One Oregon, Two Economies

Myths and

By Joseph Cortright

The conflicts between urban and rural Oregon, between the Portland area and the rest of the state, are accentuated by the outdated images we Oregonians often have of ourselves. W e tend to picture Oregon nostalgically, as having a rural, resource-based economy rooted in our forests and farms. Likewise, we think of poverty and crime and the considerable public expense of dealing with them as urban problems.

One enduring myth about Oregon is the dominant role we attribute to forestry, farming and fishing in providing jobs and income. Historically, our economy grew up around harvesting the abundance of the land: lumber and wood products from the forest, grain and a cornucopia of other crops from farms and ranches, and fish from the sea. Indeed, the symbols of these industries (salmon, fir trees and wheat) are quite literally woven into the fabric-the carpets to be exact-of the State Capitol.

But these images are outdated. High technology has overtaken wood products as the state s largest manufacturing employer. Value-added manufacturing produces twice as much economic output as timber or agriculture. This economic shift has been largely an urban phenomenon. The Portland metropolitan area is now economically larger than all of the rest of Oregon put together, accounting for 52 percent of Oregon s jobs and 58 percent of the wages paid by Oregon employers.

Many people think that most of the state budget goes to the Portland area, to deal with urban problems like poverty and crime and to pay for big-ticket items like light rail. Actually, metropolitan area residents, who make up about 45 percent of the state s population, consume a proportionately smaller share of most state-financed services than do Oregonians living elsewhere. Because of their higher average wages and incomes, taxpayers in the metropolitan area pay about 55 percent of state income taxes. As a result, the Portland metropolitan area is a major contributor of funds for state services that benefit all of Oregon.

In the largest area of state expenditure, financial support for K-12 education, the Portland area contributes nearly $1.1 billion annually in tax payments and lottery proceeds, and receives slightly more than $815 million in state payments to schools. This produces a net annual outflow from the Portland metropolitan area of $285 million per year, which helps cover the cost of schools in other parts of the state. (These figures, and those that follow, come from the Oregon Fiscal Flow Analysis, a comprehensive financial study completed by my firm, Impresa).

This pattern is repeated throughout the state budget. The metropolitan area consistently contributes more in taxes and other revenues than it receives in benefits: For example, the Portland area generates 57 percent of lottery revenues and 65 percent of corporate taxes, but accounts for only 37 percent of health plan payments, 38 percent of welfare recipients, 40 percent of unemployment insurance benefits and 47 percent of prison inmates. In every major category of state spending except transportation, the Portland metropolitan area pays more in taxes than it receives in state services or shared revenues.

The reasons for the fiscal flow from urban to rural Oregon are simple, if not obvious. Our progressive income tax now the largest source of tax revenue in Oregon taps more revenue from the metropolitan area, where average incomes are 32 percent higher than in the rest of the state. Lower incomes and higher poverty rates outside of the city mean more reliance on state funding for unemployment benefits, school aid, medical care and welfare.

Revenue from the Portland area helps offset the cost of continuing economic troubles in rural areas. Although they may not always realize it, urban Oregonians have a strong interest in encouraging economic development in rural Oregon, particularly measures that will increase incomes. Rural Oregonians have a financial stake in maintaining Portland s thriving economy. Without the metropolitan area s economic success, taxes would be higher and public services lower for all Oregonians.

Perhaps it is time, after all of the economic changes that have swept the state, to acknowledge that the interests of urban and rural communities are intertwined, and that while we may have two distinct economies, we are all part of one Oregon.

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