



## Policy Playbook for 2015

12th Annual  
Leadership  
Summit  
January 6, 2015



# In It Together



# 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 (from 16.7 percent today)

## 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.

## Long-Term Policy Agenda to Improve the 4Ps

#### Public Services Redesign

- Tie state budget to key outcomes.
- Redesign education and workforce delivery.
- Redesign health care delivery.
- Reform public safety.
- Reform public employee compensation.
- Overhaul revenue system.

#### Jobs Agenda

- Boost innovation and entrepreneurship.
- Expand capital availability.
- Streamline regulation and permitting.
- Ensure industrial land supply and readiness.
- Invest in transportation.
- Secure affordable, reliable energy supply.
- Secure water for agriculture and other uses.
- Increase forest health and timber supplies.

## Priority Initiatives for 2015

- Connect Education with Careers.
- Put Our Natural Resources to Work.
- Modernize Our Infrastructure.

# WELCOME

## Oregon Business Plan Steering Committee

**John D. Carter**, Chair, Schnitzer Steel Industries

**Eric Blackledge**, At-large member, Blackledge Furniture

**Samuel Brooks**, Oregon Association of Minority Entrepreneurs; S. Brooks & Associates

**Justin Delaney**, At-large Member, The Standard

**Matt Donegan**, Oregon Education Investment Board

**Dwayne Johnson**, Oregon Small Business Advisory Council, Globe Three Ventures

**Gregg Kantor**, Portland Business Alliance, Northwest Natural

**Randy Miller**, At-large Member, Produce Row Property Management

**John W. Morgan**, Oregon Innovation Council, Avamere Family of Companies

**Neil Nelson**, Associated Oregon Industries, Siltronic

**Greg Ness**, Greater Portland Inc., The Standard

**Gary Reynolds**, Oregon Business Association, Perkins & Co.

**Wally Van Valkenburg**, At-large Member, Stoel Rives

**Malia Wasson**, Oregon Business Council, US Bank – Oregon

**Brett Wilcox**, At-large Member, Summit Power Alternatives

## Ex-Officio Members

**Paul Barnum**, Oregon Forest Resources Institute

**Jon Chandler**, Oregon Homebuilders Association

**Jay Clemens**, Associated Oregon Industries

**Ryan Deckert**, Oregon Business Association

**Ron Fox**, Southern Oregon Regional Economic Development, Inc.

**Janet LaBar**, Greater Portland, Inc.

**Steve McCoid**, Oregon Restaurant and Lodging Association

**Sandra McDonough**, Portland Business Alliance

**John Mohlis**, Oregon State Building and Construction Trades Council

**Tom Nelson**, City of Corvallis

**Sean Robbins**, Oregon Business Development Department

**Mike Salsgiver**, Associated General Contractors

**Duncan Wyse**, Oregon Business Council

Welcome to the 12<sup>th</sup> Leadership Summit of the Oregon Business Plan.

As we head into 2015 much of Oregon is recovering from the Great Recession, and we're ahead of schedule on the portion of the Business Plan goal to grow 25,000 net new jobs per year by 2020. However, at a time when employers can't find enough people for well-paying jobs in manufacturing, health care, and other technical occupations, unemployment and poverty are stubbornly high in Oregon, especially among young adults, people of color, and those living in rural communities.

This year's Leadership Summit theme, *In It Together*, reflects a recognition that in Oregon's immediate recovery and long-term prospects we need to make sure that all of our citizens and regions have the opportunity to achieve a greater share of prosperity. We all have a stake in meeting the Oregon Business Plan's goals: growing net new jobs, raising personal incomes to at least the national level, and reducing poverty to less than 10 percent.

We also all have a stake in achieving this year's priority initiatives:

- *Connecting Education to Careers* and skilled job openings that are going unfilled in Oregon.
- *Putting Our Natural Resources to Work* in a way that revitalizes rural economies while remaining responsible environmental stewards.
- *Modernizing Our Infrastructure* so our communities and businesses can prosper by connecting with the global marketplace.

One other thing about the recovery. Even though things are looking up, we need to stay focused on building and maintaining a supportive business climate. We urge policymakers to keep that focus if pressed with other agendas that could put job creation and the economy back in jeopardy. In the coming legislative session we'll certainly want a voice in any measures that raise such concerns.

We hope you enjoy this year's Summit. Thanks for joining in and for all that you do for Oregon.

Sincerely,



John D. Carter, Chair  
Oregon Business Plan Steering Committee

# RESTARTING THE CIRCLE OF PROSPERITY

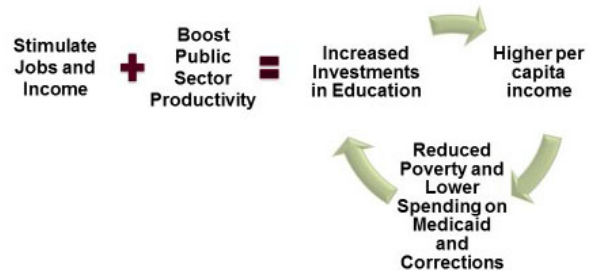
When the Oregon Business Plan launched in 2002, the Steering Committee proposed a framework for growing our economy and uniting Oregon business and political leaders around a common agenda. That framework, summarized on the inside front cover, has steadily guided our work. While priorities among Business Plan initiatives and recommendations change year to year with circumstances, the Plan itself holds to the longer, strategic view.

That interplay of tactical and strategic was sharply illustrated four years ago. As Oregon struggled with recession, we reviewed our progress and reformulated our agenda in light of the serious short- and long-range challenges facing our state. The most immediate problem was how to respond to the severe national recession which had put tens of thousands of Oregonians out of work. Equally important, we identified a disturbing long-term trend related to our economy and public finances.

Declining revenues from personal incomes – combined with growing poverty rates – were reducing state resources and increasing funding demands for Medicaid, human services, and corrections. This, in turn, starved funding for education, especially postsecondary education. Declining investments in education reduced opportunities for Oregonians to prepare for well-paying work, which fostered lower incomes and more poverty. This amounted to a self-reinforcing downward cycle – a circle of scarcity.

In response, we focused Business Plan initiatives on the twin objectives of putting Oregonians back to work in the near term and unwinding the circle of scarcity for the long-term. That intervention is summarized in Figure 1. It included one set of policy initiatives aimed to stimulate the growth of well-paying jobs, and another set to improve Oregon’s investments and outcomes in public services.

**Figure 1. Restarting the Circle of Prosperity**



## HOW ARE WE DOING?

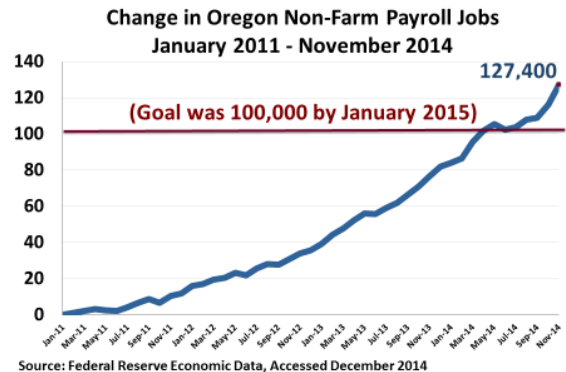
The circle has begun to turn in the right direction, which is good news, but progress on our Business Plan goals is mixed. On the plus side, jobs are coming back, public revenue has surged and we have reprioritized public services to invest more in education. However, we’re not doing as well on raising incomes and reducing poverty, so there is more work to do.

### The Good News on Jobs and Public Revenue

Jobs are growing in Oregon, and we are ahead of pace on the Business Plan goal to increase net new jobs by 25,000 per year through 2020 (Figure 2). Oregon has added 37,300 payroll jobs since September 2013.

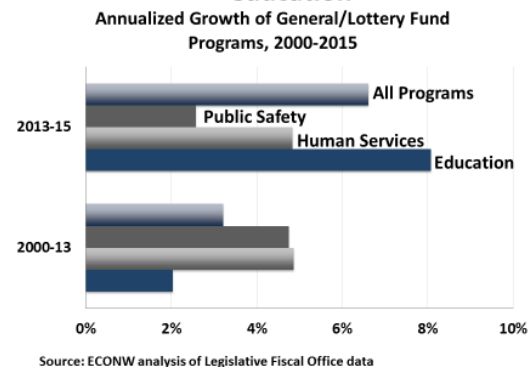
Today, renewed job growth and increasing state revenues (Figure 3) give Oregon better options to make investments for long-term prosperity, especially in education. We have also realized significant benefits from education, health care, and corrections system redesign, as well as from public retirement system reforms (Figure 4). Our elected officials deserve great credit for this work, which positions Oregon to make its public services dollars go farther.

**Figure 2. Job growth exceeds targets**



Source: Federal Reserve Economic Data, Accessed December 2014

**Figure 3. More state dollars are flowing to education**



Source: ECONW analysis of Legislative Fiscal Office data

This past year the Business Plan and its state partners held meetings with Oregon leaders in every region of the state to take stock of where we are. We are on the right path—the circle has begun to turn from scarcity to prosperity as evidenced by growing jobs and rising public revenues. However, we will need to do more to give every Oregonian the opportunity to have a well-paying job and to lift Oregonians across the state out of poverty. In other words, we need to turn the Circle of Prosperity faster.

### Challenges With Incomes and Poverty

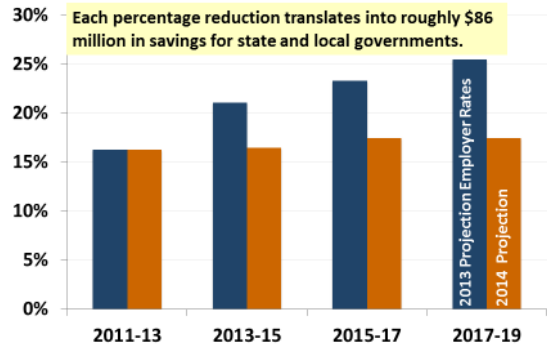
**Incomes.** Our goal of raising Oregon incomes to the national average remains frustrated (Figure 5). Oregon per capita income still lags the nation by about 10 percent. The median hourly wage of jobs across all industries rose from \$15.09 to \$15.19 per hour in 2013 — a year-over-year increase of just less than 1 percent. All industries but one (wholesale trade) saw median wages increase. But inflation-adjusted median hourly wages tell a different story. Only two industries — financial activities and professional and business services — enjoyed real wage increases in 2013.

**Poverty.** About 640,000 Oregonians live below the poverty line, which at \$23,850 per year for a family of four is woefully inadequate. At 16.7 percent, Oregon’s poverty rate is down from its peak of 17.2 percent in 2011, but is still above the U.S. average of 15.8 percent and far above the Oregon Business Plan goal of less than 10 percent (Figure 6). Poverty rates are particularly high in rural Oregon, in many locations exceeding 20 percent, as shown later in Figure 11.

These past two years, the Oregon Business Plan has devoted considerable analysis to Oregon’s lagging performance on income growth and to the challenges of poverty reduction. Our findings:

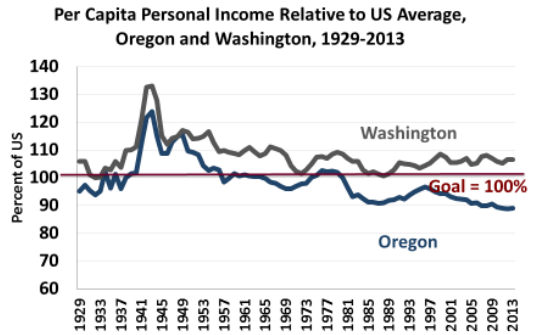
- Oregon’s personal income per capita lags the nation because we have failed to develop as many traded-sector, professional service jobs as other parts of the country. Oregon’s professional services jobs pay less than those in higher income regions.
- A related reason per capita incomes lag here is that college-educated Oregonians hold degrees in fields that pay less than others – and we have lower concentrations of degrees in science, engineering, and business than higher income regions.
- Per capita incomes are depressed by Oregonians’ relative willingness to accept lower pay in return for life style and natural amenities, such as a temperate climate and access to outdoor attractions (sometimes called the “second paycheck”).
- Our above-average poverty rate reflects a persistently weak economy in much of rural Oregon.
- Adults with no postsecondary training put upward pressure on the poverty rate. During the past three decades, globalization and technology have sharply reduced demand for workers with a high school diploma or less. Job opportunities are limited and poverty rates are high for these workers and their children.

**Figure 4. PERS savings produce more services for our tax dollars**



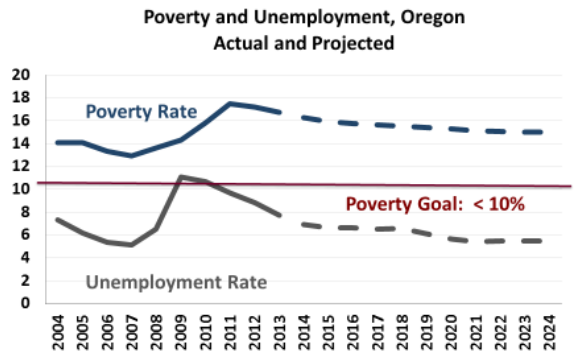
Sources: PERS by the Numbers August 2014, p.18; Senate Bill 822 – Potential Impacts April 2013

**Figure 5. Per capita income lags Washington and the nation**



Source: BEA. Per capita personal income is total personal income divided by total midyear population. Note-- All dollar estimates are in current dollars (not adjusted for inflation).

**Figure 6. Poverty rate remains stubbornly high**



Source: ECONW analysis of Oregon DAS and US Census data; Poverty forecast based on Brookings method

## LOOKING TO OUR TRADED SECTOR

A core concept of the Oregon Business Plan is that traded-sector industries – those that sell their products and services outside our border – are critical for the overall health of the economy. When traded-sector firms thrive, as they do, for example, in Washington and Morrow counties, we see more vibrant local communities, higher incomes, and lower rates of poverty. When traded-sector firms decline, as they have in many parts of Oregon, communities suffer and poverty rates increase.

Two factors bode well for continued growth in our traded-sector companies and state economy.

First, Oregon is a strong export state with growing international markets. An exploding middle class in China, India, and other countries (Figure 7) has more disposable income to spend on high quality food, technology, apparel, and manufactured goods. Foreign markets also present a major growth opportunity for Oregon-based services such as architectural, engineering, and urban planning services where Oregon has distinct expertise.

Second – as envisioned in the Oregon Business Plan since its inception – our industries are leaders in innovation. This is especially the case in Oregon’s best established sectors.

**High Technology.** Tech news here is good across the board. Oregon tech jobs hit a 12-year high in August with more than 60,000 workers in 3,000 firms, which includes a growing software sector. When the economy was in deep recession, Intel made major capital investments in two large new facilities that allow the company to transition to 450-millimeter silicon wafers and cut the cost of chips by nearly a third. And Intel has signaled its plans to stay in Oregon with a 30-year, \$100 billion, Strategic Investment Program agreement.

**Recent Highlights**

**60,900**

**Oregon Tech Jobs**  
(a new high)

**2,000**

**New Nike HQ Jobs**

**400**

**Daimler HQ Jobs**

**67**

**Rough and Ready Lumber Jobs**  
Cave Junction

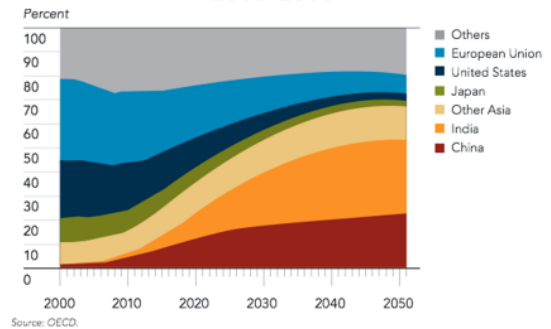
Software too is booming. Oregon’s deep pool of programming talent supports homegrown successes like Elemental Technologies, Puppet Labs, and Simple, and has attracted AirBnB, Salesforce, and New Relic. To further bolster our coding talent, Worksystems Inc. and Treehouse recently launched Code Oregon, an initiative to train 10,000 software designers.

**Advanced Manufacturing.** 2014 saw a steady recovery of manufacturing jobs. The sector added 6,000 workers and reached total employment of 182,000. In 2014 Daimler Trucks broke ground on its Swan Island offices, which will be home to 400 headquarters jobs. Vigor Industries now operates the largest floating dry dock in North America, which opens new markets to this Portland shipbuilder—including cruise ships and post-Panamex vessels. And Vigor’s newly acquired Oregon Iron Works will provide steel work for one of the largest transit projects in the western United States.

**Agriculture, Food Processing, and Beverage.** Oregon’s food processing and beverage sector largely sailed through the recession unscathed. The sector, which employs 30,000 workers in nearly 1,000 establishments, grew 20 percent over 2002-2013. Here, Oregon holds a competitive advantage. Oregonians are recognized as good stewards of the natural environment, and the Oregon brand is recognized globally—and is especially well-known in Asia. Wine, beer, and craft distilling are accelerating.

**Footwear, Apparel, and Outdoor Gear.** Oregon’s cluster of iconic brands is expanding. Nike recently earned land-use approval for a 1.3 million square foot office expansion on its campus, which includes two new buildings. Nike

**Figure 7. Shares of Middle Class Consumption 2000-2050**



has hired more than 2,000 new workers at its headquarters since 2012—four times the requirement in a state tax agreement. Columbia Sportswear reported an almost 30 percent increase in third quarter sales thanks, in part, to its growing brand in Europe and China. Keen footwear, with its well known domestic manufacturing strategy, produced 300,000 shoes at its Swan Island factory.

**Forestry and Wood Products.** Oregon remains one of the best places in the world to grow trees, but the sector’s job growth is limited by a slow U.S. housing recovery and inaction by the federal government on an O&C lands solution. 2014 saw progress nonetheless. Improved management of our federal forests on the east side—including state investments—are paying dividends, creating jobs at mills in Eastern Oregon, and reducing wildfire risk. Meanwhile, in Southern Oregon, the DR Lumber Company and Oregon State University are partnering to produce cross-laminated lumber panels (CLPs)—which could eventually be used to build 30-story wood buildings. With a positive outlook, United Fund Advisors provided \$10 million in working capital to Roseburg Forest Products, which will support new equipment and expanded facilities.

**Emerging Clusters.** Thanks in large part to investments by the Oregon Innovation Council, Oregon is in the forefront in a number of emerging industries. Oregon has recently designated three test ranges for unmanned aerial vehicles, which could provide job opportunities in Pendleton, Tillamook, and the Warm Springs Reservation. Thorsvik Industries has developed an alternative battery to lead-acid car batteries that’s cleaner, lighter, and longer lasting. Eugene-based Arcimoto is almost ready to unveil a new three-wheeled buggy designed to replace cars for short urban trips.

All Oregonians have a stake in the success of our traded sector businesses. When asked what they need, leaders from these industries consistently highlight conditions for business success that the Business Plan calls the Four P’s for Prosperity – people, place, productivity and pioneering innovation. The Business Plan policy agenda is built around creating these conditions..

## AN AGENDA FOR 2015

There is much reason for optimism about Oregon as we look years ahead. Top firms are signaling their intent to remain here for decades. Talented people of all ages are attracted to Oregon as a place to live and work. More Oregonians are at work, more taxes are being collected, and our elected officials are revamping our health, education, and pension systems to strengthen public sector productivity.

But not all of the outlook is so bright. As illustrated earlier in Figure 6, the state’s official economic forecast shows the unemployment rate stubbornly above 6.5 percent through 2018. If that forecast becomes a reality, we predict more than 15 percent of Oregonians would remain in poverty in 2020.

That’s unacceptable for a range of reasons, not least because Oregonians deserve better. But the economic reasons are also compelling. Households living in poverty don’t buy many goods and services. Children growing up in poor households struggle to gain the skills required in a 21<sup>st</sup> century workplace. To thrive, Oregon’s families and businesses need more widely shared prosperity. We’ve focused this agenda on delivering opportunity to people and places that – to date – have been left out of the economic recovery.

At last year’s Leadership Summit, we introduced *A Path to Prosperity*, a set of Business Plan strategies to reduce poverty in Oregon. We have put that report to use to guide our agenda. The agenda is also guided by what we learned in community meetings with leaders all around the state in the summer of 2014 and our ongoing conversations with a wide swath of business leaders.

Each year the Business Plan selects priorities from a list of policy initiatives identified in the Business Plan framework illustrated on the inside front cover of this document. The three key initiatives for 2015 support broad economic growth for our state, and are also tailored to reduce the share of Oregonians in poverty. They are:

*Connect Education to Careers*

*Put Our Natural Resources to Work*

*Modernize Our Infrastructure*

These do double duty – they help businesses grow *and* they create conditions for Oregonians to earn family wages.

## Connect Education to Careers

The premium of a quality, relevant education has never been higher. Education and training are key to raising individual incomes and business productivity, as well as closing historic gaps in opportunity and equity. As jobs continue to grow in manufacturing, high tech, apparel, and emerging industries, the question will be whether companies are able to hire Oregonians for those jobs, or if they have to recruit out of state. Unfortunately, many of these jobs are being filled by out-of-state recruits, or not being filled at all. One reason for this is the mismatch between the degrees and skill sets that Oregonians have and the ones that are needed for the jobs of today and tomorrow.

Since its inception, the Business Plan has placed education at the top of the priority list as a fundamental ingredient for economic prosperity. As illustrated in Figure 8, the economy rewards those with higher levels of education and punishes those without. That is why we have advocated for Oregon's ambitious education goals and for redesigning the way Oregon invests in and delivers education. The sweeping changes in education governance and investment adopted by Oregon leaders over the past four years position Oregon well for improving education outcomes.

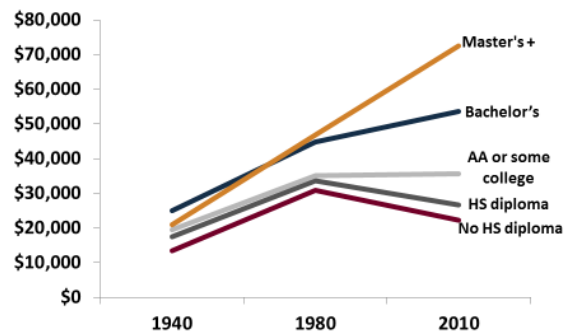
The Oregon Education Investment Board has called out three priority goals for educators to address in the next few years. If we see improvement in these areas, Oregonians and Oregon's economy will reap great benefit. The goals are:

- Increase the percentage of children ready for kindergarten and reading at grade level by third grade.
- Increase the high school and college completion rates of young adults.
- Connect education to careers through Career Technical Education (CTE) and science, technology, engineering and math (STEM).

The Business Plan strongly supports the focus on all three of these goals, and advocates that all Oregonians rally to help our schools achieve them. To achieve these goals, the Governor has proposed bold changes in funding, practices, and partnerships. We encourage business leaders, legislators, and leaders throughout the state to build on this agenda. We encourage legislators to continue to invest dollars in education.

**CTE and STEM Education.** While all three of the Investment Board's goals are important, the CTE and STEM agenda stands out for its immediate and long-term economic benefits. Business Plan regional tours in the summer confirmed that throughout Oregon, including rural areas, well-paying technical jobs that could raise incomes and reduce poverty are going unfilled by Oregonians for lack of the right skill sets. Business and CTE leaders at the end of the year came together to expand the Oregon STEM Employer Coalition into a CTE-STEM coalition in support of science, math, and applied technology education investments in the Governor's budget. Business Plan recommendations for this priority are summarized in the text box at right and described more fully in a separate policy brief.

Figure 8. Education pays now more than ever



Source: ECONorthwest analysis of US Census data. Average Portland area wages (2010 dollars) by educational attainment, labor force participants aged 25-64

### Connect Education With Careers Recommendations

- *Make Investments and adjust funding formulas to spark new models and pay for high-cost and high-value CTE and STEM programs.*
- *Align learning pathways to help students better navigate to their education and career goals.*
- *Connect employers more closely with students and schools.*
- *Expand the size and capacity of our CTE teacher corps.*
- *Implement a coordinated communications campaign.*



**Postsecondary Funding.** When it comes to CTE-STEM and college completion, we need to focus on postsecondary education funding. During economic downturns over the past few decades postsecondary education has endured severe budget cuts as the state has balanced its budgets. As illustrated in Figure 9, state support per student has declined precipitously while tuitions have been forced higher. And sadly, many young Oregonians missed out on higher education. The younger generation in Oregon is actually less well educated than the baby-boomer generation that is starting to retire. This is a recipe for economic decline.

The past three legislative sessions have dramatically changed postsecondary governance and have begun to invest more in community colleges, universities and student aid. The Oregon Business Plan strongly supported these changes and applauds the Governor and Legislature for their foresight. The newly created Higher Education Coordinating Commission (HECC) is developing a road map for reaching our ambitious postsecondary education goals.

Funding is key. Oregon postsecondary education spending per capita ranks near the bottom nationally. While funding has increased this biennium, more will be needed to ensure affordability and access. The Governor indicated his priority to put additional dollars into higher education should more revenue be available. To meet our postsecondary completion goals, the Business Plan supports further investment in need-based aid and institutional support.

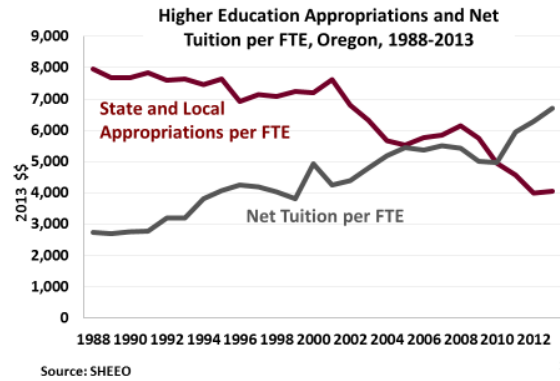
**Adult Education and Training.** We also need to highlight the importance of education and training services for adults, especially those with limited education. The stark reality (Figure 10) is that poverty rates and unemployment rates are much higher for those with limited education. Targeted education and training can make a big difference in helping these individuals secure work. The Governor’s workforce agenda aims to do that and deserves adoption.

**Put Our Natural Resource to Work**

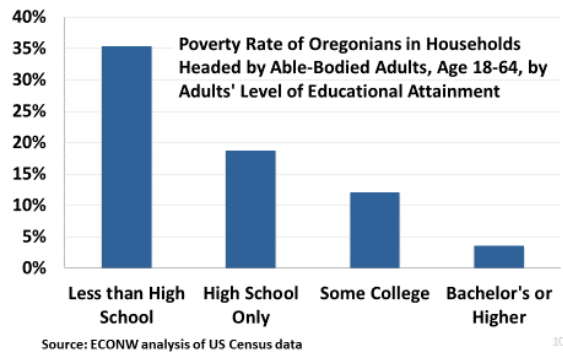
Rural Oregon has endured an economic slump lasting almost four decades. In the mid 1970s, the per capita income of rural Oregonians was close to the overall U.S. average – and well above that of other rural counties across the country. Oregon’s rural communities were relatively prosperous. No more. In 2012, per capita income in rural Oregon stood at \$33,631 – only 76 percent of the U.S. average. In Coos, Douglas, Josephine, Malheur, and Wheeler counties, more than 1 in 5 residents lives in poverty. Broken federal, state, and local fiscal and land management policies have left some communities with minimal public services.

In much of rural America, a loss of economic opportunity has triggered sharp population declines. But that’s not uniformly the story in Oregon. In fact, a number of rural counties – hit hardest by globalization, automation, and regulatory changes during 1980-2010 – have nonetheless grown in residents. Temperate climates, proximity to

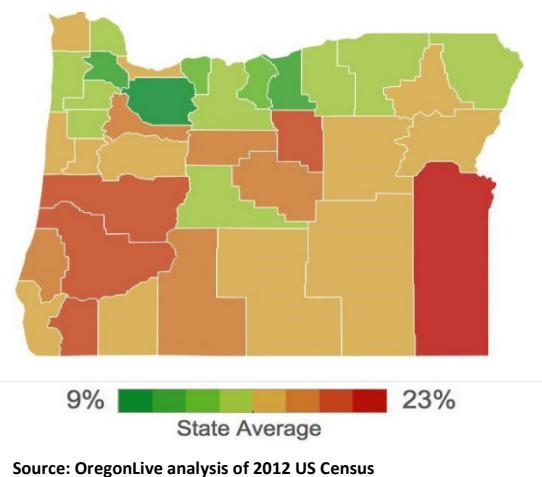
**Figure 9. Postsecondary funding has a long way to go**



**Figure 10. Education offers the path out of poverty**



**Figure 11. Poverty rates exceed the state average in much of rural Oregon**



outdoor activities, and affordable housing have attracted in-migrants. However, their resulting economies are concentrated in the lower-paying service sectors.

To thrive again, rural Oregon needs access to more traded-sector jobs. But developing those jobs is harder than in urban areas. It requires focused, competent planning of timber, soil, and water resources, sensible changes in federal policy, and private, state, and federal infrastructure investments.

By harvesting more agriculture and wood products, and adding more value before those products are shipped from our state, we can make a big dent in regions that need help the most. Business Plan recommendations for this priority are summarized in the text box at right and described more fully in a separate policy brief.

### Modernize Our Infrastructure

Infrastructure projects deliver immediate value because they produce much-needed jobs in construction. But the long-term benefits are even more critical – fueling trade, improving public safety, and tying rural economies more closely into export market opportunities. Oregon can no longer rely on the federal government in this arena. Timely state commitment makes sense because it's cheaper than further deferred investment. And now, interest rates on debt-funded projects are very favorable.

Infrastructure networks are tightly woven into business operations. Businesses rely on infrastructure to access their inputs to production – everything from materials, water, and energy to people. And businesses deliver finished goods and services through shared infrastructure.

U.S. infrastructure once was a relative strength, but compared with other advanced countries, our position is deteriorating. The American Society of Civil Engineers (ASCE) awarded the nation a D+ in its broad 2013 assessment.

Oregon earned faint praise from ASCE with a C- (Table 1). The engineers deemed 431 Oregon bridges structurally deficient, and 1,323 functionally obsolete. They identified 67 dams that posed high hazards. ASCE foresees the need for \$9.4 billion to maintain safe and adequate water and wastewater systems during the next 20 years, and \$2.5 billion to update public schools, many of them built in the 1960s or before.

Population growth will strain the system. The recently released *Economic Impacts of Congestion in Oregon* predicts the typical Portlander can expect to spend 69 hours annually in traffic in 2040 – up from 50 hours a decade ago.

In short, it's time to take a long view. Absent action,

### Put Our Natural Resources to Work Recommendations

- Accelerate federal forest restoration with increased state investments in federal forest collaboratives and biomass industry development.
- Pass an O&C lands bill that provides adequate timber volumes, county revenues, and conservation values.
- Invest in food and forest products innovation, including wood products in large-scale buildings and increased support for OSU statewide services.
- Make investments to maintain working farms, ranches, and forests.

Table 1. Oregon's Infrastructure Report Card

Aviation (excluding PDX)	D
Bridges and Roads	C-
Dams and Levees	C
Drinking Water and Wastewater	D
Energy	C
Navigable Waterways	B-
Rail	C
Solid Waste	B
Transit C-	C-
Overall	C-

### Modernize Our Infrastructure Recommendations

- Pass a statewide transportation investment package and adopt Connect Oregon VI.
- Invest in public works, industrial lands, and water supply.
- Create new tools to support rural infrastructure development.
- Support Regional Solutions and other catalytic infrastructure projects across the state.

Oregon's transportation, utility, energy, and education infrastructure will be ill suited to support the robust economic growth envisioned in this plan. See our summary of infrastructure recommendations at right. They are described more fully in a separate policy brief.

### **Make the Safety Net Work and Make Work Pay**

Along with these three core initiatives, we propose a fourth plank, *Make the Safety Net Work and Make Work Pay*, aimed directly at moving people from poverty to prosperity. *A Path to Prosperity*, an ECONorthwest analysis commissioned by the Oregon Business Plan, illustrates that our social safety net has evolved haphazardly over many decades without coherent design. The patchwork of services is hard to navigate and often creates perverse incentives. As Oregonians work their way out of poverty, increasing wages can lead to a significant loss of benefits that offset most of the gains. This year a Business Plan Taskforce endorsed a number of short-term policy proposals (see box).

But, the Taskforce sees the need for much broader changes on the horizon. In November, national and local experts convened in Portland to sketch designs for the future of the safety net – in Oregon and elsewhere. Designers saw the need to agree on the definition of prosperity, to move away from siloed, categorical aid to more flexible forms of assistance and mutual support, and to address communities impacted by concentrations of poverty. They also anticipated that, as the sharing economy expands from housing and transportation to other goods and services, low-income families should benefit.

### **Other Work Ahead in 2015**

Along with the three core initiatives for 2015, the Oregon Business Plan will continue to convene partners around all of the Business Plan's current initiatives. We believe all are important for Oregon prosperity, but that staging is critical for building momentum and overcoming difficult challenges. All three of the core initiatives will require heavy lifting in 2015. And pulling these together will go a long way towards meeting our goals.

This past year, the Business Plan toured the state to review this agenda. In every corner of the state, the three priorities presented here were acknowledged as critically important. However, two additional topics came up consistently and they deserve comment.

**Innovation and Entrepreneurship.** From the beginning, the Oregon Business Plan has supported the Oregon Innovation Plan championed by the Oregon Innovation Council and its predecessor. Oregon has made enormous progress in supporting innovation across many sectors, in start-ups as well as established firms. The work has involved connecting university research with industry, supporting established and emerging industry clusters, and addressing capital and capacity needs of start-up ventures. There is a robust array of innovation and entrepreneurship investments before the legislature in 2015, and Business Oregon has created a new division of Innovation and Entrepreneurship and will soon be hiring a director of innovation and entrepreneurship to help take this work to an even higher level. We encourage the legislature to work closely with Business Oregon, our universities, and our entrepreneurs on this agenda in 2015 and beyond.

**Tax Policy.** The Oregon Business Plan has long supported comprehensive tax reform that increases revenue stability and reduces reliance on income and capital gains taxes. While this may be a long-term goal, in the near term we believe that the most important priority for policymakers should be to support tax policies that help grow jobs and incomes and that support Oregonians who are working to lift themselves out of poverty.

### **Make the Safety Net Work And Make Work Pay Recommendations**

- *Redesign the Temporary Assistance to Needy Families (TANF) program to improve work incentives and tailor job training to local economies.*
- *Expand availability of high quality childcare assistance to low-income, working parents.*
- *Extend and expand the Individual Development Account (IDA) to help low-income families save for housing and education.*
- *Increase the Earned Income Tax Credit (EITC) and Working Families Child Care Credit to build transitions from poverty to the middle class.*

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