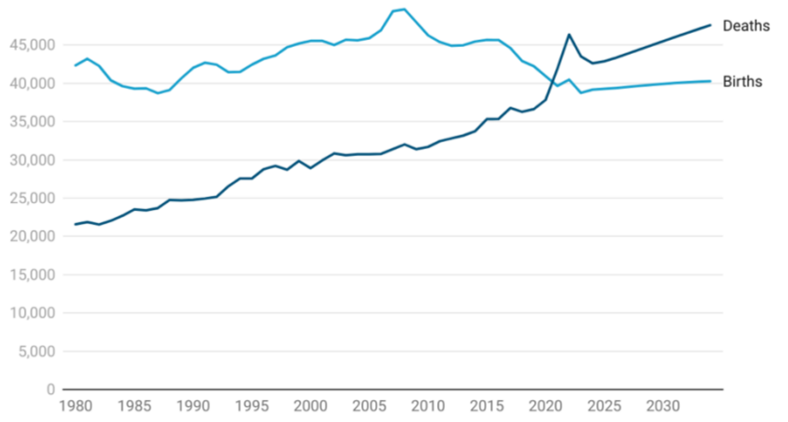
Oregon At A Crossroads: How We Can Compete & Thrive

The Challenge

Oregon is at a crossroads. A state built on growth and innovation now confronting the limits of both. For much of the past five decades, Oregon outpaced the U.S. in population and job growth, buoyed by steady in-migration and a reputation for livability and opportunity. But that momentum has slowed. Job growth now trails national averages, in-migration has fallen sharply, and population forecasts have been cut in half since 2019.

The headwinds are structural. Across the United States, birth rates have dropped to historic lows, immigration has slowed, and Americans are moving less than at any point in modern history. Oregon's natural population growth has turned negative, and the senior population is growing twice as fast as the working-age population. The result: slower economic dynamism, rising care needs, and tightening public budgets. As Pew observed, *"the bills don't shrink as fast as the population does."*

Oregon, Births and Deaths, 1980-2034 (projected)



Source: Sources: 1980-2019 intercensal population estimates by the U.S. Census Bureau; 2020-2024 population by Population Research Center, PSU; Forecasts of population, births, deaths, and net migration are by Office of Economic Analysis • Created with Datawrapper

These demographic forces collide with Oregon's internal constraints: high housing costs, underperforming K-12 schools, worsening wildfire seasons, heavy dependence on the personal income tax, and a persistent cultural ambivalence about growth — along with a policy environment and business climate that often reflect it. Together, they form a pattern that could lock the state into stagnation if left unaddressed.

Why Oregon Needs Moderate Growth

Oregon's choice is not between rapid growth and preservation — it is between deliberate growth and decline. Growth is what sustains opportunity. It fuels the sectors that support Oregon's middle-income households — construction and utilities, healthcare and education, manufacturing and logistics — creating steady employment for carpenters, nurses, teachers, technicians, and the skilled trades that keep the economy functioning. It broadens the tax base that supports schools, infrastructure, and safety nets. And it ensures that Oregon retains the working-age population necessary to care for both its children and its elders.

The alternative, a managed retreat or "degrowth" posture, would erode opportunity and fiscal stability. With fewer workers and taxpayers, the state would struggle to fund public services. Even with slower population growth, Oregon's shortage of attainable homes continues to push younger families and workers to lower-cost regions, eroding the very base of talent and vitality the state needs to sustain. The population would age faster, and the state's signature values — education, opportunity, and environmental stewardship — would all become harder to finance.

A modern Oregon growth strategy does not mean sprawl or excess. It means aligning policies for a smaller, steadier national context and building to sustain vitality. It means compact communities, renewable energy, thriving schools, and an economy rooted in quality, not quantity. Oregon can model a 21st-century politics of abundance: sustainable growth that supports a high standard of living, protects the environment, and keeps opportunity alive for future generations.

Oregon's Framework for Prosperity

For more than two decades, Oregon's economic strategy has followed a consistent through-line. *Stepping Up*, the 2003 Oregon Business Plan, set goals for raising incomes, reducing poverty, and strengthening the middle class. It argued that a small state could prosper by deepening innovation within strong traded-sector clusters — concentrated groups of industries that sell products and services beyond state borders and bring new income home. That insight remains the cornerstone of Oregon's growth framework. In a slow-growth nation, prosperity will come from improving how Oregonians create, design, and make things of lasting value.

Oregon's modern economy rests on a set of globally competitive clusters that have evolved but never disappeared. Food and beverage manufacturing, agriculture, forestry, and engineered wood connect rural and urban Oregon through value-added processing that links natural resources with innovation. These sectors have been rooted in Oregon from the beginning. Metals fabrication and transportation equipment manufacturing — quietly powerful sectors in Eugene, Medford, and the Columbia Gorge — supply global markets and sustain thousands of skilled-trade jobs.

In recent decades, semiconductors and advanced electronics have formed the spine of the state's manufacturing base, anchored in Washington County and now reinforced by federal and state investments. Footwear, apparel, and outdoor-gear companies continue to define Oregon's creative brand, pairing global design leadership with a growing ecosystem of smaller firms devoted to sustainable materials and production.

Even more recently, clean-energy technologies are emerging across the state — from solar components to battery materials and grid modernization. New fields such as robotics, biosciences, and data analytics draw strength from Oregon's research universities and its culture of collaboration between academia, start-ups, and established industry.

Together, these clusters embody Oregon's deepest values: craftsmanship, creativity, and a conviction that environmental responsibility and economic vitality can reinforce one another. From the first Nike waffle sole to the silicon wafer, from engineered-wood panels to zero-carbon battery systems, Oregon has shown that small states can shape global industries when they organize around quality and innovation.

Taking a Fresh Look at Our Economic Performance

Over the past three years, Oregon Business Plan leaders have delved deeply into three sectors: Semiconductors, Clean Technology, and Food and Beverage. Working with industry leaders, we have crafted strategies that address industry-specific needs and identified broader business climate issues that affect industry performance.

Each sector follows the playbook of the Oregon Business Plan, with networks of companies that are national and global leaders. Oregon is one of three global centers for advanced semiconductor research and manufacturing. In clean technology, our leading companies are pursuing advances in everything from electric vehicles to advanced batteries to small-scale nuclear power. Our food and beverage products command national and international attention for taste and quality.

While Oregon has key assets, some common themes emerge as we listen to industry leaders.

First, Oregon has become a challenging place to operate a business. Growing regulatory burdens and slow, uncertain permitting times make it hard to plan. Those wishing to expand have trouble finding suitable land. Growing taxes on businesses make Oregon less competitive. Oregon's suite of incentives has fallen behind our competitors.

Second, and perhaps surprisingly, industry leaders report serious challenges in attracting talent. Oregon, once a prized destination, has lost some of its shine. High housing costs, subaverage school performance, and rising personal income taxes — especially in Multnomah County — have taken a toll. Our quality of life was once a key competitive advantage. We have work to do to regain it.

This erosion of Oregon's quality-of-life advantages shows up in multiple ways. Housing affordability challenges, high income taxes, and persistent homelessness place a growing strain on families and employers alike. Weaknesses in K–12 education raise concerns about Oregon's future workforce. Child care shortages further compound these pressures, as many workers turn down jobs or reduce hours because they cannot secure reliable care. Together, these issues have become significant factors affecting employers and the state's overall competitiveness.

Finally, in all cases, connections for talent and research with our public and private schools are critical for maintaining a competitive advantage. Renewed partnerships in recent years have generated exciting opportunities. It's clear that connecting our industries with education at all levels, for talent as well as research, will be critical for sustaining world-leading industry.

Across these very different industries, the pattern is the same: Oregon's systemic constraints — slow and uncertain permitting, limited developable land, rising costs, talent shortages, and weak infrastructure for economic development — are undermining competitiveness. These shared bottlenecks point to the need for statewide, cross-sector reforms, not just sector-by-sector fixes.

The latest economic data show that Oregon is losing ground. State economists report that the state's growth has slipped below the national average, with softer job gains and unemployment drifting up even as the country holds steady. Revised employment figures revealed that Oregon created far fewer jobs than previously believed, and some months showed outright losses — an uncommon sign outside a recession. Manufacturing remains under pressure, and Portland's recovery has lagged; Multnomah County has not regained the jobs it lost during the pandemic, creating a drag on statewide performance.

America's Top States for Business, Oregon 2025 Ranking

ECONOMY	41
INFRASTRUCTURE	14
WORKFORCE	23
COST OF DOING BUSINESS	**43**
BUSINESS FRIENDLINESS	**47**
QUALITY OF LIFE	19
TECHNOLOGY & INNOVATION	14
EDUCATION	35
ACCESS TO CAPITAL	24
COST OF LIVING	45
OVERALL	**39**

Economic profile sources: U.S. Census Bureau, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, Federation of Tax Administrators, Energy Information Administration (including 18.40 cent/gallon federal tax), Moody's Investor Service, S&P Global Market Intelligence

Source: CNBC • Created with Datawrapper

The same pattern holds across the broader fundamentals of business competitiveness: Oregon now ranks near the bottom nationally in key categories such as Economy (41st), Cost of Doing Business (43rd), Business Friendliness (47th), and Cost of Living (45th), contributing to an overall ranking of 39th. Even traditional strengths like Workforce, Education, and Access to Capital sit in the middle of the pack, signaling a broad erosion of competitive position (see table). These aren't niche disadvantages; they reflect a broader environment that makes it harder to attract firms, talent, and capital. The warning is unmistakable: Oregon is falling behind in the very metrics that determine whether a state grows — or drifts toward stagnation.

An Agenda for Growth

Rebuild Oregon's Economic Development Strategy and Capacity

We must restore the foundational machinery of economic development: the ability to understand industry needs, deliver responsive services, support regional priorities, and compete for business investment with confidence. Oregon needs to rebuild this basic capacity. Our traded-sector industries remain strong, but the institutions that support them have grown fragmented — spread across agencies, regional partnerships, short-lived task forces, and under-resourced innovation programs.

A modern system should be organized through a single statewide hub — the Oregon Prosperity Council — convened by the Governor and co-chaired with business leadership. Its purpose is not to create another layer of process but to bring coherence to the work already happening across the state. The Council would refresh Oregon's economic strategy; align state policymakers, regional groups, and local partners around a unified approach to business retention, expansion, and recruitment; and coordinate workforce, research, and infrastructure investments with the needs of our traded-sector clusters.

This rebuilt system must combine **sector strategy** and **regional strategy**, the two building blocks of effective economic development everywhere. Sector strategies ensure that

Oregon's most competitive industries — semiconductors and advanced electronics, food and beverage, clean technology, mass timber, life sciences, robotics, and the outdoor and design economy — receive focused support. Recent progress shows the power of this approach: a direct line can be traced from the Semiconductor Task Force to the dozen CHIPS Act investments made here, the successes of the Corvallis Microfluidics Tech Hub (CorMic) and the FAST NSF Engine, and the creation of a state-designated Center of Innovation Excellence in the Silicon Forest Partnership; and the Food Forward effort emerged in part from a food and beverage industry strategy and is elevating Oregon as a world-class culinary region. These successes demonstrate what's possible when business, universities, community colleges, and state partners work from a common playbook.

At the same time, place matters. Oregon's regions face distinct challenges and opportunities that cannot be solved from Salem alone. The Governor's Regional Solutions office plays an important role in identifying and acting on regional priorities. Its work needs to be a key part of the statewide economic development infrastructure. In addition, the Portland Central City Task Force has shown how sustained, coordinated action can accelerate recovery in the state's commercial core. The Southern Willamette Innovation Corridor shows how research universities and local partners can organize for innovation-driven growth. A modern statewide system should take these lessons and build a durable framework for regional priority-setting, state agency alignment, and problem-solving — not episodic task forces that rise and fall with crises.

Six Priorities

Revitalizing Oregon's economic development capacity is essential to aligning our efforts on talent, land, infrastructure, and investment. But the work cannot stop there. Across the state, leaders are grappling with systems under strain: a health care sector facing an aging population and unsustainable cost growth; an energy system struggling to balance affordability, sustainability, and reliability; and a transportation system built on a funding model that no longer matches today's demands. These challenges are real, and they affect every community and employer. They will require continued attention, coordination, and long-term solutions.

At the same time, Oregon must be clear-eyed about the areas most responsible for our competitive slide. As we look across the landscape, we must fix our housing shortage, modernize our regulatory environment, strengthen K–12 performance, and reduce the risks of catastrophic fires. That foundational capacity is the precondition for progress.

These six priorities are chosen not because other issues are unimportant, but because they are principal drivers of our declining position as a place to live and grow a business. If we turn these around and focus on aggressive innovation for critical industries, Oregon will lead in the next generation of US growth.

1. Streamline Regulation to Restore Predictability and Trust

Complex and duplicative regulations, including overlapping jurisdictional requirements, are eroding confidence in Oregon's ability to get things done. We recommend that the Governor appoint a Director of Regulatory Modernization to coordinate agency reviews and set measurable targets for simplification, with a particular focus on streamlining the state's permitting processes. A transparent, online Regulatory Inventory can help track and retire unnecessary or redundant rules while improving accountability.

This effort should be paired with predictable timelines for permit decisions, stronger rulemaking advisory committees, and thorough business-impact analyses. Oregon needs clearer, faster, more transparent rules. A modern regulatory culture will rebuild trust among employers, investors, and citizens alike.

In recent years, employers have faced a steady barrage of new regulations, fees, and procedural mandates — covering workplace requirements, environmental rules, energy costs, and more. Cumulatively, these have added substantial costs and uncertainty to doing business. Even well-intentioned requirements can create real harm when layered without coordination or clear implementation plans. It is time for a pause and a comprehensive review of existing rules through the lens of their cumulative impact on business, competitiveness, and Oregon's broader economic goals.

2. Make More Sites Available for Housing, Industry, and Energy Needs

Oregon today faces a fundamental shortage of *development-ready* land for housing and industrial projects, as well as the ability to speedily permit and site clean energy infrastructure. That is both a policy and a finance problem.

Oregon's land use system, established in the 1970s, has been remarkably successful at preventing sprawl and conserving farm and forest land. Oregon lost just 0.4% of farmland between 2001 and 2016, while the rest of the West Coast lost nearly 10 percent in the same time period. The unintended consequence of our innovative policy, however, has been a drastic limitation of land eligible for development when and where it is needed. The processes to add land or site big infrastructure in the face of big opportunity and urgent timelines have become too slow, costly, and unpredictable, and the state drastically underfunds site readiness for the abundant (but challenged) lands already within UGBs.

The result is a structural mismatch between Oregon's ambitions and the land available to achieve them:

- **Housing.** Oregon dramatically underbuilds housing. Urban Growth Boundaries restrict outward growth, while restrictive local codes and infrastructure gaps slow or prevent infill.
- **Employment land.** Oregon lacks large, development-ready industrial sites in the right place at the right time, costing the state major manufacturing projects. When the solution is to add land, UGB expansions are slow, litigious, and costly; when the solution is to ready land already inside UGBs, there is no meaningful state funding to do so.
- **Clean energy facilities.** Critical transmission lines and clean generation/storage projects face conflicts with farmland and forestland protections that give rise to lengthy appeals. Without a shift from the status quo, Oregon is very unlikely to meet its legislatively mandated 2030 and 2040 decarbonization targets with current permitting speeds.

Systemic "vetocracy" — excessive veto points, appeals, and slow processes — makes it difficult for cities and the state to act swiftly, resulting in systemic gridlock.

Oregon needs to ensure that land is available with the necessary infrastructure for housing, industrial development, and clean energy projects. This will require modernization of our planning system to ensure the state remains a place where communities and the environment can thrive. It will also require an order of magnitude greater investment in infrastructure to ensure that land so designated can actually be developed.

3. Restore Oregon's Capacity to Build Homes

Oregon has led the nation in housing policy reform — legalizing middle housing, expanding urban growth boundaries, and setting clear production targets. Yet the results have not followed. Even as prices climbed and demand intensified, construction lagged, and per-capita permitting fell. The state has strong laws on the books but too few homes on the ground.

We must focus on closing that gap. When new supply fails to materialize after reform, the question is not whether the goals were right but why the outcomes fell short. Oregon must examine the full chain of production — from local implementation to financing, building codes, infrastructure, and workforce capacity — and remove the barriers that still slow or discourage new construction.

Oregon doesn't need to reinvent its housing policy; it needs to make it work. We need to align local and state responsibilities, modernize and speed approvals, and ensure that incentives and infrastructure financing support the full continuum of housing need — from supportive and affordable units to attainable starter homes and market-rate rentals.

4. Rebuild Educational Accountability and Innovation

Education is the foundation of long-term prosperity, yet Oregon's K–12 system is not delivering the results students need. Oregon ranks poorly on national assessments of reading and math scores, and attendance rates are also among the worst in the nation.

In response, the 2025 Oregon Legislature passed the Education Accountability Act (SB 141) to establish a stronger, statewide system for measuring and improving student achievement. The bill requires school districts to set annual performance targets and track key outcomes in reading, math, attendance, and graduation rates. It mandates regular assessments in reading and math — particularly in grades K–8 — to give educators earlier feedback on student progress. It expands the Oregon Department of Education's oversight authority, allowing the state to require improvement actions and, for chronically underperforming districts, to direct up to 25 percent of state funding toward mandated interventions.

The key now is implementation. To start, the state should strengthen its accountability framework by creating a rigorous, data-driven function to track student progress, school funding, and education practices, with easily digestible information by school and school district to provide transparency and to help schools improve.

A modern accountability system must also support what happens in classrooms. The act calls for the development of assessments as a learning tool for understanding student progress between annual tests. As called out in SB 141, Oregon should invest in well-aligned, rigorous, longitudinal formative assessments that give teachers a clear picture of where each student stands, what they need next, and how instruction should adapt. These tools are not about adding more testing — they are about smarter, instructionally relevant feedback loops that enable genuine proficiency-based learning. When teachers have real-time, actionable information, they can target support before students fall irreversibly behind.

K–12 performance also sits at the center of a broader learning and talent system. Early childhood foundations shape a child's readiness for school, and weaknesses in those early years often show up in elementary literacy, middle-grade math, and high school completion. In turn, unfinished learning in K–12 carries forward into postsecondary enrollment, college completion, and the strength of Oregon's workforce pipeline. Rebuilding K–12 performance is therefore not an isolated reform — it is a linchpin of the state's early childhood investments, its higher education strategy, and its long-term competitiveness.

5. Manage Wildfire and Forests as an Economic Imperative

Wildfire has become one of Oregon's most urgent and far-reaching crises. The societal costs — from dangerous smoke and public health impacts to insurance availability, property loss, and energy reliability — are enormous and disproportionately borne by vulnerable Oregonians. Decades of fire suppression and historic land-management practices have left forests and rangelands dangerously overstocked, while continued development in the wildland–urban interface has exposed thousands of homes to rising risk. Climate change is accelerating all these pressures.

While fire suppression will always be essential to protect communities, Oregon must rapidly scale up prevention and mitigation to reduce the massive backlog of wildfire hazards. Accelerating forest restoration and thinning — especially on federal lands — can dramatically reduce catastrophic fire risk, create thousands of rural jobs, and strengthen the carbon storage capacity of Oregon's forests. The Oregon Department of Forestry has identified 13.1 million acres with hazardous fuel loads, representing an estimated $7.7 billion in treatment costs. Because roughly 60% of Oregon's forests are federally owned, progress requires deep collaboration among federal, state, tribal, private, and community partners, along with a public-private framework that reinvests timber and biomass revenues into ongoing mitigation.

Oregon also faces significant risks within the wildland–urban interface, where roughly one million homes predate modern wildfire-resistant standards. Proven tools — including home hardening, defensible space, and targeted community mitigation — exist, yet aggregate costs could exceed $10 billion. To meet this challenge, Oregon must explore strategies that mobilize capital and encourage action through public awareness, insurance reform, and local ordinances. Oregon's State Fire Marshal is already a national leader; the state can become a testbed for new prevention technologies and a hub for wildfire-resilient manufacturing and innovation.

Oregon needs to step up to this challenge with urgency and scale. We must dramatically increase forest thinning and restoration while ensuring communities can withstand fires when they occur — through home hardening, defensible space, and community-wide mitigation. This will require stable state–federal partnerships, sustained funding, and a permanent multi-agency framework to coordinate planning, permitting, and monitoring so that proactive wildfire management becomes routine rather than crisis-driven.

Restoring Oregon's forests is not only an environmental imperative; it is also a jobs strategy, climate strategy, and an investment in community resilience. By reducing smoke, improving air quality, protecting watersheds, and safeguarding infrastructure, large-scale restoration will strengthen Oregon's economy and quality of life for decades to come.

6. Reform Taxation to Broaden the Base and Support Growth

A balanced tax structure is essential for economic stability and competitiveness. Oregon's heavy reliance on personal income taxes — combined with local surtaxes that push Portland's top rate near 14 percent — creates volatility and discourages both individuals and businesses from locating or expanding here. A recent tax study by Oregon Business & Industry, conducted by Ernst & Young, found that the state's effective business tax burden has risen sharply in recent years, increasing from roughly 4.2 percent of private-sector gross state product in 2019 to 5.4 percent in 2021 — a nearly 30 percent jump that now places Oregon above the national average. Much of this increase stems from the Corporate Activity Tax, the Paid Leave Oregon payroll tax, and higher health-care assessments, while local taxes, especially in the Portland metro area, have also grown significantly. The study warns that this rapid escalation is undermining the state's competitiveness, discouraging investment, and posing challenges for job growth at a time when Oregon must strengthen its economic position.

Given these pressures, the first principle for tax policy should be clear: **Do No Harm**. In an environment where employers and families already face high tax and cost burdens, Oregon should avoid temporary or permanent increases in business taxes or personal income taxes, including local add-ons.

Over the long term, the state needs broad-based tax reform to reduce its overreliance on personal income taxes. Recognizing the scale of that undertaking, Oregon can begin by addressing some of the most problematic aspects of the current system. Multnomah County's income tax — among the highest local income tax rates in the nation — should be reduced as part of Portland's economic revitalization strategy. Adjustments to the state's Corporate Activity Tax can strengthen the competitiveness of local supply chains. Finally, Oregon's incentive tools deserve renewed focus: the Research and Development Tax Credit is primed for expansion to spur innovation in the traded sector, and modifications to the Enterprise Zone Program could better support manufacturing growth.

Choosing Oregon's Future

Oregon has reached an inflection point. The state's longstanding strengths — its talent, quality of life, and innovative spirit — remain real, but they can no longer be taken for granted. The path forward requires deliberate choices: to modernize outdated systems, to compete for jobs and investment, and to build the foundations of a thriving, opportunity-rich economy. These six actions will not solve every challenge, but together they represent a clear, practical starting point. Oregon can still shape its future; what's required now is the will to act.