, and streamlined regulatory and permitting system that makes it easier to start, expand, and operate businesses while still protecting public regulatory goals.

What Oregon Has Achieved Thus Far

Since 2003, Oregon has come a long way in making it easier to do business by simplifying and streamlining regulation and permitting. A culture of continuous improvement in regulatory systems is being established throughout state government. Some key victories include:

- **Regulatory Process Scrutiny.** As mandated under HB 2011 (2003 Legislative Session), the Governor's Economic Revitalization Team has established an Advisory Committee on Regulatory Permitting to streamline the permitting process and increase economic opportunity in the state. The Committee released a report in November 2004 with recommendations to streamline project permit processes, water-related permits, transportation infrastructure regulation, and the public appeals process. An additional Advisory Committee (on Agency Rule Streamlining), created by HB 3120 (2003 Session) looked broadly at streamlining, with an emphasis on administrative rules.
- **Streamlining Projects.** Since its creation in 2003, the Office of Regulatory Streamlining has reported that state agencies have engaged in over 300 streamlining projects, ranging from elimination of redundant business examinations to increased online payment options – all making it easier to conduct business in the state.
- **Online Database.** The Office has also created an online "one-stop" database for licenses and permits at www.oregon.gov/lic.
- **Federal Funds for Internet Streamlining:** In 2005, Oregon secured federal to expand Oregon's building permits program for plumbers, electricians, and mechanical contractors. Oregon is the first state in the nation to take such a plan statewide.
- **Support for the Governor's Regulatory Streamlining Legislative Package.** In 2005, the Oregon Business plan recommended full support for the Governor's package to simplify regulation and permitting. We are proud to say that the legislature passed 29 of the 35 bills included in this package, making it easier to do business for companies across the state. For a full list of these bills and what they do, please visit the initiative tracker at www.oregonbusinessplan.org

The Agenda for 2006 and Beyond

While improving the state's regulatory climate will be an ongoing effort, state regulatory systems and permit processes are not as significant a problem as they were in early 2003. Agencies are now focused on regulatory problems that involve multiple state agencies and cross subject-area lines. Accordingly, regulatory streamlining as it relates specifically to state agencies will continue to be of interest to and be tracked by the Oregon Business Plan, but no longer needs to be a key initiative. In many instances, local regulations continue to be a concern, and there remain opportunities to improve the way state and local government work together on regulation and permitting issues. Additionally, there are significant opportunities to review the obstacles that limit Oregon's ability to lead in sustainable infrastructure and technology development. We invite thoughts and opinions about these and other issues. Some recommendations for 2006 and beyond might include:

- **Perform a comprehensive review of current building standards, plumbing codes, and other regulatory barriers to green building and sustainable infrastructure development.** For example, minor changes in plumbing codes would allow waterless urinals, which could result in tremendous water conservation and improved sanitation.
- **Simplify and streamline city and county regulations**
  - In conjunction with business, the League of Oregon Cities, the Association of Oregon Counties, and the Office of Regulatory Streamlining should convene relevant city, county, and state officials in pilot communities around the state to identify key regulatory issues.
  - Groups in pilot communities should develop short-term and long-term action plans to simplify and streamline local regulatory processes. The focus should be on those regulations related to real estate development, and should involve multiple jurisdictions across a region.
  - State legislators should work with pilot cities and submit legislation, if appropriate, as work progresses.

- Improve state and local government collaboration on regulation and permitting issues
  - Identify best practices and model procedures for regulation.
  - Continue to improve access to services on line.
  - Establish targets for permit processing time without jeopardizing protection levels.
  - Consider providing local governments a way to assess local regulatory systems and assistance with projects to improve those systems.
- Maintain progress on the state level
  - Continue working to achieve the goals and objectives outlined by various outside advisory committees on streamlining. Give consideration to the recommendations of the Advisory Committee on Regulatory Streamlining, and the Advisory Committee on Agency Rule Streamlining.
  - Place more regulatory information online and allow for more permit transactions over the Internet. Business associations should also market the regulatory streamlining website to encourage businesses to bring problems to the state's attention.

Business Initiative Leaders	Public Sector Partners
Judy Peppler, Qwest Eric Blackledge, Blackledge Furniture	Pat Allen, Office of Regulatory Streamlining Mike McArthur, Executive Director, Association of Oregon Counties Cory Streisinger, Director, Department of Consumer and Business Services Ken Strobeck, Executive Director, League of Oregon Cities

Background Resources
www.streamline.oregon.gov

IMPROVE HEALTHCARE AND CONTROL ITS COSTS

Objective

Give all Oregonians access to quality healthcare by creating a fair market where everybody is motivated to improve health, ensure quality, and control costs. In such a system, providers of healthcare goods and services will compete -- and consumers will make informed choices about treatment options -- based on transparent prices and quality.

What Oregon Has Accomplished Thus Far

This initiative was introduced at last year's Summit to address the problems of the health care system – high costs, inconsistent quality, and inadequate access to care – and to develop a strategy for improving health care in Oregon. Key themes include the following:

- We have a *very serious problem*: we are not getting maximum value from our healthcare system. We need to improve quality and access while reducing the cost trends.
- A *systemic, market-based solution* is needed:
- The healthcare system is broken and needs fundamental reform.
- We need to attack the root causes of the problem, not just the symptoms.
- There is no single solution. The problem is complex, and the solutions aren't simple or easy.
- *All of us* – consumers, employers, providers, insurers and government – are part the systemic problem, so we all must step up to be part of the solution.
- *Employers* have an important leadership role to play.

The Oregon Business Council Healthcare Task Force received input from a variety of key stakeholders, including physicians, hospitals, employers, labor, foundations, policy experts and political leaders. Based on the feedback, it adopted four initiatives last year that carry into 2006.

- **Electronic Medical Records and Data Exchange**. The Oregon Business Council has led the formation of a team of health care leaders and purchasers to establish a pilot project to exchange clinical information among providers and locations of care.
- **Transparency.** The Oregon Association of Hospitals and Health Systems (OAHHS) and the Office for Oregon Health Policy and Research (OHPR) developed websites to provide comparative information on hospital prices and quality. The Oregon Health Policy Commission's Quality and Transparency Work Group, with participation by the OBC Healthcare Task Force, providers, insurers and consumers, has overseen this work.
- **Provider Payment.** The Oregon Quality Corporation launched a collaborative effort to develop standardized quality measures for ambulatory care.
- **Purchasing.** The Oregon Business Council and the Oregon Coalition of Health Care Purchasers (OCHCP) joined together to educate employers and encourage them to use more effective purchasing strategies for health benefits.

The Agenda for 2006 and Beyond

We recognize that the problems with the current system have evolved over many years, and it will take *sustained and focused effort* to reform the system and achieve the vision. The business leaders working on this Initiative are committed to *collaborating* with key stakeholders and policy-makers to achieve the vision.

Short-term Initiatives -- There are four critical short-term initiatives to advance the vision:

- **Electronic Medical Records and Data Exchange:** Working with the Oregon Quality Corporation and major health systems, we will rapidly advance a pilot project to exchange clinical information among providers and locations of care.
- **Transparency:** In order for market forces to work, purchasers and consumers must have access to comparative data on prices, use of best practices and quality of care for all health care services The Oregon Business Council will work with the Oregon Coalition of Health Care Purchasers to define the information that is needed from a purchaser/consumer perspective. The OBC will continue to work with the Oregon Health Policy Commission's Quality and Transparency Work Group and others to make this information available to all as quickly as possible. In order to bring about change, transparency must be combined with changes in incentives for consumers and providers.

- **Provider Payment**: In order to overcome the inappropriate incentives of the traditional fee-for-service system, we must develop innovative payment arrangements to encourage the provision of high quality and efficient care. The OBC will provide input to Oregon's Quality Corporation as it develops standardized quality measures. We will encourage health insurers and providers to design and implement pilot programs to test new payment structures that provide incentives based on the use of best practices and outcomes for treating specific diseases and chronic conditions and for maintaining the health of patients.
- **Employer Purchasing Strategies**: Employers must take the lead by becoming more effective purchasers of employee health benefits. Key elements of the strategy are to encourage employee engagement and personal accountability in managing their own health, and to encourage healthy competition among providers to offer high quality and more efficient health care. The OBC and the Oregon Coalition of Health Care Purchasers will work with individual businesses and business associations to encourage these practices.

Long-term Strategies – The development of a health care system that provides access to affordable, high quality care will require further policy development and collaboration with other stakeholders.

- **Policy Development:** The Task Force will refine its analysis of the health care system and sharpen its recommendations for using market forces to improve efficiency and quality. In addition, it will broaden its scope to address the critical problems of access to health care, health care workforce shortages, and reimbursement for publicly-funded programs.
- **Collaboration:** In order to advance this work, the Task Force will collaborate with federal and state policy-makers, other key stakeholders, especially consumer and privacy advocates, providers, and insurers, as well as state and national business groups, and it will solicit input from health care industry experts.

Oregon can be a leader. We have a history of innovation – especially in health policy and use of IT – plus strong health care systems and progressive employers. Innovation → better value → higher productivity → improved economic growth and jobs.

Business Initiative Leaders	Public Sector Partners
Peggy Fowler, Portland General Electric Mark Ganz, The Regence Group	Senators Ron Wyden and Gordon Smith Bruce Goldberg, M.D., Director, Oregon Department of Human Services

Background Resources

"A New Vision for Healthcare," a draft white paper prepared by the OBC Healthcare Task Force (December 2004).

"Getting Value from our Healthcare System," a presentation summarizing the OBC Healthcare Task Force's vision, strategy and initiatives (June 2005).

"Employer Purchasing Strategies," a presentation describing how employers can be more effective purchasers of employee health benefits (October 2005).

BRAND AND MARKET OREGON MORE AGGRESSIVELY

Objective

Harness the marketing prowess of Oregon businesses, industries, and state agencies under a unified brand to better position Oregon as a destination for visitors, a desired site for business investment and relocation, a great place to live for current residents and the future workforce, and a producer of high quality goods and services. The overarching goal of Brand Oregon is to focus on creating positive economic returns for the state and its businesses.

What Oregon Has Accomplished Thus Far

- Business Recruitment Campaign. This campaign was launched in February of 2005 targeting general business publications in California and national site selector publications. Publications in California included California CEO, Fortune Small Business, and Business Journals in San Francisco, San Jose, Los Angeles, and San Diego. Our stated goal was to generate 100 leads, and as of December 1st we have generated 125 new leads for Oregon. Additionally, regional economic development marketing partners have been reporting an increase of call volume since the launch of the campaign. Business recruitment advertising also appeared in the CoreNet publication for the first time this year and that, coupled with the presence of the Governor at CoreNet, greatly enhanced our visibility at this key site selector conference.
- Oregon Bounty Campaign. Oregon Bounty, a cross promotion between Brand Oregon, Travel Oregon, The Wine Board, and several commodity commissions, launched in November of 2004 with extraordinary results. Participating wineries reported a 40 percent increase in travel to wineries, and a stunning 50 percent increase in wine sales. On the strength of these results, Oregon bounty 2005 was greatly enhanced by the addition of 75 lodging partners, 75 restaurants, and over 100 grocery stores. Results of this year's effort will be available in late December.
- Advisory Board. The Governor appointed a 16-member Brand Oregon Advisory Board comprised of statewide business and community leaders. A separate state-agency advisory group has also been established.
- Brand Oregon Branding. Brand Oregon marketing guidelines and materials, including the Brand Oregon website and the style guide, have been made available to interested partners and state agencies. More than 25 agencies and partners have adopted Brand Oregon graphics and key messages.
- Tourism Promotion. The Oregon Tourism Commission's spring and fall 2005 advertising campaigns featured seven "Book of Oregon" ads; the expanded media buy reached more consumers than previous tourism ad campaigns.

The Agenda for 2006 and Beyond

- Cluster marketing campaign. A major new initiative for 2006 is the creation of marketing campaigns for several of the state's clusters. Launching in January of 2006 is an advertising campaign targeting the digital display cluster, followed by a campaign targeting the sporting goods cluster. The OECDD should review all OBP cluster submissions to find further opportunities, and add additional cluster marketing campaigns where funding is available. Possibilities for marketing campaigns include:
  - Marketing Oregon as a leader in open technology to let industry outside the state know about Oregon's depth of corporate, community and university open technology assets.
  - Highlighting the renewable energy success stories in the region and advertising Oregon's wealth of opportunity for clean energy & energy technology companies.
  - Marketing state and local business advantages, incentives, and Oregon bioscience company assets in national and international venues.
  - Marketing the regional Defense Industry to improve the internal and external perception of the region's Defense Industry
- General Business Recruitment. We are optimistic that additional funding will become available in 2006 to continue our general business recruitment campaign, as we believe that consistency of message is critical.
- Agricultural Cross Promotions. We plan to continue to support of successful Oregon bounty program throughout '06 and are exploring the concept of a Coastal Bounty promotion that would include a partnership with the Dungeness Crab Commission, The Trawl Commission, and the Salmon Commission along with the Oregon Coast Visitors Association.

- **Innovation Tie.** Develop partnerships and campaign materials with the Innovative Economy initiative, working with OECDD, Oregon Inc. and the private sector.
- **Expand the Brand.** Brand Oregon will continue to work to find new partners in its ongoing effort to create positive economic returns for the state and its businesses. By teaming up with companies and clusters to leverage combined resources, Oregon's traded sector industries can gain an important boost by speaking with one voice to tell the Oregon story.

Business Initiative Leaders	Public Sector Partners
Randolph L. Miller, The Moore Company	Debby Kennedy, Brand Oregon Office Oregon Department of Agriculture Oregon Economic & Community Development Department Oregon Forest Resources Institute Oregon Tourism Commission

Background Resources
www.oregon.gov/BRANDOREGON

POTENTIAL NEW INITIATIVES

During the year, a number of ideas for new initiatives have surfaced for the Oregon Business Plan. The Steering Committee is eager to hear new ideas, and it plans to add new initiatives over time. Our criteria for new initiatives include:

- Demonstrated importance to the Business Plan strategy
- A clear plan to address the issue
- A business leader willing to champion the initiative and solicit broad support.

The proposed workforce development initiative contained in this guide illustrates the process. Working together, several groups identified business partners and developed a clear plan of action, including separate initiatives to embrace high-performance manufacturing, accommodate workers with disabilities, promote drug-free workplaces, and make strategic investments in early childcare and education. Last year groups concerned about rising healthcare costs used the same process to bring a new healthcare initiative to the Summit. It was adopted by the Steering Committee and was updated this year with an even more aggressive agenda.

Other issues continue to be mentioned as potential initiatives, but have yet to be included in the Business Plan. We strongly encourage individuals concerned about these topics to use the Business Plan and the Leadership Summit as an opportunity to turn their ideas into action. These topics include:

Water Policy: There have always been competing uses for water, and in many parts of the state that competition has accelerated, with important ramifications for the economy. An initiative proposal on water allocation among competing needs would be welcome.

Energy: Electric energy has long been a competitive advantage for Oregon, but that advantage has diminished in recent years. An initiative to assure long-term, reliable, low cost supply would be welcome. An incorporated or separate initiative on alternative and renewable energy resources would also be welcome.

Telecommunications. Telecommunications infrastructure is vital to Oregon's economic future in urban and rural areas. While Oregon enjoys a quality infrastructure in most parts of the state, there may be opportunities for improvement.

As we continue to work with industry clusters, the competitive needs of Oregon's traded sector industries will become more and more apparent. We fully expect new initiative proposals to emerge over the next year, and we invite all who are willing to step forward to turn their ideas into specific policy proposals.

The Oregon Business Plan Is Grateful to the Following Sponsors