



February 16, 2020

The Honorable Lynn Peterson  
Metro Council  
600 NE Grand Ave.  
Portland, OR 97232-2736

RE: Funding Mechanism for Homeless Services Measure

Dear Metro President Lynn Peterson and Metro Councilors,

The Portland Business Alliance (the Alliance) is greater Portland's Chamber of Commerce and represents the largest, most diverse network of businesses in the region. The Alliance advocates for business at all levels of government to support commerce, community health, and the region's overall prosperity. We represent more than 1,900 members, from 27 counties, 13 states and virtually every industry sector. More than 80% of our members are small businesses.

We are writing to you concerning our support for the Here Together coalition's policy framework for a homeless services initiative and the approach that we believe would strengthen the resiliency of the revenue mechanism to fund the measure that now faces a shortened timeline for May, 2020.

The Alliance has been actively engaged since the inception of the Here Together advisory committee nearly two years ago. Eight members of our organization sit on the committee, including three current board members and a former board chair who is one of the founding members of this effort. We are supportive of the work of the committee and the tremendous effort that has brought the proposed policy framework for wrap-around homeless services to this point. We thank the remarkable collection of diverse stakeholders who have worked tirelessly to produce something that the Alliance believes could end chronic homelessness in our region.

We believe that the homelessness crisis is a regional issue, and deserves a regional response. This is why we are fully supportive of Metro being the government entity that will collect and distribute the revenue, and hold accountable those who will deliver these desperately needed services to the unsheltered.

Additionally, the Alliance supports a funding amount of up to \$250,000,000 per year, subject to a 10-year sunset, to combat chronic homelessness in our region. The scale of the problem has vastly outstripped the resources available and therefore the ability of front-line service providers to respond to this crisis. The scale of this measure is absolutely necessary if we are to make a difference on our streets and for those suffering from chemical addiction or mental health crises. Central to our support, is a strong reaffirming message that this initiative will make equity a priority throughout this effort.

While we agree on all of the above points concerning the proposed framework of the regional homeless services initiative, we disagree on the currently proposed funding mechanism of a new region-wide income tax to pay for this effort.

Instead, the Alliance board of directors has overwhelmingly adopted the position that a regional payroll tax is the best way to achieve a resilient funding mechanism to combat chronic homelessness in our region. A payroll tax will not suffer the same problematic flaws that a new additional regional income tax represents.

We also understand voters will consider a payroll tax to fund a 2020 transportation investment measure, called by many “T2020,” in November of this year. The Alliance requests that the funding mechanism for the proposed homeless services measure be the same as the mechanism currently proposed for T2020 – a progressive payroll tax.

We understand the combined funding for both initiatives would need to be up to \$550,000,000 per year, an estimated \$300,000,000 for transportation investment and \$250,000,000 for homeless services. We could support funding for both the homeless services and transportation investment measures if they are paid for by regional payroll tax.

Why we oppose a new regional income tax:

- Oregon is already a very high income tax state, especially relative to Washington, which has no income tax.
- Due to the fiscal reforms of Congress, state and local income taxes are no longer deductible, which has essentially caused an income tax increase for Oregonians.
- It is widely understood that income tax typically outperforms other revenue mechanisms in good economic times and underperforms in bad economic times. Oregon has seen dramatic fluctuations in state revenue for decades. There is broad agreement among economists that a recession is likely in the near future. Making these particular services dependent on an income tax will expose their stability to this risk.
- The need for homeless services increases during recessions as more individuals, especially among our most vulnerable populations, face greater housing insecurity during economic downturns. It would be particularly bad policy to utilize a funding mechanism that can be expected to decrease at the time the demand for the services that it will fund will likely increase.
- Asking only one small and highly-mobile group of individuals to pay for this does not present the society-wide policy solution that this initiative seeks to advance.
- Our region does not currently have an income tax, and while the proposed tax will be on a just a few thousand individuals to start - because that is what polling says is popular - all residents should be concerned that this tax may eventually impact all levels of income.
- Included with this communication is an analysis of a previously enacted income tax and consequences specific to what occurs when a regional income tax is implemented next to Washington, which has no income tax. (Source: ECONorthwest report, "Interstate Migration and Income Tax in Greater Portland," Oct. 2015)

Why we support a regional payroll tax:

- A broad-based payroll tax is currently the primary consideration for Metro to fund T2020. We consider the work done by the Metro council to be the exact type of analysis that should be done for any measure. We applaud your technical work in this matter.
- The currently constructed payroll tax as presented by Metro is a mechanism that includes a number of progressive considerations.
- A payroll tax is vastly more resilient in bad economic times.
- Technical considerations can be built into a payroll tax so that:

- Small businesses are not disproportionately harmed and could be exempted.
- Further work can be done to consider how employers and/or employees will shoulder the cost in a manner that is equitable. A guideline should be a tax structure that does not place our employer community at a competitive disadvantage nationally or internationally. Conversely, the tax should not place workers who are least able to afford a tax increase at risk.

Because of the aforementioned, we believe the right policy for Metro is to enact a payroll tax for the homeless services measure developed by the Here Together coalition. A similar funding mechanism of a payroll tax should be applied to the anticipated T2020 measure. As you are aware, polling paid for by Metro to inform the transportation measure task force, and the Metro council, shows that a payroll tax structured to exempt small businesses garners broad support from voters.

At the most recent meeting of Here Together, the Alliance presented this position to the coalition. However, the coalition was provided guidance to not accept this revenue mechanism due to campaign considerations. We respect the coalition process and remain committed to it. Our position is that political calculations alone should not govern the funding mechanism for this measure.

We believe that if a payroll tax is developed similar to the current Metro proposal, then voters will support it as your polling has indicated. As such, a pathway to voter approval is possible using a payroll tax as a funding mechanism. To that end, it is the difficult job of elected officials to ensure that our region's decisions are guided not just by polls, but grounded in sound policy. Central to our proposal is that the right policy should be resilient, progressive, and not jeopardize the fiscal viability of homeless services in the business cycles when the need for service will be the highest.

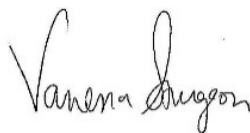
The Alliance board has not formally adopted an endorsement for the homelessness services measure proposed by Here Together, but with these changes to the funding mechanism, this measure could earn our endorsement. We hope you'll take our recommendations into consideration in crafting a resilient revenue mechanism.

Thank you for the opportunity to work with you to solve this priority issue for our region.

Sincerely,



Andrew Hoan  
President & CEO  
Portland Business Alliance



Vanessa Sturgeon  
Chair, Board of Directors  
Portland Business Alliance

Cc: Clackamas County Chair Jim Bernard  
Multnomah County Chair Deborah Kafoury  
Washington County Chair Kathryn Harrington  
Here Together Advisory Committee Chair, Katrina Holland