

A City Club Report on the Portland Clean Energy Fund Surcharge on Retailers to Fund Clean Energy and Job Training

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This ballot measure, herein called the Portland Clean Energy Fund (PCEF), would impose a new 1% surcharge on revenue for retail corporations that make over \$1 billion in annual national sales and \$500,000 in annual Portland sales. (Groceries, medicine, and medical services would be exempt.) As a result, the fee would only affect the largest corporate retail chains in the country while generating revenues for in-city renewable energy and job creation. It is estimated that approximately 120 firms would be affected, though exact numbers are unavailable.

EXECUTIVE SUMMARY

In January of 2018, a coalition of environmental and social justice groups filed an initiative petition with the City of Portland to enact a corporate revenue surcharge on large retailers to fund projects that will address the city's needs of renewable energy, energy efficiency, "green" job training, and energy efficient housing for Portland's most vulnerable populations.

Supporters predict that the steady influx of new revenues dedicated solely to local projects will enable Portland to become an overall "greener" community. With more energy-efficient housing, especially in low-income neighborhoods, new employment training and opportunities in the related industries, and the reduction of greenhouse gasses in the metropolitan area, the PCEF would address the renewable energy needs of Portland's 2015 Climate Action Plan while also addressing the lack of equity in renewable energy sources among communities of color and low-income households.

Opponents support the need to address climate change, though they assert that PCEF is an inappropriate way to go about it. They argue that the plan is relatively cost-inefficient and poorly planned. Opponents also believe the 1% surcharge is excessive given the existence of other

programs that already address Portland's renewable energy goals and the current taxes that are devoted to existing energy efficiency programs. Finally, opponents argue that the corporate surcharge would be passed on to consumers in increased prices for goods and services, making it no different from a sales tax.

After assessing relevant literature and expert testimony, your committee:

- Believes the provisions in the Measure that create an oversight committee and require regular audits will provide sufficient management controls.
- Sees no conflict with other existing or proposed programs that address renewable energy equity or climate change. In fact, your committee believes that the PCEF would nicely augment existing programs or proposals that pursue similar environmental action.
- Our literature review indicates that current research does not support the claim that a relatively small corporate surcharge, such as 1% on large businesses, would negatively affect capital formation, prices, or wages.
- Your committee believes that the PCEF is not sufficient by itself to meet the goals of the 2015 Portland Climate Action Plan, but understands that the PCEF builds the basis by which future initiatives will be able to meet said goals.

Recommendation: The committee recommends a “Yes” vote.

City Club members will debate this report on Wednesday, Aug. 22, 2018 at Ballotpalooza. Club members will vote on the report beginning Wednesday, Aug. 22 and concluding on Friday, Aug. 24. Until the membership votes, City Club of Portland does not have an official position on this report and the Portland Clean Energy Fund. The outcome of the vote will be reported via email and online at pdxcityclub.org.

TABLE OF CONTENTS

EXECUTIVE SUMMARY 1
TABLE OF CONTENTS 3
INTRODUCTION..... 4
CRITERIA FOR EVALUATION..... 5
Fairness..... 6
Sufficiency 6
Certainty..... 6
Clarity 6
Efficiency 6
Neutrality..... 6
LITERATURE REVIEW AND THEORY 6
DISCUSSION AND ANALYSIS..... 7
Fairness..... 7
Analysis 7
Sufficiency 8
Analysis 9
Certainty..... 10
Analysis 10
Clarity 11
Analysis 11
Efficiency 11
Neutrality..... 12
Analysis 13
CONCLUSIONS..... 13
RECOMMENDATION 13
SIGNATURES 14
APPENDIX A: WITNESSES..... 15
APPENDIX B: INTERVIEW QUESTIONS 16
APPENDIX C: BIBLIOGRAPHY 17
APPENDIX D: EXTENDED LITERATURE REVIEW 18
APPENDIX E: ACKNOWLEDGEMENTS 19
APPENDIX F: ABOUT CITY CLUB 20

INTRODUCTION

The Portland Clean Energy Fund (AKA Portland Clean Energy Benefits Initiative 2018) will appear on the November 6th, 2018 ballot as follows:

Portland Clean Energy Community Benefits Initiative 2018

Caption: Imposes surcharge on certain retailers; funds clean energy, job training

Question: Shall large retailers (defined) pay 1% surcharge on Portland revenues to fund clean renewable energy (defined) projects, job training?

Summary: Measure amends code to require Portland retailers with total annual revenue over 1 billion dollars and Portland annual revenue over 500,000 dollars to pay 1% surcharge on gross revenue from retail sales (defined) within Portland. Proceeds placed into new Portland Clean Energy Community Benefits Fund. Certain sales of groceries, medicines, health care services excluded from gross revenue.

Measure creates new Portland Clean Energy Community Benefits Fund Committee; will exclusively recommend to mayor distributions of Fund proceeds as grants to private, Oregon nonprofit organizations, for:

Clean Energy Projects (approximately 50-75%): renewable energy, energy efficiency and green infrastructure projects, such as:

- Energy not produced from fossil fuels, nuclear power, or certain hydropower
- Heating, lighting, water, cooling efficiencies
- Green building design
- Tree canopy

Clean Energy Jobs Training (approximately 20-25%): training that prioritizes workforce development for traditionally underemployed, economically disadvantaged workers, including:

- Communities of color
- Women
- Persons with disabilities
- Chronically underemployed

Future Innovation (approximately 5%):

- Annual financial audit; biennial performance audit
- Administrative costs cannot exceed 5%
- Other provisions

In January of 2018, a coalition of environmental and social justice groups filed an initiative petition with the City of Portland to enact a sales tax on large retailers to fund projects that will address carbon emissions, investment in energy efficiency, renewable energy, “green” job training, and better housing for Portland’s most vulnerable populations.

The Auditor of the City of Portland certified the ballot measure on July 27th, making it one of two municipal ballot measures to go to the voters in November.¹

The Measure is similar to the 2016 statewide Ballot Measure 97, in that both measures levy a tax on large retailers. Although Measure 97 was rejected by voters, the PCEF differs from M97 in that (1) it will exempt food, medicine, and health care services from the proposed tax, (2) the PCEF is a municipal initiative and (3) the PCEF is a smaller tax that only targets roughly 120 of the top grossing businesses in the Portland area.

A suit in Multnomah County Circuit Court questioning the ballot measure’s title and constitutionality was filed on February 13th, and was not successful.²

The City of Portland Revenue Bureau reported that because the PCEF was a ballot initiative and not a City project, the City has done no analysis and has no data about its impact on the price of goods and services or expected revenue as a result of the 1% corporate surcharge.³

The remainder of this report will cover the following:

- (1) a set of six criteria that your committee has adopted to evaluate the corporate surcharge will be enumerated and explained;
- (2) a literature review of current economic theory and empirical research conducted on the topic of corporate revenue surcharges and its effect on several economic indicators, including capital formation, wages, prices, and the unemployment rate; and
- (3) our majority discussion will assess literature, theory, and witness testimony after which we conclude by delivering our recommendation to City Club members.

CRITERIA FOR EVALUATION

In evaluating the merits of the tax, your committee decided to adopt the standards established by the City Club of Portland under the 2002 title “Tax Reform in Oregon.” These criteria were also used in City Club of Portland’s assessment of Measure 97 in 2016.

Fairness

A tax system should be progressive. As a taxpayer's (individual or corporation) income increases, so should the percentage of that income they pay in tax.⁴ Taxpayers with similar levels of income or assets should generally pay similar amounts of taxes.

Sufficiency

A tax system should produce a flow of revenue adequate to pay for the public services and programs deemed necessary by citizens and the local government.

Certainty

A tax system should be subject to only limited changes over time.

Clarity

The basic functioning of a tax system should be understandable and capable of being described in clear and simple terms. This allows citizens to comprehend and debate the value of the system and the likely impacts of proposed changes to it.

Efficiency

The cost and complexity of taxpayer compliance should be kept to a minimum, as should the burden of collection and enforcement. The tax system should be complementary to other systems at different levels of government.

Neutrality

A tax system generally should not have a strong impact on economic activities and should minimize interference in private economic decisions. It should not adversely affect the ability of businesses within the city to compete with businesses in other cities.

LITERATURE REVIEW AND THEORY

After reviewing a number of academic articles related to the impact of corporate surcharges and taxes, the committee made three interesting findings: (1) that specific research on the impact of a corporate revenue surcharge on a single city was unavailable; (2) more recent academic articles lack uniformity in the result and implications of corporate surcharges or taxes on key economic indicators such as wages, the unemployment rate, and prices of goods and services; and (3) small rate changes had little impact on corporate, public, or personal finances.

Concluding our findings, the impact of taxation on different economic factors is broadly researched; however, the findings are widely mixed. While theory is relatively clear that tax impacts will be passed on to consumers, empirical results are mixed and do not unanimously support the theory.

A more detailed literature review can be found in Appendix A.

DISCUSSION AND ANALYSIS

After reading relevant literature and accepting testimony from all sides, your committee feels confident in its ability to deliver a recommendation using the six criteria outlined above.

Fairness

Ballot measure proponents argue that the surcharge would apply only to the largest national firms operating in the City of Portland. The reasoning why these firms are the focus of this new tax is that most of these firms contribute significantly to the global issue of climate change, and thus should bear more of the responsibility of abating their impact on the environment. Another contribution to this argument is that the increased revenue from the 1% surcharge would create many co-benefits for communities of color and low-income households to create “living-wage jobs and job training programs in clean energy.”⁵ Because of both of these assertions, the proponents conclude that the ballot measure is fair for both the group of taxed corporations and those who directly benefit from these future programs.

Ballot measure opponents argue that the 1% surcharge, while initially targeting national corporations, will ultimately be passed on to consumers in the form of rising prices of goods and services within the City of Portland. This rise in prices will make it even more difficult for low-income families and communities of color to cope with the current unaffordability in the Portland area.⁶ This argument is consistent with current economic theory that corporations and consumers ultimately share the burden of corporate taxes. Another main argument of fairness includes the fact that several large corporations likely to be affected by this tax already participate in abating their carbon footprint via internal practices. Corporations mentioned include Walmart, Best Buy, and Target.⁷

Analysis

The committee feels that the surcharge is fair in that only those retail businesses with more than \$1 billion in revenue nationwide, and \$500,000 or more within Portland will be paying this tax. Testimonies received from Representative Diego Hernandez as well as the steering committee for the PCEF campaign touch on the fact that renters, people of color, and low-income

Portlanders already pay a much higher percentage of their monthly income on public utilities. Compared to Measure 97, which would have set the standards for taxation much lower (firms with revenues in excess of \$25 million), the PCEF goes even further to ensure that this corporate surcharge is not passed onto consumers, especially to those populations that the PCEF intends to support.

While the arguments against the PCEF mentioned the potential trickle-down effect of the surcharge to consumers—thus unfairly distributing the tax—the committee found no evidence that this would, in fact, occur. Current research does not support that a municipality-specific corporate surcharge will increase prices or negatively influence the labor market in any significant way. Your committee also concludes, because of the lack of such research findings, that the opposition’s argument of rising prices of goods and services is unsupported.

Similarly, your committee is dissatisfied with the opposition’s assertion that many corporations already participate in abating their carbon footprint, mainly due to the fact that (1) the opposition does not provide metrics for determining exactly how effective these internal practices are in erasing corporations’ carbon footprints and (2) only a fraction of large retailers participate in carbon footprint abatement practices.

After evaluating witnesses and relevant literature, your committee has determined that the structure of this ballot measure is both progressive and fair based on the findings that (1) the text of the measure takes great care in designating a group of businesses that are capable of paying the surcharge and (2) this careful selection reduces the risk of passing the surcharge onto consumers, particularly communities of color, and households with relatively low income.

Sufficiency

The text of the ballot measure states that the projected \$30 million a year would go to:

- a. Upgrading residential and multi-family housing
- b. Decreasing utility costs (and by extension housing costs)
- c. Creating and training for new jobs in energy technology and construction
- d. Creating a long-term funding source to ensure a commitment to the Portland Climate Action Plan.

All of the above would be applied especially to communities of color and low-income households, who the entirety of the campaign’s steering committee believe are in severe need of this funding.⁸

Ballot measure opponents argue that the PCEF’s total of \$30 million a year is not sufficient to meet the requirements of the City of Portland’s Climate Action Plan. One witness, Chris Robertson, emphasized the importance of economies of scale, in that a more large-scale project (such as large solar system arrays) would be more cost-efficient relative to smaller-scale projects on the residential level. Concluding this argument, Robertson noted that the PCEF “prioritizes investments in high-cost carbon savings at the expense of cheaper, faster, more certain, and more effective carbon savings.”⁹ This argument adheres to the principle that climate change and renewable energy are both complicated and inherently expensive problems and as a result, any revenue generated for the singular purpose of addressing these issues should be spent in the most cost-efficient way possible.

Analysis

The opposition claims that the PCEF’s total of \$30 million a year is not sufficient to meet the requirements of the City of Portland’s Climate Action Plan. Your committee agrees with this statement and that an estimated \$30 million per year is inadequate to address the broader issues of climate change. While these projects can make progress toward a climate-adaptive future, your committee does not feel the program will be significantly impactful even on the local experience of climate change.

However, under Section 2 of the Portland Clean Energy Fund, one of the goals of the initiative is to provide a “consistent long-term funding source and oversight structure to ensure that the City of Portland’s Climate Action Plan is implemented in a manner that supports social, economic and environmental benefits for all Portlanders.”¹⁰ Thus, the campaign’s focus is not solely to meet the climate goals set out by the Climate Action Plan, but instead to be one of many mechanisms. This argument in support also notes that, while there are other organizations and initiatives that are already addressing climate change and the Climate Action Plan, these efforts are insufficient. According to the Audubon Society’s testimony, “neither individually or combined do they come anywhere near meeting the need that exists on a local scale in terms of renewable energy development, weatherization, green infrastructure, etc.”¹¹

Another issue claimed by the opposition is that the projects outlined in the PCEF are cost-inefficient relative to larger-scale projects that require more funding. Your committee acknowledges this shortfall in the PCEF’s plans, but accepts the PCEF campaign’s argument that the prioritization of short-scale and large-scale projects is not an “either/or” question but rather a “both/and” scenario that ought to occur. Additionally, since the PCEF would operate on a “request for proposals” framework and that no proposals have been made to date, the cost-efficiency of particular programs is currently unknown.

Your committee feels that the surcharge is sufficient to deliver the services designated by PCEF, though it understands that the PCEF cannot alone solve large-scale issues such as climate change or equity.

Certainty

Ballot measure proponents cite that the mechanisms of the PCEF will be managed by a grant committee and that the PCEF must remain within the designated percentages for fund distribution. In other words, while projects and priorities may change from year-to-year, the percentage of the fund dedicated to elements of the program such as job training is expected to remain stable. Representative Alissa Keny-Guyer (HD-46) mentioned in her testimony that in her experience as a board member for the Portland Children’s Levy, after which the PCEF committee is designed, the process for grant review is competitive and inclusive.¹²

Ballot measure opponents do not acknowledge the committee structure as an issue, though the number of businesses that would be subject to this corporate surcharge is not definitively known. Doug Badger of Quinn Thomas argues that the estimates for revenue collection are uncertain because they were “based on different language that does not include more expansive terminology.” Because of this, the City of Portland is also likely to collect more than the \$30 million as previously predicted, and might find itself collecting more on the order of \$50 million.¹³

Analysis

Your committee finds this degree of uncertainty an important point. However, there does not appear to be any risk of collecting too little revenue for grant proposals to be funded in the future. In addition, any extra funding would allow for even more grants to be awarded, as well as an increase in available administrative expenses.

In response to an inquiry, the Portland Revenue Bureau responded that they consider this initiative not to be a Portland project, and they have done no research into its impact on Portland businesses.

Your committee has determined that although there is a level of uncertainty about the outcomes of this initiative, it does not rise to a level that raises any concern about the PCEF’s ability to raise revenue and distribute it to qualifying projects.

Clarity

Ballot measure proponents claim that the purpose of the PCEF is clear, that funding will go to communities that historically have been disenfranchised and excluded from opportunities. Proponents also believe that the administrative structure of the system is clear in that it is adopted from a previous administrative body currently used by the Portland Children’s Levy. Finally, the ballot measure clearly enumerates the requirements by which corporations would be required to pay this revenue surcharge. A detailed list of goods and services exempt from this tax are also included.

Ballot measure opponents question neither the purpose of the ballot measure nor the intended beneficiaries of the projects funded by the PCEF. However, many opponents express deep concern about the way grant proposals will be evaluated. Chris Robertson aptly commented that, while the initiative’s grant committee has been detailed well in reference to its formation and governance, it stops short at how the program can be evaluated. Specifically, he mentions that “there are no greenhouse gas savings estimates, or estimates of the cost of saved greenhouse gasses in the PCEF proposal.”¹⁴

Analysis

Your committee believes that Section 8 of the proposed PCEF ordinance text does not go far enough in how the committee is to measure supposed economic indicators such as “social and environmental justice.”¹⁵ When these terms are set as standards by which a committee determines whether a project is funded, it leaves too much room for interpretation, especially based on each grant committee member’s definition of the phrases “equity” and “social justice.”

Your committee feels that, as written, PCEF could have greater clarity. The arguments in opposition brought up a number of issues with the clarity of wording in the ballot measure, but the committee also struggled to understand whether the focus was, for instance, on residential or commercial energy upgrades, and what these projects would look like.

While the measure would have benefited from greater clarity, the committee does not feel that these particular shortfalls will pose a significant challenge in the overall administration and implementation of the grant committee’s responsibilities.

Efficiency¹⁶

A top issue regarding the efficiency of the PCEF is whether or not the initiative, if passed, would complement existing, forthcoming, and proposed legislation and ordinances that address the same issues laid out by the PCEF campaign.

Representative Karin Power (HD-41) in her testimony voiced concern, hoping that “Portland’s focus on the program will not undercut the urgency of a statewide solution to both issues of revenue reform and home weatherization/renovation.”¹⁷ Senator Michael Dembrow (SD-23), Chair of the Senate Committee on the Environment and Natural Resources, raised the same issue as Rep. Power, though he asserted that he does not foresee that any proposed legislation for next session will interfere with the PCEF, and vice-versa.

At the city level, Mayor Ted Wheeler proposed a business license tax increase of 0.4 percentage points, or just under 20%, in his FY 2018-19 budget. If the PCEF passes, there exists the possibility of two separate business tax increases in the same fiscal year. The Portland Business Alliance, in an official press release, expressed concern “about the potential for more than one business tax increase over the next year” and hopes for meetings in the future regarding an “alternative plan to address the concerns being raised by the initiative’s proponents, such as minority contracting opportunities and energy efficiency aimed at underrepresented households.”¹⁸ Because of this, the PBA decidedly prefers the Mayor’s proposed budget over the PCEF on the grounds that it levies a tax that conflicts with other corporate tax increases. In defending his proposed budget, Mayor Wheeler still reportedly opposes taxing businesses to achieve the goals of the PCEF. According to Jim Redden’s article in the Portland Tribune, “it’s a matter of priorities, and right now [Mayor Wheeler] is more concerned about homelessness and the affordable housing crisis.”¹⁹

The committee feels that the PCEF will coexist with other systems of taxation that are currently in place. However, it is worth noting, the ability of PCEF to address issues of climate change in the most *financially* efficient way was questioned by the arguments in opposition. Nonetheless, the committee feels that the program can work in conjunction with other state programs while delivering benefits directly to low-income residents and communities of color.

Neutrality

Ballot measure proponents argue that this ballot measure is a result of several minority communities convening together to establish a revenue-generating mechanism that not only serves these same communities, but does not upend the ability of large corporations to compete in the City of Portland. Steering committee members, in their spoken testimony, noted that, while \$30 million per year is a sizable amount of money, the select few companies affected by this ballot measure would have no problem paying the required surcharge. Furthermore, the amount of the revenue contributed to this proposed fund would not harm competition within the city itself.²⁰

Ballot measure opponents say that small businesses will also be affected by the PCEF's revenue surcharge. Working off the assumption that the PCEF will undoubtedly increase the prices of goods and services within the City of Portland, opponents claim that smaller businesses that are themselves consumers of these goods and services will find that it will be harder to conduct business within city limits. ²¹

Analysis

Opponents of the PCEF base their claim that small businesses will suffer on the assumption that the 1% corporate revenue surcharge will increase the cost of goods and services in the City of Portland. This assumption, as mentioned in previous analysis in this report, is unsupported by current tax research. Because of this the opponent's conclusion that small businesses will necessarily suffer because of this proposed policy is equally unfounded.

Neither side provided an alternate solution as to how these large corporations would mitigate their compromised revenue apart from raising the cost of goods and services. Despite this lack of information, your committee feels that the revenue surcharge is low enough that any negative impacts on competition would be negligible.

CONCLUSIONS

After hearing from expert witness testimony and reading relevant literature, your committee finds:

- Improving energy efficiency, the cleanliness of the environment, and emphasis on low-income and underserved communities are worthy goals.
- The provisions in the measure that create a City Council-appointed management committee and require regular government audits provide adequate public input and sufficient management controls.
- The PCEF nicely augments state legislative proposals that pursue similar environmental action and protection goals on a statewide basis. Having significant local funding in the state's largest population area will free funds for similar projects in rural areas.
- Research indicates that a small tax increase is not likely to significantly affect capital formation, prices, or wages.
- Companies expect to pay taxes, and have systems in place to calculate and pay them, and this proposal uses an existing tax collection mechanism which should reduce administrative costs.

RECOMMENDATION

This committee recommends a "Yes" vote on the Portland Clean Energy Fund.

SIGNATURES

Respectfully submitted,

Loren Naldoza, Chair
Paul Millius, Lead Writer
Ashlie Denton
Kathe Hart

APPENDIX A: WITNESSES

* indicates witness gave written testimony

+ indicates witness gave spoken testimony

Doug Badger, **Quinn Thomas***
Meredith Connolly, **Climate Solutions***
Sen. Michael Dembrow (**SD-23**)*
Rep. Diego Hernandez (**HD-47**)*
Alan Hipólito, **Verde***+
Trevor Kaul, **Sierra Club Oregon Chapter***
Rep. Alissa Keny-Guyer (**HD-46**)*
Jenny Lee, **Coalition of Communities of Color***+
Rep. Rob Nosse (**HD-42**)*
Anissa Pemberton, **350PDX***
Rep. Karin Power (**HD-41**)*
Paige Richardson, **Representative from the PCEF campaign**+
Chris Robertson, **Chris Robertson & Associates, LLC***+
Bob Salinger, **Audubon Society***+
Sen. Kathleen Taylor (**SD-21**)*
Rick Thomas, **Keep Portland Affordable PAC & Quinn Thomas***
Anaïs Tuepker, **350PDX***
Lisa Wright, **NAACP Portland Branch***

The following people or organizations declined or did not respond to our requests for testimony:

Adidas (Responded/did not schedule)
Bank of America (Made contact/did not respond)
Center for a Sustainable Economy (Did not respond)
Columbia Sportswear (Did not respond)
Costco (Made contact/did not respond)
Credit Union Association (Made contact/did not respond)
ECONorthwest, (Declined comment)
Ecotrust, (Declined comment)
Friends of trees, (Did not respond)
Harbor Freight, (Made contact/did not respond)
Home Depot, (Made contact/did not respond)
Naomi Klein, (Did not respond)
Nike, (Made contact/did not respond)
Oregon Bankers Association, (Deferred to PBA)
Oregon Business Council, (Did not respond)
Oregon Latino Health Coalition, (Did not respond)
Portland Business Alliance, (Declined comment)
Powell's Books (Made contact/did not respond)
PSU, (Made contact/did not respond)
REI, (Did not respond)
Rep Knute Buehler, (Did not respond)
Rep Margaret Doherty, (Did not respond)

Rep. Andrea Salinas, (Did not respond)
Rep. Barbara Smith-Warner, (Did not respond)
Rep. Chris Gorsek, (Did not respond)
Rep. Jeff Reardon, (Did not respond)
Rep. Jennifer Williamson, (Did not respond)
Rep. Julie Parrish, Declined comment
Rep. Ken Helm, (Did not respond)
Rep. Mark Meek, (Did not respond)
Rep. Mitch Greenlick, (Did not respond)
Rep. Rob Nosse, (Declined testimony/voiced support)
Rep. Tawna Sanchez, (Did not respond)
Sen Chuck Thomson, (Did not respond)
Sen Lew Frederick, (Did not meet deadline)
Sen. Alan Olsen, (Did not respond)
Sen. Elizabeth Steiner-Hayward, (Did not respond)
Sen. Ginny Burdick, (Did not respond)
Sen. Laurie Monnes Anderson, (Did not respond)
Sen. Mark Hass, (Did not respond)
Sen. Rob Wagner, (Did not respond)
Sen. Rod Monroe, (Did not respond)
Speaker Tina Kotek, (Did not respond)
Under Armour, (Did not respond)
Mayor Ted Wheeler, (Declined comment)

APPENDIX B: INTERVIEW QUESTIONS

1. What is your take on the PCEF's impact on basic economic indicators such as prices, wages, the unemployment rate or any other indicator that you deem would or would not be affected?
2. What is your stance on the system by which the PCEF and funded projects will be evaluated? For funded projects, how will projects be measured in terms of economic impact on the City of Portland?
3. Supporters of the PCEF claim that projects will be based on certain principles such as "social justice", "equity" and "inclusivity". How does one measure social justice?
4. Do you believe that the City of Portland is in need of more renewable energy projects?
5. What is your stance on current state of the environment Earth and specifically the impact of climate change (or the lack thereof) on the Portland community?
6. Do you believe that the body of text of the ballot measure provides enough checks on cost-efficiency?
7. Do you believe a gross-receipts tax to be regressive? Do you believe the way this surcharge is designed will negatively impact the communities that the PCEF intends to serve?
8. Why create a different fund governed by a separate committee when funding could go to different organizations that already address climate change and renewable energy projects?
9. Does there exist a list of corporations that would be affected by this surcharge? Is there an estimated amount of revenue that this surcharge would raise each year?

10. Why did the authors of the PCEF decide on a 1% surcharge in place levying a higher surcharge?
11. Would the PCEF interfere with other municipal, county, or statewide initiatives?
12. Is the 5% administrative limit sufficient for maintaining the Fund?
13. How exactly will the PCEF contribute to the meeting Portland's Climate Action Plan? What role does it play in that capacity?
14. What sort of projects will be funded under the PCEF? Can you provide specific examples that would meet the guidelines for a qualified project?
15. Can you provide references for studies/research/theory that affirms or denies the possibility that the PCEF would increase prices of everyday goods and services?
16. Do you foresee the PCEF harming small businesses in any way?
17. What do you see as a better alternative to the PCEF? What qualifies as a better alternative to the PCEF?
18. Do you believe that a municipal tax is superior to levying a county or state-wide tax? Since climate change is ubiquitous and not a problem specific to Portland, should this framework be expanded on a larger scale?
19. What is the aspect you admire most about the PCEF? What is its greatest shortcoming?
20. Do you believe that the proposed committee structure is sufficient for the PCEF to be administrated properly?
21. What qualifies as a "future innovation", for which 5% of the Fund is allocated?

APPENDIX C: BIBLIOGRAPHY

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APPENDIX D: EXTENDED LITERATURE REVIEW

The theoretical implications of a supply-side revenue surcharge is explained in the canonical paper by Harberger (1962), in which the author states that corporate tax incidence would negatively affect the labor market, and thus GDP per capita and general standard of living.²² Another implication is that a corporate tax does not only affect the corporations responsible for paying the tax, but all other corporations who consume the goods that the corporations produce.²³

Suarez (2016) developed a model, in which they estimated that firm owners bear roughly 40 percent of a corporate tax, while workers and landowners bear roughly 30-35 percent and 25-30 percent, respectively.²⁴

Djankov et al. (2010), additionally found in their study of 85 countries that corporate tax rates negatively impact corporate investment and entrepreneurship. Investment was impacted in manufacturing, but not in services. However, effective tax rates in this study vary between 0 and 32%, making it challenging to determine what, if any, impact a 1% local increase would incur.²⁵

Clausing (2013) evaluates corporate tax literature, including theoretical and empirical work. Clausing mentions these studies fail to reveal “persuasive empirical evidence of adverse effects on labor.” The author admits that the methodology of data gathering and empirical analysis of many of the relevant studies can be flawed and biased.²⁶

Similarly, Arulampalam, Devereux, and Maffini (2010) use firm-level data which did not capture the effects predicted by Harberger’s 1962 general equilibrium tax incidence theory (i.e. negative impact to labor markets). Effects of the corporate tax should be felt by all workers and capital owners in an economy, not just those in particular firms, industries or states.²⁷ Extrapolating on this, a corporate tax or surcharge on a municipal level should not affect the labor market or consumer price index in any significant way. The burden of such a tax would be spread widely across an economy, not only on a local area in which a surcharge is imposed.

The authors Clausing (2013) and Arulampalam, Devereux, and Maffini (2010) all note that the policy implications from their reviews are unclear. Although general equilibrium tax theory predicts that labor will bear a substantial portion of the corporate tax burden in an open economy, the empirical work conducted since 2013 has not confirmed this.²⁸

APPENDIX E: ACKNOWLEDGEMENTS

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APPENDIX F: ABOUT CITY CLUB

City Club was founded in 1916 by a group of young leaders who felt the city was not responding to the needs of everyday people. Today, we're building on that legacy by bringing together a diverse community of thinkers and doers to spark change across our region. Through trusted research, open dialogue, and advocacy for our best ideas, City Club is working to make Oregon a place where everyone can thrive.

For more information about City Club of Portland or for additional copies of this report, visit pdxcityclub.org, email info@pdxcityclub.org or call 503-228-7231.

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ENDNOTES

¹ Deborah S. Scroggin, Deputy Auditor. "Certification by City Auditor's Office" July 27 2018.

² Pat McCormick v. Tracey Reeve. Circuit Court of the State of Oregon for the County of Multnomah.

³ Such large corporations could possibly include Home Depot, Bank of America, Nike, Costco, Harbor Freight, REI, Under Armour, and Columbia Sportswear. The list of corporations shall not be disclosed to the public.

⁴ The original language used in "Tax Reform in Oregon" included the verbiage "he or she". Your committee has substituted this verbiage with "they" for the rest of the criteria.

⁵ Witness testimony of Anaïs Tuepker and Anissa Pemberton of 350PDX.

⁶ Witness testimony of Doug Badger of Quinn Thomas.

⁷ Ibid.

⁸ The campaign in favor is led by a coalition comprising the Asian Pacific American Network of Oregon (APANO), Coalition of Communities of Color (CCC), NAACP Portland Branch 1120, Native American Youth & Family Center (NAYA), and Verde. High-capacity environmental organizations also participate in the steering committee: 350 PDX; Audubon Society of Portland; Oregon Physicians for Social Responsibility; Sierra Club, Oregon Chapter. Other supporters of the initiative include a long list of organizations, legislators, and citizens active in climate change and energy resource issues.

⁹ Witness testimony of Chris Robertson.

¹⁰ Portland Clean Energy Community Benefits Initiative 2018. City of Portland Auditor

¹¹ Witness testimony of the Audubon Society, July 10 2018.

¹² Witness testimony of Rep. Alissa Keny-Guyer, July 25 2018

¹³ Witness testimony of Doug Badger of Quinn Thomas, July 17 2018

¹⁴ Witness testimony of Chris Robertson, July 9 2018

¹⁵ Portland Clean Energy Community Benefits Initiative 2018. Ballot measure text.

¹⁶ No witnesses and entities in this section offered any official stance on the PCEF to this committee.

¹⁷ Witness testimony of Rep. Karin Power. July 20 2018

¹⁸ Portland Business Alliance, “Alliance statement on proposed business license tax increase (expanded)” April 30 2018. <https://portlandalliance.com/news/2018-04-30/alliance-statement-on-proposed-business-license-tax-inc.html>

¹⁹ Redden, Jim “Sources: Wheeler sits out of City Council race,” July 19 2018. <https://portlandtribune.com/pt/9-news/401173-296748-sources-wheeler-sits-out-city-council-race>

²⁰ Witness testimony of the PCEF steering committee.

²¹ Witness testimony of Quinn Thomas.

²² Harberger, A. C., “The Incidence of Corporation Income Tax”, *Journal of Political Economy*, 70, 3, 215. 1962.

²³ Ibid.

²⁴ Suarez Serrato, Juan Carlos and Owen Zidar, “Who Benefits from State Corporate Tax Cuts? A Local Labor Markets Approach with Heterogenous Firms,”

²⁵ Djankov et a. (2010)

²⁶ Kimberly Clausing,

²⁷ Arulampalam, Devereux and Maffini (2010)

²⁸ Ibid.