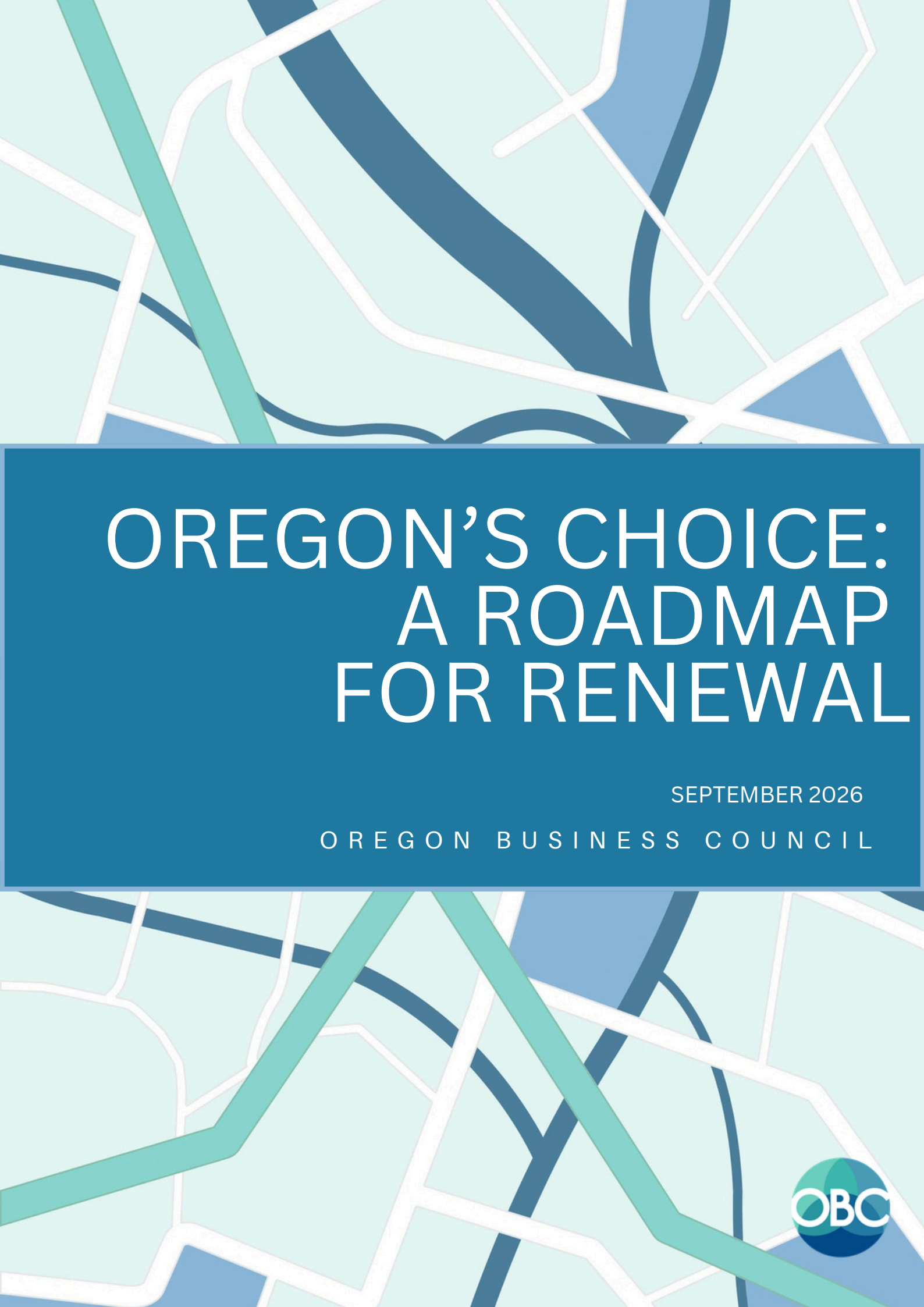




OREGON'S CHOICE: A ROADMAP FOR RENEWAL

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OREGON BUSINESS COUNCIL



Executive Summary

Oregon's economic outlook has weakened. Job growth has stalled, population growth has slowed, and public institutions are under growing fiscal pressure. At the same time, Oregon is competing more intensely for workers, employers, and investment. The state needs modest, deliberate growth to sustain its workforce, tax base, public services, and opportunity.

This roadmap focuses on five pressures:



Rebalance the tax system. Pursue a Growth Tax Swap that shifts roughly \$2.5 billion a year from personal income taxes to a broader consumption base, with tax relief and the new base taking effect together. Protect the bottom 60 percent of households, capture more revenue from nonresidents, and address unusually high combined state-local income tax burden.



Get Oregon students back on track. Build on SB 141 with timely interim assessments, shorten annual statewide tests, end the broad opt-out provision, protect instructional time, and phase in a modest funding factor tied to actual student contact hours. Scale programs that have been rigorously tested and shown to improve outcomes, and opt into the Federal Scholarship Tax Credit.



Reduce catastrophic wildfire risk. Expand thinning, prescribed fire, restoration, home hardening, defensible space, and critical-infrastructure protection. Use science and risk analysis to target scarce dollars, strengthen suppression capacity, improve federal-state coordination, and build standing recovery systems for communities hit by major fires.



Turn housing policy into housing. Create clear state accountability for housing delivery, coordinate land, infrastructure, finance, and approvals around priority sites, modernize how housing land need is measured, leverage private and philanthropic capital, and provide time-certain permitting for projects that meet clear standards.



Modernize the rules that shape the economy. Follow through on the Prosperity Council's 20 percent regulatory reduction target and transition from CPP to Cap and Invest. Modernize industrial land rules so inventories reflect real market suitability, allow clearer pathways for high-impact projects, and invest \$250 million per biennium in site readiness and infrastructure to build a pipeline of competitive sites. Make health care an early focus for relief from duplicative reporting, poorly targeted cost controls, unclear staffing enforcement, and slow market-oversight reviews.

These changes will require sustained work and real tradeoffs. But the next governor and Legislature can change Oregon's trajectory and make the state a place where people, employers, and investment choose to stay and grow.

The Challenge

Oregon enters the 2026 election season with a weakening economy and a widening competitive problem. The national labor market has cooled, but Oregon's labor market has weakened more sharply. Job growth has stalled, unemployment has risen, and public institutions are moving into fiscal stress.

School districts, universities, cities, counties, hospitals, and employers are confronting versions of the same problem: the cost of existing commitments is rising faster than the economic base needed to support them.

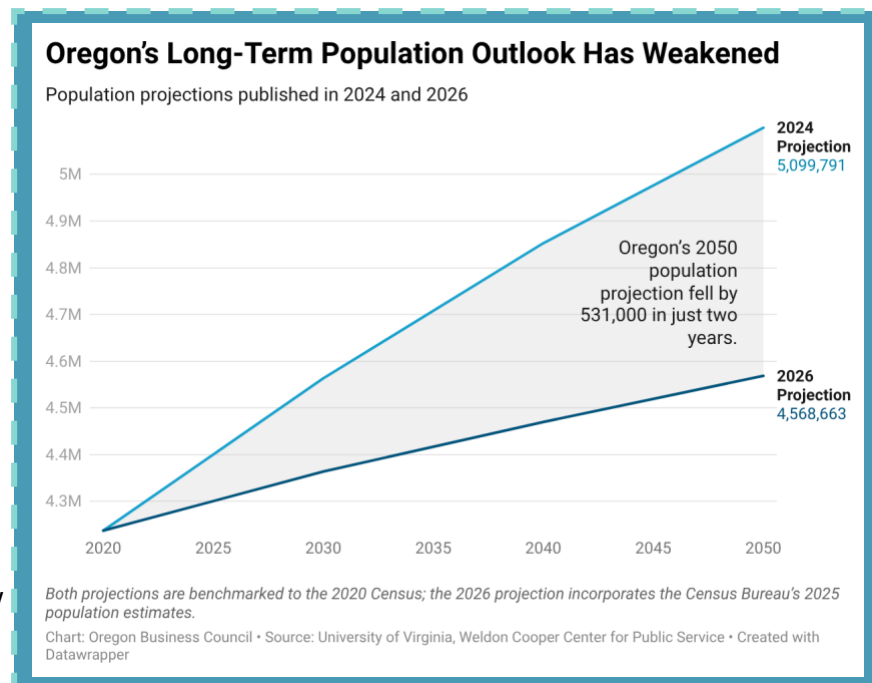
For most of modern Oregon history, the policy challenge was how to manage growth. That assumption no longer holds. Oregon now competes in a slower-growing, more mobile, more cost-sensitive country. Workers, capital, and traded-sector employers have more choices about where to locate. Population growth is no longer automatic, and neither is growth in the workforce or tax base.

The change in Oregon's demographic outlook is striking. In just two years, the projected 2050 population fell by 531,000 people. The 2024 forecast anticipated roughly 5.1 million Oregonians by 2050; the 2026 forecast is about 4.6 million.

These are projections, not destiny. But they show how quickly assumptions about Oregon's future have

changed. A state preparing for substantially slower growth faces a different set of choices about its workforce, housing market, tax base, schools, infrastructure, and public services.

The consequences are already visible. Housing production remains weak. Public institutions are cutting budgets or asking voters for more revenue. Major investments have gone elsewhere. Arizona and Ohio are attracting some of the nation's largest new semiconductor investments, while Greater Portland Inc. reported losing six clean-technology and advanced-manufacturing prospects representing roughly \$5.6 billion in potential investment. Oregon remains an



important center of research, engineering, and advanced manufacturing, but it has missed major opportunities during a historic national investment cycle.

Governor Kotek's Prosperity Council helped bring this reality into clearer view¹. Its work on economic development, regulation, climate policy, industrial land, and taxation recognized that Oregon's competitive position needs attention. The state now must turn that diagnosis into action.



These pressures reinforce one another. High housing costs make it harder to attract workers. Weak schools reduce Oregon's appeal to families. Wildfire and smoke threaten communities, infrastructure, insurance markets, and quality of place. Heavy reliance on personal income taxes leaves the state exposed to volatile and mobile income. Slow regulatory systems discourage investment while consuming public and private resources.

Oregon needs modest, deliberate growth to maintain a healthy workforce, support public services, and create opportunity. Without it, the state faces fewer workers, fewer employers, a narrower tax base, and greater pressure on public services.

The roadmap that follows is not a comprehensive governing platform. It is a starting point for the 2026 debate and a guide for the next governor and Legislature as they set Oregon's direction for the years ahead.

1. REBALANCE THE TAX SYSTEM

Oregon's tax structure is an outlier. The state relies heavily on personal income taxes and very little on broad-based consumption taxes. That structure is highly progressive, but it is also volatile and increasingly mismatched with an economy in which workers, entrepreneurs, and businesses are more mobile than when much of the system was built.

¹ Oregon Prosperity Council. June 2026. *Recommendations for Oregon's Long-Term Competitiveness & Prosperity*. State of Oregon.

Portland makes the problem especially visible. State and local personal income taxes can combine to produce a top marginal rate of roughly 13.9 percent. Housing, schools, jobs, family ties, amenities, and quality of life all influence where people live. Taxes are one factor among many. But a city trying to regain population, entrepreneurs, and investment cannot ignore one of the highest marginal income-tax rates in the country.

This is not simply a Portland problem. It reflects a broader state-local system that leans heavily on personal income and increasingly concentrates the burden on a relatively narrow and mobile base.

Oregon should pursue a Growth Tax Swap that shifts roughly \$2.5 billion a year from personal income taxes to a broader consumption base, using the proceeds to reduce income tax burdens and improve revenue stability.

Income tax relief and consumption-tax broadening should take effect together as a single package. Oregonians should not be asked to approve a new tax today in exchange for a promise of tax relief later. **The bottom 60 percent of Oregon households should come out even or ahead, with income tax relief extending more broadly.** Necessities should be excluded or offset so the reform does not shift the burden downward.

A broader consumption base would also capture more revenue from visitors, business travelers, commuters, and other nonresidents who use Oregon services but contribute relatively little through the personal income tax.

Portland's local income-tax stack should be addressed as part of a broader state-local fiscal settlement that manages cumulative state-local income tax burdens statewide, lowers the combined burden on work and mobile income, and gives local governments a more durable revenue base.

Tax reform will be difficult because the current system is highly progressive, and the proposed shift would make it somewhat less so. That is a real tradeoff. But Oregon has pushed progressivity to the point that it is weakening the tax base on which critical public services depend. A broader, more stable system can remain progressive without continuing to impose some of the nation's highest marginal rates on mobile income.

2. GET OREGON STUDENTS BACK ON TRACK

Oregon has increased education spending substantially over the past decade without producing comparable gains in student performance. Academic achievement remains weak, chronic absenteeism is widespread, instructional time varies considerably among districts, and families still get too little timely information about whether students are making progress.

Oregon has already taken an important step on assessment. SB 141 requires districts to use state-approved interim assessments in math and language arts three times a year and to review student-growth results regularly. The task now is to make that new system useful.

Oregon should build on SB 141 and make interim assessments the practical center of a “test less, learn more” system. Results should come back quickly to teachers and families, show whether students are on track, and help schools identify where additional support is needed while there is still time to respond.

Classroom assessments should remain local tools. **Annual statewide tests should become shorter and more focused, serving primarily as a common accountability measure, and Oregon should end its broad opt-out provision.** A simpler system can give teachers better information during the year while preserving a credible statewide measure of performance.

Oregon also needs to protect instructional time. Students cannot learn material they are not in class to receive, yet districts vary widely in the amount of actual student contact time they provide. **Districts should report student contact hours by grade band, and the state should establish an instructional-time benchmark that moves Oregon toward at least the national midpoint.** Professional development, conferences, grading days, late starts, early releases, and other non-instructional days should be reported separately.

Over time, **the State School Fund should include a modest factor tied to actual instructional time, phased in after a period of transparent reporting.** Attendance should remain a major performance measure, but not a funding penalty. Districts serving students with serious barriers to attendance need support to improve participation.

Oregon should also become much more disciplined about how it spends new education dollars. The state has funded many pilots, initiatives, and grant programs but has been less systematic about determining which produce meaningful gains and expanding them.

A state-philanthropy partnership should help districts and community colleges adopt programs that have been rigorously tested and shown to improve student outcomes.

Maryland and Colorado are already using this model through Partnerships for Proven Programs with Arnold Ventures and the Coalition for Evidence-Based Policy, combining public and philanthropic dollars to scale interventions backed by strong evidence². Maryland has funded proven K–12 programs such as Saga tutoring and ASSISTments, while Colorado is expanding ASAP, a college-completion model with strong results. Oregon should adapt that approach: scale what has been shown to work, rigorously evaluate promising programs, and stop funding efforts that fail to deliver results.

² Coalition for Evidence-Based Policy. 2026. “Latest Progress on State Partnerships for Proven Programs.” [Coalition for Evidence-Based Policy source](#)

Finally, **Oregon should opt into the Federal Scholarship Tax Credit so charitable contributions supported by the federal credit can benefit Oregon students rather than flow to programs in other states.** Participation should supplement, not replace, public school funding and should include clear eligibility, transparency, and reporting requirements.

Oregon should preserve local control while setting clearer statewide expectations for student learning, instructional time, transparency, and the use of public dollars.

3. REDUCE CATASTROPHIC WILDFIRE RISK

Wildfire has become a statewide economic and public-safety risk. Its costs fall on households, businesses, landowners, utilities, insurers, rural communities, public agencies, and taxpayers. Smoke reaches far beyond the fire line, affecting health, tourism, agriculture, outdoor work, and one of Oregon's enduring advantages: quality of place.

Oregon has already made important progress. The Governor's Wildfire Programs Advisory Council helped establish a more comprehensive statewide framework, and subsequent legislative action strengthened the state's approach. But the scale, speed, and intensity of recent fires are testing assumptions about what constitutes adequate prevention, community protection, and response.

Oregon should build on that foundation with a strategy matched to the risk it now faces³.

That strategy should strengthen three connected systems: **healthier and more resilient forests and landscapes, safer communities and critical infrastructure, and a suppression system capable of meeting increasingly severe fires.**

The first task is reducing hazardous fuels and improving landscape resilience.

Oregon should expand strategic thinning, prescribed fire, ecological restoration, and other active management where those investments can materially reduce catastrophic risk. Done well, that work can also improve forest and watershed health, strengthen rural economies, and make fires less damaging when they occur.

The state cannot operate at the necessary scale on its own. With the federal government managing roughly 60 percent of Oregon's forestland, **Oregon needs stronger federal-state cooperation to accelerate restoration, remove implementation barriers, develop sustainable financing, and expand the workforce and contractor capacity needed to do the work.**

The second task is making communities safer before fire arrives.

³ For more background, see OBC Action Lab Wildfire Mitigation Steering Committee. August 13, 2026. [*Oregon Must Make Wildfire a Top Priority*](#). Oregon Business Council.

Oregon should accelerate home hardening, defensible space, fuel reduction around population centers, evacuation readiness, and protection of critical infrastructure.

Electric utilities are part of that effort through vegetation management, grid hardening, weather monitoring, inspections, and other mitigation investments. Those investments should be guided by credible risk analysis and measured against the reduction in expected loss they produce.

Oregon will never have enough money to do everything everywhere. **The state should use the best available science, risk data, and benefit-cost analysis to direct scarce public and ratepayer dollars toward the places and interventions that reduce catastrophic loss most effectively.**

Thinning, prescribed fire, grid hardening, selective undergrounding, home hardening, defensible space, and community protection all have value. Their effectiveness varies by landscape and community. Spending should reflect those differences.

The third task is maintaining a suppression system capable of meeting the fires Oregon now experiences.

The state should ensure that firefighters have the personnel, equipment, aviation resources, technology, training, and sustainable funding needed to respond quickly and effectively.

Stronger prevention and community protection can reduce the severity of fires. They cannot eliminate the need for capable suppression.

Oregon also needs to be better prepared for what follows a major fire.

The state should build standing recovery capacity that can quickly coordinate federal assistance, temporary housing, infrastructure restoration, rebuilding permits, insurance and claims processes, and other support for affected communities. Recovery systems should not have to be reconstructed after every catastrophe.

The state should also pay close attention to the forthcoming Public Utility Commission study of utility wildfire liability and accountability. Its findings should inform Oregon's approach to victim compensation, utility accountability, affordability, and financial stability. Questions of legal and financial responsibility should continue to be resolved through the appropriate regulatory and judicial processes.

The common thread is execution. Forest treatment, community protection, utility mitigation, suppression, and recovery cannot operate as disconnected programs competing for attention and money.

Oregon needs a statewide wildfire strategy that identifies where risk is greatest, strengthens capacity across prevention, protection, and suppression, and directs additional investment where it can do the most good.

Wildfire will remain part of life in Oregon. The job is to keep more fires from becoming catastrophes.

4. TURN HOUSING POLICY INTO HOUSING

Oregon has enacted consequential housing reforms, established production targets, changed zoning rules, invested heavily in regulated affordable housing, and created new infrastructure and financing tools. Production remains far below Oregon's housing needs. After years of policy reform, the test now is whether the state can turn those changes into homes.

Housing gets built when land is available, infrastructure is in place, financing works, approvals are predictable, and projects can support their costs. Oregon still tends to address those conditions separately, leaving local governments and developers to assemble the pieces one project at a time. The state also must confront a basic market reality: housing at scale requires private capital.

Oregon cannot publicly finance its way to 30,000 homes a year. Most housing will continue to depend on private investment, and that capital moves among markets based on costs, timelines, regulatory predictability, expected returns, and confidence in demand. Recent Oregon housing research has documented a decline in outside real-estate investment in the Portland market. Weak growth expectations and softer rents are part of the explanation, along with a development environment investors perceive as complicated and uncertain.

Oregon should make housing delivery a single, accountable state responsibility, whether housed in an existing agency or a new authority⁴. Someone should be responsible for coordinating agencies, aligning infrastructure and financing, resolving regulatory obstacles, and moving priority sites from concept to construction. That work should focus first on large infill sites, underused public land, transit-oriented districts, UGB expansion areas, rural workforce housing, and major redevelopment sites.

For priority sites, the state should coordinate land assembly, infrastructure, financing, and approvals rather than forcing each project to navigate those systems independently. Oregon's housing shortage reflects years of accumulated underproduction, and planning systems that look only at future population growth can preserve that shortage. Some of Oregon's accumulated housing deficit would also have been absorbed through growth at the urban edge. **The state should continue modernizing how housing land need is calculated and create clearer pathways for cities to add land when existing supply cannot realistically meet documented needs.**

⁴ Concepts in this section are drawn from ECONorthwest and MSH Strategy. June 2026. *Reshaping Oregon's Housing System: A Working Paper*. Portland, OR: ECONorthwest.

Land inside a boundary is not necessarily development-ready. Roads, sewer, water, power, environmental remediation, and parcel assembly often determine whether housing is feasible. **State infrastructure programs should be organized around priority housing sites and judged in part by whether they move those sites into production.**

Oregon should also move toward a more integrated housing finance function capable of leveraging private and philanthropic investment, lowering capital costs where appropriate, and measuring what the public receives for its investment.

Finally, **projects that meet clear state and local standards should have access to a time-certain permitting pathway.** Reviews should occur concurrently where possible, requirements should be known at the beginning, and compliant projects should not face years of repeated discretionary review.

Oregon has spent years deciding what it wants built. It now needs a system capable of getting it built.

5. MODERNIZE THE RULES THAT SHAPE THE ECONOMY

Some of the Prosperity Council's deepest work focused on Oregon's regulatory environment. Its recommendations included reducing the statewide regulatory count by 20 percent by 2029 and replacing the Climate Protection Program with a market-based Cap and Invest system. Both moves point in the right direction: clearer rules, stronger economic discipline, and better alignment with neighboring states.

Oregon should follow through. The 20 percent target should be a forcing mechanism for a broader effort to make government faster, clearer, and more disciplined, while the transition from CPP to Cap and Invest should simplify climate regulation and improve predictability for employers.

Regulation protects important public values. Oregon has legitimate goals involving health, safety, environmental quality, worker protection, consumer protection, and community development. But rules accumulate agency by agency and program by program. Requirements that appear reasonable on their own can collectively create substantial cost, delay, duplication, and uncertainty.

That matters even more in a period of slow revenue growth and federal funding cuts. Regulatory modernization is one of the few ways government can improve Oregon's economic climate without relying on major new appropriations.

Oregon should establish a government-wide regulatory modernization discipline built around measurable reduction targets, routine review of existing rules, stronger implementation analysis, and explicit attention to cumulative burden. Agencies should be clear about the

problem a rule is intended to solve, the outcome expected, the cost of implementation, and whether an existing state or federal requirement already serves the same purpose. Mature programs should be reassessed against real-world results rather than allowed to continue indefinitely by inertia. Requirements should be transparent and knowable in advance, not hidden in guidance or shifted midstream, and agencies should use clear standards that limit arbitrary or inconsistent decisions.

The Prosperity Council's 20 percent target can help force that work, but counting rules is not the ultimate measure of success. The real test is whether Oregon reduces unnecessary cost, delay, duplication, and uncertainty while preserving essential protections.

Two areas show why this matters.

Industrial land is one of the clearest examples of where Oregon's systems no longer match the economy it is trying to compete in. The state often counts land as available for employment even when it is too small, fragmented, constrained, poorly located, or prohibitively expensive to serve. The result is an inventory that can look adequate on paper while failing the practical test that matters to employers: can a site be developed at the size, speed, and cost the project requires?

Oregon should modernize industrial land planning so inventories reflect actual market suitability and the needs of industries where the state has demonstrated competitive strengths and realistic growth opportunities. Site size, configuration, transportation access, water and wastewater capacity, power availability, environmental constraints, and development timing should all count in determining whether land is truly available. When a high-wage, high-impact project cannot reasonably be accommodated on existing suitable industrial land, the state should allow consideration of the most suitable alternative location through a transparent public-benefit test that weighs economic value, infrastructure costs, environmental effects, and agricultural resources.

Land-use reform alone will not solve the problem. Oregon also needs to prepare sites before employers arrive. The Prosperity Council recommends a **dedicated and recurring \$250 million-per-biennium site readiness and infrastructure fund** to accelerate development-ready employment sites, using bonding authority and deploying funds for site development, remediation, and enabling infrastructure.

Oregon should adopt that recommendation and use the fund to build a sustained pipeline of competitive sites across the state. Regions should be able to assemble land and extend roads, water, sewer, power, and other infrastructure before a major prospect is already on the clock. Investments should be aligned with the state's economic development strategy and judged by whether they produce sites that are genuinely ready for employers to use.

Health care presents a different but equally urgent case. It is one of Oregon's largest economic sectors, and its unusually high-wage workforce makes administrative burden expensive. The Health System Sustainability Group's recent recommendations to the Governor describe a steady increase in prescriptive rules, reporting requirements, and changing administrative expectations that divert time and resources from patient care.

Health care should be an early focus of Oregon's regulatory modernization effort. The first work should be practical: eliminate duplicative reporting and requirements whose benefits do not justify their administrative cost; improve the Cost Growth Target Program so it better reflects underlying cost drivers and provides more useful cost information; clarify hospital staffing enforcement so it centers on statutory requirements and patient safety; and create clearer timelines and approval standards in Health Care Market Oversight, including a faster path for financially distressed providers⁵.

Industrial land and health care are very different sectors. The governing principle is the same: Oregon should be more deliberate about the requirements it adds, more willing to revisit those that are not working, and more accountable for the cumulative burden government creates.

Oregon Still Has a Choice

Oregon's recent underperformance need not continue. Many of the systems that helped the state succeed over the past half century were built for different demographic, economic, and fiscal conditions. They can be updated.

No governor or Legislature will resolve these challenges in a single session. Housing, school performance, wildfire risk, tax reform, and regulatory modernization all require sustained work. But the next administration can change the trajectory by building a broader tax base, setting clearer expectations for student learning, reducing catastrophic wildfire risk, improving housing delivery, and making regulatory modernization a government-wide discipline.

Those changes will require real tradeoffs and challenge assumptions that have shaped Oregon policy for decades. The test is whether the systems Oregon has inherited still produce the outcomes Oregonians need.

For most of the past half century, Oregon could assume growth and focus on managing its consequences. That era has ended. The work now is to make Oregon a place where people, employers, and investment choose to stay and grow.

⁵ For more detail see Health System Sustainability Group. July 10, 2026. *Recommendations to the Governor*. State of Oregon.