

Co-Chair Barnhart, Co-Chair Berger, members of the committee,

Thank you for allowing me to testify. My name is John Calhoun. I am an entrepreneur and investor in early stage companies. I am currently the CEO of InsideValuation Partners, a property valuation company serving the national financial industry with offices in four Western states. Today I am representing the Equity Alliance of Oregon, a group of business leaders concerned that further, avoidable budget cuts in response to our revenue shortfall will damage the state's economic recovery, and that what the state SHOULD be doing is investing in education and business infrastructure.

This morning's Revenue Forecast is relatively good news, in that it won't require even further deep cuts beyond what has already been agreed upon. And yet, the fact that this is a relief shows just how tragically low our expectations have become for our future as a state.

We have seen funding for schools, universities, and critical infrastructure get slashed for years, under a false assumption that there's just no other choice available to lawmakers. Too often, elected leaders throw up their hands and say, "There's just nothing that can be done." Even the current budget framework is based on an assumption of many painful cuts to critical services.

But whenever the legislature meets to set a budget it always has a choice. It can increase revenues, cut spending, or do a combination of both. We are urging you not to fall into the trap of choosing only the spending cutting option and I am here today to voice support of House Bill 4088 and other revenue enhancing options. More budget cuts should not be our only response. As business leaders, we know that prosperity will result from proactive investments. We need to consider how to raise revenue and then invest it back into very things that make this a great state.

As business leaders, we believe that the worst thing the legislature could do right now for the business community is to reduce funding for education and other basic infrastructure. We need solutions that will jumpstart our economy, keep Oregon a competitive location for businesses, and start rebuilding the middle class. We need to invest in infrastructure.

The revenue-raising provisions in HB 4088 are a good, reasonable starting point to begin that discussion. Those components are designed to ask for more from the wealthy few, while protecting middle-class families and small businesses.

Have the budget cuts over the past year helped our economy? Not in our opinion. While we added 23,000 private sector jobs, we cut 5,400 government jobs across the state, and mostly in education. Laid off teachers and firefighters no longer have money to spend at local businesses causing destructive ripples through our entire state. Perhaps worse for our future prospects, cuts to our schools—from K12 through the university system—will leave students less prepared to compete in the modern economy. Corporations will hesitate to move here because of the lack of

trained workforce and no real investment in business incubation. This is a recipe for economic disaster for the state as a whole and for individual families.

Many will tell you that any increase in taxes on the wealthy or on businesses will hurt business. We disagree. First everyone needs to realize that we are not a high tax state. In 2011, a corporate-funded study found Oregon to have the nation's second-lowest "effective business tax rate". With the possible exception of targeted tax subsidies, marginal tax rates have no role in location decisions made by businesses.

As an investor I have reviewed dozens and dozens of business plans and invested in more than a dozen. I have never seen a business plan that mentioned marginal tax rates as part of any investing decision. Yes there are investments based upon targeted tax subsidies, but not what we all consider new business entities that will turn in to the next Nike or Microsoft or Intel.

In fact two of our biggest economic development competitors, Silicon Valley and Seattle, are locations with higher costs and higher business taxes. Companies move there from Oregon because they have infrastructure we lack, not because they are seeking lower taxes. If we are to become more competitive in recruiting and retaining high growth companies we must continue to invest and expand our infrastructure not cut our investments.

Lastly, as business executives and upper income individuals, we believe that the most equitable and effective tax system is one that is based on the ability to pay. We believe that Oregon's ongoing prosperity is tied directly to the strength of the middle class and providing real economic opportunities for all Oregonians. That is why we support HB 4088.