Is Oregon Future Ready?

2018 Policy Playbook

15th Oregon Leadership Summit

December 4, 2017

Oregon Business Plan .org

OREGON BUSINESS PLAN FRAMEWORK

Goal

Quality Jobs in Every Corner of Oregon

- **25,000 net new jobs per year through 2020**
- **Per capita income above the national average by 2020**
- **Reduction of poverty below 10 percent by 2020**

Vision

Clusters of Innovative, Globally Competitive Industries

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

Advanced Manufacturing

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

High Tech

- Computer and Electronics Equipment
- Software
- Education Technology + Services
- Biotechnology

Natural Resources

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

Aviation

- Heavy Lift Helicopters
- Unmanned Aerial Systems
- General Aviation

Clean Technology

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

Footwear, Apparel and Outdoor Gear

Creative Industries

Strategy

4Ps for Prosperity – Conditions Essential to Promote High-Wage Job Growth in Oregon

People: A talented workforce.
Productivity: Quality infrastructure, resource utilization, competitive regulations and business costs.
Place: A high quality of life that attracts and retains talented people.
Pioneering Innovation: A culture of research, commercialization and innovation in product and process design.

Focus for 2018

Develop a comprehensive, bipartisan plan to address Oregon's budget crisis.
Prepare for the next wave of technology disruption and automation.

IS OREGON FUTURE READY?

Yogi Berra famously quipped "The future ain't what it used to be." That may be even truer today as Oregon's mounting fiscal crisis threatens to curtail investments in education and other public services at a time when Oregonians will need them to face technology disruptions gathering speed. In short, we're in danger of not having the resources to invest in a future likely to overwhelm us if we don't get ready for it. Hence, this year's theme: *Is Oregon Future Ready?*

The best time to address such a fundamental question is when things are going well. And they have been for Oregon, especially in terms of the Oregon Business Plan's goals on job growth, personal income, and poverty reduction. As illustrated in Figures 1-3, Oregon is doing much better.

- Job growth has consistently outpaced our goal of 25,000 per year. The most recent year-over-year data show an increase of 34,900 jobs.
- Per capita income rose to $45,399 in 2016 and now stands at 92 percent of the U.S. average, up from 88 percent in 2011. Oregon median household income returned to the U.S. level for the first time since the 1970s.
- The share of households living in poverty fell over 4 percentage points, from a peak 17.2 percent in 2011 to 13.3 percent in 2016. Oregon's poverty rate is now below the U.S. average.

For state government, our resurgent economy has fueled one of the strongest revenue surges in the nation, enabling investments in education, health care, transportation, and the social safety net.

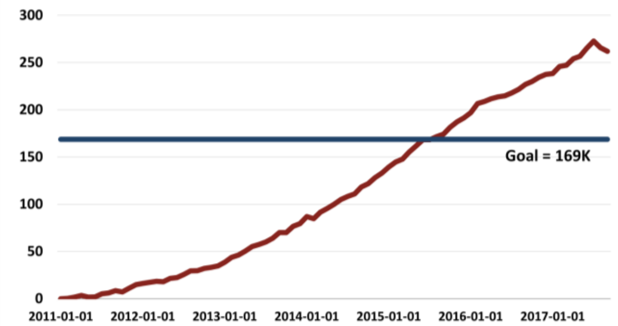
Amid this positive momentum, we need to confront two issues:

- Without major changes to public sector expenditure and revenue policy, we risk putting critical services, especially education, in peril at a time when those services are more important than ever for sustaining economic prosperity.
- We need to be alert to both the opportunities and the challenges posed by the revolution in artificial intelligence, robotics, and other breakthrough technologies. We could help lead these developments and reap their economic potential, or see them sideline jobs and employment.

The Business Plan framework (presented at left) is a durable framework for addressing such problems and opportunities. It recognizes that thriving industries and communities rely on statewide conditions we have dubbed the Four Ps for Prosperity – People, Place, Productivity and Pioneering Innovation. The underlying work of the Business Plan is to advance these conditions year in and year out. In addition to addressing the fiscal crisis and future disruption, this Playbook proposes priorities for initiatives under the Four Ps for the year ahead.

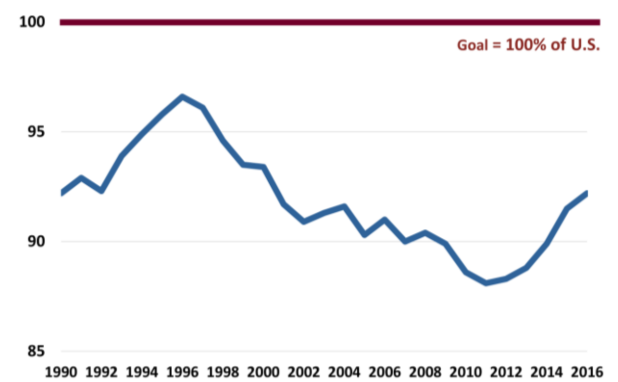
Figure 1. Exceeding the Jobs Goal

Cumulative Change in Nonfarm Employment Since 01/11 (in 000s)



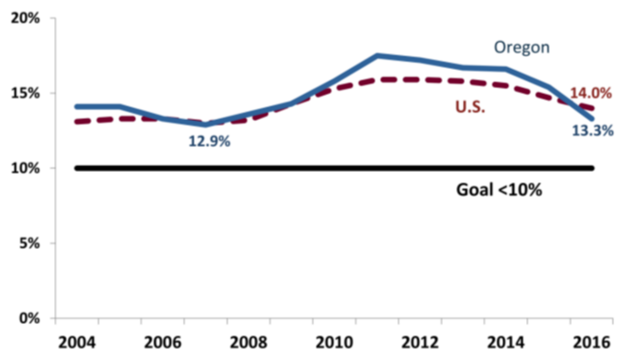
Source: FRED, Federal Reserve Economic Data, Accessed October 2017

Figure 2. Ticking Up in Per Capita Income vs. U.S.



Source: US Bureau of Economic Analysis

Figure 3. Poverty Rate Declining



Data source: U.S. Census American Community Survey

It's Past Time to Address Oregon's Unstable, Unsustainable System of Public Finance and Spending

At the last Leadership Summit, we said that tackling Oregon's structural budget deficit is the most important issue facing the state in 2017. In the wake of a divisive campaign over the ill-fated Ballot Measure 97, the business community committed to work with elected leaders to find a balanced, bipartisan solution. Unfortunately, while some progress was made during the regular legislative session, the root problems were left unaddressed. Oregon's long-term fiscal position remains unchanged from last year and in some respects has deteriorated. Tackling this issue remains the top priority for the Oregon Business Plan.

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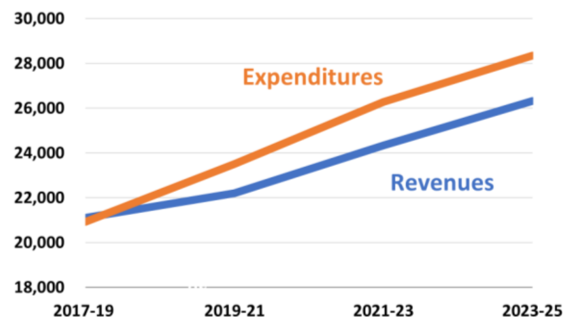
Oregon faces two fundamental fiscal challenges. First, even though revenues are growing, underlying costs and expenditures are growing even faster (Figure 4). Without structural changes, we are at risk of diminishing our investments in education and other public services at a time when they are vital for our economic prosperity.

Second, our revenue system, with its unusual reliance on the income tax, is unstable. During growth periods, Oregon revenue booms. But during recessions, Oregon revenue declines dramatically while demand increases for social safety net services. With inadequate reserves, we risk shortchanging K-12, community college, and university budgets during the next recession. Education services for our children should not be hostage to the economic cycle.

Figure 4. Oregon's Growing Gap Between Expenditures and Revenues (millions)



In the face of these fundamental challenges, last year we presented a three part framework to put our fiscal house in order.

- Grow the economy. It's the best source of new revenue for public services.
- Address unsustainable growth in costs and invest existing tax dollars more wisely.
- Adjust the tax code to improve stability and to generate more revenue for targeted investment in education and health care.

On the first part of the framework, the 2017 Legislature acted on two key recommendations to bolster economic growth. Recognizing the need to maintain our transportation infrastructure and to expand services, it passed a major transportation package that will result in $5.4 billion of new funding. In addition, the Legislature advanced a series of investments in university research, which should strengthen our capacity for innovation.

Table 1 shows how the economy has played its part in generating additional revenue over the past eight years. General Fund revenue has grown dramatically, which has translated into impressive increases in education funding. Based on National Education Association estimates, Oregon K-12 education spending per student now exceeds the U.S. average for the first time since 2001. Additionally, Oregon recorded the largest increase in the nation in higher education appropriations per full-time student between 2011 and 2016. While our higher education funding is still below national averages, this is a promising direction.

However, little progress was made in the legislative session on the second and third parts of the framework. The Legislature balanced the current budget with temporary assessments on hospitals and insurance premiums (which voters will ratify or reject in a referendum in January, 2018) and it enacted some cost containment provisions. Yet the session ended without comprehensively tackling major cost drivers such as PERS or measures to enhance and stabilize revenue. As a result, the trajectory of the primary cost drivers remains unchanged and our tax system remains as unstable as it has been for decades.

Table 1. Oregon's Revenue Recovery and Increase in Key Expenditures Over Five Biennia (in millions)

Revenues	**2009-11**	**2011-13**	**2013-15**	**2015-17**	**2017-19**	**Change**	**% Change**
General & Lottery Fund Resources	$13,610	$15,250	$17,210	$20,290	$21,640	$8,030	59%
Expenditures (General & Lottery Funds)	**2009-11 Actual**	**2011-13 Actual**	**2013-15 Actual**	**2015-17 Approved**	**2017-19 Adopted**	**Change**	**% Change**
School Fund	$5,390	$5,680	$6,650	$7,370	$8,120	$2,730	51%
Higher Education	$1,380	$1,280	$1,470	$1,860	$1,980	$600	44%
Self-Sufficiency and Child Welfare	$670	$690	$780	$850	$930	$260	39%
Seniors and People with Disabilities	$970	$1,280	$1,320	$1,620	$1,910	$940	97%
Oregon Health Authority	$1,450	$1,700	$1,940	$2,170	$2,200	$750	52%
Corrections	$1,210	$1,360	$1,480	$1,610	$1,680	$470	39%

2018 Is a Critical Year. In retrospect, we recognize that achieving comprehensive reform immediately after a bruising ballot measure fight was a heavy lift. While the framework we proposed last year has been widely accepted by policy makers, the challenge was about agreeing on the details. Reform is hard, both for our elected officials and impacted stakeholders. There was too little time to reach a consensus on a solution.

Now, Oregon has more than a year to prepare before the 2019 legislative session and we need to use the time wisely. We must have conversations across sectors and party lines. We must be open to each other's ideas and concerns. If not, Oregon will enter 2019 as unprepared for fiscal reform as it was entering 2017, and Oregonians can't wait any longer for solutions.

Below are some of our ideas, which we are ready to explore in greater detail. We are also ready to study other proposals from policy makers and other stakeholders as we develop a comprehensive plan to sustain Oregon's fiscal health.

PERS. Since last year's Summit, the PERS problem has only worsened, with the estimate of the unfunded portion of the PERS liability increasing from $21.8 billion to $25.3 billion. Public employer payments to PERS went up by nearly $900 million this biennium. As shown in Table 2, they will triple from $2 billion in 2015-2017 to $6 billion in 2021-2023 and escalate to over $10 billion by 2031-33. Absent action, PERS will continue to impact school days and class sizes for children, human services programs like child protective services, and police, fire, and road services for residents of cities and counties for the next two decades. Consider this personal perspective. PERS costs are paid through the taxes and fees Oregonians contribute to state and local government. By 2022 PERS costs will equate to $2,000 annually per Oregon household.

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Table 2. Soaring PERS Growth: Projected Net Contributions to PERS by Payer (in millions)

Projected Net Contribution	**2015-2017**	**2017-2019**	**2019-2021**	**2021-2023**	**2023-2025**	**2025-2027**	**2027-2029**	**2029-2031**	**2031-2033**	**2033-2035**	**2035-2037**
State Agencies	$575	$835	$1,219	$1,741	$1,946	$2,124	$2,259	$2,938	$3,089	$3,226	$2,762
School Districts	$575	$910	$1,328	$1,897	$2,121	$2,315	$2,461	$3,202	$3,366	$3,515	$3,010
All Others	$875	$1,165	$1,595	$2,279	$2,548	$2,781	$2,957	$3,846	$4,043	$4,222	$3,615
Total	$2,025	$2,910	$4,142	$5,917	$6,615	$7,220	$7,677	$9,986	$10,498	$10,963	$9,387
Difference from previous biennium		$885	$1,232	$1,775	$698	$605	$457	$2,309	$512	$465	-$1,576

Source: PERS via 2017 PERS UAL Task Force

Last year we proposed fair and equitable reforms to PERS guided by several principles:

- Honor all benefits earned to date.
- Establish a fairly financed, adequate, and sustainable retirement system for all public employees going forward.
- Ensure that the savings achieved from reforms borne by current employees do not exceed the share of the system's unfunded liabilities attributable to their benefits (approximately 30 percent of the unfunded liability).
- Mitigate the inequities between current employees hired before 2003 (Tier 1 and 2) who receive richer benefits, and employees hired after 2003 (essentially, Tier 3).
- Avoid any changes that will force a reduction in employees' take-home pay.

Specifically, we proposed legislation that would:

- Equalize benefits for employees hired before and after 2003 on a go-forward basis. While benefits already earned by current Tier 1 and 2 employees cannot be altered, we see no reason why Tier 1 and 2 employees should continue to accrue benefits for work yet to be performed at a higher rate than Tier 3 employees. Tier 1 and 2 employees account for roughly 40 percent of the current workforce.
- Reinstate employee cost-sharing for PERS as nearly all states do. Establish employee contribution to PERS of 6 percent of salary for Tier 1 and 2 employees and 4 percent of salary for employees in the lower-cost Tier 3 benefit plan and give employees the option of redirecting their Individual Account Program (IAP) contribution or paying out of pocket.

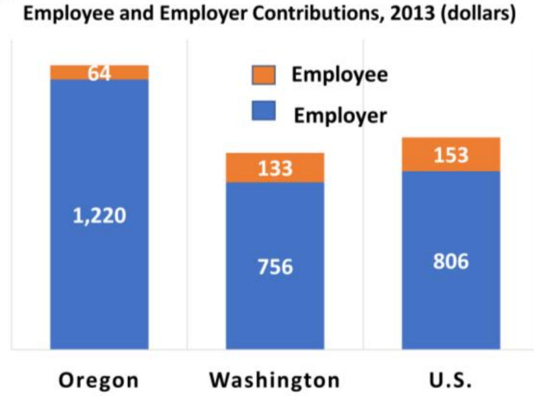
Even with proposed reforms, the state will face an enormous unfunded PERS liability. Managing this in a way that does not damage public services will be an extraordinary challenge.

Biennial savings to public employers and taxpayers from these proposals would equal roughly 5 to 6 percent of payroll, or hundreds of millions of dollars per biennium across state and local government. The savings for schools alone would be enough to pay for more than a week of school per year or nearly 2,000 teachers annually across the state.

We should stress that even with these reforms, the state will face an enormous unfunded PERS liability. Managing this in a way that does not damage public services will be an extraordinary challenge. Governor Brown's PERS Task Force showcased the scope of the problem and offered initial ideas for how to reduce the liability. Some of the panel's suggestions are promising, but others give us pause, such as drawing on the reserves of SAIF and other public institutions. We need to build on this work to find a comprehensive solution that is fair to all parties, including taxpayers.

Public Employee Health Benefits. Oregon spends significantly more on health benefits for public employees compared to other states and private employers (see Figure 5). Oregon would save up to $600 million in general and lottery fund dollars in the next budget cycle if employer contributions were at the national average. While some efforts to constrain these costs were made in the last legislative session, comprehensive reform is still needed to reap major savings over time.

Figure 5. Average Monthly Health Benefit Premiums
Employee and Employer Contributions, 2013 (dollars)



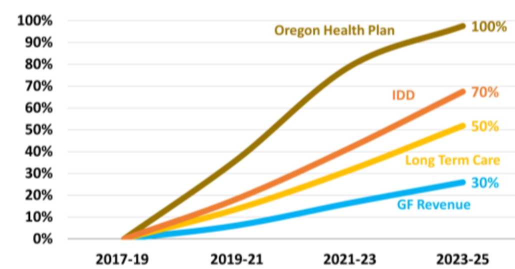
Source: ECONorthwest, The Pew Charitable Trusts. (August 2014) *State Employee Health Plan Spending.* Table 1. Analysis does not include school district or local government employees.

Key principles for reform include:

- Set a predictable rate of growth in employee health benefit costs.
- Align public employee contribution levels with other private/government payers.
- Create shared incentives for plans and providers to control costs and set competitive premiums.
- Incentivize employees to choose the plans with best value that meets their needs, including transition to a defined contribution model.
- Avoid disadvantaging state employees in rural communities with limited health care options.
- Where appropriate, leverage the purchasing power of the state.

The 2017 Legislature merged the Public Employee Benefits Board with the Oregon Educators Benefit Board (OEBB). The two systems operate quite differently, with OEBB aligned more closely with the principles described above. The merger presents an ideal opportunity to rethink system design in a way that brings costs in line while still providing quality benefits to public employees. This work needs to be accelerated.

Figure 6. Projected Growth, Medicaid Categories vs. Revenue
Indexed to 2017-19 levels



Medicaid. Over the past five years Oregon has added hundreds of thousands of Oregonians to the Oregon Health Plan through federal Medicaid funds provided under the Affordable Care Act, a policy initiative supported by the Business Plan and carried out by Oregon's innovative Coordinated Care Organizations (CCOs). In the current biennium this health insurance plan will cover 340,000 low-income Oregonians. One of the leading reasons for the spending growth in the state budget is the scheduled reduction of federal support for the Oregon Health Plan – and the cost to the state in making up the difference. We project funding gaps for the plan in the hundreds of millions of dollars in the 2019-21 and 2021-23 budget cycles.

It should be noted that Oregon has done a remarkable job of containing costs within the Oregon Health Plan. Using a global budget and CCOs to deliver services, Oregon has held cost growth per enrollee to 3.4 percent annually, significantly lower than other states.

Yet more can be done. If we can improve health through early interventions, we can get better value for our expenditure *and* reduce costs. There are opportunities for the private sector and nonprofit sectors to make investments in areas such as prenatal care, early learning, addiction recovery, and mental health that can reduce some of the Medicaid burden on the state budget. Another promising avenue is to reduce Medicaid demand by growing Oregon's economy, connecting lower-income Oregonians with meaningful job opportunities, and lifting more Oregonians out of poverty. Our poverty reduction strategy, *The Opportunity Agenda*, (in the Leadership Summit packet) is aimed in this direction.

In the referendum in January, voters will weigh in on the package of provider and premium taxes that the Legislature passed in 2017. Whether the taxes are accepted or rejected by voters, Oregon ultimately needs a permanent solution to pay for the Medicaid expansion. Removing qualifying Oregonians from coverage should not be an option.

Medicaid also serves vulnerable populations under two other important programs. These are Long Term Care (LTC) for people with physical disabilities and services for individuals with intellectual or developmental disabilities (IDD). As shown in Table 1 on page 3, expenditures in these program areas have grown at roughly twice the rate of other expenditure categories. The population receiving LTC services are primarily elderly. Aging of the Baby Boom cohort is expected to increase LTC caseloads over the next several decades. Cost-per-case growth in recent years is also a concern. Between spring 2013 and spring 2016 total caseload grew 15 percent while average cost per case grew 25 percent.

The reasons for program expansion in IDD are more nuanced. The state adopted a Medicaid waiver (federally known as the K Waiver) in 2013 that, in exchange for extra federal match, lifted caps on the number of people receiving services (primarily benefiting children) and lifted caps on annual expenditures per person. While caseloads grew quickly in subsequent years, program managers believe growth will level out by the close of 2019 as pent-up demand for services is exhausted. As caseloads level off, cost growth per case will be the primary driver of increased expenditures.

In order to secure the long-term future of these important programs, we should look for opportunities to sustainably constrain the growth of their costs without sacrificing program access and quality.

Criminal Justice and Corrections. In recent years, state policy makers have made significant bipartisan progress in curbing prison growth. As a result of smart policies passed by recent legislatures the Office of Economic Analysis projects the state's overall incarceration rate to decline by 11 percent over the next ten years. Even so, the overall level of state and local corrections expenditures in Oregon as a share of personal income is sixth highest in the nation. The yearly cost of imprisoning one inmate in state prison is roughly equivalent to sending three graduating high school seniors to college on full-tuition scholarships. Oregon should consider further opportunities to reduce corrections spending while continuing to assure public safety.

Revenue Has To Be Part of the Solution. To provide for critical services long-term, we need to adjust the tax code to improve stability, generate more revenue for investment in health care and education, and provide strong incentives for economic growth.

We continue to encourage elected leaders, in conjunction with stakeholders, to tackle our unwieldy revenue system as part of a long-term fiscal plan. We suggest the following principles to guide the effort:

- Overall funding levels should be sufficient to pay for schools, health care, and other vital public services.
- Taxes should be increased only as part of an overall plan that supports economic growth and includes reforms to slow the growth of unsustainable costs in state government, as described above.
- Revenue stability is critical. We should build up reserves quickly enough to guard against inevitable recessions.
- Any tax plan should boost economic activity but at the same time protect low-income Oregonians.
- Proceeds from tax increases should be invested in programs that are proven to help children enter school ready to learn, graduate from high school, and complete college, and that honor our commitment to increased health care access for Oregonians.
- For all public investments, we should use clear measures to track progress and outcomes for improvement and accountability.
- Tax and spending solutions for particular public needs should not be peeled off and developed in isolation from the whole fiscal framework.

In this past legislative session, the Oregon Business Plan proposed to solve the revenue-expenditure gap with $500 million in new business taxes and a corresponding reduction in PERS and public employee health care costs.

In this past legislative session, the Oregon Business Plan proposed $500 million in new business taxes and a corresponding reduction in PERS and public employee health care costs. We did not succeed in that effort, but we also made it clear that we were interested in pursuing a larger overhaul of both taxes and spending in the future, through a process with all parties at the table and enough time to explore a wide range of options. We believe that work should happen in 2018 so that proposals are ready for the 2019 legislative session.

With Technology Disruption Gathering Speed
Let's Get Ready for the Next Wave of Automation

Historically, technology has been a beneficial force: creating or remaking industries, markets, and occupations; fueling economic growth; and increasing wages and living standards, health, longevity, leisure time, and personal mobility. Just the advent of electric power and all of its applications revolutionized everyday life, the shape of communities, and national economies. So, too, did the development of automobiles and aircraft and a vast infrastructure to support their use. In recent decades, the explosion of digital technology has had that kind of impact.

By the same token, technology has also been a disruptive force, displacing some industries and companies, automating or eliminating jobs, and diminishing living standards in once thriving communities. Other factors, such as supply chain disruptions and globalization have contributed to these impacts.

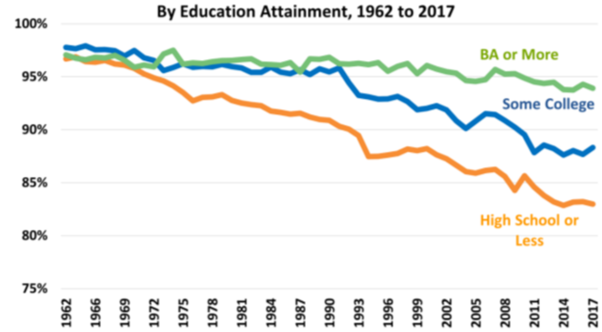
Now, with recent and accelerating advances in robotics, artificial intelligence (AI), and life sciences, technologists and futurists say we're at the dawn of a new era of technical innovation that will reshape our lives and fortunes. That's the view of futurist Steve Brown, who's speaking at this year's Summit. The key question is, Will we anticipate and take advantage of these shifts or be left on the sidelines?

We could be at the dawn of a new era of technical innovation that will reshape our lives and fortunes. If so, will we anticipate and take advantage of these shifts or be left on the sidelines?

Technology Disruptions in Play. In the physical domain, autonomous vehicles, drones, robots, 3D printers, sensors, and wearable devices will affect how we move around, how we manufacture goods, how we get goods to market, and more. Carmakers and technology firms are locked in a race to bring autonomous passenger vehicles to complex urban settings. Amazon has already signaled a future of drone-aided deliveries while others predict robots spilling out of the back of trucks and rolling up to front porches.

Figure 7. U.S. Prime Age Male Labor Force Participation Rate

By Education Attainment, 1962 to 2017



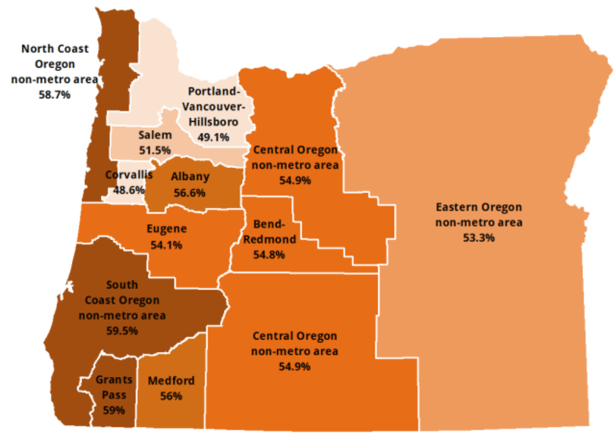
On the digital side, computers and software have changed work everywhere: car repair shops, construction worksites, hospitals, courtrooms, classrooms, banks, reception desks, and more. Technologists argue that we've seen nothing yet, in particular with accelerating advances in machine learning and artificial intelligence (AI). Experts predict AI could outperform humans in language translation by 2024, high-school essay writing by 2026, writing a best-selling book by 2049, and surgery by 2053. In short, as one recent report concluded, it is going to be important for workers to get better at being "what we are that computers aren't."

How Will Humans Respond? In some ways, we know more about the coming technological changes than how people are likely to respond to them. The next wave of automation brings both opportunities and challenges. As it did during the transition from the agrarian to industrial economy, new technology has the potential to deliver improved worker productivity, higher living standards, and better health. And, the economic and business prospects are seemingly limitless.

But as the economy shifts into a higher gear, workers are vulnerable – especially those with less transferable skills. Harvard's Larry Summers argues the technology revolution is well under way and that public policy has not effectively responded to its impact on workers. He points to the rising share of prime-age males (25 to 54 years old) without work as evidence that automation has taken a toll. Absent an effective policy response, he predicts the rate of non-working males could reach one-third by 2050. Figure 7 captures that notion.

Two Oxford University engineers considered these trends and calculated the share of jobs at high risk of computerization. Their answer for the U.S. is about half. The Portland Business Alliance's just-released *Automation and the Future of Work* applied the Oxford findings to Oregon and found the highest risk along coastal Oregon and above average risks in rural counties and smaller metros. The Portland and Corvallis regions – with more hard-to-automate engineering, design, architectural, legal, and education jobs – showed the lowest risk (see risk map, Figure 8, from the PBA study). The assessment is not predictive, nor does it envision a particular time frame. It merely projects risk to jobs assuming maximum impact by technology.

Figure 8. Industry Job Loss Risk by Region



What to Do. The future will belong to regions that anticipate this revolution, are home to companies on the innovation frontier, and help workers adapt to a world of increasingly complex work. We want Oregon to be one of those places. Here are five ideas to do that.

Innovation. Pioneering innovation – supported by strong research, commercialization, and access to capital for emerging companies – is a pillar of the Oregon Business Plan's economic strategy. Oregon talent designed and built the semiconductors that drive much of this technological change. Few states are as well positioned as Oregon to lead the world into a new era of productivity and higher living standards.

Health and Health Care. Innovations in vaccines, surgical anesthetics, sanitation, antibiotics, antivirals, radiologic imagery, and more transformed health care during the 20th Century, lengthening and improving lives across the world. Now technology is ushering in an era of precision medicine. Researchers gather data on millions of people, take differences in lifestyle, environment, and biology into account, and discover individualized treatments. Major business-university collaborations are already flourishing in this area and position Oregon well for the future.

Transportation. Autonomous vehicles are on their way and will reshape our urban landscapes. The timing of their arrival depends not only on private innovation but also on government investment and public acceptance. Local governments will need to improve infrastructure and rethink land-use to accommodate the future of transportation. Oregon will fare better in the future of work the more its governments are actively engaged in shaping it.

Learning. With technology increasingly disrupting the workplace, the policy prescription is the same as it was a century ago: more education. Oregon policymakers recognized the need and embraced the 40-40-20 education attainment goal in 2011 but the state has made only modest progress. Education must be transformed and schools must increasingly help learners to develop skills that are uniquely human and vital to the workplace beyond technical knowledge: critical thinking, problem solving, creativity, empathy, teamwork, responsibility, leadership.

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Economic Opportunity and the Safety Net. Much of today's safety net was built during Franklin Roosevelt's New Deal and Lyndon Johnson's Great Society. Times have changed, job tenures are shorter, and the safety net is overdue for some broad re-thinking. Oregon can't affect the required overhaul on its own. That will take a partnership with the federal government. But Oregon should lead on a number of fronts that could improve outcomes here and point federal policymakers to the safety net of the future. Community advocates in Oregon are doing exactly that, and business leaders have partnered with them since 2013 in an effort to achieve the poverty reduction goal of the Oregon Business Plan.

Continue to Enhance the Conditions for Economic Success

As noted earlier, a core concept of the Oregon Business Plan and a large share of our ongoing work is to create conditions in our communities that support traded sector competitiveness. Oregon needs to continuously focus on advancing the Four Ps for Prosperity – People, Place, Productivity and Pioneering Innovation. In that vein, the Oregon Business Plan offers the following recommendations, which are scheduled for discussion at the 2017 Leadership Summit.

1. ***Do No Harm***. When the economy is doing well, as it is today, it is easy for policy makers to take their eye off the ball of economic development and imprudently adopt policies and regulations that damage Oregon's long-term economic prospects. Two breakouts, one on work place practices, the other on environmental regulations, will focus on smart ways to address legitimate concerns without undermining our business climate.

2. ***Connect Education to Careers.*** As the economy heats up we hear more and more demand for skilled talent. Two breakouts will explore opportunities for raising Oregonians' standard of living by providing education and training that matches the demand for well-paying jobs. The breakout on CTE-STEM will explore ways to build on recent progress to take promising practices to a much greater scale – with an emphasis on equitable access and outcomes for traditionally under represented learners. The breakout on adult workforce education and training will focus on practices that help adults gain the additional education and skills necessary to remain productive in a rapidly changing economy.

3. ***Make Better Use of Our Abundant Natural Resources***. Oregon is blessed with extraordinary renewable natural resources which benefit the economy, the environment, and local communities. Tragically, in many cases we underutilize these resources for all three purposes. Catastrophic wildfires this past summer underscore the point. Another example is water. Summit breakout sessions will discuss what was learned from the past summer's wildfires and consider rural water infrastructure investments that will bring big gains for both our environment and the economy. Finally, there is a human dimension to our agricultural lands. The average age of Oregon farmers and ranchers is over 60. Millions of acres of farm and ranch land will change hands in the years ahead. The breakout on this issue will explore how to ensure that Oregon taps the talent necessary to maintain a vibrant natural resource economy in the years ahead.

> ***Oregon has underbuilt its housing supply by 155,000 units over the past 15 years. The Business Plan proposes a goal for Oregon to create 30,000 housing units per year for the next 20 years.***

4. ***Tackle Oregon's Housing Supply Crisis***. The breakout on this challenge will explore how insufficient housing supply constrains both human potential and economic growth. Oregon has underbuilt its housing supply by 155,000 units over the past 15 years. To catch up it needs to build at least 30,000 units per year over the next 20 years, up from 17,000 per year today. The Business Plan proposes a goal for Oregon to create 30,000 housing units per year for the next 20 years. Participants will discuss how to achieve that outcome.

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