



# A PLATFORM FOR OREGON'S FINANCIAL FUTURE

**JEFF GUDMAN FOR OREGON STATE TREASURER**

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“This piece has a lot more words than the usual campaign mailer”

Dear Voters,

I know this isn't the typical layout of a piece of political campaign literature. This piece has a lot more words than the usual campaign mailer, and it's too bulky to be effective canvassing collateral. It dives deep into hot-button topics like the kicker, or property taxes, that campaign consultants might say are dangerously likely to put me "on record" on divisive issues.

By all accounts, you're probably expecting a 6" by 11" glossy handout that includes my name, campaign logo, and a few non-controversial bullet points, like the fact that I support K-12 education funding (which I do).

But Oregon deserves better than that. The office of State Treasurer is a complex and multifaceted position that has extraordinary influence over a wide array of fiscal policies that can directly impact Oregonians' lives for the better — or not. Or to paraphrase one of our past Treasurers: Times are tough, and a State Treasurer with the right priorities can help.

I believe that in order to make sure that we elect a Treasurer with the right priorities, we need to be willing to entertain a campaign that deals with issues, not personalities; proposals, not bullet points.

In this handout, I've detailed a lot of my priorities and proposals that I would like us to take to the State Treasury. I'm looking forward to working with a broad coalition of stakeholders to refine and further develop how we approach these items.

Oregon deserves a State Treasurer who is both willing and able to get into the details of the state's financial policy and fight for results. I hope you'll join me.

Jeff



# PLATFORM

**To provide common-sense fiscal leadership for Oregon.**

- **Expand economic opportunity for Oregon families,**
- **Utilize financial resources more efficiently in State government,**
- **Invest in Oregon's future both financially and programmatically,**
- **Increase transparency and public involvement, and**
- **Ensure that existing Treasury programs that are running well continue to run well.**



## Public Employee Pensions

**The pensions — including the plan structures — we have promised our public employees are part of an agreed-upon compensation package.** The solvency of PERS is an issue that needs to be taken very seriously moving forward, but we can no more simply remove that compensation than we could refuse to pay a restaurant bill after overeating at dinner. It is a constitutionally-protected contract. But there are steps we could take to address solvency that protects employees and retirees while maintaining the prudent management of that system. Some of this, the Legislature has done, such as carefully adjusting amortization schedules in order to present a more realistic picture of capital needs. In addition to that, I will ask the Legislature to commit to an influx of \$100 million per year for ten years to the PERS system in order to help get the State and local government budgets over the hump of impending Tier I retirements.



## Climate Change

Whether we like it or not, **climate change has a significant impact on our financial landscape and must be factored into our decision making.** However, I believe that simply selling off carbon-laden equities to other buyers is often an abdication of our responsibility to promote better, more helpful policy in the long run. When Oregon holds an investment, we have an opportunity to promote our values in the corporate governance of that entity. With that in mind, I would propose the following actions within the State Treasury:

- ✓ Create a syndicate of other like-minded institutional investors to combine our proxy voting powers and push aggressively to ensure that our holdings are meaningfully and prudently planning to move past fossil fuel reliance — and acting on those plans.
- ✓ Daylight the financial risks of climate change by including a climate change risk factor statement in the State's bond issuances. Bond buyers are already factoring these concerns into pricing; it's time we were open about it.
- ✓ Examine the possible use of Oregon's trust lands with regard to leveraging climate-friendly opportunities. For example, selling carbon credits for forestlands, or constructing solar arrays in rangelands (which would still be able to be utilized as rangeland).



## Infrastructure

Oregonians — particularly working Oregonians — spend a significant portion of their lives on or using public infrastructure. From the streets and highways and mass transit they use to commute, to the pipes and electric grid that keeps their home liveable, to parks where they recreate, **it is important that we not only invest in new infrastructure but continue to ensure that new projects and maintenance of existing infrastructure are deployed in a way that is equitable to all Oregonians.** As Chair of the State Debt Policy Advisory Commission, the State Treasurer has significant influence over identifying debt capacity, but has historically not attempted to prioritize or value certain projects. As Treasurer, I would assemble a Debt Prioritization Advisory Committee to help the Treasury provide a framework to the Legislature on how to ensure the best, highest, and most equitable use of that debt capacity, in order to help prioritize the kind of small but important projects that are often ignored (such as wastewater projects in smaller cities or unincorporated areas). In addition, I will urge the Legislature to examine ways of reforming or replacing our gas tax, possibly with a Vehicle-Mile Assessment, to address the growing inequity of owners of newer, electric cars paying less than their fair share.



## Economic Opportunity

One of the best ways to help promote economic opportunity that I have heard of in recent years is the Opportunity Accounts (sometimes called "Baby Bonds") program that was outlined by U.S. Senator Cory Booker. Essentially, each newborn Oregonian would receive an Opportunity Account opened in their name, with yearly payments made in inverse proportion to their family's income level. More economically distressed families would see larger contributions, while a well-off family may see comparatively meager contributions. Once the child turns 18, they would be able to draw upon those funds for specified purposes — such as educational costs, home ownership, retirement, etc — similar to a trust. **Reports have estimated that a child growing up in an average family would see balances at that point of between \$15,000-30,000, depending on various socioeconomic factors: an amount certainly helpful with regard to fostering educational opportunities or making a down payment on a home.**



## Kicker Reinvestment

Collaboratively identifying bipartisan alternative uses of kicker funds.

### Currently:

Whenever Oregon's "kicker" is ready to kick unanticipated revenue back to taxpayers, the State Legislature has the opportunity to redirect that refund into other budgetary priorities through a supermajority vote. However, due to the high vote threshold as well as what has essentially become an institutionalized tradition, the kicker is now almost uniformly sent back to taxpayers.

But according to the original supporters of the kicker, the initial impetus behind it was not to create a tax refund but to even out the biennial-to-biennium budget and prevent the type of "boom and bust" budgeting cycles that Oregon — the state most heavily reliant on the volatile income tax — might otherwise fall into.

Nevertheless, by institutionalizing the kicker as a refund to taxpayers, the State has lost a great deal of otherwise prudent financial investment.

### My Plan:

As State Treasurer, I will establish and formalize an ad hoc Surplus Redistribution Advisory Committee whenever the kicker appears ready to kick.

The committee will be made up of appointees representing a bipartisan cross-section of industry, workers, local governments and other interests, as well as delegates from the Legislative Assembly. The committee will be responsible for, with the assistance of staff, advising the State Treasury in issuing an official recommendation to the Legislature as to how kicker funds might be allocated in a way that prudently maximizes the financial effects. This may be a combination of a tax refund, debt buy-down, capital investments, targeted grants, or any other one-time payments that yield long-term benefits.

The Legislature will, of course, not be obligated to follow such advice, but I believe that with the right people at the table willing to work towards common goals we will have an opportunity to begin institutionalizing measured deliberation of our spending, rather than a reflexive and unreflective non-decision. This way, the intent of the kicker to control state spending is maintained, but while allowing us to make investments that will actually help maximize our resources and capacity. This is something that can be done without a Constitutional Amendment; we just need the willingness to have the tough decisions and come together across the aisle.

## Investment Council Transparency

Making investment actions transparent and easily accessible to the public.

### Currently:

While all relevant Oregon Investment Council (OIC) materials are made available online, the average Oregonian trying to track investment decisions has to pour through hundreds of pages of uploaded analysis and meeting information in order to glean information about a single vote. In contrast, the Legislative Assembly has a very transparent "Oregon Legislative Information System" website that presents a crystal-clear picture to the general public of what is queued up, what votes have been taken, and what determinations have been made.

Our State Treasury can do better.

Recently, the State Treasury took a good step forward by making records of corporate governance actions more transparent, but there is still much more to be done, particularly when it comes to the state's initial investment decisions.

### My Plan:

I will instruct the State Treasury to develop and launch an online investment information tool that allows Oregonians a clear view of what is occurring at the public OIC meetings: Records of proposals, testimony, supporting documents, and perhaps most importantly, actual records of OIC votes for fund commitments and policy items.

Although much (if not all) of this information is available to people who attend public OIC meetings currently, not everyone has the time to attend such meetings, or to thumb through the mountains of information online in order to find what they are looking for. Greater access to transparent information about OIC decisions can help better inform the public as well as policymakers.

And since the cost of this system can be borne by existing unused resources, it does not require any additional appropriation from the Legislature.



## Property Tax Rebalancing

Incentivizing housing construction by reforming our tax structure.

### Currently:

Property taxes are assessed on two components of a property asset: The underlying land value, and the value of improvements on the property such as a house or office building. Both of those components are taxed at the same rate; that is to say, the assessed values of those components are added together to get the total assessed value of the property, and then a tax is imposed based on that total (the rate varies according to where the property is located).

This tilts the consideration for landowners in urban areas towards leaving vacant lots vacant instead of building on them, since an improvement would drastically add to the assessed value and therefore tax liability.

### My Plan:

Although the State Treasurer has no direct say over property tax policy, as Oregon's Chief Financial Officer the Treasurer does have a "bully pulpit" through which they can propose and rally support for certain financial reforms.

The current system of property taxation is biased toward land speculation, and rewards real estate investors who want to sit on a parcel of land with a low tax liability until they feel it has appreciated in value enough to re-sell or develop.

But with the State's housing crunch making housing more and more expensive, we shouldn't have a tax structure that rewards that kind of inaction. Instead, we should have a tax structure that impels people to put those parcels to the highest and best use.

As State Treasurer, I will urge the Legislature and Counties to reform the methodology of assessing urban property taxes by lowering the rate for improvement value and raising the rate for the underlying land value. In this manner, individual homeowners or other landowners with existing improvements wouldn't notice a change, as the respective raising and lowering of those rates would be designed to cancel out. However, urban property owners of unimproved lots would see an uptick in their tax rate, and be incentivized to build improvements in order to set revenue against their tax liability.

## Debt Buyback Program

Taking advantage of high interest rates to extinguish some debt at lower rates.

### Currently:

With interest rates high, many private sector lenders are looking for opportunities to extinguish their outstanding low-interest loans so that the money can be loaned out at a higher rate.

At the same time, Oregon has billions of dollars of prudently-managed debt being slowly paid off, but which might be able to be settled now for a lower interest rate. This would free up additional debt capacity.

### My Plan:

When the State has available capital, the State Treasury should evaluate whether it makes sense given the interest rate environment to buy down the State's debt at an advantageous rate, as creditors look for available capital.

Sometimes, it might not make sense. But when it does, the freeing up of that debt capacity provides advantages to the State budget as well as other infrastructure needs. If we have infrastructure needs, we might not want to use that freed up capacity while interest rates are high, but the option exists and we're no worse off. More importantly, the state budget is released from making associated debt service payments on that borrowing, which frees up money that could be applied to any number of programs or projects.

Think of it as a way to refinance in a high interest rate environment by negotiating with our creditors in exchange for an influx of capital.

Given the amount of capital required, this is not likely to be a common occurrence, but in scenarios where the kicker is expected to provide billions of dollars of surplus while interest rates are high, this approach should be on the table for consideration by the Surplus Advisory Committee described previously.

# ABOUT JEFF GUDMAN

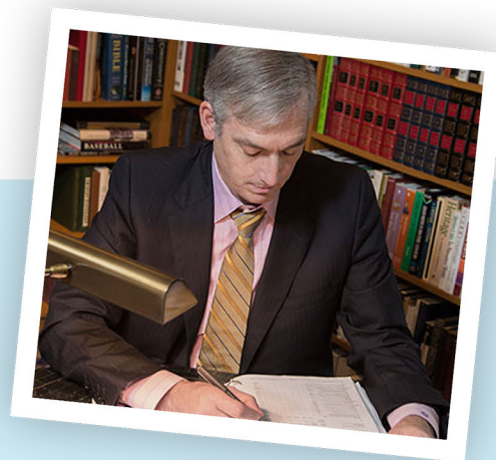


During my time on the Lake Oswego City Council, I was known as a staunch budget hawk. With my fiscal leadership, we were able to fund our priorities without raising anyone's taxes. We dramatically reduced our unfunded liability for road maintenance, rebuilt our operations and maintenance center, and rebuilt city hall and the police station – all without asking for an extra dime from our residents.

Oregon can do more with the revenue that we already have – without raising anyone's taxes. How we manage our finances determines what we can afford: roads, schools, bridges – even PERS. As an experienced treasurer and analyst, I can offer reliable management of our state's finances to help put our state back on strong financial footing.

I have been Treasurer of the Legacy Emanuel Hospital Foundation, USA Olympic Swimming, and two subsidiaries of Northwest Natural Gas. I've also worked as an analyst and investor for more than thirty years.

I have the experience to make informed and wise decisions – and when need be – the fortitude to make tough choices.



## Civic Involvement

- Lake Oswego City Councilor (2011 – 2018)
- Lake Oswego Budget Committee, Chair and Member
- Legacy Emanuel Foundation, Treasurer (2008 – Present)
- Legacy Hospital Group Finance Committee, Ex-officio Member
- USA Olympic Swimming, VP Program Development (2010 – 2014)
- USA Olympic Swimming, VP Administration (2002 – 2006)
- USA Olympic Swimming, Treasurer (1996 – 2000)
- USA Olympic Swimming Trials, Stroke and Turn Official (2008/2012/2016)
- Western Section of USA Swimming, Secretary (2001 – Present)
- Oregon Swimming, Chair, Treasurer (1980's – 1990's)
- Clackamas Volunteers in Medicine, Treasurer (2019 – Present)
- Multnomah Athletic Club, Treasurer (1992 – 1994)
- Financial Executives Internat'l – Portland Chapter, Chair (1987 – 1988)
- Camp Fire, Member (1990's)
- Northwest Pilot Project, Chair



## Jeff Gudman for State Treasurer

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[www.JeffGudman.org](http://www.JeffGudman.org)

