

# A BETTER OREGON

*The services Oregon families need  
and a proposal to fund them*







# EXECUTIVE SUMMARY

We believe everyone can and should succeed in Oregon's economy but right now, too few Oregonians are thriving and meeting their potential. Our economy does not work for most families because we simply do not have the revenue we need to support Oregon schools, critical services, and infrastructure. This is not a new problem. For more than a generation Oregon has cut schools and services, limiting the opportunity of ordinary Oregonians and undermining our future.

Oregon families have done their part to try and address these disparities, but the largest corporations doing business in Oregon are not paying their fair share. Oregon ranks 50th in the country in business taxes. With business taxes so low, Oregon simply does not have the resources to adequately fund critical investments.

This report outlines around \$6 billion in needed investments and proposes business taxes to fund new investments. The report calls for:

- An education that works for every Oregon family — a \$3 billion investment in early education, K-12 education, career and technical training, community colleges, and higher education
- Affordable and accessible health care — a \$2 billion investment in making sure Oregon families have access to affordable and adequate health care and basic investments are made to public health programs
- Life and retirement with dignity for seniors and people with disabilities — a \$450 million investment to help Oregon's aging population retire with care and dignity
- Programs for children and families — a \$600 million investment in Oregon children and families to increase workforce participation and help more Oregonians climb out of poverty
- A responsible government and a safer Oregon — a \$100 million investment in a safer, stronger and more comprehensive public safety program

These investments are possible if Oregon no longer allows large and out-of-state corporations to pay lower taxes here than in any other state. The report calls for new revenue from large businesses to pay for needed investments.

There are two new taxes proposed here: a new Gross Receipts Tax on business sales over \$100 million and an expanded health care provider tax to fund Oregon's health care needs.

The Gross Receipts Tax takes into account legitimate criticisms of Measure 97 but maintains the core principle that large corporations should pay their fair share in taxes in Oregon.

The new provider tax is an expanded version of Oregon's current health care provider tax that maximizes our potential to match federal funds and invest health care funds wisely.

We recognize that in order to make these new investments, more information is needed about who pays and who doesn't in Oregon's current tax structure. To better inform policy makers, the report also calls for full corporate tax transparency.

Finally, the report recognizes that this proposal and these needs are just one part of the conversation when it comes to funding Oregon's priorities. Many more conversations are to come, so as we begin this debate, we submit three principles to guide decision makers:

**Any proposal should make large businesses, not Oregon small businesses or working families, pay more.**

**Increases need to be game-changing and significant, as the status quo is not serving Oregon families.**

**No services should be cut while Oregon is 50<sup>th</sup> in business taxes.**

Oregon can and must do better and the A Better Oregon coalition hopes this report provides a guide for tangible ways to finally build a state that provides opportunity for every Oregonian.

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# OREGON CAN DO BETTER

We believe everyone can and should succeed in Oregon's economy. Our people are one of our greatest resources, and we should do our best to ensure that everyone has access to opportunity and no one is left behind. This requires thoughtful attention to the ways we invest our public dollars, target persistent disparities, and address the needs of our communities.

Right now, too few Oregonians are thriving and meeting their potential. Our economy does not work for most families because we simply do not have the revenue we need to support Oregon schools, critical services, and infrastructure. This is not a new problem. For more than a generation Oregon has cut schools and services, limiting the opportunity of ordinary Oregonians and undermining our future just to make budgets balance.

Oregon families have done their part to try and address these disparities — they have increased their taxes, held fundraisers, volunteered, rallied, organized campaigns, and more. Our investment has made

Oregon better, but it has also put us above average in taxes and fees as a share of personal income.<sup>1</sup> Oregonians try to invest in communities and schools, but our contribution alone is not enough. While Oregon families do everything they can for their communities, large corporations do not pay their fair share. When it comes to state income taxes, the average Oregon household pays 5.9% of their gross income. The average C corporation paid a mere 0.3%<sup>2</sup>. But it's about more than income taxes. Considering all types of taxes that businesses pay, Oregon ranks 50<sup>th</sup> in the country.<sup>3</sup> Large corporations receive billions in state tax breaks and park billions in profits offshore to avoid paying taxes. Even though middle-income families and small businesses pay their fair share, with big corporations paying so little in taxes Oregon simply does not have the resources to adequately fund critical investments.

That lack of investment shows. Oregon's median household income is \$10,000 less than in California or Washington. Over 1 million Oregonians received food assistance

through SNAP last year, including hundreds of thousands of people working low-wage jobs. When it comes to the percentage of the population enrolled in SNAP, Oregon trailed only Mississippi, Washington D.C., New Mexico, and West Virginia.<sup>4</sup> Oregon's recent spike in food insecurity was the largest in the nation.<sup>5</sup> Over 21,000 students in Oregon schools are homeless.<sup>6</sup> There are thousands of people on waiting lists for housing vouchers. Oregon has some of the nation's least affordable child care<sup>7</sup>, and 1,000 people are currently on the waitlist to receive childcare assistance<sup>8</sup>. While families throughout the state are struggling, the impact of inadequate investments is worst among rural communities and communities of color.

Oregon can and must do better. This report provides a framework, grounded in community needs and data. These program recommendations have been developed over a generation, responding to decades of cuts, with an eye towards increasing access to successful programs, and targeting persistent disparities in rural Oregon and in our state's growing communities of color.

We identify an estimated \$6 billion in investments that will make Oregon a stronger, more prosperous state. We also identify common sense approaches to raising sustainable revenue. These revenue solutions incorporate major components of Measure 97 as well as key lessons learned from the Measure 97 campaign. Most

importantly, our revenue focus remains on making large corporations and not Oregon families pay for the services our communities need.

This report is purposefully focused on investments, and not simply maintaining the status quo. Oregon does face a budget shortfall due to increased health care costs and the needs of a growing population — it is getting more expensive simply to maintain current service levels. Current budget shortfalls need to be filled, but simply keeping pace is clearly not enough. In addition to addressing immediate needs, we call on legislators to take action to undo decades of disinvestment.

As we change Oregon's tax policy, advocates and elected leaders need increased access to good information about the taxes corporations pay. Decision makers need to know which corporations pay which taxes in order to craft the right policy. This will require corporate state tax transparency so the public and decision makers have a better understanding of who pays and who doesn't.

We have great confidence in Oregonians, and know that we will continue our tradition of working collaboratively to rise to the challenge. A Better Oregon is committed to ending the cycle of disinvestment. Despite the challenges and failures of the past, we believe there is a consensus that Oregon can be better and that everyone, including

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large corporations, is responsible for the health and vitality of our state. In the face of immediate budget cuts and long-term instability, there is little doubt that reasonable revenues are needed to support the fundamental education, health, and opportunity for all Oregonians.

## RESTORE GREAT SCHOOLS.

Oregon schools lack teachers, librarians, nurses, counselors, computers, and supplies. Oregon's class sizes are the third largest in the nation<sup>9</sup> and our school year is one of the nation's shortest<sup>10</sup>. Oregon laid off nearly 3,400 teachers during the recession, and cut about half of career and technical education programs<sup>11</sup>. Today Oregon has the third lowest high school graduation rate in the nation<sup>12</sup> and a D+ grade for school finance<sup>13</sup>. Education experts estimate that Oregon needs to invest another \$1 billion a year in K-12 to deliver quality education for Oregon students<sup>14</sup>. Oregon also cut funding to community colleges and universities, leading to tuition hikes and greater student debt. The average graduate from Portland State University in 2015 was \$32,000 in debt.<sup>15</sup> School buildings have over \$7 billion in deferred maintenance needed to provide a safe environment for students and employees.<sup>16</sup>

## KEEP OUR FAMILIES HEALTHY.

Record numbers of Oregonians now have health insurance, but 280,000 are still uninsured<sup>17</sup> and rising premiums are straining family budgets. Making medical care more affordable ensures that people

who need care can get it. Healthcare is about more than going to the doctor; investments in public health programs keep people from getting sick in the first place. Per capita public health funding in Oregon is 20% lower than the median state<sup>18</sup>. Oregon also ranks 48th in mental health, with hundreds of thousands of people needing care for mental illness, substance abuse, or addiction<sup>19</sup>.

## CARE FOR OUR ELDERS AND SENIOR CITIZENS.

A rapidly aging population with limited retirement savings means demand for senior services in Oregon is growing fast. Over the next 10 years (between 2015 and 2025), the State Demographer predicts the number of people ages 75 or older will grow by 233,000<sup>20</sup>. The majority of aging Oregonians prefer to receive long-term care in their homes, but about two-thirds of Oregon retirees have no personal retirement savings<sup>21</sup>, meaning many end up relying on family or the state for care. Over 47,000 Oregon seniors live in poverty<sup>22</sup>, and the numbers will only grow as the population ages. Over 15,000 seniors need in-home assistance but aren't getting any<sup>23</sup>. Investing more in senior health care services — especially in-home and community-based care like day centers and adult foster care — would allow older Oregonians to live independent lives with dignity and choice.

We can solve these problems, improve Oregon's economy, and provide opportunity for so many — but only if we take action now.



# A BETTER OREGON

After 25 years of budget cuts, there is nearly universal need for investment to provide the schools and services that Oregonians deserve and that help grow and strengthen our economy. This document identifies many critical areas that need more resources. We cannot make all these investments now, but we must get started on our highest priorities.

## AN EDUCATION THAT WORKS FOR EVERY OREGON FAMILY

### A \$3 BILLION INVESTMENT

Investments in education are among the most reliable ways to improve a state's economy and improve the lives of its citizens. Better educated people tend to live longer and be healthier. Better educated workers are also more productive, attracting investment in the state. Sadly, since 1990, Oregon has seen decades of disinvestment in education.

- Today Oregon has the 3rd most crowded classrooms and the 3rd lowest

graduation rate in the country.

- Tuition at community colleges and universities has increased three times as fast as inflation, making higher education less affordable for many students.
- Just 35% of the children who need Head Start are currently able to access it due to a lack of resources.

**Basic school funding.** Oregon's constitution calls for schools to be funded according to the Quality Education Model (QEM). The QEM is based on real-world data on the costs of school programs, adequate staffing and time for professional development and collaboration, school supplies, computers with internet, building maintenance, and other factors. Based on "prototype" elementary, middle, and high schools with funding based on research and best practices, the QEM describes the resources required to deliver a quality education to all Oregon K-12 students. It will take an additional \$2 billion per biennium to fund schools at the QEM. Funds would be used to hire more teachers to bring Oregon's class sizes — currently third largest in the



nation — down to the national average, so students will get the one-on-one attention they need to succeed. QEM funding also means bringing back teaching assistants, librarians, and school counselors, and restoring physical education, music, and arts — all programs that keep kids engaged and promote academic success. And with more funding, school years could be extended to the 180-day minimum required in most states, so Oregon students will receive more education, as well as a better education.

#### **Career and Technical Education (CTE).**

College-bound students will benefit from college prep and AP classes, which help them earn college credits and reduce student debt. Other students want careers outside of college or in trades that come with skills that traditional classroom experiences simply do not provide. For students who wish to learn a trade or career in high school, Oregon must make substantial investments in Career and Technical Education (CTE) to prepare them for the workforce. CTE programs are typically created in collaboration with local businesses that have a need for skilled workers, providing students a path to good-paying jobs after graduation. With an aging population, CTE programs in nursing and other healthcare professions are in especially high demand.

**Reproductive health education.** What students learn in schools can have a big impact on their health and financial security. Sex education is often the best example — teen pregnancy is more common among low-income students, and young mothers often find themselves trapped in a cycle of poverty. Culturally appropriate programs are especially important — teen pregnancy rates are higher in Latino communities and tailored programs are proven to be effective. All Oregon students should get culturally responsive education on reproductive health.

**Diverse teacher workforce.** Students need

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teachers they can relate to. Oregon schools should strive for a teacher workforce that reflects the diversity of Oregon students. That means workforce development for underserved communities to train teachers and other school personnel. All teachers should receive training on culturally responsive teaching practices to help them effectively reach all students.

**Human sexuality education.** Besides helping educators best teach students from different cultural groups, schools must also take steps to provide a safe and supportive environment for LGBTQ students. Oregon administrative rules require each school district to provide an age-appropriate, comprehensive plan of instruction focusing on human sexuality education. Unfortunately, many districts are out of compliance. Specialists from the Oregon Department of Education need to work with schools to ensure plans are in place and implemented as intended.

**English Language Learners.** Expanded support and interventions are needed to improve English Language Learner programs that serve nearly 60,000 students. Developing skilled, fluent English speakers who can also strengthen their native language literacy increases their likelihood of on-time graduation and contributing in our communities. Too many school districts struggle with outdated instructional models and inconsistency in sustaining a quality program over time. Targeted investments



strengthen the focus and urgency needed to provide appropriate tools and systemic changes needed to improve academic performance.

### **Healthy, active students.**

Active students learn better. Encouraging active transportation to school is one great way kids get can get some physical activity. Unfortunately, many students must take routes to school that are unsafe, contending with heavy traffic and a lack of sidewalks or crosswalks. Communities must work to create safe routes to school, and encourage active transportation through bus passes or other means.

**Early education.** For Oregon's students and families to succeed, the state must invest more in early education. New investments in early childhood education for Oregon's 3- and 4-year-olds set them up to be more successful during their K-12 years. Adequate early education programs put all students on a path for on-time graduation and successful careers.

**Community colleges.** Most good-paying jobs require education past high school. Oregon should strive to help students achieve that advanced education without incurring debt they can't afford. Funding to community colleges should be increased so that low-income students can go for free or without debt, and to expand course offerings.

**Oregon universities.** As state investment in higher education has declined, Oregon has shifted the cost of funding college to students. Tuition has doubled in the past 25 years and college is out of reach for many Oregonians who are striving to get a degree. Students of all ages who are able to pursue a higher degree are leaving college with



unsustainable debt, working multiple jobs, and taking longer to graduate. Investing more in the university system means cutting tuition and making college affordable for Oregon students, and giving students the support they need to graduate. Too many students end up with debt but no diploma. Additional funding can also support professional development for university instructors, including cultural competency training so our universities serve Oregonians from all backgrounds. Investing in the higher education workforce means a stronger economy, higher paying jobs, and financially healthy Oregon families.

**Training health workers.** Colleges must also expand technical education programs to meet the demands of a changing population and economy. Most important among these is to train health workers to meet the rising demands of an aging population. Programs at community colleges and Schools of Nursing must be expanded to take on more students and provide students with real-world training with preceptors in the community. Because certified faculty can make a lot more money providing health care than teaching students, Oregon needs to invest in incentive programs to attract the best instructors.

## AFFORDABLE AND ACCESSIBLE HEALTH CARE

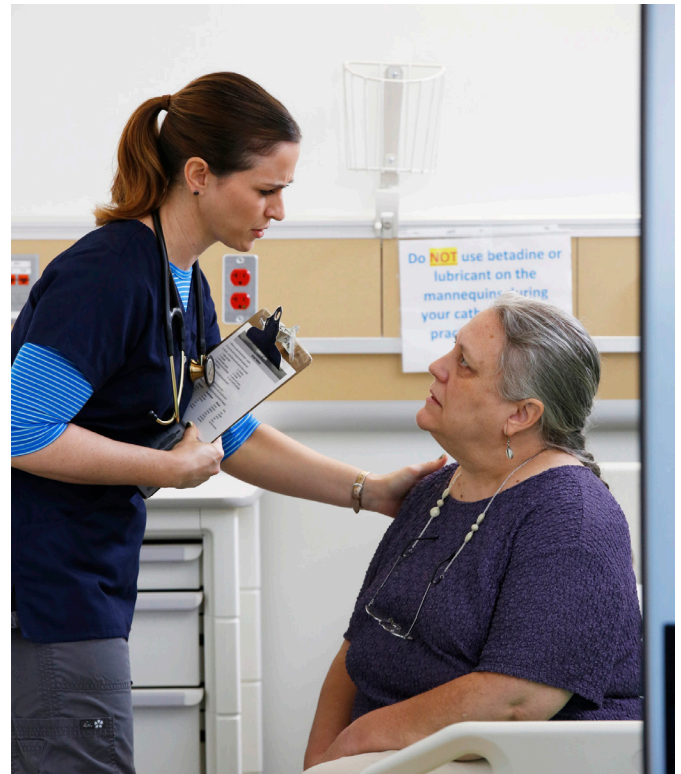
### A \$2 BILLION INVESTMENT

When our population is healthy, it means more opportunity. Healthy kids learn better, and healthy adults are more productive at work. Promoting health is good for families and the economy. Healthier Oregonians mean less strain on the health care systems and reduced medical costs.

Right now, poor health interferes with Oregon's progress. Costly chronic diseases like diabetes, heart disease, asthma, and arthritis are common. Expensive premiums mean too many spend too much for basic care. Limited health care plans mean families do not get the physical, dental, or mental health care they need, leading to higher costs and worse outcomes down the road. A lack of investment in basic public health programs means preventable illnesses create community-wide health problems.

Investing in our health means a better economy and stronger families. Oregon has made some positive steps, but more must be done.

**Access to health care.** Thanks to the Affordable Care Act (ACA), hundreds of thousands of Oregonians received health insurance. With the Federal share of the Medicaid expansion shrinking, the state needs to invest more to maintain insurance coverage for these Oregonians. Even with the ACA, nearly 300,000 are still uninsured and are potentially one illness away from financial ruin. Many Oregonians do not have options to purchase health insurance, even if they are Medicaid eligible, due to federal restrictions. Health care costs are high, but the cost of insurance is high too. Additional investment is needed to reduce health care costs for working families. More insured patients means higher profits and less bad debt for health care providers — they can afford to contribute some of their



profits back into keeping people healthy. An increased, transparent provider tax is the best way to ensure big hospitals and health systems pay their share to support the health of Oregonians.

**Cover all kids.** Health insurance coverage is one of the single most effective ways to ensure that children receive the preventive health and medical care they need to thrive in school and life. In Oregon, 17,600 children — 2% of all Oregon children — currently do not have any medical coverage. By ensuring that all children in Oregon have the care they need, we can give every Oregon kid the opportunity they deserve — and we can prevent needless suffering and economic hardship. The Governor has proposed covering all kids with health insurance in her budget and it should be a priority for the state to make it happen.

**Public health.** Public health programs keep us from getting sick. Eighty percent of what shapes our health happens outside the doctor's office. Over the last generation, Oregon has fallen behind the rest of the country in public health protections. Public



health modernization is needed to ensure basic protections from communicable disease, environmental risks, and new unforeseen health threats.

These investments pay off in longer, healthier, more productive lives. We need programs that protect our food and water from infectious diseases. We need environmental public health programs to help with lead abatement, environmental asthma triggers, and industrial pollution. We need proven community programs that prevent cancer and diabetes. And we need the robust public health infrastructure that will help us deal with disease outbreaks and natural disasters like earthquakes.

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## ***Investing in our health means a better economy and stronger families.***

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**Health equity.** Oregon's Coordinated Care Organizations manage Medicaid dollars to meet community priorities. Oregon should ensure these and other health dollars are invested in ways that promote health equity and address geographic and racial disparities, the attainment of the highest level of health for all people. Regional health equity coalitions provide an effective voice for health equity, and empower communities that have traditionally been disenfranchised. Strengthening and growing these coalitions will improve the delivery of care as well as access to care.

**Affordable care for all Oregonians.** No one should have to go bankrupt just for getting sick, but medical debt is the leading cause of personal bankruptcy. Ensuring access

to affordable medical care is a must for the financial security of Oregon families. Targeted investments are needed to mend the healthcare gap for vulnerable groups. A state plan, including dental, to cover working adults and immigrant populations who face federal exclusions is needed. This includes reliable and affordable health insurance for Pacific Islanders who reside in Oregon as part of the Compact of Free Association (COFA).

**Reproductive health.** Oregon needs a strong system of reproductive health care to ensure all Oregonians, regardless of income, citizenship status, gender identity, or type of insurance, have access to the full range of preventive reproductive health services, including family planning, abortion, and postpartum care. Healthier bodies lead to healthier families, and healthier families lead to healthier communities. Reproductive health does not end at childbirth — Oregon needs adequate nurse home visiting programs to better support good health for new mothers and infants. Investments in these areas prevent unwanted pregnancy, reduce poverty, and improve the health of mothers and children.

**Mental health, substance abuse and addiction.** It is impossible to miss the impact that cuts in substance abuse and mental health support have had on our communities. People enrolled in the Oregon Health Plan should be able to access the care they need for mental health, substance abuse, and addiction. Clearly, more is needed. Not only do we have to invest more to pay for this care, but we also have to grow the workforce to have enough care providers to meet demand for services.

**Student health.** Oregon has one of the worst school nurse shortages in the country. Hiring school nurses for every school will benefit all students, reduce absenteeism, and improve graduation rates. Instead of leaving it up to school districts to prioritize hiring nurses, the Oregon Health Authority

should cover school health and hire enough nurses to meet the recommended staffing level of one nurse per every 750 students. Right now, there is one school nurse for every 2,178 school children in Oregon.

**Community health.** After communities prioritize prevention strategies, they must find the funds to make those plans a reality. Investment is needed to create regional community health funds to pay for prevention programs designed with significant community input and governance.

**Environmental health.** Promoting good health means a lot more than going to the doctor's office. Protecting Oregon's environment is important to ensure Oregonians have safe places to live. More funding is needed for the Department of Environmental Quality, Oregon Department of Fish and Wildlife, and the Department of Energy to have the resources they need to monitor environmental conditions and take action to stop and clean up pollution.

## LIFE AND RETIREMENT WITH DIGNITY FOR SENIORS AND PEOPLE WITH DISABILITIES

### A \$450 MILLION INVESTMENT

Oregon's population is aging, and over the next decade there will be an additional 200,000 Oregonians over the age of 70. As Oregon's senior population grows, so does the need for more investment. We strive to support seniors living with dignity in their own homes, and that means fully funding in-home care for the aging population.

Maintain existing programs for seniors and people with disabilities. Our goal is to ensure all seniors and people with physical and developmental disabilities get long term, in-home care if they need it. People whose needs cannot be met safely in their own homes require residential care in community facilities with adequate staffing and support.



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**Oregon Project Independence.** Oregon Project Independence (OPI) provides preventative and in-home supports and services, including home care, case management, and home delivered meals to adults 60 or older and adults with physical disabilities. OPI helps prevent or delay spending on long-term care. There are currently 1,000 people on the OPI waiting list and the need for the program is growing.

**Fully staff state agencies.** Due to insufficient funding, state and county senior service agencies are severely understaffed. This puts extra strain on overworked employees, and also means clients don't get as good service and support. For example, Adult Protection Services is only funded at 83% of the workload model. Additional resources would mean that state agencies could best help the people in need.

**Living wages for caregivers.** Caregivers work hard but many still don't earn enough to make ends meet for their families. Caregivers for seniors and people with individual or developmental disabilities should get a raise. As the majority of caregivers are women, this is an important step to reduce pay inequity and lift up Oregon families. Caregiving is expected to have the largest growth in jobs

over the next decade, as more and more people need assistance with activities of daily living. By making sure caregivers are fairly compensated, we lift up the whole economy.

**Improve quality of care.** Facilities that care for seniors, people with disabilities, and people with developmental disabilities should provide high quality care. To ensure quality care we should increase rates so facilities can maintain adequate staffing levels and support for clients.

**Caregiver training.** For their own safety and for the health of their clients, caregivers should receive improved basic training. This training is especially important for people who are caring for family members. Better training will mean lower costs long term as people get better care and stay out of more expensive treatment options.

**Job training for seniors.** Staying active and engaged is good for seniors' health. A good way to stay engaged is with a job. Senior Workforce Development programs help older Oregonians participate in the workforce, keeping them healthy and improving Oregon's workforce participation. That means a better life for Oregon seniors and a better economy for all of us.



**Fairview Housing Trust.** Keeping Oregon seniors in their homes often keeps them healthy longer. The Fairview Housing Trust helps make home modifications and purchase equipment for people with developmental disabilities. Investing more in this trust means that simple home modifications can be made to help otherwise healthy Oregon seniors stay in their homes.

**Senior housing supports.** Seniors on fixed incomes are struggling to afford housing as prices soar. A housing shortage and strong market demand make it harder and harder for seniors to find a safe place to live. Even when people have housing vouchers, they aren't always able to find rental units to live in. Oregon needs to invest in building more housing and in subsidizing rental costs for seniors.

**Respite Care.** Many people are caring for aging or disabled family members. Providing this care can be more than a full-time job. Respite care services provide much-needed relief for caregivers.

## PROGRAMS FOR CHILDREN AND FAMILIES

### A \$600 MILLION INVESTMENT

**Raise TANF limit.** The Temporary Assistance for Needy Families (TANF) program only serves families with extremely low incomes, and a few hours of work at a part-time job can be enough for a family to lose their TANF benefits. That puts low-income families in an impossible situation: work more and lose benefits or work less to maintain basic coverage. By raising the TANF limit and setting up transition programs for new workers, we can help families transition out of poverty and into the workforce.

**Child care.** Oregon has some of the country's most expensive child care. Expanding the Employment Related Day Care (ERDC) program will help many parents get back to work and maintain steady employment by expanding child care options for working parents. Last biennium, more than 4,000 families had been placed on the ERDC wait list and more families need help.

**Preventing domestic violence.** In 2015 over 10,000 requests for shelter for victims of domestic violence could not be met. Survivors of ongoing domestic and sexual violence are some of the most vulnerable people in the state. Providing emergency shelter and support services is an imperative.

**Justice reinvestment.** We can spend criminal justice resources more effectively with the goals of reducing recidivism, decreasing prison use, protecting the public, and holding offenders accountable. Through justice reinvestment, funds are spent on GED classes, mental health services, substance abuse treatment, community-based services and sanctions, programs to assist the transition from prison to the community, transitional housing and crisis services, and additional full-time probation and parole officers. Local public safety officials know what works in their jurisdictions. Justice reinvestment provides them with the resources and the flexibility to make their communities safer, while also reducing the number of people entering prison.

**Affordable housing.** Low-income families are priced out of the housing market. Oregon has a crushing need for tens of thousands more affordable housing units.





Additional financing is needed to preserve affordable housing and buy and renovate existing housing units to make them habitable. Other assistance can help lower and median income families purchase a home for the first time. Investment in affordable housing helps Oregon leverage other available funds.

**Child welfare.** There are simply too many vulnerable kids in Oregon. According to the Department of Education, in the 2015-16 school year, 21,340 school kids were homeless at least part of the year. From October 2014 through September 2015 there were 67,063 cases of child abuse or neglect reported to the state, but less than half (30,049) were referred for follow-up investigation. Staff positions were added by the legislature in 2015, but child welfare staffing is still only at 85.9% of the workload model, so staffers are responsible for more cases than they can adequately manage. Though the legislature increased funding for Child Welfare, with decreases in federal and other funds, the 2015-17 budget was actually \$22.4 million lower than the 2013-15 service level, and \$40 million lower than what the Department of Human Services requested from the legislature. Investments here are critical to protect our most vulnerable children.

**Expand EITC.** Oregon's Earned Income Tax Credit is set at 8% of the Federal EITC. Raising it to 20% of the Federal EITC would reduce taxes of low and middle income households, giving a much-needed break to Oregon families.

**Upgrade rental housing.** Oregon needs new housing, but also for existing housing stock to be upgraded and modernized to continue to provide safe places to live. Incentives for landlords to upgrade rentals for clean energy can help protect tenants' health as well as the environment.

## A RESPONSIBLE GOVERNMENT AND A SAFER OREGON

### A \$100 MILLION INVESTMENT

End racial profiling. Racial profiling creates stress and resentment in profiled communities and erodes trust in police. We must end profiling to have a just and equitable society. A new Oregon law directs law enforcement agencies to adopt written policies and procedures prohibiting profiling, but it will take resources to ensure those policies are put in place and followed.

Public defender pay equity. Public defenders are underfunded and overworked. They earn less than other attorneys, so it's hard to attract good lawyers to take the jobs — especially young lawyers that pass the bar with crushing debt. Among graduates of UO's law school in 2014, those with debt averaged \$105,900 in debt. As a result of public defender underfunding, Oregonians (especially low income Oregonians) are being denied the robust legal representation promised by the constitution. Better pay for public defenders means more justice in Oregon.



Adequate staffing for corrections. Corrections officers have tough jobs. Adequate staffing for corrections officers is needed to ensure safety for both officers and inmates. Adequate staffing will result in fewer injuries to officers and decreased stress levels, which will improve health and well-being.



# THE PATH TO A BETTER OREGON

Above we identify billions of dollars in important investments for Oregon. We cannot make all these investments all at once, but we must take big steps towards funding our priorities. These investment would change the course of families throughout Oregon. We know that without new revenue for these services we'll never achieve the Oregon we all believe families deserve.

These program needs can be met by requiring that large and out-of-state corporations pay their fair share in taxes. Oregon ranks 50<sup>th</sup> in business taxes and our low corporate taxes is the main reason Oregon cannot afford the services families need. If corporations doing business in Oregon paid average taxes, we would raise over \$7 billion more from businesses each biennium. We propose raising \$5 billion per biennium, which would keep Oregon in the bottom third of states for business taxes.

These taxes should be paid by large corporations, not Oregon small businesses. A broad business tax, one that every business pays, is out of step with Oregon's economy and voter values. One lesson

from the debate around Measure 97 was that voters wanted to make sure that small businesses were protected while large, out of state corporations paid more.

Many of us believed that the best path forward to fund these priorities was to pass Measure 97, which would have raised revenue and given the Legislature the opportunity to tackle real revenue reform. But that measure failed at the ballot, this new revenue proposal aims to learn lessons from that electoral fight and present a more detailed and targeted proposal here.

At its core, our proposal has two parts, a modified Gross Receipts Tax on businesses with more than \$100 million in Oregon sales and a renewed and expanded health care provider tax as proposed by the Governor. If the Gross Receipts Tax was dedicated to education and the provider tax dedicated to healthcare and public health, together they could make many of the critical investments we discuss above.

There may be other proposals to increase investment in schools and services, and we look forward to hearing them. While



we welcome new ideas, we insist that any solution embrace a set of core principles.

First, any proposal should make large businesses, not Oregon small businesses or working families, pay more.

Second, increases need to be game-changing and significant, the status quo is not serving Oregon families. We can do better.

Third, no services should be cut while Oregon is 50<sup>th</sup> in business taxes.

With these principles in mind, we submit a two part revenue proposal to fund investments that benefit all Oregonians.

## **\$100 MILLION BUSINESS TAX**

First, we propose a 2% gross receipts tax on business sales in excess of \$100 million. Only sales over \$100 million would be taxed, not total sales. All types of businesses would be subject to the tax, not just C corporations. Utility companies would be exempt. This tax would raise approximately \$4 billion per biennium.

This tax is a modified version of Measure 97 with a few important improvements. Most importantly, only businesses that do more than \$100 million in Oregon sales would see a tax increase, but all kinds of businesses would pay the tax. By raising the threshold from \$25 million to \$100 million and broadening the tax base to all business types we protect important and iconic Oregon businesses while creating tax parity among the largest corporations doing business in Oregon. Raising the threshold reduces the number of businesses that will pay the tax, further reducing the risks to pyramiding and further limiting large businesses from passing this tax onto Oregon families.

For this tax to work, we also call on Legislators to update the tax code to provide tax parity between different types of businesses. This is important overall, but especially important to protect home grown software companies and raise more revenue from out of state firms.

Because we are calling on the Legislature to create this tax, this allows decision makers to allocate money directly to services, addressing another criticism from the Measure 97 debate about whether or not the money goes to needed program areas.

And finally, to do even more to protect families from the threat of increased costs, Oregon should provide some tax relief to lower income households through a higher EITC.

## **PROVIDER TAX FOR HEALTH CARE**

The healthcare industry is prosperous, and two-thirds of healthcare revenue comes from tax dollars.

The state's fast-growing, fast-aging population means greater demand for medical care. By increasing the number of people with insurance, the Affordable Care Act has reduced bad debt and boosted provider's profits. In 2014 there were 383,000 uninsured Oregonians, but in 2015 that number had dropped to 280,000. More than half of specialist doctors' revenue is generated by private health insurance payments, so the increase in individuals with private health coverage benefits the industry. IBIS World predicts specialist doctors in the U.S. will see revenue to rise at an annualized rate of 5.6% from 2016 to 2021. That all translates to big profits. In 2015, Oregon hospitals reported over \$1 billion in net income. For-profit hospital McKenzie-Willamette had \$54 million in profits and a profit margin of 30%; for-profit Willamette Valley Medical Center netted

\$32 million with a profit margin of 34%. A provider tax on health care providers can raise the funds needed to cover health care and public health for all Oregonians.

Oregon gets federal matching dollars for state investment in Medicaid. To pull down a greater federal match, hospitals pay a 5.3% tax on net patient revenue, generating a reported 23% of the funds spend on Oregon's Medicaid program. This tax is collected and remitted to the federal government by the Oregon Association of Hospitals and Health Systems (OAHHS). OAHHS then receives the matching funds and distributes them to hospitals to pay for care for Medicaid clients. Oregon also assesses provider taxes on nursing facilities to cover long-term care for low-income people.

Oregon can raise additional funds by extending taxes to other types of providers: intermediate care and managed care facilities, ambulatory surgery centers, and practitioners like dentists and chiropractors who don't already work for a taxed entity. Provider taxes could also be put on outpatient prescription drugs. In addition to expanding the tax base, the tax rates should also be increased to maximize the federal match and meet health care revenue needs.

OAHHS is proud of their role in generating revenue for health care for low income Oregonians. Now is the time for other providers to pitch in and help raise the funds Oregon needs to ensure a healthy population. And as Oregon expands provider taxes, transparency will be ever more important. Oregonians must know where revenues come from, where matching funds go, and that administrative costs are reasonable.

## CORPORATE TRANSPARENCY

We start with these taxes because we know they will address our problem in

a practical way that protects individual taxpayers and small businesses. We don't claim ours is the only answer, but we expect it will be the beginning of the conversation that leads to real investment in Oregon's schools and services.

Good policies and substantive discussion are only possible with good information, and Oregon's lack of corporate transparency keeps lawmakers guessing. For any conversation about these business taxes to be productive, businesses must disclose what they are paying in taxes, what tax breaks they are using, and what other subsidies they receive. Tax disclosure is a critical part of tax reform.

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***Good policies and substantive discussion are only possible with good information, and Oregon's lack of corporate transparency keeps lawmakers guessing.***

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## THE THREAT TO OPPORTUNITY: PRESIDENT ELECT TRUMP AND THE REPUBLICAN BUDGET AGENDA

Oregon faces challenges now, but the problem could be much worse if President Elect Trump and Congressional Republicans follow through on their threats to slash budgets and repeal the Affordable Care Act.

In the 2015-17 biennium, Oregon received \$21.56 billion in federal funds. These funds support general fund priorities—every program area funded with federal dollars also gets state dollars. Most of the federal funds (86%, or \$18.52 billion) goes to fund health and human services. Depending on what the Trump administration does, the state may be facing a major shortfall for funding for services used by everyday Oregonians.

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***Oregon has real problems, but those problems could get worse if President-elect Trump follows through on his threats to remove services for Oregon families.***

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President-Elect Trump promised to roll back the Affordable Care Act and replace it with health savings accounts. This move could eliminate billions of dollars in federal funding Oregon currently receives to pay for health care. In 2014 around 650,000 Oregonians were enrolled in the state Medicaid plan. Today about 1.1 million people are enrolled. The repeal of all or

part of the Affordable Care Act would likely take away insurance from hundreds of thousands of Oregonians. In addition, Oregon relies on a federal waiver for the CCO model. It would be a major challenge to maintain enrollment numbers in the event federal funding goes away.

For years, Congressional Republicans have also pushed for billions in other cuts to programs for low and middle-income families. With Republicans in charge of Congress and the presidency, cuts to SNAP and other programs are likely. Over 1 million Oregonians received SNAP benefits in 2015— that's about one in four people living in the state. With so many Oregon families relying on SNAP, federal cuts would be devastating.

Congressional Republicans have discussed cuts to Pell higher education grants for students from low-income families, Supplemental Security Income for the elderly and disabled poor, the refundable portions of the Earned Income Tax Credit and the American Opportunity Tax Credit (which helps families pay for higher education), child care, foster care, adoption assistance, and Temporary Assistance for Needy Families (TANF), among others. Cuts at the federal level for any of these programs will mean greater uncertainty for Oregonians.

While campaigning, Trump suggested eliminating the EPA. Paul Ryan's budget calls for leaving EPA funding at dramatically reduced levels. Limiting environmental regulation means more pollution and faster climate change. Oregonians cherish our state's lands and waters and want to protect them. That will become more and more difficult as federal regulation is curtailed. Oregon has real problems, but those problems could get worse if President Elect Trump follows through on his threats to remove services for Oregon families. This means our local work is even more important in the coming Legislative session.



# CONCLUSION

It's up to us to build a better Oregon. We have built an unprecedented coalition, stronger than ever, ready to keep fighting for families in the state. We face threats — bigger than we've known for some time, that could make our work even harder. But there's also expanded opportunity. While Measure 97 did not pass, it laid the groundwork for a larger discussion and set the standard for the source of new revenue. This A Better Oregon report is the beginning of that next wave of discussion, more is needed and we invite all to participate. **We need A Better Oregon, but it will only happen if we can share principles and work together.**



# ENDNOTES

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