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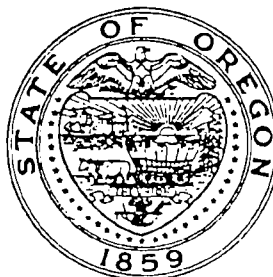
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OREGON WORKS

Partnership
for Results

Katie & Tom



Barbara Roberts,
Governor

economic life - including agriculture, the forest industry, and businesses sensitive to power supply and cost. More jobs will be in danger, especially in rural Oregon. Beyond these, Oregon industries are subject to dislocation from the same global forces facing business everywhere.

- **Oregon is charting a better economic future.** The past six years, Oregon has crafted and begun to implement a strategy, as expressed in **Oregon Shines**, to create a globally competitive, diverse economy of high-skill, high-wage jobs. Central to the strategy is a two-pronged effort to build a quality work force and a diverse base of key industries. An important part of that effort includes industry development and job retraining in rural communities.
- **Oregon is on the cutting edge of governing for results.** Oregon's approach to results-oriented, accountable governance is embodied in what it calls **Oregon Benchmarks**. Benchmarks define what results Oregon expects its government agencies and institutions to help people to achieve in the way of measurable skills, income, health, community viability, competitive industry, and health of natural environment. Benchmarks and related performance measures now guide the way state and local agencies plan, budget and measure services. They underpin Oregon's most notable innovations - in K-12 curriculum reform, workforce quality, health care reform and development of diverse industries.

Why Oregon Is an Ideal State for Such a Pilot Program

For several months Clinton Administration key officials have been discussing with Oregon a partnership that would demonstrate the advantages of a new kind of federalism. On Earlier this year, Governor Barbara Roberts proposed to the Clinton Administration how a pilot partnership based on a contractual, results-oriented model would eliminate the rigidity, fragmentation, and overhead imposed by the national government on current state use of federal monies.

The Governor noted that the benefits of such a partnership would include huge savings in the cost of overhead and controls, increased availability of funds from such savings, greater flexibility to design programs that work, and a much greater chance that federal and state objectives will be achieved. Two important challenges lie in this approach; the need to develop reliable measures of results, and the need for a government culture that focuses on results.

Oregon leads the nation in both regards. Through **Oregon Benchmarks**, Oregon developed and implemented a comprehensive set of outcome-based performance measures that define its aspirations for quality of life and economy. Wide participation in the benchmarks process, as well as adoption of benchmarks at all levels of government, has oriented Oregon's government culture toward results. Desired results dictate policies, budgets, programs, and activities, rather than the opposite.

- An approach to ecosystem and underproductive nonindustrial forest land restoration that respects the economic development strategies of Oregon's local communities.
- More money to aid transition of timber economies, including through savings achieved by less burdensome federal requirements.

Cooperative Next Step

- Develop joint federal-state teams to identify possible areas for pilot projects and to develop performance measures in each area.
- Develop federal legislation to allow a pilot to be tested.
- Develop proposed performance measures, identify programs that would be more flexible, and develop budgets.
- Based on this report, a performance contract would be developed between Oregon and the Federal Government.

Contents of this Presentation

This presentation looks at Oregon's economy and population in four separate dimensions, each of which we believe is essential to fully appreciate the challenges and the actions to be taken:

- **Communities**, basically organized as cities and counties and, in some cases, multi-county regions.
- **Industries**, made up of individual firms. Oregon is developing specific strategies for 13 key industries. Firms often relate to workforce training and education, market development, regulation and other issues along the industry dimension.
- **Workers and Families**. Oregon has statewide as well as community and industry strategies for reform of education, school-to-work transition and continuing education.
- **Ecosystems**. Oregon's already committed to integrating economic activities with environment and recognize that the sustainability of both go hand in hand--a message reinforced by the Forest Conference.

Each program, delivery system or initiative tends to focus on one of these dimensions, but must respect the strategies and perspectives of the others.

These sections outline the challenges, describe lessons learned from experience, present

COMMUNITIES

The Challenge

Natural resource-based industries are more often located in isolated rural communities, and the economic problems are often specific, unique and localized.

The state-funded Rural Development Initiatives has conducted over 60 economic assessments in rural and mostly timber dependent communities over the last three years. These assessments identified some common issues:

- Natural resource-based, value-added industries can continue to be an important component of a community's economy if raw materials are available.
- High-paying jobs in timber, fishing, and other traditional sources often are replaced with lower-paying jobs.
- Medical and social services are diminishing as the demand for these services increase.
- Outdated and deteriorating infrastructure, downtowns, and housing stock limits economic potential.
- Local capacity, organizational structures, leadership, consensus, staff, finances, and even developable industrial land are lacking.

Lessons Learned

Coordinated and Strategic Partnership. The many public and private efforts targeting natural resource-based communities are scattered through many agencies and often are not connected to a strategically integrated effort. We need to nurture existing efforts and rapidly move toward a strategically integrated partnership.

Requirements Constrain Effectiveness. Federal requirements and criteria prevent critical projects from being eligible for funding. For example, the national objectives of the Community Development Block Grant program often eliminate it as a funding source for projects designed to create jobs, diversify the economy, and improve the infrastructure of natural resource-dependent and rural communities.

Small Investments Are Valuable. Small investments in rural communities can achieve significant results and assist in developing capacity. These investments enable communities to complete tangible projects which spur private investment, downtown revitalization, community pride, and develop a long-term commitment.

Budget is \$2 million.

The Oregon Downtown Development Association operates Oregon's nationally recognized Main Street and Revitalization programs. ODDA works with downtown merchants throughout Oregon to improve business and create viable downtowns. They provide assistance and advice on topics ranging from retailing techniques to architectural design. The self-help programs build local capacity to complete future efforts and administer on-going activities.

Economic Diversification Programs: The Regional Strategies Program combines strategic planning, local partnerships, and project funding to jump start, strengthen, and diversify the economies of all regions in the state. The Governor's proposed 1993-95 Budget is \$18 million.

OEDD administers the Rural Economic Diversification Program for timber-dependent communities funded through the United States Forest Service Old Growth Diversification Program. The program assists rural timber-dependent communities to develop and implement plans and projects designed to avert decline, stabilize, and diversify their economies. FY 1993 Budget of \$750,000 USFS and \$750,000 State.

OEDD Tourism Division's marketing campaigns are designed to spread tourism throughout the state and create spin-off opportunity for small communities. More importantly, the division plays a critical role in economic diversification efforts through the funding and technical expertise provided to communities developing tourism as part of a diversification effort. The Governor's 1993-95 proposed budget is \$5.3 million.

Infrastructure and Services: The Oregon Bond Bank, Special Public Works Fund, Safe Drinking and Wastewater Improvement Fund are innovative financing programs that target community infrastructure to facilitate community and business development. The Governor's proposed 1993-95 Budget is \$30.3 million and up to \$75 million in bond proceeds.

The Housing Development Grant Program, the state Partnership Housing Team, and local Community Development Corporation provide project funding and staff assistance to primarily develop affordable housing and to a lesser extent needed community services.

The Office of Rural Health operates various programs assisting communities in recruiting physicians, nurses, and other health care providers.

The Strategy: Oregon's strategy is to focus resources on the community and regional economies hit hardest by the reduced availability of natural resources.

Funding for the Oregon Downtown Development Association. These are proven programs as evidenced by the significant number of new businesses, jobs, and private investment across Oregon and the nation. In addition, a large number of the 64 economic assessments identified downtown revitalization and cleanup as key issues. These highly visible efforts demonstrate community investment and stability and impact private investment decisions. Sweet Home, Oregon, learned a bitter lesson when businesses began listing the livability of the city as a key reason for not investing in the area.

RURAL ECONOMIC DIVERSIFICATION:

Increase Funding for the Rural Economic Diversification Program for timber dependent communities funded through the United States Forest Services Old Growth Diversification Program or integrate existing diversification efforts with the program. The program assists rural timber-dependent communities to develop and implement plans and projects designed to avert decline, stabilize, and diversify their economies.

Integration of Federal Recreation, Tourism Development and Promotion Programs with State's Efforts. All activities will be guided by a joint strategic plan and implementation plan. The Rural Driving Tour Program will result in over \$1.5 million in new revenue to rural communities. It is an example of the success to be found in joint efforts.

INFRASTRUCTURE AND SERVICES

Community Development Block Grant. Support the estimated 1993-95 budget request of \$24 million and add assistance to economically distressed natural resource-based communities as a national objective.

Federal Public Works and Investment Program. Using a concept similar to the depression-era federal Works Progress Administration, federal funds would be used for public capital construction projects and forest improvement projects in timber-distressed areas, using hiring agreements to employ dislocated timber workers and pay wages exceeding the median county wage.

Training for Federal Safe Drinking Water Act. Provide training programs to fill the 500 new jobs needed to operate and maintain drinking water systems in compliance with this federal mandate.

Safe Drinking Water Fund Program. Support EPA FY94-97 budget request. New federal regulations mandate that many more contaminants in drinking water be controlled, requiring new and expensive treatment. In Oregon, there is an estimated \$1.4 billion financial need to meet the Safe Drinking water mandates over the next 10 years.

Wastewater Treatment Financial Assistance Program. In Oregon, there is more than a

Marketing and delivery of small business programs and services are fragmented. Small businesses are overwhelmed by the complexity and cost of federal and state regulations.

Industry Organizing

Businesses need greater collaboration. Government can be a catalyst for business and labor partnerships. But Government has a lot to learn about thinking, acting, negotiating and speaking like business in building public/private partnerships. It takes time for both sides to understand one another.

Government must know what it wants from a public/private partnership and be willing to work for a more productive liaison. Partnership takes time to organize as well as money and there must be a long term perspective. This work is about changing the culture of business, work and government.

Education, Training and Quality

There is a wide gap between what employers say about training, the needs they identify, and how much they invest, and who gets trained. Front-line workers receive little training other than safety. Only a small percentage of firms (3-17%) are high performance. Many (50%+) are experimenting with individual types of high performance techniques. Employers are willing to partner. Up to 30% of employers have been or are willing to participate in business-education partnerships. There is a market here to be organized.

Businesses and unions have identified priorities for developing high performance work places. Businesses want to work together to develop tools like curriculum, self assessment kits and awards. Unions are interested in developing education and technology committees to work with their employers and education systems around these changing workplace issues.

Business and Labor organizations lack the capacity (time, money and people) to organize their members around partnerships for education and training. Government needs to be an investor and catalyst to develop this capacity.

Modernization

Modernization services must be industry-driven. Businesses require state-of-the-market technologies, not necessarily state-of-the-art. Technology adoption and implementation assistance must be integrated with financial, management and human resources assistance. Many technologies have multi-industry applications.

Objectives

Regional and local economies must diversify to provide for long-term balanced growth and ongoing creation of family wage jobs. This can be accomplished by:

colleges resulted in the Quality Partnership which is designing a Total Quality Systems roadmap, curriculum, and training-the-trainers program available statewide at reasonable cost to small firms.

Oregon unions have been a partner with the state in developing labor-management cooperative initiatives as well as high wage/high skill policies. The Oregon AFL-CIO's high wage/high skill conference last year was the first in the nation for unions. Its recent report on worker training and education is being used as national model by the trade union movement.

Modernization

The Oregon Wood Products Competitiveness Corp. and the Oregon Advanced Technology Consortium, two private, not-for-profit industry-led groups propose to help spearhead efforts to create new opportunities for displaced workers by providing services to the secondary wood products, metals and other related manufacturing industries. Services available through a Manufacturing Technology Center include: identification of markets, developing process technologies for market opportunities, demonstrating modern processes and equipment, site based assessment and consulting access to training for basic and specialized skills, access to research and collaborative industry based opportunities.

Benchmarks

These include: value-added natural resource products; global business/diverse and productive industry; maintaining Oregon's capacity for expansion and growth; workforce training; high performance organizations.

Performance Measures

These include: number of jobs created and retained, customer satisfaction, number of new networks and products, ratio of dollars invested to dollars generated to grow the economy.

Action Agenda

Oregon recommends the following actions:

Allow public bodies to access federal funding and programs for environmental cleanup. This will enable rural communities to acquire abandoned mill sites for industrial development.

Oregon's Small Business Development Centers are recognized as a national leader. Maintain existing federal funding.

Capitalize new business finance mechanisms. A state-based finance authority or a Northwest Rural Development Bank would offer real assistance to timber dependent communities.

capacity of business and labor to organize members to participate as partners. Invest in states to invest in these partners.

Support development of a Manufacturing Technology Center for secondary wood products and metals in Oregon. Current selection criteria for federal funds drive the Wood Products Competitiveness Corporation and Oregon Advanced Technology Center apart. Place a priority on funding criteria in the Advanced Research Projects Agency process for defense and other "emergency" transition economies like the Northwest.

Time...recognize this is for the long haul. Don't set policies with short sighted or short term goals.

training of workers, particularly front-line workers, and to create a system of continuing education for professional and technical workers.

Objectives

The goal of workforce development is to provide the framework for local and statewide leaders to meet the needs of their communities and fill resource gaps. Programs are to be a catalyst for local action, flexible and customer-oriented.

The specific objectives of workforce programs are to:

- Provide the necessary support and assistance to move individuals to self-sufficiency;
- Be a catalyst for local education agencies to implement education reform;
- Be a catalyst for business, labor and government working together to upgrade worker skills;
- Enhance the education and training system to ensure that Oregon is able to meet the demands of the 21st century.

Current Initiatives

Oregon has responded to workforce and economic issues by:

- Creating the Workforce Quality Council, bringing government, business, education and labor leaders together to guide public and private strategies and workforce development.
- Developing an overall response and investment package for timber community dislocations and worker retraining.
- Enacting the Educational Act for the 21st Century to develop a system that meets world class standards and prepares students for the school-to-work transition.
- Building partnerships with business and labor to improve worker skills, increase training investments and create high performance work organizations.

Recognizing that state level goals and policies must be implemented in local communities to be successful, the Workforce Quality Council has created regional workforce quality committees throughout the state. Led by the private sector, the regional committees will help

welfare reform, and a variety of job training and development programs mesh with state and local efforts will be extremely important.

Ensure that federal government programs tailored to fit a target group can be leveraged to assist related populations. Programs aimed at dislocated timber and fisheries workers would be able to accommodate employees laid off from high-tech industries. Federal programs should require strategic long-range planning, a minimum five-year horizon, block grant funding mechanisms, the ability for local and state managers to retain savings as an incentive and a management tool, and integrated reporting processes.

While the costs of this effort will be high, the long-term costs of not restoring watersheds will be much higher.

The restoration package must be effective not only in restoring the health of ecosystems, it must be carefully developed to provide a steady stream of jobs to rural communities. That will require several coordinated components.

First, funding is needed for federal, labor-intensive projects that are ready for implementation (i.e., for which procedures meeting the National Environmental Protection Act have been completed). Displaced timber workers should be employed wherever possible in completion of these projects. The package must be beneficial to watershed health and linked geographically to job needs. The State in partnership with the Federal agencies should be involved in determining the location, timing, and type of projects that are funded.

These ready-to-implement projects will provide some job opportunities to timber-dependent communities while planning and assessment work is underway for restoration projects.

Second, funding should be available immediately for restoration and reforestation of key watersheds. Governor Barbara Roberts has proposed \$10 million for restoration of the Grand Ronde and South Coast watersheds in her budget. An opportunity for a significant state and federal partnership exists to enhance and expand this effort.

The Northeastern Oregon forests are in dire condition, with nearly eighty percent of the forest affected by insects and disease. Assistance is needed immediately to restore these forests to their natural condition.

These restoration efforts will employ both skilled and unskilled workers. Jobs which can be created will include:

- A forest and watershed monitoring workforce;
- Labor-intensive jobs that reforest riparian areas and undertake selected instream habitat improvement projects repair or remove roads, convert roads to trails, replant native vegetation;
- Logging salvage and thinning operations;
- Technicians to inventory, map, and survey and project planning jobs;
- Biologists, ecologists, and other scientists to inventory, assess health of forests and rivers, and monitor progress;
- Research and development opportunities in the study of watershed, forest, and stream ecology;

Lessons Learned

Efforts already underway in Oregon have demonstrated that restoration work is more effective if it is community based. It is essential that these efforts be considered as local, state, and community partnerships. Excellent examples of community-based restoration include watershed projects along the South Coast and in the Grande Ronde Basin, and the Applegate Partnership in the Applegate Valley. These examples not only underscore the need for community involvement, but also the need for community jobs.

Objectives

- Ensure that residents of rural communities participate in and benefit from any short and long term economic stimulus proposals.
- Enhance and restore Oregon's forests and watersheds while providing job opportunities.
- Provide transitional financial relief for local governments dependent upon timber receipts for schools and roads.
- Achieve and maintain high levels of communication and cooperation between all agencies, local communities, and landowners.

Current Initiatives

Watershed Initiatives: Grande Ronde and South Coast

Governor Roberts has in her budget two watershed restoration initiatives: the Grande Ronde, and the South Coast. Both watersheds have fish species that have been petitioned for listing under the Endangered Species Act. Agencies will inventory and assess existing conditions of the watersheds, and well begin restoration and enhancement of the riparian areas. Wherever possible, work will be accomplished by local residents and contractors. Oregon invites the federal agencies to participate in this effort, and to initiate similar efforts in other watersheds in the state.

Forest Resource Trust/Stewardship

The State of Oregon is proposing that a trust be established which would fund reforestation of small parcels of non industrial, private land that were cleared and were never reseeded. The Forest Resource Trust is modeled on the "venture capital" approach. Both the risk and benefits of investing in these lands would be shared by the fund and private landowners. The goal over the next 15 years is to reforest and rehabilitate 250,000 acres. The Oregon Legislature is being asked to appropriate \$5 million to establish the trust. Further, Oregon's Stewardship program provides

Matching funds should be provided for the Forest Resource Trust that is being established by the State of Oregon. The trust will reforest and rehabilitate up to 250,000 acres over the next 15 years. NEED: \$5 million

O&C counties need compensation for BLM timber receipts foregone. NEED: \$79 million

Western Oregon "owl" forest counties need financial support for National Forest Receipts foregone. NEED: \$94 million

Federal policies should be created to give priority to the rural communities near project areas.

South Coast and Grande Ronde. Both areas are now facing significant watershed problems and listings of threatened or endangered anadromous fish species as well as other species. The proposal emphasizes on-the-ground actions such as stream flow, water quality, wetland and riparian enhancement, fish passage and habitat improvement, and reforestation to improve watershed and ecosystem health. Contracts and grants will also create some local jobs and through the improvements provide more economic stability and opportunity for the long term. The purposes for the funds fall into three general categories:

- Pinpointing watershed improvement needs
- Reaching consensus on ways to address the needs
- Helping fund recovery actions and monitor results

BUDGET: Major portions of the budget would fund contracts for personal services to prepare information and assist land managers in designing site specific recovery projects. The budget would also assist in funding the projects. The proposal includes new positions in 5 of the 9 agencies (23 FTE), plus one existing position. WRD will have a manager responsible for oversight of program budget and performance. The staff will form a core team (8 FTE), and two field action teams (8 FTE each) located in the basins.

Agency resources	3,443,477
Contracts for services (estimate)	2,800,000
Grants, technical and financial assistance (estimate) (includes 1,000,000 for GWEB)	4,000,000
TOTAL	10,243,477

BENCHMARKS:

- Miles of assessed streams meeting water quality standards
- Percentage of key streams meeting instream flow needs
- Percentage of key subbasins with increasing or target level salmon populations

CONTRIBUTION: Watersheds form the infrastructure for Oregon's natural resource values. The state has made a minimal financial investment in conserving or enhancing these resources in the past and that structure is at the point of unraveling. This proposal would infuse resources into two target areas and demonstrate that the state can take the initiative and find positive, creative recovery actions that satisfy the Endangered Species Act. Funding is also expected to result in securing substantial additional financial support and participation from federal, local and private sources.

RELATED LEGISLATION: SB 1112 establishes purpose and budget requirements consistent with the watershed health proposal described in this summary. HB 2215 identifies a local watershed process that could be used to coordinate with local interests.

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FOREST CONFERENCE RESPONSE BUDGET

Item	Oregon's '93-'95 Budget	Federal Est. Fiscal '93 Expenditures	Additional Federal Requirement	Total
WORKFORCE				
Current Initiatives				
Create Workforce Quality Council	\$652	\$60	\$250	\$962
Develop Response/Investment Package	\$6,200	\$12,000	\$24,000	\$42,200
Enacting Education Act for 21st Century	\$33,200	\$24,000	\$60,000	\$117,200
Business/Labor Training Investment	\$7,300	\$0	\$21,000	\$28,300
Sub-Total	\$47,352	\$36,060	\$105,250	\$188,662
Recommendations				
Long Term Training for Families Plus Workers	\$0	\$0	\$50,000	\$50,000
Relationship Based on Outcomes/Performance	\$0	\$0	\$0	\$0
Shared Information System	\$849	\$0	\$10,000	\$10,849
Program Leveraging	\$0	\$0	\$50,000	\$50,000
Sub-Total	\$849	\$0	\$110,000	\$110,849
TOTAL	\$48,201	\$36,060	\$215,250	\$299,511

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FOREST CONFERENCE RESPONSE BUDGET

Item	Oregon's '93-'95 Budget	Federal Est. Fiscal '93 Expenditures	Additional Federal Requirement	Total
INDUSTRIES				
Current Initiatives				\$0
Business Development	\$5,400	\$0	\$0	\$5,400
Business Finance	\$7,100	\$0	\$0	\$7,100
Key Industries	\$2,600	\$0	\$0	\$2,600
Oregon Works	\$100	\$0	\$0	\$100
Industrial Modernization	\$1,500	\$0	\$0	\$1,500
Targeted and Key Training	\$2,000	\$0	\$0	\$2,000
Sub-Total	\$18,700	\$0	\$0	\$18,700
Recommendations				
Rural Development Bank			\$50,000	\$50,000
Flexible Networks		\$0	\$1,200	\$1,200
Trade Associations		\$0	\$750	\$750
STEP/NIST	\$500	\$0	\$500	\$1,000
Business/Labor Partnerships		\$0	\$500	\$500
Manufacturing Technology Center	\$16,000	\$0	\$16,000	\$32,000
Sub-Total	\$16,500	\$0	\$18,950	\$35,450
TOTAL	\$35,200	\$0	\$18,950	\$54,150