

Land use policy, cautious investments could help Oregon weather economic uncertainty

BY JULIA SHUMWAY
Oregon Capital Chronicle

Conservative investments and decades of policies aimed at reducing dependency on cars could insulate Oregon from the worst effects of an economic crisis sparked by Russia's invasion of Ukraine, but state leaders and their advisers say much is still uncertain.

The state and national economy rebounded rapidly after the initial shock of the Covid pandemic and widespread shutdowns in 2020. Higher wages and more business transactions boosted Oregon's tax revenue so much higher than anticipated this year that state legislators had a surplus to spend this session.

They had budgeted more than \$25 billion for the two-year budget cycle that ends in July 2023. They ended up with more than \$1.4 billion extra. Oregonians are likely to receive large rebates on their taxes in two years because of a state law that sends money back to taxpayers if tax collections exceed the amount budgeted.

However, inflation was hitting Oregonians hard before Russia invaded Ukraine, and it's likely to get worse. A report from state economists in February noted that inflation-adjusted wages have declined for most workers, with inflation at a 40-year high in the U.S.

After Russia invaded Ukraine, gas prices skyrocketed. That has ripple effects on other commodities that travel by truck at some point.

Gov. Kate Brown told the *Capital Chronicle* she expects to meet soon with her council of economic advisers to talk

about the war in Ukraine and potential impacts on struggling Oregon families. She believes recent legislation that will pour millions of dollars into workforce training, housing and child care will help, along with a plan to send \$600 payments to low-income Oregonians.



Oregon Capitol Building

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“We’re obviously watching the markets very closely and looking for ways to help Oregonians make ends meet,” Brown said.

Joe Cortwright, chair of Brown’s council of economic advisers, said the most obvious direct impact on Oregon’s

economy is higher gas prices. Not much can be done in the short term at the state level to address rising gas prices and related costs, he said.

“The bigger issue is just all the uncertainty that it creates,” he said.

The Republican governors of

Residents of sprawling cities like Oklahoma City or Dallas, Texas easily spend twice as much on driving than the average Oregonian, he said.

Oregon cities don’t sprawl to the same extent because of a 1970s law requiring urban growth boundaries, lines that limit where and how cities can expand. Cities need state approval to expand their urban growth boundaries, and state land-use laws require them to prioritize building up, not out.

Over the long run, that means fewer subdivisions proliferating on the far edges of towns and more development in the core area of a city, and Oregonians who live in cities don’t have to drive far to reach most services. That insulates residents from some of the worst effects of inflation over the past year, which especially affected fuel prices and car prices, Cortwright said.

“The price of those things is going to fluctuate,” he said. “What we could do locally is reduce our dependence on those things so that we don’t have to spend a bigger fraction of our income.”

As prices at gas pumps went up, the stock market fell. That’s not a worry for the roughly \$135 billion Oregon invests, said state Treasurer Tobias Read.

Oregon’s investments, the bulk of which are tied to the retirement fund for government employees, are designed to weather economic insecurity. That means Oregon’s pension fund won’t see the same massive gains in good markets that Oregonians might see in their own investments – but the public funds also are designed not to plummet in bad markets.

“We are in a volatile time for a lot of reasons, but Oregonians should feel pretty confident about where we are at Treasury, being prepared, being prudent, finding the right opportunities and keeping our investments safe,” Read said.

The state is still in the process of dumping about \$137 million in Russian assets, a complicated process. Oregon and other states rely on outside investment managers to handle some investments, and Russian bonds, currency and public equity were included in portfolios. Government and private investors are trying to dispose of their Russian investments, but doing so is complicated because of U.S. sanctions.

Georgia and Maryland temporarily suspended state gas taxes last week, and the Democratic governors of Colorado, Michigan, Minnesota, New Mexico, Pennsylvania and Wisconsin have asked congressional leaders to suspend the federal 18-cents-per-gallon gas tax through the end of the year. Federal legislation to suspend gas taxes remains stalled in Congress.

Brown has no plans to push for a suspension of Oregon’s 38-cents-per-gallon gas tax, her spokesman said last week.

Oregon’s long-term planning means the state is better situated to withstand fluctuations in gas prices than others, Cortwright said.

The average American drives about 25 miles per day, but the average Oregonian only drives about 20 miles per day, he said.

“We spend less money on cars and gasoline, so when the price of gasoline goes up in Oregon, it hurts us a lot less than it does the typical American,” Cortwright said.

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