April 2, 2026

To: **Members of Governor Kotek's Prosperity Council**
Fr: **Oregon Business & Industry**
Re: **Recommendations**

Oregon Business & Industry exists to strengthen Oregon's economy in order to achieve a healthy, prosperous and competitive Oregon for the benefit of present and future generations.

This is OBI's mission statement — words carefully chosen by business leaders from across the state to reflect a vision of shared success and a state where employers and employees can thrive and flourish. That "prosperity" has entered a more common political vernacular in Oregon is welcome to OBI. But we will also be the first to say that words are nothing without action.

We want to help and are grateful for the opportunity to submit these recommendations for action to the Governor's Prosperity Council. In compiling them, we used the same principles of pragmatism, boldness and data-driven analysis that drive the rest of our work. We did not shy away from ideas just because they are hard, nor did we include things to be gratuitously provocative.

The reality is that the problems with Oregon's business climate and economy are deep, systemic and multifaceted. There is no silver bullet to restoring Oregon's business climate or regaining national competitiveness. There is no cure that will reverse trends and outcomes overnight. But there is a mix of things – some small, some large; some quick, some long-term; some executive, some legislative – that must be done. The work before the governor, her executive branch policymakers and legislators is complicated and important. It is also timely. Every month, session, year or biennium wasted without taking steps to economic recovery sets us back further, especially in a competitive landscape where other states are aggressively figuring out how to win.

Our recommendations are organized by core principles we believe the council should consider. Behind each we indicate which of the council's strategic goals[1] are advanced (B=Business Climate, W=Workforce, T=Tools for Growth). There are many ideas from OBI's Oregon Competitiveness Agenda[2] not included here. That does not mean they are less important or less impactful; we simply tried to focus on higher level issues and pare down the list for submission. We encourage those who have not yet done so to read the Agenda as well as The Oregon Scorecard[3], which includes myriad data underscoring the urgency of this work.

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[1] https://www.oregon.gov/gov/policies/Pages/Prosperity-Council.aspx
[2] https://oregonbusinessindustry.com/obi-releases-oregon-competitiveness-agenda/
[3] https://oregonbusinessindustry.com/oregonscorecard/

The bottom line is that unless Oregon strengthens its business climate through a more predictable and stable regulatory environment, manageable cost structures and balanced legislative and policymaking approaches, we risk continued distress. Greater prosperity requires a healthy private sector.

Thank you for your service on the council. Please let us know if you have any questions.

Avoid laws and regulations that make Oregon a policy outlier and harm the state's competitiveness, whether in establishing new policies or evaluating and modernizing existing ones.

- ✓ Replace Oregon's unique Climate Protection Program with a market-based program that allows for legislative oversight and linkage with other states, invests related revenue in prioritized state policies related to GHG reduction (e.g., wildfire mitigation, transportation congestion relief, industrial equipment upgrades) and avoids duplicative or overlapping regulation of GHGs. [B,W]
- ✓ Redesign Oregon's Recycling Modernization Act to ensure it is constitutional, fair and transparent to regulated entities and consumers; to align costs with outcomes; and to align systems and costs with other programs. [B]
- ✓ Engage in a thorough review of Oregon's unique, 50+ year old land use system with recommendations for modernization due to the Legislature for the 2029 session. Attention should be paid to industrial, housing and energy needs; improving the appeals process; creating more flexibility for the addition of land into UGBs or land swaps supported by local communities; and updating goals to reflect modern realities and needs. [B,T]
- ✓ Require summaries of proposed policies or policy revisions (statutes *and* administrative rules) to include comparative information about whether the proposal exists in other states, outcomes data if it does, how Oregon's proposal aligns with or deviates from such policies and how those deviations are in the best interest of Oregonians. [B]
- ✓ Task agencies with reviewing existing administrative rules to identify Oregon-specific approaches that result in layered, complex and costly regulatory requirements and then update those for increased efficacy, efficiency and alignment with national norms and best practices. [B]
- ✓ Update Oregon's unique laws and regulations relating to pay equity and non-disclosure agreements to align with other states' approaches. [B,W,T]
- ✓ Dissolve the Universal Health Plan Governance Board and reject the effort to establish a unique single payer program. [B,W]

Make Oregon a more affordable place to live, work and run a business.

(Many of the proposals in support of other principles will help realize this, but there are specific cost-alleviating measures policymakers can take.)

- ✓ Modernize the Corporate Activity Tax (CAT) by increasing the threshold and indexing it to inflation, lowering the rate to a level like the few other states with gross receipts taxes and increasing

deductibility to minimize the effects of compounding on consumers and Oregon businesses, particularly manufacturers. [B]

- ✓ Index Oregon's personal income tax rates to avoid bracket creep. [B,W]
- ✓ Reform prevailing wage laws to encourage public-private investment in housing and other essential development needs. [B,W,T]
- ✓ Create regionally appropriate policies that allow for expanded access to affordable child care, including credits or incentives for employers that participate in cost-sharing programs. [B,W,T]
- ✓ Maintain current connections to federal taxable income and reconnect to the provisions from which it has disconnected, especially small business deduction (section 199A), bonus depreciation (section 168) and qualified small business stocks (section 1202). [B,T]
- ✓ Incentivize public-private partnerships for workforce training and development, such as expanded on the job training and education opportunities and employer workforce training credits or incentives. [B,W,T]
- ✓ Streamline permitting and other regulatory barriers to housing development to ensure communities can create enough differentiated housing stock at affordable prices. [B,W]
- ✓ Eliminate the estate tax. [B]
- ✓ Place a moratorium on the enforcement of OHA's Health Care Cost Growth Target program as well as policy-setting that increases the cost of health care insurance or delivery. [B,W]
- ✓ Preempt local income and payroll taxes to avoid multijurisdictional layering. [B,W]
- ✓ Expand Oregon's state and local tax (SALT) federal cap workaround so that it can be more widely used and make it permanent. [B,W]

Establish a culture of "yes" rather than "no" and reduce Oregon's overall regulatory burden while modernizing rulemaking processes and outcomes.

- ✓ Leadership at the top needs to help reset policymaking and enforcement culture to one of "yes", where supporting private sector health is a shared goal and operational expertise is respected. [B]
- ✓ Set a target of reducing regulations in Oregon by 20% by 2030 and create a mechanism to ensure streamlining going forward. [B]
- ✓ Establish a legislative committee to review proposed, sunsetting and existing agency rules to help ensure rules align with legislative intent, do not exceed agency authority and meet agreed upon outcomes and goals (ex: Washington's Joint Administrative Rules Review Committee). [B]
- ✓ Establish sunsets for all administrative rules and programs, requiring a thorough review of the contemporary need, costs, benefits and outcomes before renewal can be approved. [B]
- ✓ Bring Oregon in line with nearly every other state and the federal government by establishing an arbitrary and capricious or de novo standard for agency action, something Attorney General Rayfield has used in more than 30 lawsuits filed against the federal government. [B]
- ✓ Require a viability analysis for any proposed regulation to ensure that pending requirements are technologically and economically feasible and commercially available. [B]
- ✓ Require more robust fiscal and economic impact analyses, including analyses on likely costs to consumers and establish accountability measures for times when such analyses are not done. [B]

- ✓ Improve Oregon's occupational licensing requirements (currently the nation's most onerous) to better align with national norms. [B,W]
- ✓ Ensure balance of perspective, ideology and expertise to rulemaking so that regulations are driven by data and evidence, not politics. [B,T]
- ✓ Establish more customer service focused operations within agencies to help regulated entities comply and improve outcomes toward policy goals. (Ex: Department of Revenue's Office of the Taxpayer Advocate, Bureau of Labor and Industries' Employer Assistance program; Defunct Ex: Oregon OSHA's previous "safe harbor" support approach.) [B]
- ✓ Prevent informal and nonpublic policymaking by agency staff, such as the development of internal management directives, manuals, interpretations or other guidance that can change program requirements without public input or sometimes even awareness. [B]
- ✓ Complete the alignment of Oregon's disparate leave laws to reduce administrative burdens for employers, employees and the state. [B,W]
- ✓ Streamline Cleaner Air Oregon (CAO) by establishing a more reasonable scope, creating off ramps for facilities under certain risk thresholds (ex: Washington), standardizing facility evaluation processes and limiting data collection requirements to contaminants with EPA-established standards; pause current CAO Toxic Air Contaminant Review and Update rulemaking to allow for more rigorous scientific review. [B]
- ✓ Repeal agricultural and manufacturing overtime laws, which place artificial constraints on workers' earning capacity and employers' ability to meet production demand fluctuations, particularly those tied to harvesting crops or other seasonally specific demands. [B,W]
- ✓ Adjust regulatory approaches to incentivize desirable outcomes by rewarding excellence while spotlighting needed improvements (i.e., more carrots, not just sticks), such as dynamic inspection programs. (Prior OR ex: pollution control tax credit, green permitting program.) [B,T]
- ✓ Improve permitting for new applications, renewals and modifications through: [B]
  - Better inter-agency coordination, including between local and state jurisdictions;
  - Consistent, public and reasonable timelines for agency action, with fee refunds to applicants if agency deadlines are missed;
  - Ending moving-target permitting, where goalposts change during a permitting process;
  - Publicly posted assessments measuring agency performance and progress toward measurable outcomes; and,
  - An external audit of and improvement recommendations for underperforming permitting programs or those with significant permit backlogs.

Prioritize business and economic development through competitive retention, recruitment and long-term planning efforts in critical areas.

- ✓ Create a Department of Commerce to provide an overarching, consolidated structure for related functions currently split across multiple agencies; to oversee business support, development and related services; and to streamline and improve collaboration, dissemination and consistency of available information. [B,W,T]

- ✓ Establish, fund and routinely refresh a statewide economic development strategy—with a plan for execution—that leverages historical and traded sector strengths while also building a future-focused economy. [B,W,T]
- ✓ Enhance business support functions focused on the retention and growth of existing Oregon companies. [B,W,T]
- ✓ Establish a statewide energy strategy that balances the state's needs for energy generation, storage and transmission with a focus on affordability and reliability. [B,W,T]
- ✓ Working with industry experts and stakeholders, further develop and strengthen the statewide strategy for wildfire resiliency that includes a focus on creating healthier, productive and more resilient forests. [B]
- ✓ Ensure the state's business development agency can focus on this function without the distraction of myriad programmatic administration efforts. [B,T]
- ✓ Restore, even partially, Lottery funds once dedicated to economic development but since redirected to other programs (down to 25% from 100%). [B,T]
- ✓ Invest in the Strategic Investment Fund at competitive levels. [B,W,T]
- ✓ Establish and make permanent commonly used tax credits and investment opportunities to help drive economic activity, ultimately resulting in economic ROI. (Ex: permanent and expanded R&D tax credit, capital equipment credits or exemptions, broadly available and easy to use job tax credit that encourages retention and growth.) [B,W,T]
- ✓ Make Enterprise Zone policy permanent and ensure Oregon's Opportunity Zones are truly statewide so that communities across the state can benefit from them. [B,W,T]

Ensure a sustainable state budget focused on providing Oregonians with outcomes commensurate with the investments made by state government.

- ✓ Engage in holistic tax reform that analyzes impacts of various taxes and structures on economic growth and private sector job creation, affordability, fiscal sustainability and the relationship between local and state tax policy. [B,W,T]
- ✓ Connect allowable state budget growth to an economic growth measurement, such as GDP. [B,W]
- ✓ Use one-time money only for one-time programs. [B,W]
- ✓ Avoid expanding one-off revenue schemes that increase Other Fund revenue for the purpose of offloading General Fund obligations. [B,W]
- ✓ Transition from current service level assumptions to zero-based budgeting to ensure proper analysis of needs, growth and outcomes. [B,W]
- ✓ Working with national experts, establish actionable K-12 education outcome metrics and goals, then hold the department and districts accountable for those outcomes. [B,W]
- ✓ Consolidate and strengthen workforce development through a coordinated approach that builds upon successful regional efforts but contains focused state leadership rather than just a haphazard distribution of funding. [B,W]
- ✓ Require 10-year (five-biennia) budget forecasting as part of the agency request process, the governor's recommended budget proposal and the legislative budget-setting process. While not binding, this will inform legislators about anticipated needs and cost escalations. [B,W]