

vs. benefits. The city should do such detailed analysis "in a responsible way, the way a business would do," Bettman says. But "we don't do that at the city," she says. "It's all basically politically motivated."

Bettman is far from alone in speaking out against corporate giveaways. A broad range of business and government leaders have recognized the tax break problem. Here's another sampling:

- "As a businessman, I never made an investment decision based on the Tax Code. ... [If] you are giving money away I will take it. If you want to give me inducements for something I am going to do anyway, I will take it," Paul O'Neill, former CEO of Alcoa and current U.S. Treasury Secretary, said in 2001.

- "Any company that makes a decision as to where they are going to be based on the tax rate is a company that won't be around very long," businessman and New York City Mayor Michael Bloomberg told *The New York Times* in 2001.

- "The handout game, whether it involves steel mills or baseball teams or high-tech R&D, stops when politicians fathom or are made to learn that it doesn't pay off in most cases. ... They ought to attend to competitiveness by maximizing the appeal of their jurisdiction to every kind of enterprise, not just those with a big snout," said a 1994 *Wall Street Journal* editorial.

- "There is a belief that they [corporate tax breaks] work," David Brunori, a George Washington University Law School professor and contributing editor of *State Tax Notes* told the *Seattle Times* last month. "There is virtually no evidence that is the case."

- "Oregon is demure and lovely, and it ought to play a little hard to get. And I think you'll all be just as sick as I am if you find it is nothing but a hungry hussy, throwing herself at every stinking smokestack that's offered," former Oregon Gov. Tom McCall said decades ago.

Even without any breaks, taxes in Oregon

already available.

Locally, Eugene City Councilor David Kelly says the city should assemble and rehabilitate brownfield and little used industrial land before allowing more sprawl. "Before we expand the urban growth boundary 500 acres, let's study seriously all the vacant and under-used industrial land we already have."

"Look at the facts," Bob Stacey, director of the land use watchdog group 1000 Friends of Oregon, said recently. "Do not assume land use planning is a problem because we're in an economic crisis," Stacey said. "That's just not the case."

BEYOND CORPORATE WELFARE

There are better ways to a strong economy than tax breaks and deregulation, critics say.

The best way to create jobs is to invest in public services, especially good schools that attract people and employers to the state, according to a growing reform movement. "We can't expect to compete in a full-time world with part-time schools and substandard services," says Nesbitt, state AFL-CIO director and a leader in the Oregon Revenue Coalition. The coalition, made up of a long list of labor and civic groups, is calling for cutting tax breaks to protect Oregon's livability and jobs.

"Please ask your lobbyists not to support education in one hearing room of the state Capitol and then show up with their hands out for more tax cuts in another. You can't have it both ways," says Nesbitt.

A million dollars in tax breaks given to a corporation could have kept school open for another day for 51,000 children, according to the Revenue Coalition.

Intel and other high tech employers have already expressed concern that with the state's underfunded school system, they will have trouble attracting and retaining good employees.

... giving more tax breaks to get more tax revenue doesn't make sense.

are already very competitive. Oregon now has the lowest business taxes among 11 Western states. Last year, more than 80 percent of Oregon's corporations used income tax loopholes and dodges to qualify for the minimum payment of \$10.

"Having cities all over the country recruiting and clamoring for the same business with incentives and tax breaks is really a lose, lose game," says Councilor Bettman. "We have been doing that statewide and locally for at least a decade and a half, and it has created a situation where we don't have enough money to operate."

It's also unclear how deregulation is the economic answer. Kulongoski hasn't provided any evidence that the state is actually enforcing unnecessary regulations. In fact, Oregon already appears to have some of the weakest regulation in the nation. The state has the worst record in the U.S. for regulating water pollution, with more than half of all wastewater permits out of date.

Nor has the governor provided solid evidence that the state lacks sufficient industrial land for new businesses. Cities are already required by law to provide an "adequate" supply of industrial land within their growth boundaries. The state hasn't inventoried what's

Economist Joseph Cortright, recently told *The Oregonian* that when it comes to high tech, the quality of schools "is a big factor in their decision to come here and stay here."

The National Education Association recently produced a detailed report on the damage an estimated \$50 billion in corporate tax breaks and diverted urban renewal money is doing to schools nationwide. "These subsidies can harm public education by diverting funding that local schools badly need to sustain their educational mission," the NEA reported. In addition, "Today's development subsidies may be enriching corporations at the cost of the education of tomorrow's work force."

"Despite the enormous injections of public funding they have received, subsidized corporate development schemes have not really delivered on the promises of public benefits," according to the NEA report. By damaging schools, the breaks "may be undermining the attractiveness of an area to the highly skilled work forces that businesses increasingly seek," the NEA reported. "Educated, skilled workers want to give their children good educations as well."

If underfunded schools produce more high school dropouts, that will have a big impact on the Oregon economy. Dropouts earn 30 percent

less in wages, are twice as likely to be unemployed and four times more likely to need state health insurance, according to the Oregon School Boards Association.

The American Federation of Teachers has joined in calling for reform of tax breaks that take money from schools. "Businesses and organizations that receive public subsidies often provide little measurable benefit to the public in return and often cost the taxpayer up to \$100,000 for each job they create," the group said in a recent resolution.

Funding other government services would also give the economy a boost. A million dollars in tax breaks could have provided in-home care for nearly 200 seniors for one year or crisis services for 1,637 people suffering mental illness, according to the Revenue Coalition.

Besides giving people good jobs helping other people, social service funding also brings in millions of federal matching dollars into the Oregon economy. For example, a recent study by ECONorthwest economists showed that a state expenditure of \$300,000 in food stamp outreach would attract between \$700,000 and \$3.8 million in federal funds. Each \$1 million in federal spending would add 22 jobs to the state economy and help reduce the state's federal ranking as worst in fighting hunger, the study found.

Unlike corporate profits that are sent out of state, poor people quickly spend their subsidies in state, giving an added boost to the state economy, welfare advocates point out.

To adequately fund state services, the Revenue Coalition is calling for a crackdown on tax breaks for big business and the rich, and an increase in existing business taxes. "Back in 1990, businesses paid more than 40 percent of the operating costs of schools statewide, mostly by means of the property tax; now their contributions have declined to less than 30 percent. That difference alone accounts for the shortfall in our school budgets today," Nesbitt of the AFL-CIO says.

With the legislature pushing even more corporate welfare, the Coalition says it will pass a ballot initiative if necessary.

LOCAL JOBS

What's good for the state will also work locally. Economist Whitelaw says the region

should focus on attracting high quality workers and companies with well funded local services such as roads, parks, sewers and schools. Rather than focusing on corporate incentives, "Eugene/Springfield can do best for its economic prospects by asking its public sector to do well what they do best," Whitelaw says.

City Councilor Bonny Bettman agrees. "The best investment is for the city to invest in excellent services," she says. "It makes an excellent place to do business and an excellent place to live."

But Bettman, on the losing end of recent council votes to give more tax breaks to Hynix and to dramatically expand urban renewal, has had a hard time convincing her fellow councilors. "We're starving services and losing jobs so we can take the money and give it to private industry to create jobs. It just seems like a big contradiction to me," she says, pointing to a proposal to cut 23 city positions to close this year's budget gap.

Bettman says the Riverfront urban renewal area will cost the city \$160,000 next year and much more in later years. "We're going around to taxpayers saying the sky is falling, then we're diverting money that could be used for schools and other services."

City Councilor David Kelly says the city should focus on helping existing local small businesses. "The majority of your jobs is going to come from local, already established small businesses," he says.

Last year Citizens for Public Accountability and Friends of Eugene called for a similar approach in a "Citizens State of the City." Supporters of focusing on small business say such employers can provide more and more stable jobs than a single large corporation. Small employers don't all go under at once and, rooted locally, are less likely to pick up and move abroad for cheap labor.

With studies showing that as much as 80 percent of the nation's manufacturing jobs may be headed overseas, Kelly says, "if you're looking to hang your economy on new large manufacturing companies, you're in big trouble."

For the last five years, the city's official Growth Management Policies have called for an economic development "focus on small, local and environmentally sensitive business." But little has been done. Last year, the council



DETAIL OF A MURAL BY CARL MORRIS.