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Simplifying the Complex since 1980

Co-Chairs Fahey and Wagner, Co-Vice Chairs Bonham and Drazen and Members of the Committee:

A.R.E. Manufacturing, Inc. (ARE) is a small, family-owned manufacturer in Newberg, OR. We have been machining components and providing jobs to our local community since 1980. All 41 of our employees reside in the state of Oregon, and last year 97% of our sales were to customers within the state. We are truly an Oregon business.

Functioning, modern transportation infrastructure is necessary for economic health. It's the basis for the efficient, safe movement of people and goods. ARE supports smart, effective transportation investments, however we are writing in opposition to the current transportation proposal. LC 2 is overly broad and inconsistent with both our needs as a local business and the needs of our employees.

There are four main areas we wish to address.

First is the bright spot. ARE is pleased to see the Legislature taking steps to adhere to its constitutional duty regarding cost allocation. We urge lawmakers now, and in the future, to continue to prioritize policies that comply with the Constitution and to protect against policies that require specific industries or vehicles to pay more than their fair share.

Second, there is no mention of how ODOT will finally bring to completion the projects promised to Oregonians in 2017. Revenue was raised on the premise of those uncompleted projects.

Third, while LC 2 makes attempts at improved accountability, the proposal does not in fact inspire confidence that Oregonians, including our business, our customers, vendors and employees, will see improved results or follow-through. The Continuous Improvement Committee lacks operational and fiscal expertise. This omission is a serious flaw. Audits are informative but only provide after-the-fact accountability, if they are even acted upon. The bill emphasizes process over results, leaning heavily on retrospective reports, with no measurable outcomes or real-time accountability. Further, the National Environmental Policy Act (NEPA) expertise requirement is undefined and contains no safeguards against potential conflicts of interest.

Fourth, but most important—and most troubling—is the proposal to double the statewide transit payroll tax on working Oregonians. The special session was premised on preventing cuts in ODOT

staffing and preserving maintenance and hazard response on roads. Governor Kotek stated, “The special session will be focused on critical near-term solutions to stabilize basic functions at ODOT and local governments. This is just the first step of many that must be taken to meet our state’s long-term transportation needs.” A doubling of the statewide payroll tax for transit does not meet this threshold. Our employees are already struggling with high costs of living and increasing this payroll tax will exacerbate this problem. They have already been subject to increased payroll taxes via the Paid Family and Medical Leave contribution added in 2023. To increase another tax, that was never brought to a public vote, feels wrong. Is the legislature’s goal to price Oregon residents out of being able to afford to live in Oregon? We have heard the argument that businesses just need to pay higher wages, but with what funds are we supposed to pay more? We are already a break-even business with slim profit margins. We can not afford to pay our employees more, even though we would very much like to. Our employees deserve it. But, the constant creation of new taxes and fees, increase of existing taxes and fees, and increasingly complicated regulations leave us with nothing left over. We are a fourth-generation Oregon family trying to do right by our employees, but the constant increase in the cost of business triggered by the Legislature’s choices is making it increasingly difficult to do so. In addition, job reports and economic forecasts are not good and getting worse. Now is not the time to impose increased costs on Oregonians, particularly when nothing is done to address issues of utilization and ridership. The Legislature’s own listening sessions brought forth data that belies an increase—let alone a doubling—of this tax: Ridership across the largest systems has been trending down, some systems do not charge a fare and some haven’t raised them for more than a decade, and other systems have woefully low fare recovery ratios. Doubling a payroll tax as Oregonians continue to struggle with lingering effects of a multi-year inflationary spiral requires greater justification than is contained in LC 2 and greater proof of ROI for all those who pay it.

As a final note, while we may be facing an emergency now, it was predictable, avoidable and manageable. The process to develop a transportation infrastructure package was convoluted and lengthy, but without real attention to economic realities, public trust, or diverse stakeholder input. Beyond that, there was sufficient lead time to plan for the lowest risk reduction in services if cuts were in fact required after no package was passed earlier this year.

We do not like to see layoffs and job losses, period. We would urge state leaders to demonstrate the same sense of urgency about private sector job losses. After all, a healthy private sector (and the wages, income, philanthropy and taxes it provides) is, ultimately, what generates increased revenue for government services.

Thank you for the opportunity to provide testimony regarding LC 2. To reiterate, ARE supports transportation infrastructure investments, which are necessary for economic prosperity. However, for the reasons outlined above, ARE urges opposition to LC 2.