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Strengthening Portland's Future: Options to Address Economic, Fiscal, and Service-Related Challenges in Portland, Oregon

Tax Advisory Group, Portland Central City Task Force
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Introduction

Who We Are and Why We Were Convened

The Portland Central City Task Force launched its Taxes for Services Committee in Fall 2023 to examine a pressing challenge: how to align Portland's fiscal and service systems with its economic realities and evolving public expectations. In response, the Committee formed a Tax Advisory Group (TAG), chaired by Charles Wilhoite, to assess the region's tax structure, service delivery, and long-term public finance strategy.

This report presents the TAG's policy options. They are designed to strengthen core services, support inclusive economic growth, and improve the region's fiscal sustainability. The work builds on the TAG's earlier report—*Nineteen Facts About Economic, Fiscal, and Service Conditions in Portland*—which documented risks across the city's tax and governance landscape.

The research surfaced several shared concerns: Portland's tax burden has grown more complex and pronounced; job recovery and business investment lag behind peer regions; and confidence in public services—particularly around safety, housing, and livability—has weakened. In parallel, sizable fund balances have accumulated in some newly established programs. While some view these balances as the expected result of ramp-up and scaling, others see them as indicators that spending is not keeping pace with need or voter expectations.

Migration and employment trends provide additional signals. Households leaving Multnomah County report higher incomes than those arriving, and job growth across the river in Clark County now exceeds pre-pandemic levels by a wide margin. While these patterns do not prove causation, they are consistent with concerns about tax system design, service value, and place-based competitiveness. The implications are serious: if the erosion of Portland's taxable capacity continues, it will constrain the resources needed to serve those who rely most on public systems. This report offers a framework for addressing these challenges—through tax policy modernization, stronger delivery accountability, and targeted reinvestment in the systems that make cities work.

While TAG members share a commitment to addressing these challenges, they are not monolithic. Members bring distinct priorities, community responsibilities, and perspectives on causes and solutions. The Coalition of Communities of Color (CCC), representing 18 culturally specific organizations, supports a stronger, more accountable fiscal framework but disagrees with parts of this report.

What We Found: Systemic Risks and Public Costs

The *Nineteen Facts* report identifies five structural challenges that collectively undermine Portland's long-term competitiveness and fiscal health:

1. **A sharp and recent shift in local tax policy.** [i] Since 2018, measures to increase, expand, or create new income, gross receipts, and business taxes layered across jurisdictions in the Portland region have resulted in one of the nation's most complex local tax environments, including a top marginal income tax rate of

13.9%—second only to New York City. The pace and structure of these changes have raised concerns about economic competitiveness, tax system clarity, and the ability of local governments to coordinate around shared fiscal priorities.

2. **A lagging local economy with regional and statewide impact**. Over the past five years, Clark County, Washington, added more than 13% to its total employment base—leading the region in growth. Meanwhile, Multnomah County experienced a net decline in jobs over the same period[ii]. This divergence is not just a local concern: Portland's central city, long the region's economic core, now lags well behind surrounding counties on indicators like foot traffic, office occupancy, and employment density. Without course correction, Multnomah's underperformance will continue to weigh on Oregon's broader economic recovery.
3. **Selective outmigration and declining tax base elasticity.** Households leaving Multnomah County report higher average incomes than those arriving[iii]. While averages can be influenced by many factors, the pattern aligns with concerns about tax sensitivity and quality-of-life tradeoffs. If sustained, these trends will erode the local revenue base and increase the burden on remaining residents and businesses. CCC urges caution in interpreting these patterns, emphasizing that housing affordability, wage trends, and workplace shifts are also significant drivers.
4. **Strains in service delivery[iv].** Police response times for high-priority calls have tripled since 2019. Caseloads for prosecutors have reached historic highs. Portland continues to report one of the highest rates of unsheltered homelessness in the country. The City's pay-as-you-go pension system is poised to consume an ever-growing share of property taxes. Meanwhile, infrastructure maintenance, permitting processes, and other basic systems face growing backlogs—undermining public trust in day-to-day governance.
5. **Significant fund balances alongside visible need.** Several new voter-approved programs—such as the Portland Clean Energy Fund (PCEF), Supportive Housing Services (SHS), and Preschool for All (PFA)—have accumulated large fund balances. For some, these reserves reflect responsible pacing and the natural startup curve of complex initiatives. Others view the gap between collected revenue and visible service delivery as a sign that the deployment of funds has not kept up with urgency on the ground. CCC asserts that these balances are consistent with deliberate scaling of ambitious programs and should not be used to justify diverting funds from their intended purposes.

These conditions reflect more than the aftershocks of a pandemic. They stem, in part, from fragmented governance, cumulative policy layering, and the absence of coordinated strategies across agencies. Addressing them will require a recommitment to service fundamentals, clearer fiscal alignment, and a disciplined focus on execution.

Where we are aligned

TAG members brought a range of perspectives, but reached consensus on several critical points.

- **Portland's Fiscal Model Is Under Pressure in a Mobile Economy.** Urban public finance theory emphasizes that cities must balance their revenue strategies with the mobility of people and capital[v]. When the perceived value of services doesn't keep pace with rising tax burdens, behavioral shifts—such as relocation or disinvestment—can gradually erode the fiscal base.

  > *One essential feature of cities is that* ***people and capital can readily leave them****; greater factor mobility is a key feature of urban, as opposed to national, public finance.*
  >
  > Edward Glaeser (2012) *Urban Public Finance*

  In recent years, local governments—including Multnomah County, Metro, and the City of Portland—have added several major taxes, including two new income taxes and a gross receipts tax. Some were approved by voters; others were enacted directly by elected bodies. Introduced in close succession, these measures pushed the combined top marginal local income tax rate to 13.9%. The new gross receipts tax increased costs for large retailers, with downstream effects likely reflected in consumer prices. At the same time, the County's business income taxes and certain property tax obligations also rose. While each measure addressed urgent priorities—such as homelessness, early childhood education, and climate action—the cumulative effect has heightened concern about rising costs, administrative burden, and Portland's ability to remain competitive for jobs and investment.

  Migration data show that households leaving Multnomah County tend to have higher average incomes than those arriving. While averages can be skewed and motivations are difficult to isolate, this pattern aligns with reported concerns from some employers and residents about the tax and service environment. Of particular note is the widening employment gap between Multnomah and neighboring Clark County, where job growth has outpaced pre-pandemic levels by more than ten percentage points[vi]. This divergence may reflect a growing preference for locations perceived as offering a stronger alignment between tax burden and service performance.
  CCC cautions against attributing these shifts primarily to tax burden. They point to a broader set of structural factors, including housing affordability challenges, wage stagnation, and the widespread adoption of remote work, that shape relocation decisions and employment patterns. From CCC's perspective, these drivers must be considered alongside fiscal policy when assessing causes and remedies.

  These patterns are cause for concern—not because all high earners are leaving, or because taxes alone drive economic choices—but because they signal possible friction between Portland's current tax structure and its ability to retain talent, attract investment, and maintain a resilient revenue base. In a high-mobility region, even small shifts in sentiment or behavior can carry long-term fiscal consequences.

This concern is not theoretical. Portland's general fund budgets face mounting pressure, and local governments must increasingly rely on specialized revenue streams to fill service gaps[vii]. If taxable capacity continues to erode, the impact will be felt most by the programs and communities that depend on strong, sustained public funding.

- **When Core Services Struggle, Confidence and Competitiveness Decline**. Urban economists note that cities justify higher taxes not just through policy intent, but through visible, reliable delivery of core public goods—like safety, mobility, sanitation, and infrastructure[viii]. These services shape everyday experience and drive decisions by residents, workers, and employers[ix].

  In Portland, many of these fundamentals are under strain[x]. Response times for life-threatening emergencies have significantly increased since 2019. Street maintenance lags behind need. And the region continues to report high rates of unsheltered homelessness. These challenges contribute to public concern and complicate efforts to restore civic and economic momentum.

  At the same time, several newer, voter-approved programs—such as the PCEF, PFA, and SHS—have built up sizable fund balances. For CCC, these balances reflect appropriate pacing, capacity building, and long-term planning. Others perceive a disconnect between rising revenue collections and visible outcomes on the ground.

  Portland's ability to rebound depends on getting the basics right—consistently, visibly, and equitably—while also honoring the public's commitments to long-term progress.

- **PCEF: Advancing Climate and Workforce Goals in a New Fiscal Context**. PCEF was created to support climate action grounded in racial and social justice, with a clear commitment to empowering frontline communities. It remains a nationally watched model—delivering on a community-driven vision and expanding access to clean energy investments for organizations and neighborhoods that have long been left out of traditional public funding streams.

  PCEF has also become a significantly larger program than initially envisioned. Approved by voters with the expectation of generating $30–90 million per year, PCEF was projected to collect $220 million in FY 2024–25 and held a balance exceeding $670 million at the beginning of FY 2025[xi]. While this growth reflects the strength of the local retail economy and the effectiveness of the surcharge structure, it has also introduced pressure to scale administrative capacity and deployment pace.

  Community and city-led investments have begun to accelerate under the Climate Investment Plan. But the gap between revenue collections and visible outcomes has led to public questions about scale, delivery timelines, and alignment with urgent service needs. For some, PCEF's reserves reflect strategic planning and responsible stewardship. For others, the perception of under-deployment at a time of fiscal stress raises concerns about transparency and responsiveness. Perhaps most dangerously, the stronger-than-anticipated revenue growth has attracted proposals to dip into PCEF to balance the City's budget gap – a move that violates PCEF's community-centered goals and fails to provide true long-term fiscal sustainability.

Preserving PCEF's mission while adapting to today's economic conditions will require continued investment in grantmaking systems, clear metrics for success, and ongoing public communication. The challenge is not whether PCEF is delivering on its values—it is how to sustain its impact while demonstrating visible, timely results across the community.

- **PFA is a Critical Initiative That Faces Structural Challenges**. PFA reflects Portland's commitment to equitable early learning access. Voters approved the program in 2020 with the intent to expand high-quality preschool—prioritizing children from historically underserved families. The program has since made real progress: enrollment has grown, providers are better compensated, and Multnomah County families now have access to new care options that would not otherwise exist.

  But the program is now straining under the weight of its expanded scope and high-cost design[xii]. Full-day, full-year slots are widely available across income levels, and provider wage targets tied to K–12 compensation, as well as inflationary pressures on wages, have raised the per-child cost above original forecasts. Administrative systems remain under development, and some providers face barriers to participation due to contract complexity and oversight processes.

  PFA's revenue source—a surtax on high-income earners—is layered atop one of the steepest local income tax structures in the nation. While the number of top-bracket filers and their share of total revenue has declined since 2021, the overall number of taxpayers subject to the PFA tax has grown. These shifts likely reflect a combination of factors, including income volatility at the very top of the distribution and possible residential relocation[xiii].

  Preserving the program's mission while securing its long-term viability will require careful rebalancing. That includes revisiting cost drivers, improving administrative efficiency, and aligning benefits with the original voter-approved structure. These changes need not diminish the program's impact—they can strengthen it by ensuring PFA remains inclusive, durable, and fiscally sound.

- **SHS Must Evolve to Earn Public Trust, Maximize Impact, and Sustain Results.** Homelessness is a regional crisis that demands a regional response. The SHS measure was designed with that in mind, pairing a dedicated regional revenue stream with the ambition to scale up interventions across jurisdictions.

  But while the funding is regional, the delivery system is not. Metro's structure limits its ability to coordinate policy, enforce performance, or incentivize stewardship across counties[xiv]. After a slow rollout, SHS has recently met many of its activity goals—such as housing placements and prevention services—but visible homelessness remains high, and public confidence is low[xv]. Despite record spending, the scale of unsheltered homelessness continues to grow[xvi]. Multnomah County's announcement of a large deficit in homeless services funding – driven by repeated use of one-time funds and a year of SHS tax underperformance – reveals the cracks in the fiscal system.[xvii]

The disconnect reflects more than growing pains. The ballot language set broad goals without defining outcomes. Metro's metrics focus on process rather than impact, and jurisdictions have pursued divergent strategies, fragmenting efforts. Metro lacks the policy authority to align priorities or demand accountability.

SHS must transition from a well-funded system to a well-governed one. Regional revenue must be matched by regional clarity, consistency, and delivery. Without structural reform—anchored in common benchmarks and public-facing results—the program risks falling short of its potential and eroding the public trust it was built to earn.

- **Delivery Matters as Much as Tax Burden**. Shared concern exists that the effectiveness of program delivery has not kept pace with voter expectations. While Portlanders have approved numerous tax measures aimed at addressing urgent priorities—climate resilience, early childhood education, homelessness—there is broad agreement that the public feels a gap between promised outcomes and lived experience. At the same time, the risk of taxpayer mobility is high, and early signs suggest that some high earners—those shouldering the greatest burden—are beginning to leave, putting future public revenues at risk. This mismatch–whether real or perceived–between revenue collection and service delivery undermines public trust, regardless of the popularity of the underlying goals. The TAG affirms that restoring confidence requires not just tax fairness, but disciplined, transparent, and timely program execution.

From Findings to Options: A Framework for Reform

The TAG was not tasked with delivering consensus recommendations, nor did it seek to do so. Instead, its purpose was to surface well-grounded fiscal options that reflect the region's current economic and service delivery challenges. Drawing inspiration from the Congressional Budget Office's nonpartisan approach to budget strategy, this report presents a curated list of policy options—not prescriptions—for consideration by elected officials and the public[xviii].

Each option stands on its own. Some focus on improving administrative performance; others revisit the structure or scope of voter-approved programs. All are framed to illuminate tradeoffs: between equity and efficiency, speed and stability, design ambition and delivery capacity. As with any set of public finance tools, the goal is not to reach universal agreement, but to provoke informed debate about how best to align Portland's tax system, service delivery, and long-term resilience.

Across the TAG, there was general agreement that the fiscal status quo is untenable—and that the growing gap between tax collections and service outcomes threatens public confidence. There was also healthy disagreement on the merits of individual options, with some members seeing promise and others emphasizing risk. Notably, CCC supports the need for reform but disagrees with proposals they believe would weaken voter-approved mandates, divert dedicated revenues from their intended purposes, or limit community voice in the ballot process. CCC views measures such as PCEF, PFA, and SHS as vital investments in equity and long-term community well-being, not drivers of the city's fiscal challenges. They caution against sunset clauses, tax moratoriums, or reallocations that could destabilize these programs, and oppose ballot measure changes they see as creating unnecessary barriers to direct democracy.

Options are not endorsements. They are a starting point for honest, public debate about how to build a more resilient and equitable Portland.

Inclusion of an option in this report does not imply endorsement by any individual TAG member. Members contributed to the framing and refinement of these options based on their areas of expertise, organizational roles, and community responsibilities. Some options may not be viable or desirable in the eyes of all stakeholders, but were included because they raise important questions that merit public discussion.

The following section presents 20 policy options for further exploration. They are grouped into three thematic categories:

- **Strengthening Local Fiscal Governance and Transparency**: Reforms to improve oversight, accountability, and public understanding of fiscal decisions.
- **Reforming Major Revenue Programs for Long-Term Stability and Community Benefit**: Changes to enhance the design, delivery, and long-term viability of key tax-funded initiatives and basic administrative functions.
- **Revitalizing Portland's Central City through Targeted Economic Tools**: Approaches to stimulate investment, job growth, and economic recovery in the city's urban core, alongside fundamental tax changes aimed at simplicity and efficiency.

Each option is accompanied by explanatory notes outlining potential benefits, risks, and implementation considerations.

Strengthening Local Fiscal Governance and Transparency

1. Require Citizen Explanatory Committees for All Local Ballot Measures

Why This Option? Some of Portland's most impactful ballot measures—including tax proposals and new service programs—have appeared before voters without a shared, plain-language explanation vetted through a formal, nonpartisan process. While many campaigns include robust community engagement and public education, the quality and accessibility of that information varies widely. Legal ballot titles and advocacy statements rarely help voters understand the structure, tradeoffs, true costs, or long-term implications of complex initiatives.

At the state level, Oregon convenes temporary citizen explanatory committees to prepare 500-word summaries for each ballot measure. These summaries are drafted jointly by supporters and opponents and published in the Voters' Pamphlet. They are widely trusted by voters as a clear, unbiased starting point—especially for measures with significant fiscal impact or structural implications.

A similar process at the local level could help ensure that all voters—regardless of campaign resources or media reach—have access to balanced, understandable information about what a measure does before they are asked to decide.

What's The Proposal? Require local jurisdictions to establish five-member citizen explanatory committees for any ballot measure related to taxation, funding, or governance. Each committee would include two proponents, two opponents (if any), and one neutral facilitator designated by the elections office. The group would meet publicly to draft a concise, plain-language explanation of the measure's purpose, structure, and fiscal effects. Drafts would be posted for public comment before final publication in print and online voter guides.

This requirement would apply equally to council-referred and citizen-initiated measures. The goal is not to replace community-driven education efforts—especially those rooted in grassroots coalitions—but to ensure all voters receive clear, consistent information in an accessible format.

What Are The Trade Offs? This reform promotes transparency and civic understanding, but requires time, staff capacity, and a commitment to neutrality. Where organized opposition is lacking, it may be difficult to form a balanced committee. Some initiative sponsors may feel that the added step duplicates work already done through public engagement. For that reason, implementation should be designed with flexibility and respect for community-centered campaigns.

What Would It Take? Charter or ordinance changes at the city and county levels, supported by elections offices and legal counsel. A pilot could test the model with high-impact measures to refine facilitation, timelines, and guidance. Community partners could help ensure cultural relevance and equitable access to the process.

2. Expand TSCC's Oversight to Include Ballot Measure Fiscal Reviews

Why This Option? Ballot measures that create new taxes or major programs often include fiscal impact statements written by agency staff or elected officials. But in practice, these statements vary in quality, depth, and objectivity—especially when a jurisdiction has a stake in the outcome. As a result, voters may receive revenue projections that lack standard assumptions, omit downside risks, or fail to explain long-term implications. This inconsistency contributes to public confusion and erodes trust in local fiscal stewardship.

The Tax Supervising and Conservation Commission (TSCC) is an independent body that reviews budgets and tax proposals across Multnomah County. Known for its neutrality and technical rigor, TSCC plays a key role in promoting budget transparency. Expanding its scope to include independent fiscal reviews of proposed ballot measures would give voters more consistent, trustworthy information—especially when evaluating new taxes or structural changes to public programs.

What's The Proposal? Authorize TSCC to prepare independent fiscal memos for all local ballot measures involving tax changes, revenue generation, or long-term public spending obligations. These memos would summarize key financial assumptions, outline projected impacts, and clarify areas of uncertainty. The reviews would be published in advance of the election and written in accessible, non-technical language.

For citizen-initiated measures, TSCC would work directly with initiative sponsors to gather data and ensure that the review process does not create barriers to ballot access. The reviews would not express support or opposition, but would instead provide voters with a clear explanation of a measure's financial mechanics.

What Are the Trade-Offs? Independent reviews increase transparency and help level the playing field between well-resourced and grassroots campaigns. However, the process must be designed to avoid overburdening smaller initiative sponsors. Community organizations may also be concerned that review bodies could overemphasize near-term costs while overlooking the long-term benefits of public investment in historically underserved communities. Addressing these concerns will require clear communication, inclusive methodology, and opportunities for public input.

What Would It Take? This option would require legislative or intergovernmental action to expand TSCC's mandate. Additional funding and staffing would be necessary to manage the new workload. A pilot program could test review formats and assess the value of fiscal memos in voter decision-making. Implementation should include technical assistance for initiative sponsors and clear standards to ensure consistency, neutrality, and accessibility.

3. Raise Signature Thresholds and Require Economic Impact Statements for Tax-Raising Initiatives

Why This Option? Citizen initiatives have significantly shaped Portland's tax and service landscape. Measures such as PCEF were the result of sustained civic engagement and garnered strong community support. These initiatives have often addressed perceived gaps in public services and created long-term investments through new, dedicated revenue streams.

At the same time, the stakes of local tax measures are rising. Several recent initiatives have introduced permanent taxes or committed hundreds of millions of dollars to new programs, sometimes with limited financial detail available at the time of the vote. Under Portland's current rules, an initiative can qualify for the ballot with signatures from 9% of registered voters in the city, based on registration totals from the most recent primary election[xix]. This threshold may be appropriate for symbolic or advisory measures, but higher standards could be warranted for proposals that permanently alter the tax code or create substantial fiscal commitments.

What's The Proposal? Raise the signature threshold for ballot initiatives that establish, increase, or dedicate tax revenues. This could mean requiring a higher percentage of voter signatures or tying qualification to turnout in a recent high-participation election, such as a presidential cycle.

In parallel, require all tax-related initiatives—regardless of origin—to be accompanied by an independent economic impact statement. This summary would estimate projected revenues, administrative and delivery costs, and long-term implications for taxpayers, public agencies, and affected communities. The goal is to ensure that voters receive consistent, clear financial information alongside their ballots.

What Are The Trade-Offs? These reforms would improve transparency and help voters assess the design and cost of large-scale proposals. They would create a more level playing field for comparing initiatives, especially when campaign resources vary widely.

However, community-based organizations may be concerned that new requirements could raise barriers to participation or slow responses to urgent policy issues. Smaller coalitions may struggle to meet higher signature thresholds or navigate the economic review process. To mitigate these impacts, the policy should include clear review standards, technical assistance for sponsors, and flexible timelines that preserve ballot access.

What Would It Take? This option would require amendments to Portland's City Charter or election code to modify threshold and disclosure rules. It would also involve creating or designating a neutral entity—such as the TSCC or a new review panel—to prepare economic statements based on standardized assumptions and plain language. A phased rollout could begin with nonbinding fiscal summaries and evolve into mandatory disclosures over time.

4. Institutionalize “Soft Sunsets” and Structured Reviews to Ensure Accountability Without Sacrificing Stability

Why This Option? Local tax measures—especially those that fund new programs or expand public responsibilities—require sustained public trust. Over time, program conditions, community needs, and fiscal dynamics can evolve. Structured review mechanisms can help ensure that tax-funded programs remain aligned with their goals, adjust to changing realities, and continue delivering on public commitments. At the same time, programs that address long-term inequities or rely on steady investment must be protected from unnecessary disruption[xx]. Balancing these priorities calls for a flexible model that reinforces accountability without undermining the stability needed to succeed.

What’s The Proposal? Establish a “soft sunset” framework for all new local tax measures. Each measure would be authorized for a 10-year period, with a structured performance review conducted at year five. Programs demonstrating progress and alignment with goals would continue without interruption. Measures with unresolved delivery or governance concerns could be re-evaluated and adjusted before reaching their full term.

These mid-cycle reviews would assess program outcomes, fund utilization, administrative capacity, and alignment with voter expectations. Importantly, reviews would also examine impacts and service access for historically disadvantaged communities. Reviews could be conducted by a neutral public body or a hybrid panel including subject matter experts, community stakeholders, and fiscal analysts.

This model draws on established state practices—such as Oregon’s sunset advisory process—and adapts them for local use[xxi]. It builds in regular checkpoints without automatically ending programs, encouraging accountability through clarity and performance, not political volatility.

What Are The Trade-offs? Structured reviews create natural moments for reflection, improvement, and course correction. They can help prevent program drift, clarify goals, and support better use of public dollars. However, review timelines must respect the realities of complex program implementation—especially in initiatives that intentionally work on longer time horizons. If implemented inflexibly, sunset provisions could generate uncertainty for service providers and grantees, or open programs to politicization.

To address these risks, the review process must be transparent, inclusive, and oriented toward continuous improvement—not punitive audit. Community-based organizations and program beneficiaries should have a formal role in shaping evaluation criteria, timelines, and data interpretation. Not all programs will follow the same delivery arc; structured reviews must be adaptable to mission, scale, and context.

What Would It Take? Implementation would require local legislative or charter changes and the establishment of a review framework with standard criteria and flexible protocols. Local governments could begin by piloting the review model for a select set of tax-funded programs before applying it universally. Clear guidelines would need to be developed to ensure that reviews are nonpartisan and used to support—not destabilize—public investments.

5. Require Enhanced Fiscal Transparency and Public Accountability from Portland-Area Local Governments

Why This Option? The true fiscal outlook of the layered governments serving the Portland region is not accessible to the general public through existing public data and reports. Recently, while dedicated funds accumulated excessive balances, general funds of both the City of Portland and Multnomah County have faced annual shortfalls, requiring drastic one-time actions to address. The narrative of fiscal strain is difficult to follow. The County revealed it has been relying on one-time funds to fund homeless services for several years, a violation of best practices and its own budget policies.[xxii] Even the commission tasked with regional fiscal oversight, the TSCC, is not statutorily empowered to conduct a true, forward-looking review that would identify a shortfall or a structural imbalance. While Portland and Multnomah County have ample financial data posted online, they are confusing and fail to answer some common sense, plain language questions about the major investments and risks. Meanwhile, the implementation of two new local income taxes has exposed operational issues—from underdeveloped withholding systems to confusing collection letters and poor customer service—that have frustrated taxpayers and undercut confidence in local tax administration.

What's The Proposal? This proposal entails a range of options to improve fiscal coordination, transparency, and accountability of major governments in the region. Options could include the submittal of a five-year, balanced forecast in a standard format, such as is required by the Pennsylvania Intergovernmental Cooperation Authority (PICA), Philadelphia's fiscal watchdog entity, which is then authorized to reject annual budgets that are out of compliance with the forecasts.[xxiii] The TSCC's authority could be expanded to provide this function for identified governments. Specialized funds such as PCEF and PFA should be held to a higher standard of accounting than current government financial reports allow, including identifying commitments from fund balances and providing long-term spending plans for the funds. Governments should provide a regular, plain-language accounting of one-time measures to address budget shortfalls for all major funds. For large and complicated human services programs, such as PFA, data should be broken down by cost components, forecasted out with sensitivity, and measured against outcomes in publicly available dashboards. Quasi-capital funds such as PCEF or SHS should produce detailed cash flow reporting, with regularly reporting contract awards, amounts, and timelines, rather than "spending plans" that lack a timeline showing annual disbursements and receipts. In addition, the local governments should modernize the processes by which these income taxes are paid. At a minimum, standard withholding and consolidated, annual remittance mechanisms should be adopted to reduce confusion, prevent billing errors, and align with how most taxpayers expect to pay.

What Are The Trade-Offs? The City and Multnomah County have fiscal data dashboards, and all local entities have regular financial audits. But government financial documents are lagging and frequently fail to convey the big picture, while fiscal data are standardized and overly detailed. Preparation of excellent data will take time, resources, and coordination, an ability to listen and receive feedback from those who would use the data, and – most importantly – trust. Similarly, modernization of tax collection systems will require investment in systems design, testing, and taxpayer communication.

What Would It Take? Implementation could begin with a thorough review of existing financial policies, especially those related to transparency, and the identification of areas of improvement (potentially through survey and certainly through engagement with those interested in understanding what's missing). This effort would need to be contributed to jointly through all entities, or potentially spearheaded through a third party – the state or the TSCC (see Option related to an expansion of TSCC's role). Groups such as the Government Financial Officers Association (GFOA) may provide best practices or technical assistance resources through their Rethinking Budgeting initiatives. [xxiv]

Reforming Major Revenue Programs for Long-Term Stability and Community Benefit

6. Refer to Voters a Choice Between Maintaining PCEF's Structure or Using Revenues Above Original Projections for Selected General Fund Priorities

Why This Option? When voters created the PCEF in 2018, the program was expected to raise between $30 and $90 million annually. That range helped shape expectations around grantmaking pace, administrative scale, and program design. Since implementation, PCEF has consistently generated revenue well above that range—collecting more than $217 million in FY 2023–24 alone.

The program's community-led structure remain central. But as the fund's size has grown, public debate has intensified over whether the entirety of this dynamic revenue stream should remain dedicated to climate-related uses, especially at a time when Portland faces ongoing fiscal pressures in other critical service areas.

Rather than make that determination through legislation alone, this option proposes returning the question to voters—ensuring transparency and reaffirming democratic control over one of the city's most consequential funding mechanisms.

What's The Proposal? City Council would refer a ballot measure asking voters whether to:

- Preserve PCEF's current funding structure, dedicating all surcharge revenues to climate-related and community-focused programs, or
- Authorize the City to allocate revenues collected above the original projected range (*i.e.*, above $90 million annually) to support a limited set of urgent general fund priorities, as identified in the referred measure.

In the latter choice, the priorities would not require a climate nexus and would be defined clearly—e.g., livability infrastructure, emergency shelter capacity, behavioral health services, or community safety investments.

Core PCEF functions would remain fully intact. All revenues up to the baseline projection would continue to fund the program's climate and community-centered mission as originally designed.

What Are The Trade-Offs? This approach maintains the integrity of a voter-approved fund while recognizing that revenue conditions have shifted —and public priorities may have as well. It offers a democratic pathway for adapting to new fiscal realities, without bypassing the communities that established PCEF or the voters who endorsed it.

It also provides a potential resource stream for critical City services currently constrained by general fund limits. At the same time, redirecting a portion of this high-performing revenue stream may be seen by some as a retreat from Portland's climate and e commitments. Preserving public trust will require clear thresholds, transparent implementation, and ongoing reporting on how both PCEF and redirected funds are used.

What Would It Take? City Council would define the baseline revenue threshold and select a narrow set of general fund priorities to be eligible for redirected revenue. These uses would be codified in the referred ballot measure. If approved, administrative code would be amended to formalize the new structure, and separate reporting and oversight mechanisms would track both funding streams. Community engagement and voter education would be essential to a legitimate process and clear outcome.

7. Transition PCEF into a Broader-Based Climate Tax with Offsets to Improve Fiscal Sustainability

Why This Option? While the PCEF has delivered record-setting revenues for climate investment, its underlying tax structure—a 1% gross receipts tax on large retailers—raises long-term legal, economic, and fiscal concerns. The surcharge contributes to Portland's cumulative tax burden, which has been linked to growing challenges in business retention and job growth. Moreover, the surcharge's narrow base and overperformance—more than doubling original revenue expectations—has triggered concerns about economic distortion and fairness.

Portland now faces an opportunity to transform PCEF into a broader, more sustainable fiscal tool. By transitioning to a traditional consumption-based tax, the City could preserve PCEF's community-centered mission while reducing volatility, increasing transparency, and improving alignment with economic development goals. Such a transition could also serve as a foundation for broader local tax reform.

What's The Proposal? This option would initiate a long-term strategy to replace the Clean Energy Surcharge with a legally robust, broad-based retail tax dedicated to climate and community resilience. The restructured tax would:

- Generate stable annual funding, with a guaranteed baseline (e.g., $90–$100 million) for PCEF's original community grantmaking purposes
- Be paired with offsetting reductions in other local taxes (e.g., business income, high-income surtaxes, or property taxes) to maintain overall tax neutrality
- Support surplus investments in climate-related public infrastructure, energy-efficient housing, and decarbonized city operations

The new revenue structure would preserve the community-centered, climate goals of PCEF while offering a more transparent and balanced mechanism for long-term fiscal planning.

What Are The Trade-Offs? Transitioning to a new tax structure offers improved durability, economic alignment, and fairness—but involves significant policy design and political coordination. The shift would require legal review, potential voter approval, and sustained stakeholder engagement. A consumption-based tax, even if progressive in design, may raise concerns about regressivity if not carefully structured. Meanwhile, replacing a business surcharge with a broader retail tax may be perceived by some advocates as diluting corporate accountability. Offsetting tax relief must be carefully calibrated to avoid burden shifts to vulnerable households.

What Would It Take? The City would begin with a fiscal and legal feasibility study, including revenue simulations and a transition roadmap. A stakeholder advisory group would develop guiding principles, assess tax alternatives, and recommend offsets. Legal counsel would identify whether enabling legislation or charter amendments are required. Transition planning would take place over multiple budget cycles, with strong public engagement and coordination with City, County, and state partners. If executed thoughtfully, this reform could create a more resilient, equitable, and fiscally sound foundation for Portland's climate funding strategy.

8. Temporarily Pause the PFA Income Tax, Continue Delivery, Spend Down Reserves, and Reevaluate Design

Why This Option? PFA has accumulated a substantial fund balance ($524 million projected in FY26) [xxv], the result of higher-than-expected revenues, slower-than-planned implementation—including a pandemic-related delay in ramp-up to universality and intentional pacing to support provider capacity—and underspending in key areas such as facilities and workforce investments, as noted in the 2024 audit[xxvi]. The fund balance presents an opportunity for a reset: pause the local income tax, partially spend down reserves, and allow time for the already-convened technical advisory group to conduct a deliberate reevaluation of the program's fiscal sustainability, delivery model, and tax structure. A temporary tax pause will relieve pressure on overly-taxed high-income residents and reinforce accountability by showing that the tax is not perpetual and unexamined.

What's The Proposal? Pause the collection of the PFA high-income surtax from tax years 2025 through 2027 or 2026 through 2028, if a 2025 pause is infeasible. During this period, the program would continue to operate using program reserves while undergoing a comprehensive review of cost drivers (including wage standards, length of care, eligibility outside of priority populations), governance and administrative capacity, program efficacy and outcomes, demographic and participation forecasts, and alternative funding sources and financing scenarios. Prior to the end of the pause, County officials would present reauthorization options—ranging from reinstatement (presumably with alternative funding options) to fundamental redesign.

What Are The Trade-Offs? This option reduces tax burden and potential taxpayer flight during a critical window for Portland's economic recovery. The pause sends a strong public signal of discipline, while scrutiny of the program provides much-needed, if belated, accountability. On the other hand, this long-awaited program has successfully met or exceeded annual slot targets. If not well-communicated, the tax hiatus could be misperceived as retreating from early learning priorities. To reduce provider and family uncertainty and maintain progress toward achieving universality, the County will need a careful financial plan – something that has been a challenge during program launch.

What Would It Take? Pausing the tax is relatively easy, requiring the County Commission to pass an ordinance. Planning for operations during this transition period is more complicated. The County will need to develop careful operational and financial plans to maintain operations with existing reserves. Communication is key: the County should establish an independent evaluation process that prioritizes provider and family engagement.

9. Substantially Reduce Reliance on the Local Income Tax to Fund PFA

Why This Option? The PFA surcharge tops a tax structure that puts Portland at a competitive disadvantage to its neighbors, may contribute to the outward mobility of high earners, and invites long-term revenue volatility – leading to fiscal unsustainability for all local governments in the area. Between 2021 and 2023, filings by PFA taxpayers with incomes over $500,000—the group responsible for more than two-thirds of total PFA revenue—declined by over $50 million. While some of that drop may reflect year-to-year fluctuations in capital gains income, it also aligns with broader concerns about the responsiveness of the high-income tax base to perceived tax burdens and migration incentives.[xxvii]. The program is currently one of the only early learning entitlement programs in the country that is solely funded with dedicated income taxes – notoriously a volatile revenue source.[xxviii] A more stable, diversified revenue model would align the program with broader economic development goals and reduce reliance on mobile taxpayers.

What's The Proposal? Reduce PFA's costs through fundamental design changes and identify alternative funding sources to buy down the income tax surcharge from its current highest rate of 3 percent (set to expire in 2027 to 3.8 percent) to below 1 percent (and potentially zero). A diversified funding model could include incremental general fund support from County, City of Portland, and the state as these entities emerge from fiscal pressures. The County could also consider another dedicated revenue source – one with a broader base of taxpayers. A comprehensive menu exists in the League of Oregon Cities Local Revenue Tools Guidebook, which evaluates a range of revenue tools for fiscal capacity, stability, fairness, and other aspects[xxix]. The funding solution should almost certainly include progressive copayments for aftercare from families that can afford it.

What Are The Trade-Offs? This option improves fiscal stability and has the potential to broaden the tax base. However, many perceive a tax on high-income earners as improving vertical equity (with the haves paying more than the have nots). This argument makes more sense if it funds a progressively income-limited program – which PFA in its current form is not. Coupling a reduction in the highest rate with a limitation on eligibility for fully free benefits for those who cannot otherwise afford childcare (as in Option 10) would help justify a reduction in rate for the top earners. Requiring general fund support for PFA may require trade-offs in other budget areas unless paired with cost controls, and it may also leave the program more vulnerable to legislative discretion during lean times. Finally, public approval and council action will be required to expand the use of alternative funding tools.

What Would It Take? This option will require careful fiscal analysis and forecasting, as well as legal analysis on funding alternatives. Identifying solutions will involve communication with, input from, and the support of state and local lawmakers, program administrators, taxpayer and early learning advocates, and the public. Ultimately, given interdependencies, implementation will require a phased plan designed to minimize service disruption and fiscal risk.

10. Overhaul PFA Program Design to Align Costs with Oregon's Preschool Promise

Why This Option? PFA's costs are driven primarily by three aspects: an aspirational wage model anchored to K–12 teacher compensation, full-day (10-hour) slots, and eligibility for all benefits without respect to income. The wage standard – though noble – may not improve quality and causes challenges for provider participation. The full-day benefit without respect to income exceeds the intent of the ballot measure: PFA was approved by voters to provide "up to six hours per day of tuition-free, developmentally appropriate early learning, reflecting best practices" and before and aftercare for "qualifying incomes" -- but two-thirds of program slots are full-day, full-year, and the County estimates as many as 56 percent of participants are above 200 percent of the Federal Poverty Level (FPL).[xxx] Oregon's Preschool Promise delivers a similar preschool program for children below 200 percent FPL at a much lower cost per child – including serving a minimum six-hour day with families needing aftercare services choosing to use the state-funded subsidy child care or private pay.[xxxi] Reforming PFA to reflect best practices from Preschool Promise would reduce costs, improve sustainability, scale access, and support local provider participation.

What's The Proposal? Reduce costs and deliver what was promised in the ballot measure by aligning program standards (income eligibility, wage standards, schedules of care, copay structures) with Preschool Promise, a well-established program that is limited in availability. This option would allow the County to support more slots with local funds. Limiting those above the income threshold to six-hour slots, potentially with a copay, would reduce overall program costs (school-day slots cost 30 percent less than full-day slots)[xxxii] and eliminate the County's proclaimed administrative barrier to verifying income. As with Preschool Promise, families near or above the threshold could pay for aftercare, further aligning PFA's fiscal burden with ability to pay. The County would engage with the Early Learning Council, charged by the state with developing a wage standard for pre-K teachers, to ensure wages are adequate in Multnomah's higher cost regional economy. In the meantime, County subsidies would continue to underwrite teacher salaries but be recalibrated to reflect actual program costs and the core value of early educators. The revision would not affect current providers immediately but would shape future contract structures.

What Are The Trade-Offs? PFA's program design pursues noble goals, and aligning with Preschool Promise may be perceived as compromising these goals. The wage standard values early childhood educators as professionals, correcting for decades of underpayment in a workforce largely made up of women and people of color. But local standards in excess of state requirements may add a distortionary effect to an already challenged labor market: state law requires the Early Learning Council to establish "target" salary guidelines that "to the extent practicable" compare to kindergarten teachers.[xxxiii] Further, recent evidence challenges the assumption that a wage standard impacts performance: a study of New Haven's universal pre-K program finds a 21.7% increase in parental earnings based on child care coverage, with negligible impacts from "quality" on academic or behavioral outcomes.[xxxiv] Limiting access by income may be perceived as limiting universality, especially for those who are just above the income threshold, aligns with the language related to limits on prioritization of services. This option also may present operational complexities for providers who offer mixed-income care, along with privacy considerations for families who must prove eligibility.

What Would It Take? Restricting full-day access to priority populations appears to uphold rather than conflict with the original ballot measure, though County code would need to be amended.[xxxv] The County Board will also likely need to vote to revise the compensation matrix, as the ballot measure allows—but does not require—parity with K–12 teachers. Staff would model fiscal impacts of participation and schedule changes and develop a revised wage framework benchmarked to sector norms. Public messaging should emphasize continued leadership in early education wages, paired with cost efficiency, family choice, and equitable access. Contracts would be updated to reflect new wage standards, with flexibility and continued investment in professional supports such as coaching, mental health consultation, and workforce development pathways.

11. Transition to a Statewide Program and Sunset Local Delivery of PFA

Why This Option? Oregon currently funds two preschool programs—Preschool Promise and Oregon Pre-Kindergarten—both of which serve only income-eligible families and fall short of being a statewide entitlement. Preschool Promise, in particular, offers a scalable, mixed-delivery model that makes it a strong foundation for universal expansion. A statewide preschool program that builds on this model would extend access to all Oregon 3- and 4-year-olds, with particular benefits for rural communities and historically underserved populations. For Multnomah County, this shift would alleviate the financial and administrative burden of scaling PFA as a lone program, and eventually allow for a wind-down of the local income tax. A statewide program funded through a broader, more equitable revenue base would align access with shared responsibility.

What's The Proposal? Advocate for a statewide universal preschool program that expands Preschool Promise into a true universal offering. Rather than replicate PFA's tax structure or governance model, the state could: use Preschool Promise as the administrative backbone; expand eligibility to all Oregon 3- and 4-year-olds, regardless of income; preserve the program's commitment to quality and a mixed-delivery system; and fund the expansion through an increase in a statewide funding mechanism that does not rely on individual income taxes. During the transition, the County could phase down its PFA tax and reinvest remaining funds to ensure continuity and supplement state offerings locally.

What Are The Trade-Offs? This proposal would make Oregon a national leader in universal preschool and reduce tax complexity for Multnomah County residents. Providers would benefit from streamlined administration, and the broader funding base would improve program sustainability. However, the pathway is long-term, politically complex, and contingent on securing new state revenue—a heavy lift in a strained fiscal environment. The County would relinquish some local control and would need to manage a phased transition to avoid service gaps. The success of the initiative hinges on sustained legislative interest and multi-sector coalition-building.

What Would It Take? Achieving this vision would require state legislation, new funding, and a deep partnership among Multnomah County, the Oregon Department of Early Learning and Care, and legislative leaders. Early steps include convening policy experts and stakeholders to shape the expansion framework, conducting fiscal modeling, and developing a transition plan. Business community engagement—especially around tax impacts—will be essential. The County's role would evolve into an advocate and strategic partner, ensuring that lessons from PFA inform the state's approach to quality and access.

12. Index Local Income Tax Brackets to Inflation to Preserve Fairness and Policy Integrity

Why This Option? The region's two local income taxes—Multnomah County's PFA and Metro's SHS—were designed to raise revenue from higher-income households to fund early learning and housing stability. Unlike federal and state income tax systems, however, the income thresholds for these surtaxes are not indexed to inflation.

As a result, taxpayers whose incomes merely keep pace with inflation—not real increases in purchasing power—can be pushed into, or further into, surtax liability over time. This "bracket creep" gradually expands the pool of taxed residents in ways that are unintentional and potentially regressive. Especially in high-inflation environments, failure to index brackets undermines public confidence and distorts the original progressivity of the tax structure.

Indexing income thresholds to inflation would preserve the real-dollar intent of the surtaxes, align Portland-area practices with established tax policy norms, and improve transparency and predictability for taxpayers.

What's The Proposal? Amend the PFA and SHS tax codes to include an annual inflation adjustment for their income thresholds, using a widely accepted measure such as the Consumer Price Index for All Urban Consumers (CPI-U). Under this change, the SHS thresholds of $125,000 for single filers and $200,000 for joint filers would adjust each year to maintain their original real value. Similarly, the PFA surtax thresholds—which begin at $125,000 and $200,000 and increase at $250,000 and $400,000 for single and joint filers, respectively—would be adjusted annually on the same basis. Updated thresholds would be published in advance of each tax year and applied prospectively.

What Are The Trade-Offs? Indexing local income tax brackets improves fairness by ensuring that only households with real income growth face increased tax liability. It protects the original design of the taxes and can help prevent unplanned expansions in the taxpayer base. While indexing may modestly constrain future revenue during inflationary periods, the impact is likely outweighed by the long-term benefit of preserving public trust and fiscal credibility. Administrative burden is minimal, as the federal and state tax systems already conduct annual indexing and infrastructure for implementation largely exists.

What Would It Take? This change could be enacted by ordinance through the Multnomah County Commission and the Metro Council. Revenue administrators would incorporate annual adjustments into existing filing systems and publish new thresholds each year. Aligning the indexing method with the Oregon state income tax would ensure clarity for filers. With modest technical and legislative effort, this policy could be implemented before the next tax year—reinforcing the region's commitment to fairness, transparency, and durable tax design.

13. Extend and Reform the Supportive Housing Services (SHS) Measure

Why This Option? Approved by voters in 2020, the SHS measure has become the primary regional funding source for addressing chronic homelessness, contributing roughly 40 percent of targeted service expenditures across the tri-county area. It has supported significant growth in shelter capacity, permanent supportive housing, and service infrastructure[xxxvi].

Yet SHS is scheduled to sunset in 2031. An abrupt end to the program would create a severe funding cliff, disrupt care for highly vulnerable populations, and undermine recent gains. At the same time, the measure's income tax component contributes to a high overall tax burden that has sparked concerns about economic competitiveness and long-term program sustainability.

This option preserves the program's core intent—providing housing and services for people experiencing or at risk of chronic homelessness—while introducing structural reforms to ensure long-term viability, transparency, and stronger regional performance.

What's The Proposal? Extend the SHS measure beyond 2031 and introduce governance and fiscal reforms to improve its long-term effectiveness.

Key elements include: 1) extending the measure's sunset date to provide predictable funding for housing and services; 2) lowering the personal income tax rate to improve sustainability while avoiding unintended impacts on middle-income households; 3) expanding allowable uses of SHS revenue to include acquisition and development of deeply affordable and supportive housing; and 4) establishing a regional oversight body with real authority to set performance benchmarks, evaluate county implementation, and trigger corrective actions in cases of underperformance.

In parallel, a publicly funded watchdog entity would provide independent analysis, public education, and transparency regarding the use and impact of SHS funds.

What Are The Trade-Offs? Extending SHS would stabilize the region's homelessness response infrastructure and allow for long-term investment in both services and housing. Governance reforms would strengthen public confidence and ensure more consistent implementation across counties.

However, refinements to the tax structure may reduce annual revenue relative to current levels, requiring trade-offs in spending or new prioritization frameworks. Expanded fund uses could place new demands on administrative systems. And vesting real authority in a regional oversight body would require careful legal design and sustained political will.

These trade-offs are manageable and reflect a growing consensus that the program must evolve to succeed over the long term.

What Would It Take? Adopting this option would require referral of a revised SHS measure to voters, likely in 2025. Legislative and administrative updates would be needed to restructure the program's revenue authority, allowable expenditures, and oversight framework. With timely action and a focus on measurable results, the region can build a more durable, accountable system to address homelessness at scale.

14. Prefund the City's Legacy Police and Fire Pension Program

Why This Option? Portland's Fire and Police Disability and Retirement (FPDR) system is a rare example of a large municipal pension plan still operating on a pay-as-you-go basis. Annual costs—including benefits for legacy retirees and contributions to Oregon PERS for newer employees—are covered through a dedicated property tax levy. Without pre-funded assets, there are no investment returns to offset rising liabilities, placing the full burden on taxpayers. Milliman's 2024 valuation projects the levy will grow from $204 million in FY 2023 to a median of $374 million by FY 2033[xxxvii]. This growth will consume a larger share of the city's limited property tax capacity and raise the risk of compression, particularly in lower-assessed neighborhoods. It will also constrain Portland's ability to fund other public priorities—such as housing, parks, emergency response, and climate resilience—and limit flexibility to respond to future needs. Without reform, the current structure raises concerns around long-term sustainability and generational fairness.

What's The Proposal? Begin a phased transition from pay-as-you-go funding toward prefunding, to the extent feasible. The reform would start with the adoption of a comprehensive actuarial funding policy for legacy liabilities, including a full amortization schedule and target date—consistent with national best practices. A new pension trust fund would be established, and annual contributions would be made to gradually build invested assets. While pay-as-you-go funding would continue for near-term obligations, new contributions would be directed toward reducing long-term liabilities.

The City's actuary should be tasked with modeling a range of transition scenarios, showing how prefunding would affect levy rates, breakeven points, and long-term savings. In parallel, Portland should seek to expand the state's Employer Incentive Fund (EIF)—currently available only to PERS employers—to support prefunding efforts for FPDR. Voter approval would be needed to amend the City Charter to authorize prefunding and create the governance and investment framework for the new trust.

What Are The Trade-Offs? Transitioning to prefunding would increase costs in the near term—raising the levy or competing with other budget priorities during the buildup phase. However, Milliman's modeling shows that a reasonable funding policy could reduce total system costs over the plan's life, due to investment earnings and mitigation of compression risk. The political and financial lift is real—but so are the long-term benefits: cost control, fiscal resilience, and generational fairness.

What Would It Take? This reform would require Charter amendments to authorize prefunding, a clear actuarial roadmap to guide implementation, creation of a governance structure with fiduciary oversight, and legislative support to expand EIF access. With disciplined planning, Portland can align its pension policy with modern standards and secure a more sustainable fiscal future.

Revitalizing Portland's Central City through Targeted Economic Tools

15. Extend/Enhance the City DBITC + Offer County BIT Relief for Office Lease Signers

Why This Option? Portland's central city has suffered from rising commercial vacancy rates and reduced employment density following the COVID-19 pandemic. In response, the City introduced the Downtown Business Incentive Tax Credit (DBITC) in 2023 to encourage employers to lease and occupy downtown space. The credit is offered against the City's Business License Tax (BLT) for firms that sign multi-year leases and meet minimum employment thresholds. Early results indicate strong interest and measurable impact, with over 100 firms participating and thousands of employees retained or located downtown. Building on this momentum with an extension and enhancement of the DBITC—along with parallel support through the County's Business Income Tax (BIT)—could significantly strengthen efforts to reactivate the central city and improve investor confidence.

What's The Proposal? This proposal involves two coordinated strategies. First, the City would extend the DBITC beyond its current expiration and enhance its scope by including other central city neighborhoods such as Lloyd, Old Town, and the Central Eastside. The credit could be scaled based on lease duration, square footage, or job creation metrics. Eligibility could be broadened and tied to public benefits such as workforce development, storefront activation, or building rehabilitation. Second, Multnomah County would create a complementary incentive under the BIT, such as a matching credit, deduction for lease-related expenses, or a short-term rate reduction for firms entering qualifying leases. This dual-jurisdiction approach would reduce overall tax exposure for downtown employers and present a unified strategy to support central city recovery.

What Are The Trade-Offs? The benefits of the combined approach are clear: it rewards job density in the urban core, encourages longer-term leasing activity, and sends a strong signal that Portland is serious about economic renewal. Additionally, structured incentives can be tailored to prioritize sustainability outcomes. However, trade-offs include modest foregone tax revenue in the short term and potential concerns about targeting tax relief to specific geographies or sectors. There is also administrative complexity in aligning two tax systems, and political challenges in balancing incentives with other fiscal needs. These risks can be mitigated with strong accountability frameworks and sunset provisions.

What Would It Take? To implement this proposal, the City Council would need to amend and renew the DBITC through ordinance, with updated eligibility and benefit structures. The City's Revenue Division could administer the revised program with existing infrastructure. Meanwhile, Multnomah County would adopt its own ordinance or intergovernmental agreement to offer BIT relief under aligned terms. Fiscal modeling, stakeholder engagement, and inter-agency coordination would be required. With City action, the revised DBITC could launch within 3–6 months. County adoption might require 6–12 months, allowing for a phased rollout. Together, these efforts would present a powerful, unified incentive to support central city revitalization.

16. Create a Central City Strategic Investment Program (CC-SIP)

Why This Option? Portland's central city faces compounding challenges—high commercial vacancy rates, stalled redevelopment, and a diminished investment climate in the wake of the COVID-19 pandemic. The existing Oregon Strategic Investment Program (SIP) has proven its value in securing large-scale industrial investments, particularly in the state's traded-sector economy. However, that tool is not calibrated to serve the urban investment needs of Portland's dense, mixed-use core. To compete with peer cities nationally and globally, Portland requires a performance-based, long-term tax incentive capable of unlocking transformative capital investment. A Central City Strategic Investment Program (CC-SIP) would fill this gap, helping to restore vitality and economic activity across the city's 10 official central neighborhoods.

What's The Proposal? The proposed CC-SIP would establish a Portland-specific extension of the Oregon SIP tailored to urban development. This program would apply to large-scale capital investments—minimum threshold of $25 million—located in the 10 central city neighborhoods. Qualifying investments could include residential towers, commercial and mixed-use redevelopment, life sciences facilities, and clean energy infrastructure. Eligible projects would be granted a property tax abatement for up to 15 years, while making annual community service payments (e.g., $500,000/year or 10% of exempted value) to support local services. Projects would also be required to enter into public benefit agreements addressing hiring, sustainability, and community use commitments. The program would be jointly administered by Prosper Portland, the City of Portland, and Business Oregon, with guidance from a new Central City Advisory Committee. This approach balances investor certainty with community accountability. Policymakers could also consider a time-limited window (e.g., 5–10 years) and scaled benefits for smaller projects as options to focus impact and encourage broader participation.

What Are The Trade-Offs? The CC-SIP would offer multiple benefits. It could attract capital to underused downtown properties, spur job creation, and reestablish Portland as a competitive hub for innovation and culture. The long-term tax abatement offers predictability to developers, while service payments and benefit agreements ensure the public sees near-term returns. However, the program does delay full realization of property tax revenue and could draw concern from school districts and other taxing entities. A clear revenue-sharing model and demonstration of project spillover effects will be essential to build political and public trust. Critics may argue that the policy favors large developers, making transparency critical to its acceptance.

What Would It Take? The CC-SIP would require legislative action to amend ORS 285C.600–635, allowing urban and non-industrial projects to qualify. This change could be proposed in the 2026 state legislative session. Concurrently, the City of Portland would need to adopt an implementing ordinance, develop intergovernmental agreements with Multnomah County and taxing jurisdictions, and stand up a local governance and application process. Modeling the fiscal and economic impacts, developing early pilot cases, and coordinating stakeholder engagement will be essential preconditions throughout 2025. If enacted, CC-SIP could be a cornerstone of Portland's downtown economic revitalization toolkit.

17. Launch a Cleantech Venture Fund Using a Portion of Unanticipated PCEF Revenues

Why This Option? The PCEF has exceeded expectations—generating over $200 million annually and accumulating a fund balance nearing $700 million. While TAG affirms the program's mission, it has flagged concerns about scale, delivery pace, and growing public perception of underutilized funds. At the same time, Portland's central city faces economic headwinds, and Oregon is working to attract climate-focused innovation and investment.

This option repurposes a small share of unanticipated PCEF funds to seed a cleantech venture fund—supporting equitable startup activity, job creation, and climate technology development in Portland. Early-stage cleantech firms, especially in hardware, face significant capital barriers. A public-private venture model can unlock private co-investment while advancing PCEF's decarbonization goals. The approach has precedent: the Portland Seed Fund used public grants from Portland and Hillsboro to capitalize a professionally managed fund. A similarly structured, climate-focused successor could support Portland's broader innovation economy without departing from PCEF's statutory intent.

What's The Proposal? Allocate an initial $30 million from PCEF's surplus to a cleantech venture fund. The City would grant—not invest—these funds to a standalone entity created to administer the program, avoiding Charter restrictions on equity ownership. The entity would use a competitive process to select independent fund managers charged with raising additional capital from private and mission-aligned investors. Investments would prioritize businesses aligned with PCEF goals, such as disadvantaged businesses and community-rooted technologies that advance decarbonization, resilience, and local job creation.

The venture fund would not replace existing PCEF grant programs. Rather, it would expand the portfolio of eligible deployment tools, linking climate investment to visible innovation and economic opportunity in Portland's central city and beyond.

What Are The Trade-Offs? The model adds a new tool to PCEF's delivery system—one that requires clear governance and rigorous alignment with program goals. Critics may raise concerns about public funds supporting private enterprise, especially in a venture format. Others may question whether startup capital falls within the traditional scope of climate justice programming. However, cleantech access to risk capital is a documented gap, and investment structures like this exist in cities across the country.

The key to success lies in transparency: clear selection criteria and performance reporting. If successful, the model could amplify public dollars, attract national attention, and generate catalytic climate outcomes.

What Would It Take? The City would commission a legal and fiscal feasibility review to assess how such a fund could operate within PCEF's existing authority. Stakeholders—including entrepreneurs, fund managers, and community advocates—would co-design the governance and mission criteria. Council would authorize the initial grant via ordinance, and a third-party entity would oversee fund administration. Results would be tracked and reported publicly. If the pilot proves effective, future surpluses could support additional capitalization. This option offers a disciplined, forward-looking way to bridge climate and economic renewal goals with targeted, high-impact investment.

18. Scale and Enhance the City's Business Expansion Program (BEP)

Why This Option? Portland's central city is struggling to regain its economic footing, with elevated commercial vacancies, stagnant job growth, and a perceived imbalance between tax burden and service delivery. At the same time, employers have new flexibility in locating talent and capital, making business retention and attraction a high-stakes challenge. The city's existing Business Expansion Program (BEP), administered by Prosper Portland, has historically offered modest, performance-based incentives to firms that create jobs and make capital investments. However, the scale and predictability of BEP support are insufficient to compete with larger incentive packages in peer cities. Public perception data and recent business departures underscore the need for a more robust, reliable toolkit[xxxviii]. Expanding and enhancing the BEP would offer Portland a flexible, job-focused mechanism to support growth in its most vulnerable and high-potential economic districts.

What's The Proposal? Dedicate permanent funding to a scaled-up Business Expansion Program (BEP) focused on stimulating job creation and property investment in the central city. The program would provide structured, performance-based incentives in the form of income tax reimbursements or new tax credits applied against the City's Business License Tax (BLT) or Multnomah County's Business Income Tax (BIT). Eligibility would center on companies investing in property improvements or expanding employment within the 10-neighborhood central city area. The enhanced BEP could also introduce tiered bonus incentives for projects that meet priority objectives—such as repurposing vacant office space or locating in Opportunity Zones. Dedicating a reliable funding source—whether through a General Fund allocation, urban renewal proceeds, or new revenue-sharing models—would allow the program to operate at scale and with predictability.

What Are The Trade-Offs? The principal advantage of this option is its ability to directly reward private-sector job creation and reinvestment in underperforming areas. By enhancing the BEP, Portland can offer a compelling, localized alternative to the often high-stakes bidding wars for corporate relocation. The central city, in particular, could benefit from increased employment density, activated storefronts, and renewed economic optimism. However, trade-offs include the diversion of public funds away from other priorities and the risk of limited returns if incentives are not well-targeted or rigorously monitored. Critics may argue that such programs favor larger firms or reinforce inequities unless accompanied by strict accountability and transparency requirements.

What Would It Take? Implementing an expanded BEP would require action by Prosper Portland and Portland City Council to approve a multi-year funding allocation and revise program criteria. Prosper would need to publish clear guidelines for eligibility, public benefit benchmarks, and a scoring or evaluation framework. Coordination with the Multnomah County TSCC may be necessary if tax credit instruments are introduced. Legislative changes are not strictly required unless a new type of credit is proposed, but intergovernmental collaboration would strengthen the program's reach. Program launch could occur within 12 months, with early pilot projects helping to refine scale, sector targets, and expected ROI.

19. Restore the Value of Enterprise Zones by Repealing School District PILOT Requirements in Years 4 and 5

Why This Option? Enterprise zones are a critical tool for attracting capital investment and job creation in strategically designated areas of Portland, including the central city. However, Portland's current enterprise zone structure includes a requirement that participating firms make 'Payments in Lieu of Taxes' (PILOTs) to local school districts during the fourth and fifth years of the abatement period. These payments substantially erode the value of the incentive and reduce the competitiveness of Portland's zones compared to others in Oregon and across the nation. This concern is heightened by recent findings showing that local business tax burdens have increased by 82% since 2019 and that Portland trails regional peers in job recovery[xxxix]. Coupled with high downtown vacancy rates and stagnating investment, the current PILOT structure undermines one of the city's most accessible business attraction tools. Public sentiment also reflects this economic unease, with a majority of residents believing Portland is on the wrong track[xl].

What's The Proposal? Repeal the PILOT requirements for years four and five of the standard five-year tax abatement provided through Portland's enterprise zones. It would apply prospectively to all new agreements and could, subject to legal review, be extended retroactively to current participants. The goal is to restore the full intended value of the abatement, while maintaining existing requirements related to job creation, wages, and community benefits. This is a modest yet strategic change that aligns with Portland's broader economic development goals and helps ensure the city can compete for business activity in an increasingly mobile, remote-enabled marketplace.

What Are The Trade-offs? The primary advantage of this option is that it provides a clear and immediate improvement to the cost-benefit calculus for firms considering expansion or relocation in Portland. It could stimulate greater use of the enterprise zone program, increase downtown investment, and improve the city's business climate without requiring new appropriations. The trade-off is a temporary reduction in expected revenue to local school districts during the final two years of each abatement cycle. This loss may be offset by longer-term gains in property and payroll tax revenue driven by higher overall investment levels. Critics may view the change as a concession to business at the expense of school funding, but it is best understood as a strategic adjustment that aligns near-term incentives with long-term economic vitality.

What Would It Take? Implementation would require action by Prosper Portland and the Portland City Council, in consultation with local taxing jurisdictions. Legal and fiscal analyses would determine whether the change could apply to existing agreements. With policy approval and updated agreements in place, the revised zone terms could be effective within 6 to 12 months.

20. Align BLT and BIT Exemption Thresholds and Raise Them to $150,000 with Inflation Indexing

Why This Option? Small businesses are central to Portland's economy, yet many face structural disadvantages related to tax compliance and cash flow, particularly in the post-pandemic recovery period. Currently, the City of Portland exempts businesses with gross receipts under $50,000 from its Business License Tax (BLT), while Multnomah County exempts those with under $100,000 in gross receipts from its Business Income Tax (BIT). These static thresholds have not kept pace with inflation or rising business costs. As a result, small firms with limited profits may find themselves subject to tax liabilities that erode their growth capacity. Aligining both exemption thresholds, raising them to $150,000, and indexing them to inflation thereafter would modernize the tax code, provide predictable relief to the smallest and most vulnerable firms, and simplify the tax landscape across jurisdictions.

What's The Proposal? Increase the exemption threshold for both the City of Portland's BLT and Multnomah County's BIT to $150,000 in gross receipts. Firms earning below this threshold would be exempt from the respective taxes but would still be required to file annual returns to verify eligibility. Beginning in the second year of implementation, the threshold would be adjusted annually based on the Consumer Price Index (CPI) or a comparable inflation metric. This dual reform—raising and indexing the exemption—would apply to sole proprietorships, startups, and small employers operating within the city and county. The policy would be easy to administer using existing Revenue Division infrastructure and would enhance fairness by maintaining the real value of the exemption over time.

What Are The Trade-offs? The primary benefit of this change is increased financial flexibility for Portland's smallest businesses. By exempting firms with limited gross receipts, the policy allows entrepreneurs to reinvest in operations, improve employee compensation, or build reserves. While the reform would result in some foregone revenue, most exempt firms currently contribute minimally due to their size. Critics may voice concerns about the loss of uniformity with other tax jurisdictions or the potential complexity of inflation indexing. However, the administrative burden of indexing can be mitigated through automatic formula updates and routine communication, much like standard budget adjustments.

What Would It Take? This policy would require ordinance amendments by both the Portland City Council and the Multnomah County Commission. Revenue Division staff would update tax forms, eligibility criteria, and back-end systems to reflect the new threshold and its annual adjustment. A modest lead time—approximately 6 months—would allow for stakeholder engagement and public outreach before the new thresholds take effect. The use of CPI-based indexing could be written directly into the ordinance to avoid future legislative bottlenecks. By modernizing and aligning exemption thresholds, Portland and Multnomah County can deliver a consistent, scalable benefit to small businesses and affirm their commitment to inclusive economic growth.

Reform Topics Beyond TAG’s Scope

During its deliberations, TAG members identified several critical challenges that extend beyond the charge of this report but are fundamental to Portland’s long-term fiscal health, service effectiveness, and public confidence. These issues, while not explored in depth, warrant future public dialogue, detailed policy analysis, and leadership from both local and state stakeholders. They reflect structural constraints that, if left unaddressed, may continue to hinder Portland’s ability to deliver responsive, sustainable, and equitable public services.

- **Better Governance and Service Alignment.** TAG members noted that fragmented institutional responsibilities across the region have resulted in inefficiencies, misaligned priorities, and unclear accountability—particularly in high-need areas like homelessness, housing, and public safety. Service responsibilities are divided among the City of Portland, Multnomah County, and Metro, making it difficult to deliver integrated, results-focused responses to complex social challenges. Potential reforms surfaced by members include exploring forms of city-county consolidation, establishing more centralized or regional coordination of behavioral health systems, and relocating the City’s Housing Bureau to Prosper Portland to better align housing delivery with economic development strategies. While politically complex, these ideas reflect a broader concern: that current governance structures dilute leadership and make it harder to execute comprehensive solutions across jurisdictional lines.
- **State-Imposed Fiscal Constraints.** Oregon’s broader fiscal framework significantly limits local governments’ flexibility to raise and manage revenues, even amid rising service demands. TAG members highlighted two primary structural constraints: (1) statewide property tax limitations, which restrict growth in assessed property values and reduce local revenue elasticity, and (2) the state’s “kicker” law, which mandates automatic taxpayer rebates when state revenues exceed forecasts, even when long-term investments are urgently needed. These constraints not only limit local governments’ ability to respond to economic changes, but also restrict their capacity to build financial reserves or invest in critical infrastructure. Without state-level reform, Portland’s fiscal toolkit will remain narrow and its options for sustainable budgeting constrained.
- **Local Revenue Mechanisms That Warrant Reexamination.** In addition to broader structural concerns, TAG flagged specific local revenue tools that may require reevaluation. For instance, the use of rental car tax revenues by Multnomah County for general fund purposes raised questions about volatility, sustainability, and policy alignment. Similarly, Portland’s Arts Tax continues to face criticism due to its low collection rates, confusing implementation, and limited public awareness of its impact. While these are relatively small sources of revenue, they illustrate a larger issue: the importance of routinely assessing all local tax instruments to ensure they are transparent, efficient, and aligned with public priorities. Legacy tax structures that persist without meaningful review risk eroding public trust and administrative credibility.

From Options to Action

The Tax Advisory Group (TAG) was not assembled to recommend a single path forward, but to offer a range of well-grounded policy options that reflect Portland's fiscal, economic, and service delivery challenges. The twenty ideas presented here are not prescriptions—they are tools for sparking public dialogue and shaping informed decisions. Each one is designed to surface trade-offs, provoke discussion, and guide reform toward a more equitable and resilient future.

What emerged clearly from TAG's work is that Portland's current fiscal course is unsustainable. Complex and layered taxes, rising service demands, and visible delivery gaps have strained public trust. If left unaddressed, these dynamics threaten both institutional legitimacy and long-term economic stability. At the same time, Portland has the opportunity to act—by modernizing systems, strengthening delivery, and restoring alignment between what residents pay and what they experience.

Some options can be implemented quickly through administrative or legislative action: improving financial transparency, enhancing oversight, or updating tax collection practices. Others, such as revisiting voter-approved tax structures or reallocating revenue surpluses, will require deeper public engagement and, in some cases, voter approval. In either case, transparency, inclusiveness, and clear communication must be at the center of reform.

Structural constraints at the state level—especially Oregon's property tax limits—also shape what's possible locally. Addressing these barriers will require leadership in Salem and a broader conversation about fiscal flexibility and long-term investment.

Crucially, successful reform depends on delivery. Policy changes will only succeed if paired with visible, timely, and reliable execution. That means strengthening implementation systems, measuring outcomes, and being willing to adapt. Portland's recent struggles have less to do with lack of vision than with gaps in follow-through.

Finally, civic participation will be essential. Business leaders, nonprofits, service providers, and community members all have a stake in Portland's recovery. Reform must reflect shared priorities and include those most impacted by broken systems. Only through broad-based engagement can the city rebuild trust and credibility.

This report is not a solution—it's a starting point. Portland now faces a choice: to adapt and strengthen its civic systems, or risk continued drift. The decisions made in the coming months will shape the city's ability to deliver on its promises, restore public confidence, and build a more inclusive and sustainable future.

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