# Higher wages drive state revenue

By JULIA SHUMWAY
*Oregon Capital Chronicle*

Tim Gruver/The Center Square, File

**The Oregon Pioneer stands atop the Oregon Capitol in Salem. A quarterly economic forecast from the state Department of Administrative Services predicted Oregon will recover from the pandemic-induced recession more quickly than it did from the Great Recession. Higher wages, especially for low-income workers, are making up for expiring federal aid, according to the forecast.**

SALEM — Higher wages are driving up Oregon's projected tax revenue, but most middle-class workers won't feel the benefits of larger paychecks over the next year because of inflation, state economists said Wednesday, Nov. 17.

A quarterly economic forecast from the state Department of Administrative Services predicted that Oregon will recover from a pandemic-induced recession much more quickly than it did from the Great Recession. Higher wages, especially for low-income workers, are making up for expiring federal aid, according to the forecast.

But labor shortages and supply chain disruptions are driving prices up and eating into families' budgets. And the Portland area, which contains roughly half the state's population and jobs, is lagging behind the rest of Oregon in recovering from the pandemic.

With Oregonians earning more money, the state is collecting more income tax revenue than expected when the current budget cycle started in July. Oregonians who filed taxes in 2020 and 2021 are already expected to receive $1.9 billion next year in "kicker" tax credits triggered when the state collects more in taxes than it budgeted, with a credit of $420 for the median taxpayer. Forecasters now predict the state will refund $558 million in 2024 as well.

A rosy forecast for state government revenue presented to Oregon's House and Senate finance committees came as other legislative committees heard dire warnings about a coming wave of evictions as tenants struggle to afford rent.

"It's still really quite something to grasp that we're in a situation with a revenue forecast where we're seeing additional revenue over what had been forecast; things look really rosy that way," said Rep. Nancy Nathanson, a Eugene Democrat who chairs the House committee. "There are other legislative committees hearing very troubled information about people who are in danger of losing their homes and other types of challenges for some of Oregon's businesses and individuals. How can this be true at the same time?"

## Wage gap narrows, inflation hits

Across the board, wages adjusted for inflation are up about 8% since the start of the pandemic in Oregon in March 2020. Workers making less than $20 an hour saw the most significant increases, while those making more still saw raises but they didn't keep pace with inflation.

Normally, inflation would hit low-income workers the hardest, state economist Josh Lehner said. If you're living paycheck to paycheck, higher prices mean those paychecks don't go as far. Workers who earn more and don't routinely spend everything they earn might need to decrease the amount they save, but they also stand to benefit from rising returns on their investments.

On average, low-income workers in Oregon are increasing their standard of living, while middle-income workers are beginning to struggle with the erosive effects of inflation.

"Basically, if you're more than $20 an hour you're seeing wage gains, but not as fast as inflation, so you're seeing some real wage declines," Lehner said. "From a broader societal economic perspective, maybe some reduction in wage inequality would have some broader benefits, even in a high inflation environment, but of course, when the typical worker seeing real wage declines, and you're paying more at the pump, more at the store, that really starts to hit your budget."

For the most part, economists expect higher prices to begin to subside as supply catches up to demand for products that were manufactured at much slower rates than normal during the pandemic. For instance, used car prices are up roughly 40% since the start of the pandemic because of a shortage of semiconductor chips needed for new cars, but those prices are expected to decrease as manufacturing ramps up.

Other areas, including rising costs to buy or rent homes, are more concerning, state economist Mark McMullen said.

"We're seeing a tremendous amount of inflation there, but unlike what we're seeing in terms of a lot of the other durable goods, we can't expect a huge supply response that's going to come and save the day and bring down house prices and bring down rents going forward," he said. "So that's something where there may be a role for policymakers."

If inflation doesn't cool, Oregon could be back in a recession by 2023, under an alternative forecast. That scenario predicts that more than 130,000 people would lose their jobs and the state wouldn't fully recover until 2028.

## Rural recovery outpaces Portland

Counties in Eastern Oregon far outpaced the rest of the state and most of the country in income growth during the past year, mostly because many families there had low incomes, McMullen said. Stimulus checks, changes to child tax credits that resulted in guardians receiving monthly payments and increased federal unemployment payments were more meaningful in counties with lower average incomes.

Portland, meanwhile, is trailing the rest of the state in recovery. Other large metros around the country also are recovering slower from the pandemic than rural and suburban areas, which the economists said demonstrates a difference between the pandemic-induced downturn and the Great Recession.

After that recession, metro areas led the rest of the country. But cities thrive on crowds and in-person activities, and people aren't yet flocking to cities for shopping and events.

"What's impacting all large urban areas is the lack of in-person activity," Lehner said. "People aren't going out to shows, aren't going out to eat quite as much in the urban cores as they are in the suburbs and in our rural communities."

Lehner and McMullen wrote in their report that they expect Portland will remain an attractive place to live and will recover fully, but it's unclear whether the city will regain its perch as one of the most attractive destinations for workers.


EO Media Group, File

**Oregon drivers will pay 2 cents more on every gallon of gasoline beginning on Jan. 1, 2022, as the state's fuel tax rises to 38 cents per gallon.**

# Oregon's fuel tax rises again, even as drivers buy less gas

By ZANE SPARLING
*Oregon Capital Insider*

SALEM — Gas prices are up. They're about to get even higher.

Oregon drivers will pay 2 cents more on every gallon of gasoline beginning on Jan. 1, 2022, as the state's fuel tax rises to 38 cents per gallon.

The pump price jump was baked into House Bill 2017 — the omnibus $5.3 billion transportation package passed by state lawmakers that year — which included three previous price hikes and a final two-cent increase set for 2024, at which point drivers will be paying 10 cents more per gallon in tax.

There's also a separate 10-cent per gallon fuel tax collected by the city of Portland, plus an 18.4 cent federal gas tax, meaning Rose City consumers are paying roughly 64 cents in taxes on every gallon of gas.

Oregon Department of Transportation data shows state fuel tax revenue has recovered somewhat from the COVID-19 slump, even though drivers are buying less gas.

As virus restrictions emptied public spaces and converted most white collar commuters into home workers, gross tax revenue dropped from $620 million in calendar year 2019 to $589 million in 2020.

According to ODOT Budget Manager Daniel Porter, the state has collected $486 million in fuel tax revenue through September, about $20 million more than this time in 2019, with the final quarter of revenue yet to be tabulated. But the number of gallons of gasoline sold is lagging previous years, with 1.357 billion gallons sold through September of this year compared with 1.38 billion in September 2019.

All told, some 1.829 billion gallons of gas passed through the pump in 2019, compared with just 1.645 billion last year.

"Annual comparisons on revenue wouldn't quite be apples to apples," said ODOT spokesperson Shelley M. Snow. "If you look at gallons sold we're still about 2% off of where we were in 2019."

Lawmakers have considered proposals to ditch Oregon's fuel tax in favor of a tax on every mile traveled, which would return electric vehicle users to the tax base, but so far it's just an idea.

Statewide, the average price for regular unleaded gas is $3.78 per gallon, according to the American Automobile Association. That's nearly a buck and a quarter more than the average unleaded gas cost of $2.59 a gallon from this time last year, though still less than the price peak recorded in 2008, per AAA.

Oregon Driver & Motor Vehicle Services fees charged when drivers renew their vehicle tags, apply for a trip permit or vehicle title also will rise about 3% next year.

# Baker City feedlot hopes to expand

By LYNNE TERRY
*Oregon Capital Chronicle*

BAKER CITY — A Baker City feedlot that manages fewer than 3,000 head of cattle is seeking permission from the state to expand to 15,000.

The expansion would require approval of a new confined animal feeding operation permit through the Oregon Department of Agriculture. CAFO permits specify the number of animals a company can have in one location and requires a plan for managing manure.

Baker City Cattle Feeders operates under a CAFO permit that allows up to 3,499 cattle. The next step is a Large Tier II permit, allowing 3,500 cows and more.

The Agriculture Department notified the public earlier this year about the proposed change. A spokesperson said the department has no position on the request. The public can comment on the request by emailing Janet.Short@ODA.Oregon.gov, calling 503-986-4792 or faxing 503-986-4730.

Such permits can be controversial, especially if neighbors are worried about manure running into waterways. A plan for a large chicken operation for 3.5 million animals a year to be sold to Foster Farms has sparked criticism, with dozens of people commenting on the proposal. It would be located near the Santiam River near Scio.

The Baker City proposal has yet to draw much attention from advocates for small farms.

John Hepton, who operates the feedlot, told the Capital Chronicle in an email that all of the manure from the cattle will be sold to local farmers.

"We have more demand for the organic nutrients in our manure than we could ever produce with the expansion," Hepton wrote.

He said the feedlot receives recently weaned calves and feeds them through the fall, winter and into the spring to "develop replacement heifers for local farmers and ranchers."

There are currently 70 ranches, dairy farms, feedlots and other operations in Oregon with CAFO Tier I permits. They allow up to nearly 125,000 chickens, nearly 40,000 sheep and up to about 30,000 pigs depending on the weight. Another 35 companies have Tier II permits.