



# OREGON BUSINESS COUNCIL

## A Moment of Economic Reckoning for Oregon

### **A Letter to the Governor's Prosperity Council**

Oregon is entering a different economic era.

Economists do not formally declare recessions at the state or metropolitan level. But respected national and local observers have described current conditions in Oregon and Portland as “recession-like.” Job growth trails the nation. Population growth has stalled. Business investment is increasingly uncertain. Public institutions—from universities to local governments—are facing fiscal stress.

These cyclical pressures would be serious enough on their own. But they are unfolding alongside something more profound. For the first time in modern history, Oregon is entering an era of population scarcity. Natural population growth has turned negative. Domestic immigration has slowed. Talent is more mobile than at any point in history, and states are competing fiercely for people, ideas, and capital.

For decades, Oregon's central economic question was how to manage growth. Today the question is whether we can generate it at all. As the Oregon's Choice framework argued, unmanaged expansion is no longer the primary threat. Stagnation is. Sustained prosperity depends on modest population growth, rising productivity, and a competitive value proposition for households and employers.

This shift requires a corresponding shift in policy ambition.

### **A First Test — and a Warning Signal**

The recently completed short legislative session offered an early indication of how the state is responding to this new reality.

Lawmakers came together around targeted initiatives, including the proposed renovation of the Moda Center to help retain the Portland Trail Blazers. That effort reflects an understanding that civic confidence and economic vitality are closely linked.

At the same time, measures aimed more directly at strengthening Oregon's long-term competitive position fell short. Proposals to expand industrial land supply and reinforce research and development incentives did not advance. Funding for industrial site readiness was

reduced significantly from the Governor’s original proposal. These outcomes suggest that business leaders and elected officials are not yet aligned on the scale of the challenge confronting the state.

The lesson is not that policymakers lack commitment. It is that the problem statement itself remains contested.

## Beyond Conventional Economic Development

Many observers have concluded that Oregon simply needs to “do more economic development.” That instinct is understandable but incomplete.

**Traditional economic development tools — marketing, retention, recruitment, and targeted incentives — remain important. But they cannot substitute for the broader task now before state leadership: restoring Oregon’s overall appeal.**

Today, key elements of that appeal are under strain. Housing costs remain among the highest relative to income in the nation, and despite sustained policy attention, production outcomes have not improved materially. Public school performance ranks near the bottom nationally. The tax system is volatile and increasingly misaligned with an economy shaped by mobile talent and digital work. Land use and regulatory frameworks designed for a different era now constrain both housing supply and industrial expansion. Climate-related risks, particularly wildfire and smoke, threaten one of Oregon’s enduring comparative advantages — quality of place.

Taken together, these pressures create the conditions for what some analysts describe as a depressed cycle of stagnation: declining population growth, fiscal stress, reduced investment, and weakened public confidence. Early signs are visible across the state — school closures, university budget reductions, rising local levies to sustain basic services, and growing infrastructure backlogs.

## Missed Opportunities

Oregon’s recent economic performance increasingly reflects opportunities foregone. Major traded-sector investments that could anchor long-term job and income growth have been lost, delayed, or redirected because of the state’s cost structure, regulatory complexity, infrastructure constraints, and limited supply of development-ready industrial land.

In May 2024, Greater Portland Inc. reported that the region had lost six clean-technology and advanced manufacturing prospects with a combined estimated capital investment of approximately \$5.6 billion. Several cited the lack of large, shovel-ready sites as a decisive factor in choosing other locations. These were the kinds of projects capable of generating thousands of jobs, strengthening supply chains, and expanding the long-term tax base.

Other recent decisions reinforce the pattern. Daimler Truck ultimately located a planned U.S. battery-cell manufacturing facility in Mississippi rather than the Portland region, citing speed-to-market and site readiness considerations. Recruitment materials prepared by regional partners document additional prospects that bypassed Oregon after concluding that infrastructure timelines, permitting certainty, and land availability were more favorable in competing states.

Access to large-scale electrical loads has emerged as another recurring constraint. Limitations in generation, transmission capacity, and siting timelines increasingly hinder the state's ability to compete for energy-intensive industrial investment.

These missed opportunities translate directly into fewer high-wage jobs, reduced capital formation, and a weaker long-term fiscal base. At the same time, some existing traded-sector employers face regulatory burdens that threaten the viability of legacy operations. The cumulative effect is a business climate in which potential Oregon wins too often become growth somewhere else.

## The Charge to the Council

Against this backdrop, the Governor's Prosperity Council has a clear and urgent responsibility.

**Its task is not simply to assemble another list of policy ideas. It is to produce a coherent set of recommendations — bold enough and credible enough to signal to Oregonians, to national investors, and to the broader public that the state understands the stakes and is prepared to act.**

Oregon's strengths remain formidable: natural assets, innovative industries, entrepreneurial communities, and a tradition of long-term planning. But strengths alone are not a strategy. They must be matched with institutional reform and renewed policy clarity.

The Council's work should therefore focus on five interrelated systems that most directly shape the state's competitive position.

## Five Structural Priorities for Oregon's Economic Renewal

Oregon's economic challenges are structural, not cyclical. Restoring competitiveness requires sustained action across a small set of core systems that shape growth, investment decisions, and the state's overall appeal.

1. **Institutionalize a Durable Growth Strategy and Governance Model.** Oregon needs an enduring statewide framework to align economic priorities across government, business, education, and regional partners. A successor Prosperity Council, supported by a small public-private backbone organization, should coordinate sector strategies, strengthen

business retention and recruitment, and sustain long-term focus on traded-sector growth.

2. **Sharpen the Land Use Problem Statement and Organize Reform Options.** Oregon’s land use system remains a foundational strength but now constrains housing production, industrial site readiness, and clean energy deployment. The Council should clarify the scale of these constraints and organize leading reform options — including UGB modernization, improved inventory standards, accelerated permitting, and scalable infrastructure financing — to enable legislative action in 2027.
3. **Restore Tax Competitiveness and Revenue Sustainability.** The current tax structure is increasingly misaligned with a mobile workforce and competitive national economy. Reliance on personal income taxes, pyramiding effects from the Corporate Activity Tax, and high marginal local rates in Portland are weakening Oregon’s value proposition. Reform should improve competitiveness, stability, and long-term revenue durability while supporting traded-sector growth.
4. **Execute Regulatory Modernization.** The cumulative expansion of Oregon’s regulatory code has increased delay, uncertainty, and compliance costs. A disciplined regulatory budgeting framework — with measurable reduction targets, more consistent rulemaking practices, and independent economic impact review — can restore predictability while maintaining essential protections.
5. **Strengthen Talent Development and Improve Education Performance.** Stronger talent pipelines and improved education outcomes are central to long-term growth. Oregon should build on emerging sector-based workforce consortia, better align education and training with industry demand, and implement a clearer statewide assessment and accountability framework to improve K–12 performance and workforce readiness.

## A Signal Moment

Periods of structural change often create moments of unusual clarity. This is one of them.

If Oregon responds incrementally, the state risks drifting into a prolonged period of modest growth, fiscal constraint, and diminished national relevance. If it responds decisively, it can renew its economic model for a slower growing, more competitive nation.

The work of the Prosperity Council should aim unmistakably at the latter outcome. Its recommendations should help restore confidence in Oregon’s future — and reaffirm that the state remains a place where people and businesses can thrive.