

Salem Report

By Representative Brad Witt



The recent news out of Oregon's Office of Economic Analysis was mostly positive with the release of the state's third quarter Economic and Revenue Forecast.

Oregon continues to see healthy rates of economic growth, however we are not immune to national and international developments. While topline manufacturing indicators in the state look good, cracks may be forming due to the trade war. All told, Oregon continues to hit the sweet spot for now. Growth is strong enough to keep up with an increasing population and deliver economic and income gains to Oregonians. The share of working-age residents with a job is higher than the nation's average and both wages and overall household incomes continue to rise.

The September forecast reflects a stable economic outlook, but heading into the new biennium, uncertainty about the performance of the nationwide economy has become paramount. Growth will certainly slow to a sustainable rate in the coming years, but Oregon is better positioned than ever before to weather a revenue downturn. Automatic deposits into the Rainy Day Fund and Education Stability Fund have added up over the decade-long economic expansion. When the expected ending balance for the current biennium is included, Oregon has more than \$2.5 billion in reserves set aside, amounting to more than 12% of the two-year budget.

The impacts of the trade war with China are only beginning to be felt. Given the recent Chinese retaliation of not buying any U.S. agricultural products, the International Monetary Fund recently modeled various U.S. - China trade scenarios and found that Oregon agriculture does see more exposure than many states and those exports are currently down. Oregon's agricultural exports include a variety of specialized products such as fresh berries, fruits, and hazelnuts. And while it may be easier to find new international markets for commodities such as soybeans, wheat, and corn, it is more difficult to establish new markets and find new customers for specialized or niche products and services as they are not as interchangeable as commodities. As such, it will likely take more time for global trade patterns to

shift for these customized products.

Oregon businesses that are start-ups are at an all-time low, with data starting in the late 1970s. Associated start-up employment follows a similar pattern. The concern is that new businesses are generally considered the source of innovation and new ideas, products, and services that help propel economic growth. To the extent that fewer start-ups indicate that R&D more broadly is not being undertaken, slower growth is to be expected moving forward. If the larger firms that have won out in today's marketplace are investing in innovation-related R&D perhaps the worries about the number of start-ups today may be overstated. However these longer run, downward trends in new business formation warrants, at the very least, concern about future growth prospects.

Importantly, Oregon does enjoy the long-term advantages of low electricity costs; a central location between the large markets of California, Vancouver, and Asia; clean water; low business rents and living costs when compared to other Left Coast locations; and an increasingly diverse industrial base.

Recently I attended the Legislative Council on River Governance (LCRG). This group, composed of legislators from the Columbia River states of Oregon, Washington, Idaho, and Montana, meets to discuss common challenges and emerging opportunities faced by the people living and doing business in the Columbia River Basin. We share strategies to address common challenges and work together to leverage new opportunities. At the Council meeting, we received an overview of the Columbia River Treaty negotiations, regional impacts of energy policy on the Columbia River Basin, fishery issues, and aquatic species prevention.

In mid-September lawmakers returned to the Capitol in Salem for Legislative Days to receive updates on legislation, rulemaking, budgets, and prepare for the 2020 short session.

The House Interim Committee on Economic Development heard compelling but disappointing information on Growing Capital Access for Oregon Small Business. Many people testified about the challenges of finding the money necessary to fund a start-up, and the loss of potential business in Oregon is detrimental for the overall economy.

Successful Oregon small busi-

ness owners seeking capital investment to expand their operations in rural areas mentioned the difficulty to obtain funding and are hoping the state can establish grants or another low barrier funding tool. Many of the small business owners testified that after the last economic downturn, the banking industry tightened their lending rules, and this has resulted in decreased Oregon charter bank investment in business start-ups. We cannot depend on private venture capital investors for Oregon small businesses. Currently 80% of all venture capital investment in the country occurs in California, New York, and Massachusetts. That means the remaining 20% is split up within the other 47 states, making it extremely difficult to access funds from these so-called "angel" investors. Because it is so incredibly important to build and invest in small businesses, Oregon needs to step up, and figure out a pathway to help ease this problem. As lawmakers we need to be mindful of the impacts of any proposed legislation on small business. We need to look at unintended consequences and be willing to look at legislation implementation time lines, worker compensation rates, gas taxes - anything that impacts the business bottom line. I believe it is time to investigate all options going forward, because new business formation helps propel economic growth and strengthens our communities.

The Joint Committee on Transportation received an update on the "Real ID" driver licenses. The Real ID Act of 2005 set new federal standards for issuance of state driver licenses and ID cards. The standards include proof of identity, legal presence, and address. Oregon has been granted several extensions regarding this requirement, but as of October 1, 2020 Real ID will be necessary for all commercial airline travel, and to access secure federal buildings and installations. Currently Oregon driver licenses do not meet the federal Real ID standards but people can use federally issued identification such as a passport or passport card for travel.

The 2017 Legislative Assembly directed DMV to begin offering the option of Real ID compliant driver licenses and ID cards, and those will come on line in July of 2020. There are concerns from the agency, that the DMV cannot serve a million Oregonians in the less than three months between July and October who could be looking to obtain a



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Real ID. ODOT is launching a significant communications campaign regarding the upcoming requirements. DMV is making operational changes in anticipation of the surge of customers they are expecting beginning in July, hiring additional employees, expanding online offerings, and the expansion of the successful third-party testing program which oversees private businesses that currently conduct Class C and Commercial Driver Licensing examinations.

On October 4, U.S. Congresswoman Suzanne Bonamici will hold a Town Hall meeting to discuss Federal issues at the Scappoose High School Conference Room. That meeting begins at 2:30 pm.

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