Governor Kotek's Economic Prosperity Council

The High Road to Prosperity for All Oregonians

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Executive Summary

The Prosperity Council is at a crossroads: it must choose between taking the high or low road to improved prosperity. We choose the high road - A Roadmap for Oregon Prosperity that has first and foremost the goal of improving per capita income and improving the lives of low- and moderate-income Oregonians.

Focusing on merely growing the economy, reducing taxes on the highest income earners or businesses, or relying on flawed business climate rankings, which are often biased and unreliable indicators of a state's economic prosperity, miss the mark. It is the adequacy of our tax system, not Oregon's tax ranking, that should matter most to policymakers, business leaders, and other Oregonians.

A highly educated and trained workforce is the single most powerful economic lever for increasing incomes. This starts with a sustainable education funding infrastructure. From childcare to early learning and preschool programs, from K-12 to apprenticeships and vocational training and community colleges, to institutions of higher education, the high road approach to economic development relies on shoring up multiple pathways to financial stability.

Notably, and to some frighteningly, the Governor's Prosperity Roadmap was silent about artificial intelligence (AI). Oregon needs guardrails and worker-centered policies on artificial intelligence so that AI supports increased productivity while supporting job security and job upskilling, not marginalizing and replacing workers.

Oregon's net positive migration of firms shows that business relocation has little to do with alleged poor business climate. The "doom loop" narrative, widely embraced by the business community, fails to stand up to the economic data.

Tax expenditures – giveaways by state and local governments that must be made up by other taxpayers or result in diminished funds for public structures such as infrastructure, education and health care – generally do not drive business decisions. Despite their aggregate high cost to taxpayers, the State has failed to seriously evaluate its tax expenditures for business recruitment to justify their costs to taxpayers and their impact on other state priorities.

Just like any smart CEO, Oregon should pursue a strategy of its own and ignore the low road of doing everything other states do, just more cheaply. Oregon should build on Oregon's strengths, especially its unparalleled quality of life, and appeal to the smartest, hardest working, best-educated workers and the most innovative firms to help us build a high-skill, high-wage, high quality of life economy in the knowledge-driven world of the 21st century.

Introduction

The Prosperity Council is at a crossroads: it must choose between taking the high or low road to improved prosperity. A Roadmap for Oregon Prosperity needs to have as its goal improving the income and lives of all Oregonians at every income level in every part of the state, with a particular emphasis on low- and middle-income Oregonians. Focusing on merely growing the economy fails to capture the whole picture.

A highly educated and trained workforce is the single most powerful economic lever for increasing incomes. This starts with a sustainable education funding infrastructure. From childcare and early learning and preschool programs to K-12 to apprenticeship and vocational training to community colleges to institutions of higher education, the high road approach to economic development relies on shoring up multiple pathways to financial stability.

It's easy to understand how some businesses are attracted to the idea of quantitative growth: more population equals more customers, more sales, and more profit. But to individual Oregonians, the size of the economy is secondary to the quality of the economy, particularly the quality of jobs.

The Council also needs to consider the adverse environment created by the Trump Administration which is taking a heavy toll on the country and on Oregon more than on many other states. Oregon is 1% of the national economy but highly dependent on exports and a state which has stood up for democratic values in the face of intense national pressure to do otherwise.

The five foundations that have underpinned US economic success for decades are under assault: trade, immigration, science, education and the rule of law. Having each of these foundations under assault has created a hostile economic environment for Oregon: increasing and erratic tariffs, draconian immigration enforcement, a national assault on education and science, significant threats to severely dismantle core public services (many privately provided), and a disregard for the rule of law. Oregon needs to position itself now for the day when a new administration, supportive of democratic values, and which defends and enhances these five foundations, is in office.

Why The High Road?

Professional economic developers know that growth for growth's sake makes little sense. Camoin & Associates, a leading economic development consultancy, reported in February 2026:

> ". . .[T]he field [of economic development] has shown a persistent tendency to equate activity with impact. Projects are announced, incentives negotiated, and capital investment tallied, each serving as visible markers of momentum. Far less attention is given to what follows: whether the jobs endure, whether opportunity broadens, and whether the investment meaningfully alters a community's long-term trajectory.

> "Part of this dynamic reflects the frameworks that have long guided the profession. Return-on-investment models, while useful, tend to favor what can be readily counted (estimated tax revenue) over what must be cultivated over time. Political and market cycles reward visible wins, often on compressed timelines, while the deeper work of expanding opportunity and strengthening regional competitiveness unfolds more gradually. The result is a system that can favor the immediate over the enduring, even when long-term prosperity is the stated objective."

This perspective has been well-established for years, nationally and in Oregon. In 2007, the Oregon Business Council published the 2007 Oregon Business Plan which said:

> The Vision Is Critical:
>
> "For its companies and its economy to compete effectively in the global marketplace, Oregon must ramp its education achievement and workforce preparation to unprecedented levels – specifically, 20-40-40. Twenty percent of Oregonians should have no less than a high school diploma as their highest level of attainment; 40 percent should have an associate's degree or equivalent certification as their highest attainment; and the remaining 40 percent should have a bachelor's degree, including at least 20 percent who also have a graduate degree. Statistically, a portion of this achievement will come from newcomers, but Oregon will have to meet most of this high standard in the education it provides its own citizens. The stakes could not be clearer. Low-paying jobs will not support families or the Oregon economy. Increasingly, both low- and medium-paying manufacturing jobs, and even many service jobs, are going offshore or falling to automation. All jobs that pay well increasingly require higher levels of education and work readiness."

The Oregon Legislature adopted the 40/40/20 vision (now listed in reverse order) as official state policy in 2011. The law – ORS 350.014, still on the books – called for achieving that vision by 2025. Oregon, however, only half-heartedly worked toward meeting these goals. The Legislature scaled back on higher education funding. From 1980 through 2021, tuition per FTE increased from $2,749 to $9,954 per year, a 3.6-fold increase after adjusting for inflation. The impact is clear.
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A high road strategy, which builds on Oregon's distinctive strengths, has always stood Oregon in good stead. It was the right strategy in 2007 and it is the right strategy in 2026. We have repeatedly weathered national economic cycles, and as the US economy recovered, Oregon has outperformed the nation, not by compromising our uniqueness and commitment to quality of life and public services, but by building on those to improve our economy.

The world of economic development has changed; today, firms follow talent. Because of Oregon's relatively high level of worker skills and education, coupled with our attractiveness to smart young workers, people (and then businesses) came here and stayed; because it was different and better, not necessarily cheaper. As the state's economic development slogan of the mid-90s, devised by Oregon's local marketing geniuses Weiden+Kennedy, put it: "Things look different here." More than a slogan, Oregon's distinctive natural beauty, and Portland's dynamic urban environment helped attract a continual flow of talented and entrepreneurial migrants that both fueled the growth of existing firms and led to the formation of many new businesses.

The State of Oregon's Economy

Economic climate indicators show Oregon's metro areas are performing well

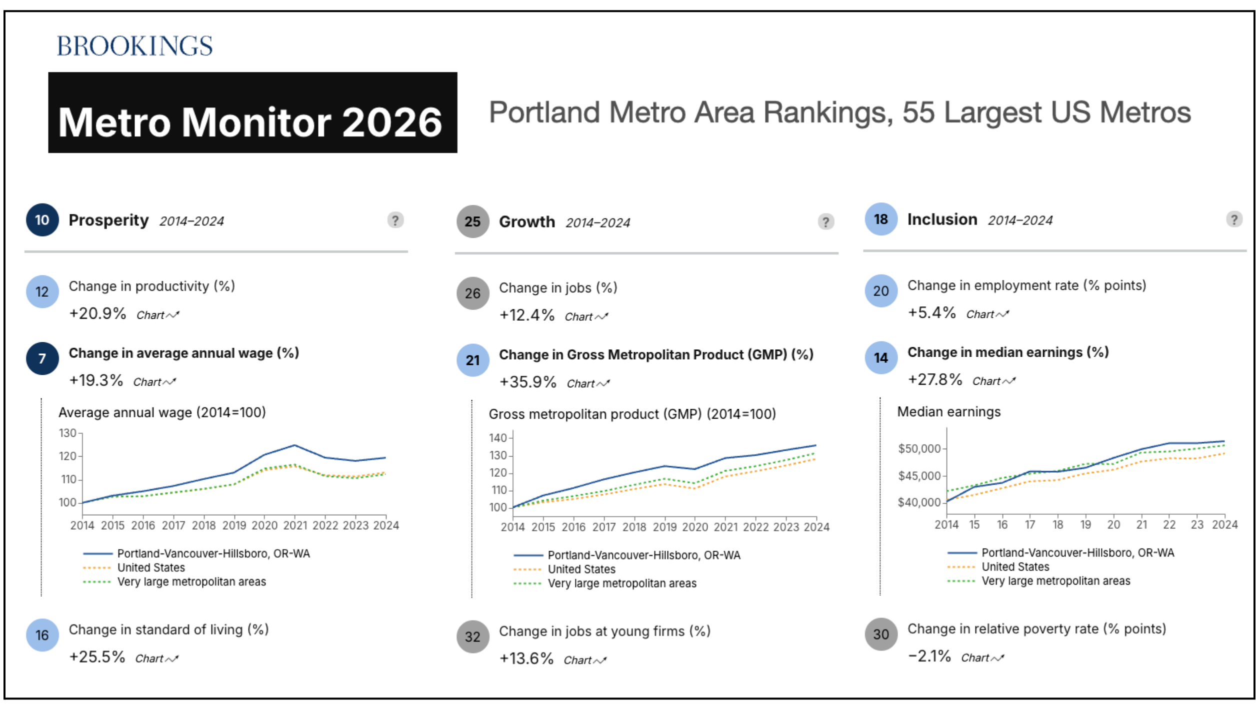
Contrary to the Portland area "doom loop" narrative that the business community has embraced, economic rankings prepared by the independent and respected Brookings Institution show that the Portland Metropolitan area and the state's other metro areas perform well above the US average in prosperity, growth, and inclusion. Prosperity in the Brookings data is driven by three measures: productivity (which is the foundation of incomes), growth in average wages, and, improvements in the standard of living.

The latest version of the [Brookings Metro Monitor](), released in March 2026 shows:

- Portland ranks tenth overall in prosperity among large US metro areas, led by the seventh fastest growth in average annual wages over the past decade according to Brookings tabulations. Portland also had the 12th fastest increase in productivity and the 16th largest improvement in the standard of living over that time period. Distributional issues are addressed more specifically in the "inclusion" measures including median earnings growth and the change in the poverty rate.

- Portland also ranks in the top third of large metro areas, 18th overall in measures of inclusion, led by the 14th fastest improvement in median earnings over the past decade. While "inclusion" seems to generate controversy in some contexts, it shouldn't here: this indicator measures whether the economy works for all parts of the economic spectrum.

- Even Portland's aggregate economic growth is faster than the average for all large US metro areas. The region's Gross Metropolitan Product, the aggregate value of output, rose faster than the nation and all but 20 other metro areas.



Oregon’s three mid-sized metropolitan areas also rank well above average in their economic performance according to the Brookings Metro Monitor. Salem, Eugene-Springfield, and Bend are among 85 US metro areas with populations between 250,000 and 500,000. Bend ranks first in prosperity and growth of these areas, Salem ranks fourth in prosperity and seventh in growth, and Eugene is twelfth for prosperity, and 30th for growth. All these cities also rank in the top fifth of all metro areas for inclusion.

Eugene-Springfield, OR

Population: **382,396** | One of 86 **midsized** metro areas with 250,000–500,000 residents

Rankings: 1–17 18–34 35–52 53–69 70–86 No data

30 Growth *2014–2024*	12 Prosperity *2014–2024*	17 Inclusion *2014–2024*
38 Change in jobs (%) +8.8% *Chart*	12 Change in productivity (%) +22.3% *Chart*	17 Change in employment rate (% points) +6.8% *Chart*
26 Change in Gross Metropolitan Product (GMP) (%) +33.0% *Chart*	11 Change in average annual wage (%) +18.3% *Chart*	52 Change in median earnings (%) +20.1% *Chart*
46 Change in jobs at young firms (%) +22.3% *Chart*	15 Change in standard of living (%) +24.6% *Chart*	9 Change in relative poverty rate (% points) −5.2% *Chart*

Salem, OR

Population: **443,416** | One of 86 **midsized** metro areas with 250,000–500,000 residents

Rankings: 1–17 18–34 35–52 53–69 70–86 No data

7 Growth *2014–2024*	4 Prosperity *2014–2024*	8 Inclusion *2014–2024*
18 Change in jobs (%) +19.0% *Chart*	8 Change in productivity (%) +23.5% *Chart*	19 Change in employment rate (% points) +6.8% *Chart*
10 Change in Gross Metropolitan Product (GMP) (%) +47.0% *Chart*	4 Change in average annual wage (%) +23.1% *Chart*	12 Change in median earnings (%) +36.7% *Chart*
5 Change in jobs at young firms (%) +64.9% *Chart*	4 Change in standard of living (%) +33.3% *Chart*	20 Change in relative poverty rate (% points) −3.6% *Chart*

Bend, OR

Population: **264,407** | One of 86 **midsized** metro areas with 250,000–500,000 residents

Rankings: 1–17 18–34 35–52 53–69 70–86 No data

1 Growth *2014–2024*	1 Prosperity *2014–2024*	9 Inclusion *2014–2024*
1 Change in jobs (%) +34.0% *Chart*	1 Change in productivity (%) +35.7% *Chart*	12 Change in employment rate (% points) +7.2% *Chart*
1 Change in Gross Metropolitan Product (GMP) (%) +81.8% *Chart*	1 Change in average annual wage (%) +32.8% *Chart*	9 Change in median earnings (%) +38.8% *Chart*
7 Change in jobs at young firms (%) +52.2% *Chart*	1 Change in standard of living (%) +46.2% *Chart*	34 Change in relative poverty rate (% points) −2.7% *Chart*

Aggregate growth and productivity, as measured by real output, or Gross Domestic Product (GDP) has not been Oregon's problem. Portland ranks 12th in productivity, and above average in GDP growth, among large metro areas. Bend ranks first in GDP growth and productivity of mid-sized metro areas, and both Salem and Eugene-Springfield are above average. Statewide, Oregon's GDP per worker has increased faster than in the rest of the country for the past quarter century. Oregon's big challenge today is to make sure that this economy contributes to the prosperity of all Oregonians, particularly low- and middle-income earners.

Systemic social problems persist

The encouraging picture of Oregon's economy is not intended to imply that the status quo is adequate. Oregon faces a myriad of challenges, including job losses in 2025. Two of the Portland area's largest companies, Intel and Nike, experienced very poor years, directly laying off more than five thousand workers. Additionally, as with many states across the country, Oregon is struggling with how to assist the unhoused population, how to expand affordable housing, how to create an effective mental health care system, and how to streamline permitting.

The Oregon Business Council (OBC) is correct in telling the Council that there is a need for more affordable housing, adequate funding for K-12 education, pre-school and childcare, and a streamlined regulatory system. While other groups may be grappling with solutions to these serious community problems, the Council should still consider these in its deliberations.

Improving housing affordability requires building more places to live. Zoning codes for dense urban housing, ADUs and other options can maximize land use for residential purposes. Effectively dealing with drug, alcohol and mental health problems requires increased effectiveness and funding of social service agencies.

Similarly, lingering effects of the pandemic have taken a toll on our reputation, with media stories about "war torn" Portland, ongoing employer telecommuting policies, and high vacancy rates in downtown Portland commercial office space.

These problems are complex and the solutions are not easy, but there are reasons to be hopeful. Downtown Portland is coming back. Progress is being made in efforts to expand housing accessible to many more of our neighbors. Oregonians' resistance to the draconian immigrant deportation policies currently in place have re-established it as a state determined to protect civil liberties.

As the NYT reported on March 25, 2026, "Living in Portland, Ore.: Weird, but Life Is Good."

> "Beyond its well-known quirkiness and activism, it is a city designed for leisure, with access to nature and a high quality of life. "I think Portland has a P.R. problem," said Pamela Baker-Miller, owner of Frances May, the boutique she opened in the city's downtown 18 years ago. "Portland is a really special place to live and it's a really amazing place to start a business."[1]

[1] https://www.nytimes.com/2026/03/25/realestate/portland-ore-weird-but-life-is-good.html

Centering Low- & Middle-Income Oregonians

The Governor's and Legislature's number one goal should be raising incomes for lower and middle-income Oregon residents, not simply increasing the number of jobs or the size of the economy. Oregon has been a leader in raising the minimum wage to help those at the bottom and has adopted and improved an Earned Income Tax Credit that primarily helps low-income working households with children. This provides the state with a competitive advantage as workers above the minimum wage have also benefitted by the floor being raised.

Since 2005, Oregon has had among the highest minimum wages in the US, and this has played a key role in increasing average wages paid to lower wage workers. Since 2008, wages for Oregon's low-wage and middle-wage workers have substantially outpaced those for the rest of the United States.

In 2008, wages for Oregon workers earning the median hourly wage and wages for the lowest paid ten percent of workers (the tenth percentile) were roughly equal to the national average. Since then, adjusted for inflation, Oregon wages at the tenth percentile have grown much faster than for the United States as a whole (37 percent vs. 29 percent), and wages at the median have also grown faster (24 percent vs. 16 percent).

Oregon Raises the Minimum Wage and Wage Growth Outpaces the National Average			
OREGON	**2008**	**2025**	**Increase**
Median Worker	$22.18	$27.50	24%
Tenth Percentile (Low wage)	$11.73	$16.03	37%
UNITED STATES	**2008**	**2025**	**Increase**
Median Worker	$22.16	$25.67	16%
Tenth Percentile (Low wage)	$11.27	$14.56	29%
Source: Economic Policy Institute, Bureau of Labor Statistics data			

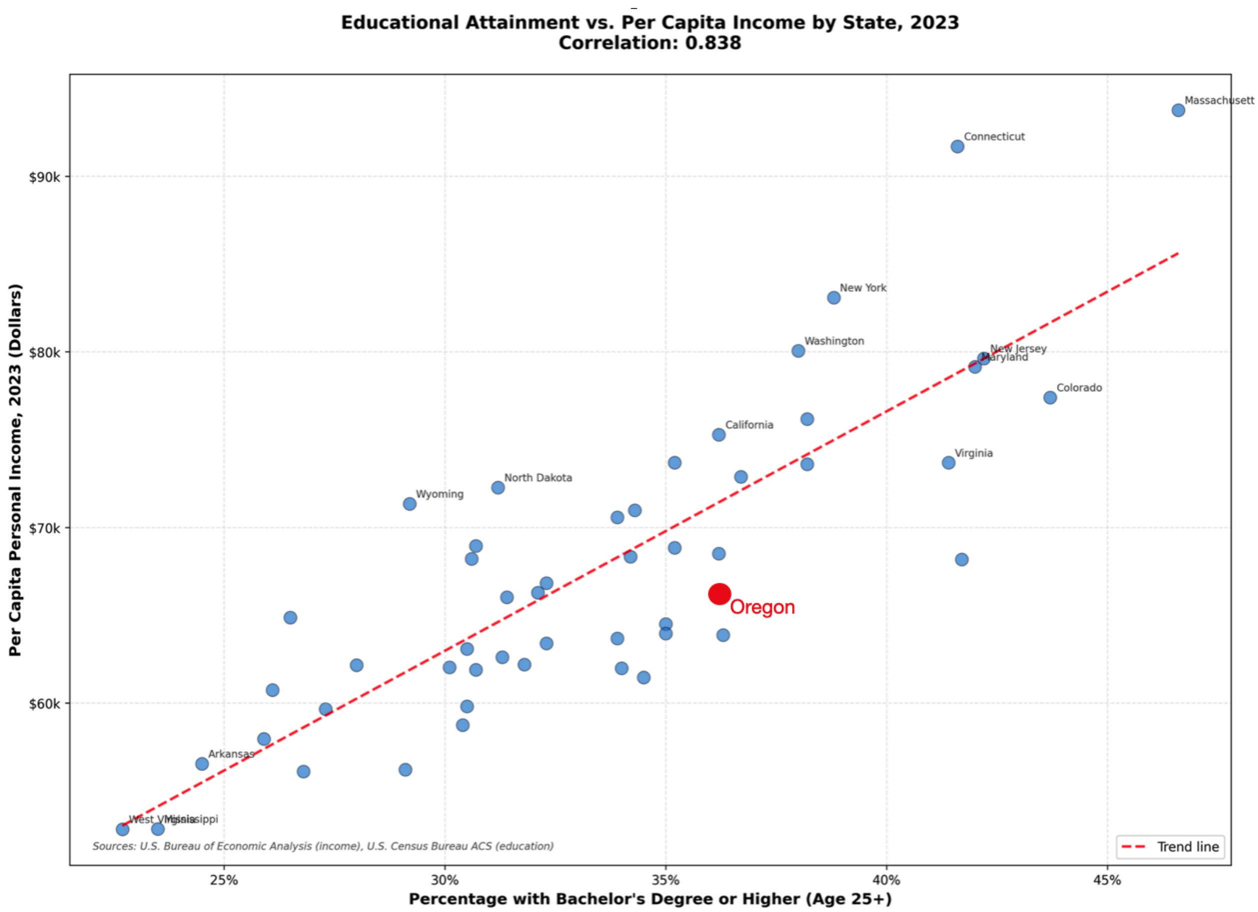
This improvement in wages, which occurred as Oregon steadily increased minimum wages, helped improve the overall equity of the Oregon economy, compared to other states. Strategically raising the incomes of low- and middle-income households is key to making housing affordable.

Building Out the Workforce

A highly skilled and educated workforce is the single most powerful economic lever for increasing incomes for low- and moderate-income Oregonians

The single most critical factor linked to higher incomes is increasing skills and education. States with well-educated and well-trained populations have high incomes; states with lower educational attainment have lower incomes. In fact, the fraction of the adult population with a four-year college degree statistically explains seventy percent (70%) of the variation in per capita income across the 50 states.

The following data chart ought to be top of mind for everyone who says they care about their state's economic success. It's this chart that shows the statistical relationship between education and per capita income for the 50 US states.[2]



Education has always been a key determinant of income, and that relationship has become even stronger in the past several decades as we've shifted increasingly to a knowledge-based economy. This correlation applies to all forms of post-high school education and skill upgrading. For example, Abt Associates and the Urban Institute found that completion of a certified apprenticeship program increases earnings by 49%, regardless of occupational sector and demographics. All education improves productivity and earnings.[3]

Not many years ago, working people moved to where the jobs are. Now, overwhelmingly, businesses move to places that have lots of talented workers and to which it is easy to attract

[2] Income data from US Bureau of Economic Analysis; education attainment data from US Census Bureau, 2023
[3] https://www.urban.org/urban-wire/registered-apprenticeships-can-increase-earning-not-enough-people-know

more. Smaller or start-up tech firms are competing with established behemoths for the same workers. As one Oregon technology startup CEO told a legislative study group[4]

> "I am here today advocating on behalf of my employees. I am competing with companies like Google and cities all over the world to retain my highly skilled workforce. A big factor in our favor is the perceived quality of life here in Oregon. Yet when they have children they encounter an underfunded school system combined with a reluctance to consider anything beyond spending cuts to solve the myriad problems. It's not as if I don't pay them enough so that they couldn't send their kids to private school. But they do not want to send their kids to private schools. They want to live in a community which adequately invests in education and other critical services.
>
> And that's not what's been happening. In response I've lost staff to places like London, Austin, Berlin and Helsinki, drawn by a higher quality of life, which public education is a big part of.
>
> * * * *
>
> If you want to foster a vibrant tech industry in this state and the well paid jobs that come with it then you will have to make the necessary investments, starting with an appropriately funded education system."

Business recruiters say workforce is the number one location factor. The most important strategies for economic success focus on education and building a quality of life that retains and attracts talented workers.

High-skilled workers and highly productive, high-wage firms are gravitating towards places with a great quality of life and excellent public services, especially education. And, all levels of education are critical, preschool through higher education. This is the path Oregon needs to invest in – not just write this into business strategy documents and the law – but to actually invest more resources in education. This type of investment does not show immediate improvements but it creates a lasting foundation with solid economic outcomes.

Childcare and preschool

Although it is not always included in conversations about education and workforce, access to high-quality childcare is integral both to child development and to parents staying-in or returning-to the workforce. In Oregon, there is an estimated 35% gap in available childcare versus the potential need. And, the average annual cost is between $15,000 and $19,000 per year for one child. Without investment in this system, low and moderate wage earners can be priced out of the workforce.

Preschool for All prepares children for kindergarten by increasing their confidence and preparation. It reduces family financial stress, supports special care for children with disabilities and increases wages for preschool educators. There is a lot of evidence that universal Pre-K has huge economic paybacks, especially for disadvantaged families. This is an economic strategy that benefits children, parents, schools, and the community.

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[4] Joint Committee On Tax Reform, Mat Ellis, Cloudability, memo dated Tuesday, June 13, 2017, available at https://drive.google.com/file/d/1qA5eKOCUuSBBYUOH8QmeURDDCDrNC37I/view?usp=sharing

Skilled trades registered apprenticeship programs

Affiliated unions of the Oregon State Building and Construction Trades Council have demonstrated decades of success in delivering high-quality registered apprenticeship programs. These programs provide on-the-job training for projects at every level from basic to highly technical while creating pathways to family wage careers that help to improve living standards throughout Oregon and Washington. Importantly, research shows that completing a union apprenticeship can be just as valuable as earning a four-year degree, while allowing skilled trades workers to "earn while they learn" and avoid student debt.

The Council should not recommend weakening apprenticeship standards by changing the ratios of apprentices to journey level workers or addressing reciprocity. Apprenticeship programs are within the jurisdiction of BOLI and the Apprenticeship and Training Council. They involve quality, worker safety and issues that this Council is not equipped to address.

Vocational and other apprenticeship programs

Community College Career and Technical Education (CET) Programs have expanded with an emphasis on strengthening industry-aligned, high wage and in-demand occupations. They currently focus on these program areas: agricultural sciences, business and management, health sciences, industrial and engineering systems. These efforts should be augmented by more business partnerships which include paid internship programs.

In health care, the Kaiser Permanente Labor-Management Partnership and the SEIU RISE Program are strong examples of successful labor-management training programs. The AFSCME-BOLI Behavioral Health Program (United We Heal) is another strong apprenticeship program with huge potential to provide much needed community services in the behavioral health field. And, it could do substantially more with even minimal increased funding.[5]

By combining course work and on-the-job training, these proven programs advance careers, deliver improved quality of care, and fill in-demand jobs needed by their partner companies. The state should consider, as a condition of offering business tax expenditures, that the recipient companies must provide career ladders with paid training and apprenticeship programs (using BOLI approved programs, where available, and local community college programs, particularly CTE programs, with annual accountability reports) to improve their employees' skills and thus wages and eligibility for higher level in-demand jobs in their companies or their industry.

Implement guardrails and worker-centered policies on artificial intelligence so that AI supports prosperity

Notably, Oregon's Prosperity Roadmap is silent about artificial intelligence (AI), despite its inevitable impact on the state's economy and workforce, which is already underway. Oregon could position itself as a leader in the nation in ensuring this technological advancement supports prosperity for all. AI has the potential to increase productivity and the potential to create opportunities for upskilling and job transitions that lead to better and higher paying jobs. It

[5] Kaiser Labor-Management Partnership: https://www.lmpartnership.org/about/how-partnership-works/what-is-partnership; SEIU RISE Partnership: https://www.risepartnership.com/our-programs/; AFSCME/BOLI, United We Heal: https://oregonuwh.org

also, of course, has the potential to wreak havoc on the workforce. It is essential that Oregon enacts AI policies that are stakeholder-informed, worker-centered, innovative, and unambiguous.

In Europe, legislative bodies and companies are having these discussions in concert with workforce organizations, but we have not seen a unified effort in the U.S. The greatest fear the public has about AI in the workplace is that it could cause a large number of job losses and marginalization of the workforce. With the economic fragility many U.S. workers already face just meeting their basic living expenses, these are important concerns that need to be addressed.

Further, across the country, 95% of workers in jobs likely to be impacted by AI are not represented by unions, which offer the best structure for facilitating candid exchanges of information in the workplace. Organized labor is skilled at identifying job training needs (including developing ongoing upskilling programs) and ensuring ownership of decision-making. Oregon must use this moment to strengthen, rather than weaken, all democratic institutions impacted by AI, in the workplace and as well as in society, and create an economy that benefits everyone.[6]

The AFL-CIO has adopted a set of principles for fair, safe, responsible, and worker-centered AI that could provide a good starting point for developing policies beneficial to workers and businesses.

In summary, Oregon needs to develop AI policies that have guardrails and baked-in transparency to engage and train workers. We can augment productivity and minimize layoffs by utilizing AI on-the-job upskilling programs.

Balancing a Healthy Business Climate with a Healthy Tax Infrastructure

There have been many references during Council meetings of a “need” to reduce the income tax on high-income Portlanders to attract CEOs and high paid employees. Similarly, the Corporate Activity Tax (CAT), which is dedicated to funding education, is disliked by businesses and a number of Council members have recommended it should be repealed.

There is no compelling evidence that Portland’s supplemental income taxes on the most affluent or the CAT undermine prosperity or that reducing those taxes will benefit the state. The CAT was promoted by Nike and is designed for the traded sector as out-of-state sales are not included in commercial activities subject to the tax. While there were 519,579 tax returns with business income filed in tax year 2022, there were only 26,569 CAT returns filed that year (about five percent).[7]

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[6] Christy Hoffman, UNI Global Union General Secretary, interview by Molly Kinder, July 16, 2025, Brookings Metro Blueprint, “Workers must have a seat at the AI bargaining table” https://www.brookings.edu/articles/molly-kinder-and-christy-hoffman-discuss-how-workers-can-shape-the-use-of-generative-ai-in-the-workplace/

[7] Oregon Public Finance, Basic Facts 2026, Legislative Revenue Office, Report #1-26, February 3, 2026 https://www.oregonlegislature.gov/lro/Documents/Basic%20Facts%202026.pdf

Taxes are not impeding businesses. State and local taxes are only about two percent of the cost of doing business. In spite of this low percentage, business climate rankings generally have at their core state tax levels as the main indicator of business climate.[8]

Additionally, the reality is that there is a limited number of tax options. Oregon has referred sales taxes and split-roll property taxes to the voters with resounding “no” votes. In the late 1990s, Oregon experimented with deferring capital gains taxes on selective “start ups” to encourage reinvestment in businesses and to increase job creations. The State’s analysis of the effort concluded that it was a failure and so it was discontinued.[9] Oregon businesses have strongly and consistently opposed increasing state corporate income tax. While the CAT (a consumption tax) like all other taxes isn’t perfect, it impacts only five percent of businesses and is traded-sector friendly by not including out-of-state activities in the definition of commercial activities.

Oregon’s net positive migration of firms shows that business relocation has little to do with alleged poor business climate

The obsession with business climate builds upon and reinforces the false perception that interstate migration of businesses is a decisive factor shaping or measuring state prosperity. It is false for a variety of reasons. First, most businesses have only a single location, and employ people in a single state. Moreover, firms typically have compelling geographical, personal, and business reasons to locate where they do.

For decades, economic researchers have confirmed that it is the formation of new firms, and their growth and expansion that drives the growth of regional and state economies, not the migration of businesses from place to place.The challenge facing states is to foster the conditions where people can easily create, and readily grow their businesses. It makes no sense to contort public policies such as tax and land use laws to try to attract a firm that is simply shopping for the biggest subsidies or the lowest taxes.

Certainly, businesses decide to relocate for a variety of reasons but too often anecdotal examples, not statistics, drive the narrative. The number of business relocations are reliable indicators and they demonstrate that, while a business relocation can be a significant problem for a given employer, the number of relocations for Oregon, when matched up against other states across the country, indicate that Oregon is not an outlier.

The actual data on firms moving from state to state is tracked by the Bureau of Labor Statistics using addresses on tax records. Their analysis shows that very few firms ever move from one state to another. And, in contrast to the widely publicized complaints about firms leaving Oregon, the latest BLS data show that not only does Oregon have a net inflow of business moves, but it ranks 11th among the 50 states in net in-bound migration of businesses.[10]

[8] Grading Places: What do Business Climate Rankings Really Tell Us, page 11 and note 11.

[9] https://www.ocpp.org/2000/01/21/no-special-treatment/

[10] Akbar Sadeghi, Kevin Cooksey, and Anthony Colavito,"Firm migrations in the United States: magnitude and trends," Monthly Labor Review, U.S. Bureau of Labor Statistics, June 2023, https://doi.org/10.21916/mlr.2023.11

Oregon Enjoys a Healthy Net Migration of Firms		
Rank	**State**	**Firms**
1	Florida	399
2	North Carolina	148
3	Nevada	103
4	Texas	103
5	Tennessee	92
6	New Jersey	89
7	Idaho	68
8	South Carolina	58
9	Arizona	44
10	Michigan	40
11	**Oregon**	**35**
12	Connecticut	29
47	Maryland	-50
48	Illinois	-208
49	California	-456
50	New York	-487

Tax expenditures, including so-called tax incentives, are nice for business owners but do not consistently drive business location decisions

Tax expenditures are giveaways (e.g. credits, deductions, special treatment) by the state and local governments that must be made up by other taxpayers or result in diminished funds for public structures such as infrastructure, education, apprenticeship programs and health care.

When asked, corporate executives often claim that the critical step in economic development is lowering tax levels and increasing tax expenditures for businesses and their owners. And while states seem to fall all over themselves to offer tax dollars and gimmicks, there's precious little evidence that any of this actually makes much difference to industrial location or state economic prosperity.

The Upjohn Institute's Tim Bartik, the dean of American economic development researchers, concludes that 90 percent of tax incentives have no effect on firm location:[11]

> “[B]ased on the research evidence, incentives often do not tip firms’ decisions of where to locate. In 9 out 10 cases, firms are receiving a tax incentive for a location decision they would have made anyway, even if no incentive had been provided. As

[11] Timothy J. Bartik, Bringing Jobs to People: Improving Local Economic Development Policies, W.E. Upjohn Institute for Employment Research, August 2020.

> a result, incentives have high costs per local job they actually create and thus should receive less emphasis."

It isn't just researchers who have made the case that tax expenditures billed as incentives don't work or are not necessary. Highly respected business leaders have made this case over many years. For instance, Bush Administration Treasury Secretary and Alcoa CEO and Chairman, Paul O'Neill said:

> "I never made an investment decision based on the tax code… If you want to give me inducements for something I am going to do anyway, I will take it. But good business people do not do things because of inducements; they do it because they can see that they are going to be able to earn the cost of capital out of their own intelligence and organization of resources."[12]

Similarly, in Oregon, Mark Modjeski, tax director for Tektronix, our state's pioneering high tech company, when asked by an Oregon House Revenue Committee Co-Chair why a tax credit billed as an incentive made Tek's presence here more productive than it might otherwise be, Modjeski replied:[13]

> "I think that's a tough question, in all honesty. I mean, would Tektronix be doing anything different in its business if it did not have a credit on its books? I would say no. I'll be on record saying that."

This is a rare straight-forward and honest response by a major Oregon business leader which validates the research by publicly recognizing the small role tax policy plays in their business decisions.

Unfortunately, we have a system of cash prizes that encourage bad corporate citizenship. If a company does what makes most sense for its business, follows the rules, and pays its taxes, it gets nothing special. But if it threatens to locate elsewhere or to leave town, it can wrangle tax expenditures and subsidies.

When businesses are approaching state and local government officials looking to make a deal about locating facilities in Oregon, they know that public officials have few things in their cookie jars so they ask for those things. That focus on taxes as important by business is because only public officials can offer tax giveaways. Other more significant costs of conducting business like wages, health care costs, materials costs, cannot be impacted directly by those government officials. The anecdotal focus on taxes gives government officials the false sense that tax levels are important to the businesses' decisions.

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[12] Hearing before the Committee on Finance, United State Senate, 107th Congress, 1st Session, on the Anticipated Nomination of Paul O'Neill to Be Secretary of the Treasury, January 17, 2001, S. Hrg. 107-5

[13] Oregon House Committee on Revenue, April 2, 2015, video record at https://olis.oregonlegislature.gov/liz/mediaplayer/?clientID=4879615486&eventID=2015041067 at 21:27.

Business climate rankings are barely worth the paper they are printed on.

Business climate measures have always been a poor guide to building a stronger economy for everyone. Business climate rankings are negatively correlated with income levels, with high wage innovation-based industries, and quality of life. In effect, business climate measures treat a bad climate for workers as a good climate for business. Those calling on Oregon to focus on improving its rank on the CNBC business climate rating are asking Oregon to strive to be the "best" place in the US for an imaginary, generic business. Business climate rankings have no place in creating a plan for prosperity for all.

Today, even though state and local taxes are about two percent of the cost of doing business, business climate rankings generally have at their core state tax levels as the main indicator of business climate.[14] They rank lower tax states as having better business climates.

It wasn't always that way. For instance, before the advent of the internet and the proliferation of rankings for advocacy purposes, Fortune magazine once identified Minneapolis-St Paul as one of the ten best cities for business, noting in a summary, "painfully high corporate and personal income taxes go for heavy expenditures on education, welfare, transportation, and parks. The system works."[15] Fortune recognized the important role of public structures in creating a good business climate.

The CNBC and Tax Foundation reports presented to the Prosperity Council list states that follow the federal minimum wage of $7.25 per hour in roughly half the states ranking in their top 10 listings. Oregon cannot achieve its prosperity goal of creating family wage jobs by seeking to compete on wages with low minimum wage or anti-union states which only require businesses to pay workers half Oregon's minimum wage rate and which offer workers substandard benefits. These comparisons make no sense for the purported workforce goals of the Council to create good paying jobs nor do they take into account the increased state spending required to subsidize low-wage workers' living expenses (housing, food, medical) so businesses can earn higher profits at the expense of Oregon taxpayers.

Oregon isn't, and shouldn't try to be, the lowest cost, least restrictive location for any given business. Following the high road, it should be the premium location for the innovative people and businesses that want to compete at the high end of the economy.

Conclusion and Recommendations

The Prosperity Council must choose to take the high road to prosperity. Oregon should build on its strengths to appeal to the smartest, hardest working, best-trained workers and the most innovative firms to help build a high-skill, high-wage, high-quality of life economy.

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[14] See https://www.goodjobsfirst.org/wp-content/uploads/docs/pdf/gradingplaces.pdf

[15] "Top Ten Cities for Business," Fortune, October 22, 1990 See .https://drive.google.com/file/d/1JgXqfU4jC-fjkFMG12MzNrZjVwUE7nvw/view?usp=drivesdk

Oregon’s Prosperity Roadmap should focus on continuing to build on its specific strengths and address known, universally agreed upon problems that hamper its future:

1. Set goals for per capita income growth (not GDP or job counts) as well as goals for reducing the seemingly endless widening of income and wealth inequality. Make improving wages for low- and middle-income workers an explicit target, and set goals for reducing poverty especially among the working poor.

2. Fully implement and fully fund the statutorially adopted 40/40/20 vision for education. Invest in education and training programs at every level, including ongoing upskilling to address industry changes.

3. Set goals for improving quality of life indicators that attract and retain talented workers, namely housing, healthcare, childcare, and public transportation.

4. As a condition of offering businesses tax expenditures, recipient companies must provide paid training, utilize existing state registered apprenticeship programs where they exist, to improve their employees’ skills and eligibility for higher level in-demand careers in the skilled trades or their companies. These companies should also be required to ensure that Oregonians are prioritized when hiring and get paid a family sustaining wage and are provided with employer-paid family health insurance and any other components agencies deem important, and that labor standards apply when offering tax incentives.

5. While the Legislature now has a Joint Committee on Tax Expenditures, where each of these expenditures are reviewed for effectiveness every six years on a rotating basis (one third are reviewed each biennium), the Executive Branch ought to conduct an independent analysis to determine whether existing or new expenditures are actually essential and are worth the trade-off for other budget priorities that are proven to improve quality of life for Oregonians.

6. Protect investments in public structures that promote prosperity from misguided efforts to lower personal income taxes on those with the greatest ability to pay or to eliminate funding dedicated to education, such as the Corporate Activity Tax.

7. Develop AI policies with a strategy that includes guardrails, requires transparency, engages and trains workers, through on-the-job upskilling programs, to adapt to this key technological innovation so we can improve productivity while minimizing layoffs.