OREGON FARM BUREAU

Locally Grown and GROWING STRONG

July 14, 2022

Chair Bruce Goldberg
Vice-Chair Zeenia Junkeer
Joint Task Force on Universal Health Care

Re: Proposed Oregon Universal Health Care Plan

Chair Goldberg and Vice-Chair Junkeer,

Thank you for the opportunity to provide comments in response to the Joint Task Force on Universal Health Care's proposed Universal Health Care Plan. The Oregon Farm Bureau Federation ("OFB") is the state's largest general agriculture association, representing over 6,300 families engaged in farming and ranching. OFB represents family farms and ranches of all sizes and production scales.

We appreciated the opportunity to participate directly and provide member input at the provided forums for both small and large employers. We are providing this testimony in support of the points we raised as part of the forums. Oregon agriculture is at a tipping point. Each day, Oregon's farmers and ranchers are facing inflation at a 40-year high, elevated fuel costs, increased fertilizer costs including a national shortage, extreme drought in several parts of the state, and sky-high hay costs. When the cost of production increases for farmers, they have to figure out how to produce more for less. Given these significant business constraints, Oregon farmers and ranchers cannot afford the significant personal income and payroll tax increases that are contemplated to fund this massive expansion of Oregon's budget to support a universal health care proposal. Additionally, we have significant doubts regarding the ability of the state to administer such a program – past experience shows that state administration will be inefficient, lack accountability, and ultimately will fail to provide the level of health care service our current system provides. While OFB wants to be a part of the solution when it comes to health care, we strongly oppose the proposal as it currently stands.

The proposed employee payroll tax designed to generate $12.85 billion per year and the personal income tax (in addition to Oregon's existing personal income tax) designed to generate $8.5 billion per year amounts to **a total of $21.35 billion in new taxes per year**. This is just **$6 billion less** than the State of Oregon's entire general fund for the entire 2021-2023 biennium**.** This is an unprecedented expansion of state government, and the cost is far too great.

As noted in the May 19, 2022 presentation by Optumas, covering the aggregate financial impacts as well as the distributional impacts of this proposal, Self-employed Oregonians (approximately 12% of tax filers in Oregon) would experience less benefit and more cost under the program. With Oregon's farming and ranching families already at their breaking point due to the continued burden of new regulations, we believe this additional tax would drive the family farm out of our state, allowing more large-scale, corporate farms to enter.

Earlier this year, a coalition of agricultural organizations released an economic report by Highland Economics, LLC to assess the potential impact of the proposed changes to overtime requirements on Oregon agriculture.[1] The results of the Highland Economics report indicate that Oregon farmers and ranchers cannot afford new payroll costs.

Agriculture is significant for Oregon's economy and land base, but it is not always profitable. Oregon agriculture has a market value of over $5 billion, of which approximately 2/3s comes from crop production and 1/3 from livestock, poultry, and animal production (including dairy). Approximately 5.7% of Oregon's workforce works on a farm or ranch, and over 8% of Oregon employment is linked to agriculture.

Labor costs represent a large part of operating costs for growers of major Oregon commodities. Nearly 70% of the economic value of crop production in Oregon is from specialty crops, which rely on farm labor more than other types of crop production. Other top agricultural commodities include cattle and calves and milk production, and compared to other farm types, dairy farms nationally have the next highest hired farm labor expenses. Because of the share of labor-intensive specialty crops and the size of our dairy sector, Oregon agriculture is more labor-intensive than agricultural production elsewhere in the U.S.

The economic analysis found that over the last ten years, farm costs have increased significantly, but farm income hasn't kept pace.

- A majority of Oregon's farmers and ranchers have faced significant challenges over the last 18 months that resulted in lost farm income: drought and severe weather conditions, market access (due to trade relations and the COVID-19 pandemic), shortages of skilled agricultural labor, agricultural land use and conversion of Oregon farmland, and farm succession as farmers and ranchers age.
- The analysis found that the prices of ag inputs and farm labor costs are rising faster than the prices received for farm products.
- In the last 10 years, prices received by farmers have increased by approx. 9%, while prices paid by farmers for feed, seeds, fertilizer, chemicals, machinery, services, rent, etc. have increased by 16%, cutting into farm profit margins.

[1] https://oregonfb.org/agovertimestudy/

- Labor wage rates have increased the most in the last 10 years, increasing by 41.5% nationally. Oregon farm labor costs follow that trend and are set to increase dramatically over the next several years as Ag Overtime is phased in.
- The economic analysis confirmed that farms will generally not be able to pass on increased costs to customers. Many agricultural commodities are traded on national and global markets where producers are price takers.

Oregon's farms and ranches simply cannot afford the payroll cost increases that will come with this proposal.

Oregon's farmers and ranchers take pride in providing good, stable, family wage jobs for those they employ. According to the same Optumas study, small employers (below 25 employees and not providing insurance coverage) would also experience less benefit and more cost, employers with high employee wages would experience less benefit and more cost, and small businesses could actually be put in a position to subsidize large businesses under the proposed health care plan.

The proposed $8.5 billion payroll tax also does not align with the Paid Leave Oregon tax set to begin on January 1, 2023, which does not require employers with fewer than 25 employees to pay into the system. This was heavily negotiated based on small employers' unique challenges and their ability to pay more in taxes. We are concerned with this lack of consistency.

We also are concerned that while one of the stated goals of the Universal Health Care Plan is to separate employment from coverage, the payroll tax remains tacked on— therefore tying the program's funding to employment.

Finally, as noted by our employers in the forums, the personal income tax model could also negatively impact farm and ranch families more than other businesses, as income is often negative for several years before 1-2 profitable years, which could easily drive farmers into higher tax brackets despite very low long-term income.

We urge you to go back to the drawing board and rework the proposal to more narrowly deal with the small subset of Oregonians who do not have health insurance. Thank you for your consideration of these concerns.

Sincerely,

Mary Anne Cooper
Vice President of Government & Legal Affairs
Oregon Farm Bureau