A New Future for the Kicker:

A More Sustainable, Just, and Reliable Revenue System

A Legislative Proposal for Oregon

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I: Introduction

1: Problem Statement

Amongst the States, Oregon is unique in many ways, but one particular area of originality is how we handle our state revenue. First, we are one of a handful of states that have the combination of a statewide personal income tax and no sales tax [1]. While this has long been hailed as ideal by progressives, as sales taxes are widely recognized as a regressive tax structure, Oregon has frequently struggled with wildly fluctuating state budgets and frequently underperforming state resources [2], [3].

Meanwhile, it should be noted that Oregon is widely considered to be a state with a high tax burden on its citizenry. Not only is our largest city, Portland, the second-highest marginal income tax locale in the nation, but even without a sales tax Oregon still puts the largest tax burden on those with the lowest incomes [4], [5].

The combination of these two truths alone immediately show that there is plenty of room for improvement in our revenue code – not just to improve the quality of the resources we provide to our citizens as a government, but also to improve the lives and economic outcomes of our lower-and-middle class citizens by increasing the amount of wages they hold on to throughout the year.

2: Abstract

The core of this proposal is to follow the precedent of the corporate kicker redirection and redirect the individual income tax kicker to a state wealth fund instead of refunding it. The language of the constitutional amendment allows broad leeway to the Legislature to determine the best manner to return the excess "to personal income taxpayers" [6]. This proposal argues that these funds should be redirected towards a state wealth fund (SWF) held in trust for the Oregonian citizenry in a sovereign Bank of Oregon (BoO). Since the start of the kicker, over $14 billion nominally in potential revenue has been lost, while $4 billion in shortfalls had to be accounted for in lean years [7]. This fund can be used to invest in critical areas for Oregonians (e.g. housing, small business loans), be used as a backstop investor for public Oregonian bonds (ensuring they are financed at favorable market rates), while returning gains that can be used to continue to grow the fund and reduce the average tax burden of working Oregonians while providing more sustainable revenues. The flexibility of a SWF is another advantage of this proposal, as other revenue streams from extractive industries (timber, mining, data centers) or a millionaire's tax could be used to supplement performance. It would also be possible to securitize the kicker's deposit into the SWF into a long-term state bond, allowing the government to benefit from value accrual while the bond matures – all while those who wish could trade the bond for immediate access to their rebate. Theoretical models in this proposal show that a SWF could return around $500 million per legislative cycle to the general fund at 10 years, and between $1.3 - $1.7 billion at 20 years – at which point the fund would have between $22 - $30 billion and would continue to grow. If such a fund had been instituted in 2005, based on past market data, in 2025 this fund would have had between $20 – $25 billion in assets and would have paid out between $1.6 - $2 billion to the general fund based exclusively from diverted kicker funds – amounting to a nearly 10% increase in revenue derived from personal income taxes that biennium [8].

II: The Problem

To solve a problem, we must first understand the series of good intentions that led us to our current situation. First, let us discuss our revenue.

1: States' Revenues

States tend to focus primarily on two different forms of taxes for their revenues: income taxes, and consumption taxes. To progressives, income taxes are broadly considered to be a more ethical taxation system for myriad reasons. When comparing the two, the evidence overwhelmingly shows that consumption taxes (e.g. sales taxes) are a more regressive taxation structure, i.e. the tax burden is placed more strongly on those with less income [9], [10]. Logically, this is simple to understand – those in our society who earn more income can save more of their income, and those who earn less are forced to spend the majority of their earnings [11]. All expenses have a floor – food, rent, electricity, etc. that you cannot feasibly reduce below. Therefore, the standard progressive philosophy is that taxation on earnings, i.e. income, is the ethically preferrable method.

Another reason to focus primarily on one form of the two is a unique quirk of our national income tax system around state and local taxes (SALT). Historically, it has been standard practice to be able to deduct funds paid to SALT against your federal taxes, though one could only deduct income taxes or sales taxes, not both [12]. This incentivizes localities to go all-in on one system to optimize that deduction – and of the two, it is far easier to keep track of income taxes paid over the year than it is sales taxes. However, in 2017 with the passage of the Tax Cuts and Jobs Act, a cap on this deduction was introduced [13]. This, in effect, raised the effective tax burden on anyone who exceeded that cap, which disproportionately tended to be middle-class folks in states with historically Democratic leadership [14], [15].

Income taxes also provide the ability to create more adjustable dials than sales taxes, which by their nature are flat taxes (for specific goods). First, governments tend to define a certain threshold of income that is non-taxable, i.e. the standard deduction on US federal taxes. This is exponentially more difficult to do with consumption taxes, as taxes universally levied at point-of-sales would need to be clawed back by petitioning the government (essentially creating a de facto income deduction threshold). Secondly, it is common practice for governments to create multiple "brackets" of income that are taxed at different nominal rates, generally with rates increasing with increasing income [16]. With sales taxes, on the other hand, the knobs are limited to different taxes on different goods, e.g. essentials like food taxed less than "vice" consumption like alcohol and tobacco [17], [18]. Importantly, it should be noted that "vice" consumption is not exclusively limited to one social class or the other, so this burden is frequently class-blind [17]. Flat income tax structures do exist, and while they are frequently proposed by conservatives for reducing administrative burden (e.g. by eliminating deductions), they are disfavored by both liberals and progressives for the reasons already provided [16].

2: Oregon

While most states have both income and sales taxes, Oregon is only one of three states that eschews sales taxes to focus on income taxes instead[16], [19]. While this is supported by many, it should absolutely be noted that income tax has its limitations, particularly around predictability and sustainability [20].

Sales taxes are overwhelmingly more stable than income taxes for the reasons already discussed [20]. This is likely the reason many states use a combination of both consumption and income taxes – while in economic downturns both sources of revenue drop, income taxes drop by a larger amount [20]. When taking an income-only tax structure, these peaks and valleys need to be planned for to properly maintain a continuity of service during all phases of economic cycles.

Oregon, like the federal government, has adopted a progressive income structure with increasing nominal rates with increasing income, but there are a few unique traits that deserve to be highlighted. First, Oregon uses the federal adjusted gross income (AGI) as the basis for our calculations, which leaves our revenues extraordinarily susceptible to the passing whims of the federal government [21]. We also take the stance of treating all income, including capital gains from investments, as regular income as opposed to providing them with favorable tax status akin to the Internal Revenue Service (IRS) [21]. Furthermore, while our tax structure is nominally progressive, the brackets are structured in effect to be (in the author's opinion) more akin to a flat tax structure than a true progressive tax structure, as will be discussed in Section III.

Furthermore, when looking at those brackets, it is readily apparent that all those dollar values are highly specific, save for the one at $125,000. In 1993, Oregon indexed our income tax brackets to inflation [22]. In 2010, we passed Ballot Measure 66 which further updated our tax system by restructuring the top brackets into a new one at $125,000 – which wasn't indexed to inflation [22]. Had it been properly indexed, that bracket would begin closer to ~$190,000 in 2025 – and due to this oversight, the top bracket effectively creeps lower and lower every year.

The last and most impactful quirk of our system that this paper will discuss is our unique tax refund structure, colloquially called the Kicker. This was originally introduced into law in 1979 as part of a budget-control mechanism [23]. Every biennium, our State Economist prognosticates and provides an estimate for how much revenue the government will bring in – and the Legislature needs to set a budget based on this guess [23]. Should the revenue exceed the estimate by more than 2%, the excess is returned to the taxpayer proportionally, i.e. the more tax you pay, the larger kicker you receive. However, if the Economist overestimates revenues, then the government must cut expenses [24]. There has been some work around resolving this, including a "rainy day fund" (RDF), though it is limited and historically proven to be insufficient [25]. Fundamentally, this arrangement works primarily to continually reduce state expenditures, either through capping expenses or by cutting them.

In 1999, Legislators passed a ballot measure on to the voters to determine whether the Kicker should be enshrined in the state constitution – and it passed [23]. As such, the kicker has long been viewed as an

inevitably permanent fixture of Oregonian politics – regardless of the damage it causes to our institutions and, by extension, our people.

III: The Opportunity

Ironically, the very quirks of our system that have created our problem have also created an opportunity for us to continue our state's tradition of pioneering, and in turn, create something stronger.

1: The Law

The amendment, as enacted, directs the State to return excess revenue to the taxpayers, though it specifically gives extensive leeway to the Legislature in how to enact this. As written,

> **Text of Section 14:**
>
> **Revenue Estimate; Return of Excess Revenue to Taxpayers; Legislative Increase in Estimate**
>
> (1) As soon as is practicable after adjournment sine die of an odd-numbered year regular session of the Legislative Assembly, the Governor shall cause an estimate to be prepared of revenues that will be received by the General Fund for the biennium beginning July 1. The estimated revenues from corporate income and excise taxes shall be separately stated from the estimated revenues from other General Fund sources.
>
> …
>
> (3) If the revenues received by the General Fund from corporate income and excise taxes during the biennium exceed the amount estimated to be received from corporate income and excise taxes for the biennium, by two percent or more, the total amount of the excess shall be retained in the General Fund and used to provide additional funding for public education, kindergarten through twelfth grade.
>
> (4) If the revenues received from General Fund revenue sources, exclusive of those described in subsection (3) of this section, during the biennium exceed the amount estimated to be received from such sources for the biennium, by two percent or more, the total amount of the excess shall be returned to personal income taxpayers.
>
> **(5) The Legislative Assembly may enact laws:**
>
> **(a) Establishing a tax credit, refund payment or other mechanism by which the excess revenues are returned to taxpayers, and establishing administrative procedures connected therewith.**
>
> …
>
> [6]

The text of the amendment is straightforward – though is also nonspecific. The crux of the amendment hinges primarily on the interpretation of what constitutes returning revenue to the taxpayer. Historically we have taken an extraordinarily literal interpretation of this clause by a direct, proportional refund, but clearly that is not mandated.

Oregon also has a Corporate Kicker, not just one for an individual taxpayer. In 2012, Oregon passed a ballot measure to redirect the corporate kicker towards funding education [26]. As such, we already have precedent for redirecting kickers towards areas of perceived need. The next step of the question is how this can be achieved.

2: The Public Trust

To meet the legal standard set forth in the amendment, if the funds are redirected, they must still be redirected *to taxpayers*.

This proposal posits that the "taxpayers," as written, can be interpreted as a collective entity as opposed to a series of individuals. As such, it should be possible to redirect the funds towards an entity that fits that definition. That specific entity, in this proposal, constitutes a State Wealth Fund (SWF) collectively owned by the citizens of Oregon, used to the benefit of the citizens of Oregon, and accountable to the citizens of Oregon. Funds of this nature are increasingly common, albeit often under different names – for example, public pension funds or university endowments. For this proposal, "citizens of Oregon" are defined as full-year residents (over 200 days in Oregon per annum) [27].

To fully serve the public good, it is proposed here to establish a public Bank of Oregon (BoO) to, in part, hold and administer this Fund. As the Bank would be a public institution, accountable to the public via elections, it would be de facto owned, controlled, and accountable to the taxpayers. In fact, member-owned cooperative financial institutions are already familiar to many Oregonians as credit unions [28]. It is argued here that returning the kicker to the State "credit union" would meet the legal criteria. The next question is whether a SWF would serve the public interest.

Over the lifetime of the individual kicker, Oregon has refunded ~$14 billion in boom years, while running deficits of ~$4 billion in leaner years [23]. The last two cycles (2022 and 2024), we have returned two of our largest kickers to date - ~$5.6 billion and $1.4 billion, respectively [7]. We are also, however, on track for a significant budget shortfall of over $370 million [2]. There hasn't been a starker back-to-back contrast in the history of the kicker, and public sentiment has been increasingly in favor of reform [7], [29]

If we were to look towards the corporate kicker, which was redirected to the General Fund for the purposes of K-12 education in 2012, that has broadly viewed as successful [30]. From the start of the kicker to the amendment passing (1979 – 2012), approximately $1 billion were returned to corporations, and approximately $1 billion of shortfall was observed [31]. Since then, approximately $3.5 billion has been redirected towards the General Fund, with only one period (2011-2013) having a shortfall of approximately $10 million [31].

3: Sovereign Wealth

A: The Economics of Wealth

Traditionally, the economics surrounding capital and labor are, while linked, distinctly different. The system is based around capitalists providing access to tools and resources (i.e. capital), while the workers provide the labor that transmutes those resources into more valuable forms. An example would be the mining and manufacturing of steel. The capitalist buys and prospects the land (taking a risk on the true value of that land), and provides the equipment needed to extract the minerals. The laborers then do the physical, skilled labor required to safely and efficiently extract those minerals and are provided with a wage. The first capitalist then sells these minerals (ideally at a profit) to another capitalist who owns a forge, with all its required equipment. Again, labor transforms the raw minerals into refined steel. And so on [32].

This cycle contains both the return on capital (r) and economic growth (g) [33]. The return on capital, in this case, is the pure monetary profit the capitalist makes from their investment. The economic growth, on the other hand, is overall increase in purchasing power and material goods circulating throughout the economy. Again, while these are linked, they are distinctly different. Return on capital is primarily felt by those with capital, while economic growth (often measured in gross domestic product, or GDP) is traditionally felt by the working class – but in a virtuous cycle, each would fuel the other [32], [33].

Throughout most of the 20th century during the postwar period, the middle class emerged due to the diminished influence of capital compared to labor for numerous reasons that I won't address in detail here for the reader's sake [33]. However, recent evidence has shown that this was in large effect due to a combination of significant investment into the general population combined with the devastating damage from two back-to-back world wars. The re-emerging ascent of capital has, in part, been a significant driver of growing inequality [33].

The reason for this (seeming) aside is simple: inequality rises when the rate of return on capital is greater than the overall economic growth (i.e. $r > g$). When considering income taxes, those are primarily a function of the overall economy. When workers get laid off, income taxes drop - though when the valuation of the stock market rapidly climbs, that does not as readily flow into state coffers. Furthermore, while generally economic growth and ascending capital markets are correlated, as we've seen in recent years we can frequently have periods where they decouple, leading to rising asset values and unemployment simultaneously [20], [34], [35].

Therefore, for as long as we live in a world where the above is true, the state (and by extension its citizens) should work to create systems to utilize both capital growth and labor growth advantageously.

B: Oregon's Wealth

Now, how could things have been different if that kicker was redirected to a sovereign wealth fund? To begin, let's set some baseline assumptions.

Over long periods of time (and not accounting for inflation), the average annualized returns of US equities is historically 10%, while the average annualized returns of more conservative, bond-focused investments is closer to 4% [36], [37]. Let us use these values to create our hypothetical.

Let us assume that this wealth fund was in place from the start of the kicker, with all rebates being redirected to the SWF. For convenience of example, let us also imagine that this money sat idle, so that the only change in value came from new rebates being diverted. Furthermore, let us assume that our rate of disbursement is 4% - based on the conservative return rate above.

With these assumptions in place, for the 2025-2027 biennium we would have a ~$13 billion fund, 4% of which (over two years) would be ~$1 billion dollars [7]. For that biennium, the estimated revenue from the State Economist from individual income tax was ~$30 billion [38]. Very roughly, that would equate to ~3.5% increase ($30 billion becoming $31 billion). For context, that is approximately 60% of the contribution to the state budget from the state lottery [39]. So, even if we were to take an exceedingly conservative estimate, this would be of immense value to Oregonians – and the real performance would likely be notably higher as we will explore later.

This fund could also be used for far more than just market investments. It could be used (with proper risk management, Treasurer oversight, and Legislative approval) to meet Environmental, Social, and Governance (ESG) goals, such as providing housing loans to developers and prospective homeowners. It could be used for small business loans for economic development. A more wholistic money management plan with appropriate risk tolerance would almost certainly lead to higher performance over the long term. So long as the fund is managed in a fiduciary manner, it would meet the criteria of the public trust.

Lastly, this value would also be a known variable in the annual budget calculation, as it would be purely retroactively assessed instead of estimating future revenue – improving revenue stability overall. If you recall, this introduces some of the benefits of consumption-based taxes while still maintaining the benefits of a progressive based tax structure.

4: Updating Brackets

If this were implemented as proposed above, this would unquestionably be an effective tax increase – after all, we would be removing an (unreliable) rebate. That said, this rebate is by its nature an awkward form of tax relief to begin with, as citizens are still taxed every paycheck with the assumption of no kicker. To redress this, we can provide more tangential relief by updating brackets, increasing the amount of income taxpayers keep in each paycheck (and thereby also providing improved economic benefits compared to tax rebates) [40], [41], [42].

A: Current Brackets

Let's start by reviewing our current brackets. Using data from the 2025 edition of the Oregon Department of Revenue's *Oregon Personal Income Tax Statistics,* if one were to look at the percentage of revenue brought in per bracket, it would be broken down as seen in Table 1.

Exhibit 20—Returns, Oregon AGI, and Tax Liability by Tax Bracket
Full-year Resident Returns–Tax Years 2022 and 2023

Tax Year 2023

2023 Taxable Income: Single or Married Filing Separately (all others double the amount)	2023 Number of Returns	2023 Share of Returns	2023 Oregon AGI ($ million)	2023 Tax Liability ($ million)	2023 Share of Tax Liability	Effective Tax Rate*
$0	126,960	6.6%	$672.6	$0.0	0%	0.00%
$1- $3,750	105,830	5.5%	$1,399.8	$2.4	<0.1%	0.17%
$3,751–$9,450	171,060	8.9%	$3,712.0	$32.9	0.3%	0.89%
$9,451-$125,000	1,415,510	73.4%	$114,986.2	$6,664.1	61.0%	5.80%
Over $125,000	109,340	5.7%	$51,059.1	$4,225.7	38.7%	8.28%
Total	**1,928,700**	**100.0%**	**$171,829.6**	**$10,925.2**	**100.0%**	**6.36%**

Table 1: Oregon tax returns by bracket [8]

A few notable conclusions can be drawn from this table. First, if we were to look at the "Over $125,000" bracket, when comparing the total AGI to total number of taxpayers in that bracket, it can be calculated that the average annual income in that bracket is approximately $467,000 – nearly four times the threshold. We can also see that the next lowest bracket, "$9,451 – $125,000" contains almost three quarters of Oregonian taxpayers at an average annual income of approximately $81,000. This is why it is this author's belief that Oregon has a poorly optimized system and de-facto flat tax.

To start, let's undo what appears to have been an oversight by retroactively indexing the top bracket to inflation; raising it to approximately $187,000 for single filers and $374,000 for married couples – and therefore giving over 100,000 households a tax cut simply through redressing an administrative error [8].

The ballot measure that introduced this highest tax bracket, Measure 66, was passed in 2010 in response to a budget crisis stemming from the Great Recession. This measure added new tax brackets of 10.8% and 11% for three years at $125,000 and $250,000 respectively, before combining them into one bracket of 9.9% starting at $125,000 [43]. Let's use those historical brackets as a guidepost as we move forward.

A few options are presented below. The first is simply fixing the presumed administrative error. As the raw data of every tax return was not readily available, assumptions had to be made. For details of these

assumptions, please see Appendix 1. For all subsequent calculations, state revenue impact will be considered neutral if it is within +/- 2% of the current values – keeping in line with the Kicker's mechanics.

Oregon AGI Level ($000)	Number of Single returns	Number of Married returns	Oregon Average AGI	Average Taxable Income	Total Taxable Income, Single ($000)	Total State Revenue, Single ($000)	Total Taxable Income, Married ($000)	Total State Revenue, Married ($000)	Total State Revenue ($000)
Less than zero	14,860	15,564	-$57,892	$172	$2,556	$121	$2,677	$127	$249
0-5	124,901	58,646	$1,746	$714	$89,179	$4,236	$41,873	$1,989	$6,225
5-10	96,200	27,457	$7,458	$4,286	$412,313	$19,585	$117,681	$5,590	$25,175
10-15	86,864	28,885	$12,461	$8,334	$723,925	$41,373	$240,728	$11,435	$52,807
15-20	74,778	29,641	$17,462	$12,398	$927,098	$58,566	$367,489	$19,722	$78,288
20-25	69,024	30,077	$22,483	$16,482	$1,137,654	$78,725	$495,729	$28,304	$107,029
25-30	66,353	30,757	$27,512	$20,530	$1,362,227	$99,181	$631,441	$37,347	$136,529
30-35	67,180	32,301	$32,510	$24,857	$1,669,893	$125,852	$802,906	$50,833	$176,686
35-40	67,308	33,488	$37,486	$29,056	$1,955,701	$150,822	$973,027	$65,005	$215,827
40-45	63,655	32,796	$42,471	$32,913	$2,095,077	$164,119	$1,079,415	$74,730	$238,849
45-50	57,591	31,661	$47,462	$36,675	$2,112,150	$167,442	$1,161,167	$82,566	$250,008
50-60	95,584	58,596	$54,837	$41,877	$4,002,771	$321,412	$2,453,825	$179,479	$500,891
60-70	72,491	54,464	$64,837	$48,375	$3,506,752	$284,976	$2,634,696	$197,789	$482,765
70-80	54,015	52,019	$74,867	$55,160	$2,979,467	$244,411	$2,869,368	$219,793	$464,204
80-90	41,632	51,174	$84,878	$62,749	$2,612,366	$216,025	$3,211,117	$250,204	$466,229
90-100	31,995	48,427	$94,887	$70,167	$2,244,993	$186,786	$3,397,977	$268,206	$454,993
100-125	48,346	109,261	$111,760	$83,807	$4,051,733	$339,944	$9,156,837	$735,530	$1,075,474
125-150	24,532	83,512	$136,694	$106,685	$2,617,196	$221,605	$8,909,478	$729,368	$950,973
150-200	20,805	103,948	$171,950	$139,802	$2,908,581	$251,770	$14,532,138	$1,209,063	$1,460,833
200-250	8,328	52,028	$222,137	$187,877	$1,564,640	$140,417	$9,774,865	$824,019	$964,436
250-500	9,585	67,432	$332,243	$299,507	$2,870,775	$267,538	$20,196,356	$1,765,046	$2,032,584
500 +	3,053	21,499	$1,203,937	$1,133,501	$3,460,579	$337,288	$24,369,138	$2,337,814	$2,675,102
All	**1,199,080**	**1,053,633**	**$82,351**	**$67,797**	**$45,307,626**	**$3,722,196**	**$107,419,928**	**$9,093,960**	**$12,816,157**

Table 2: 2023 Returns [8]

Oregon AGI Level ($000)	Number of Single returns	Number of Married returns	Oregon Average AGI	Average Taxable Income	Total Taxable Income, Single ($000)	Total State Revenue, Single ($000)	Total Taxable Income, Married ($000)	Total State Revenue, Married ($000)	Total State Revenue ($000)
Less than zero	14,860	15,564	-$57,892	$172	$2,556	$121	$2,677	$127	$249
0-5	124,901	58,646	$1,746	$714	$89,179	$4,236	$41,873	$1,989	$6,225
5-10	96,200	27,457	$7,458	$4,286	$412,313	$19,585	$117,681	$5,590	$25,175
10-15	86,864	28,885	$12,461	$8,334	$723,925	$41,373	$240,728	$16,249	$57,622
15-20	74,778	29,641	$17,462	$12,398	$927,098	$58,566	$367,489	$19,722	$78,288
20-25	69,024	30,077	$22,483	$16,482	$1,137,654	$78,725	$495,729	$33,045	$111,770
25-30	66,353	30,757	$27,512	$20,530	$1,362,227	$99,181	$631,441	$44,686	$143,867
30-35	67,180	32,301	$32,510	$24,857	$1,669,893	$125,852	$802,906	$50,833	$176,686
35-40	67,308	33,488	$37,486	$29,056	$1,955,701	$150,822	$973,027	$65,005	$215,827
40-45	63,655	32,796	$42,471	$32,913	$2,095,077	$164,119	$1,079,415	$74,730	$238,849
45-50	57,591	31,661	$47,462	$36,675	$2,112,150	$167,442	$1,161,167	$82,566	$250,008
50-60	95,584	58,596	$54,837	$41,877	$4,002,771	$321,412	$2,453,825	$179,479	$500,891
60-70	72,491	54,464	$64,837	$48,375	$3,506,752	$284,976	$2,634,696	$197,789	$482,765
70-80	54,015	52,019	$74,867	$55,160	$2,979,467	$244,411	$2,869,368	$219,793	$464,204
80-90	41,632	51,174	$84,878	$62,749	$2,612,366	$216,025	$3,211,117	$250,204	$466,229
90-100	31,995	48,427	$94,887	$70,167	$2,244,993	$186,786	$3,397,977	$268,206	$454,993
100-125	48,346	109,261	$111,760	$83,807	$4,051,733	$339,944	$9,156,837	$735,530	$1,075,474
125-150	24,532	83,512	$136,694	$106,685	$2,617,196	$221,605	$8,909,478	$729,368	$950,973
150-200	20,805	103,948	$171,950	$139,802	$2,908,581	$248,225	$14,532,138	$1,209,063	$1,457,289
200-250	8,328	52,028	$222,137	$187,877	$1,564,640	$134,839	$9,774,865	$824,019	$958,858
250-500	9,585	67,432	$332,243	$299,507	$2,870,775	$261,119	$20,196,356	$1,726,638	$1,987,756
500 +	3,053	21,499	$1,203,937	$1,133,501	$3,460,579	$335,243	$24,369,138	$2,308,973	$2,644,217
All	**1,199,080**	**1,052,458**	**$82,351**	**$67,797**	**$45,307,626**	**$3,704,610**	**$107,419,928**	**$9,043,606**	**$12,748,216**

Table 3: 2023 Returns with $125,000 bracket adjusted for inflation [8]

Comparing the state revenue totals between Tables 2 and 3, we can see that by raising the top bracket from $125,000 to the inflation-adjusted $183,250 there would be a total revenue drop of approximately $68 million dollars, or a 0.5% decrease – meaning it would be revenue neutral while giving a tax cut to over 130,000 Oregonians.

Next, we can consider rolling our brackets back and re-introducing the 2010 top bracket of 11%. Considering that in 2010 the top brackets were $125,000 and $250,000 for single filers, here we include the extra tax bracket at over $366,500 for single filers in Table 4.

Oregon AGI Level ($000)	Number of Single returns	Number of Married returns	Oregon Average AGI	Average Taxable Income	Total Taxable Income, Single ($000)	Total State Revenue, Single ($000)	Total Taxable Income, Married ($000)	Total State Revenue, Married ($000)	Total State Revenue ($000)
Less than zero	14,860	15,564	-57,892	172	$2,556	$121	$2,677	$127	$249
0-5	124,901	58,646	1,746	714	$89,179	$4,236	$41,873	$1,989	$6,225
5-10	96,200	27,457	7,458	4,286	$412,313	$19,585	$117,681	$5,590	$25,175
10-15	86,864	28,885	12,461	8,334	$723,925	$41,373	$240,728	$16,249	$57,622
15-20	74,778	29,641	17,462	12,398	$927,098	$58,566	$367,489	$19,722	$78,288
20-25	69,024	30,077	22,483	16,482	$1,137,654	$78,725	$495,729	$33,045	$111,770
25-30	66,353	30,757	27,512	20,530	$1,362,227	$99,181	$631,441	$44,686	$143,867
30-35	67,180	32,301	32,510	24,857	$1,669,893	$125,852	$802,906	$50,833	$176,686
35-40	67,308	33,488	37,486	29,056	$1,955,701	$150,822	$973,027	$65,005	$215,827
40-45	63,655	32,796	42,471	32,913	$2,095,077	$164,119	$1,079,415	$74,730	$238,849
45-50	57,591	31,661	47,462	36,675	$2,112,150	$167,442	$1,161,167	$82,566	$250,008
50-60	95,584	58,596	54,837	41,877	$4,002,771	$321,412	$2,453,825	$179,479	$500,891
60-70	72,491	54,464	64,837	48,375	$3,506,752	$284,976	$2,634,696	$197,789	$482,765
70-80	54,015	52,019	74,867	55,160	$2,979,467	$244,411	$2,869,368	$219,793	$464,204
80-90	41,632	51,174	84,878	62,749	$2,612,366	$216,025	$3,211,117	$250,204	$466,229
90-100	31,995	48,427	94,887	70,167	$2,244,993	$186,786	$3,397,977	$268,206	$454,993
100-125	48,346	109,261	111,760	83,807	$4,051,733	$339,944	$9,156,837	$735,530	$1,075,474
125-150	24,532	83,512	136,694	106,685	$2,617,196	$221,605	$8,909,478	$729,368	$950,973
150-200	20,805	103,948	171,950	139,802	$2,908,581	$248,225	$14,532,138	$1,209,063	$1,457,289
200-250	8,328	52,028	222,137	187,877	$1,564,640	$134,839	$9,774,865	$824,019	$958,858
250-500	9,585	67,432	332,243	299,507	$2,870,775	$261,119	$20,196,356	$1,726,638	$1,987,756
500 +	3,053	21,499	1,203,937	1,133,501	$3,460,579	$361,002	$24,369,138	$2,403,698	$2,764,700
All	**1,199,080**	**1,052,458**	**82,351**	**67,797**	**$45,307,626**	**$3,730,369**	**$107,419,928**	**$9,138,331**	**$12,868,700**

Table 4: 2023 returns with top 2010 bracket of 11% reintroduced [8]

Compared to the actual 2023 returns, the scenario in Table 4 would lead to an increase in revenue of approximately $53 million, or 0.4% - meaning this would also effectively be revenue neutral. This would lead to a tax cut on approximately 106,000 filers while leading to an increase in only 24,000 filers – those with an average AGI of over $1 million per year.

As we can see from the above simulations, considering that the *vast* majority of Oregonians are not affected by the top bracket(s), these manipulations do not significantly affect the state budget. This further suggests that there is plenty of room for improvement.

B: Adding in the Wealth Fund

Taking the results of the previous simulations into account, let's consider how a state wealth fund (SWF) could contribute to the shaping of tax policy.

Perhaps the most useful way of contemplating the SWF's impact is by calculating what the size of the wealth fund would need to be to cover any decrease in revenue. For example, if a tax cut resulted in a

$250 million decrease in annual revenue, (keeping the conservative 4% investment return estimate) the SWF would need to be approximately $6.3 billion to compensate – which coincidentally is less than the value of the 2022 and 2024 kickers combined [31], [44].

For the sake of brevity, this proposal will not delve much further into generating hypothetical brackets: such an important and nuanced policy proposal should rightly be its own discussion. However, I would like to show one hypothetical scenario.

For the next simulation, I used Google's Gemini 3 Large Language Model (AI) to help craft a theoretical structure. I fed in the below constraints, with an allowance for up to $250 million in reduced revenues (that would be accounted for by a SWF from the last two kickers).

1. Use eight tax brackets
2. Top two brackets are taxed at 10% and 11%
3. Earners making up to 4300 are taxed at a marginal rate of <= 4.75%
4. Earners making up to 10750 are taxed at a marginal rate <= 6.75%
5. Earners making up to 125000 are taxed at a marginal rate <= 8.75%
6. Bottom five bracket cutoffs are $4,300, $10,750, $33,000, $50,000, and $90,000
7. Effective taxes are lowered for the bottom 75% of earners
8. Effective taxes are raised for the top 5% of earners

Gemini 3 provided the proposal that can be seen below in Table 5.

First, let me say that this is not an ideal structure, nor am I advocating for generative AI as the best method to solve this problem. However, when looking at what the AI provided, we can see that it came close to meeting our requirements. The bracket cutoffs were chosen to closely align to the quintiles published by the Oregon Department of Revenue shown in Table 6 to have the brackets more closely meet the actual distribution of incomes [8]. This proposed structure would result in an approximately $300 million revenue reduction (2.3%), which could be offset by a $7.6 billion SWF. The discrepancy between the $250 million allowance provided by Gemini and the author's math is due to a difference in calculation strategies, but for a hypothetical method for demonstrative purposes this was deemed acceptable.

As we can see, the introduction of a state wealth fund could be not just a massive boost to Oregon's revenue stability, but also a means with which to provide real, ongoing tax relief to the citizens of Oregon – thereby also significantly boosting the acceptability of this proposal to the electorate.

Oregon AGI Level ($000)	Number of Single returns	Number of Married returns	Oregon Average AGI	Average Taxable Income	Total Taxable Income, Single ($000)	Total State Revenue, Single ($000)	Total Taxable Income, Married ($000)	Total State Revenue, Married ($000)	Total State Revenue ($000)
Less than zero	14,860	15,564	-$57,892	$172	$2,556	$109	$2,677	$114	$222
0-5	124,901	58,646	$1,746	$714	$89,179	$3,790	$41,873	$1,780	$5,570
5-10	96,200	27,457	$7,458	$4,286	$412,313	$17,523	$117,681	$5,001	$22,525
10-15	86,864	28,885	$12,461	$8,334	$723,925	$37,775	$240,728	$10,231	$48,006
15-20	74,778	29,641	$17,462	$12,398	$927,098	$53,916	$367,489	$17,870	$71,786
20-25	69,024	30,077	$22,483	$16,482	$1,137,654	$72,882	$495,729	$25,810	$98,692
25-30	66,353	30,757	$27,512	$20,530	$1,362,227	$92,087	$631,441	$34,175	$126,262
30-35	67,180	32,301	$32,510	$24,857	$1,669,893	$117,071	$802,906	$46,740	$163,811
35-40	67,308	33,488	$37,486	$29,056	$1,955,701	$140,470	$973,027	$59,988	$200,458
40-45	63,655	32,796	$42,471	$32,913	$2,095,077	$152,978	$1,079,415	$69,121	$222,100
45-50	57,591	31,661	$47,462	$36,675	$2,112,150	$156,594	$1,161,167	$76,496	$233,090
50-60	95,584	58,596	$54,837	$41,877	$4,002,771	$301,667	$2,453,825	$166,569	$468,236
60-70	72,491	54,464	$64,837	$48,375	$3,506,752	$268,353	$2,634,696	$183,843	$452,196
70-80	54,015	52,019	$74,867	$55,160	$2,979,467	$231,300	$2,869,368	$204,532	$435,831
80-90	41,632	51,174	$84,878	$62,749	$2,612,366	$205,445	$3,211,117	$233,055	$438,500
90-100	31,995	48,427	$94,887	$70,167	$2,244,993	$178,300	$3,397,977	$250,405	$428,705
100-125	48,346	109,261	$111,760	$83,807	$4,051,733	$326,131	$9,156,837	$690,151	$1,016,283
125-150	24,532	83,512	$136,694	$106,685	$2,617,196	$214,368	$8,909,478	$689,113	$903,481
150-200	20,805	103,948	$171,950	$139,802	$2,908,581	$245,937	$14,532,138	$1,153,794	$1,399,731
200-250	8,328	52,028	$222,137	$187,877	$1,564,640	$138,483	$9,774,865	$793,218	$931,701
250-500	9,585	67,432	$332,243	$299,507	$2,870,775	$271,127	$20,196,356	$1,728,447	$1,999,575
500 +	3,053	21,499	$1,203,937	$1,133,501	$3,460,579	$366,439	$24,369,138	$2,480,272	$2,846,711
All	**1,199,080**	**1,052,458**	**$82,351**	**$67,797**	**$45,307,626**	**$3,592,746**	**$107,419,928**	**$8,920,726**	**$12,513,473**

	1	2	3	4	5	6	7	8
Current	$0 - $4,300 4.75%	$4,301 - $10,750 6.75%	$10,751 - $125,000 8.75%	> $125,000 9.9%				
Proposed	$0 - $4,300 4.25%	$4,301 - $10,750 6.25%	$10,751 - $33,000 8.2%	$33,001 - $50,000 8.4%	$50,001 - $90,000 8.6%	$90,001 - $125,000 8.75%	$125,001 - $250,000 10%	> $250,000 11%

Table 5: 2023 returns with model from Gemini 3 [8]

Quintile	Number of Returns	Average Oregon AGI	Average Taxable Income	Tax as a Percent of AGI	Tax as a Percent of Taxable Income
First 20%	450,548	$1,957	$3,553	6.03%	3.32%
Second 20%	450,533	$26,016	$19,433	3.92%	5.25%
Middle 20%	450,549	$49,746	$38,129	5.13%	6.69%
Fourth 20%	450,539	$86,626	$64,202	5.44%	7.34%
Next 15%	337,909	$158,691	$127,443	6.39%	7.96%
Next 4%	90,108	$325,409	$292,239	7.73%	8.61%
Top 1%	22,527	$1,266,245	$1,192,766	8.41%	8.93%

Table 6: Oregon's 2023 AGI Quintile distribution [8]

5: State Banks

A key aspect of this proposal consists of the formation of a State Bank of Oregon (BoO) to administer this wealth fund. While this is primarily to address the legalities of redirecting the kicker, we should also spend some time discussing the benefits a public state bank would bring.

Currently, the State Bank of North Dakota is the only state owned, state run general service bank in the United States, though California also has the California Infrastructure and Economic Development Bank (IBank) [45], [46], [47], [48], [49]. While there is a long history of public, for-profit banking in the United States, there historically have been instances where the needs of governments and the risk tolerances of the private sector are at odds [47], [48], [49]. These state banks exist as a way for their respective governments to ensure that the financial and fiscal needs of their policies and programs are consistently met. To take California for example, IBank has been used as a backstop to fund California's Insurance Guarantee Association (CIGA) during times of liquidity crunch, and it has also been used to help create the California Lending for Energy and Environmental Needs Center (CLEEN) to address climate change [50].

The Bank of North Dakota (BND), founded in 1919, has been shown to be a source of stability during turbulent times, including the recent COVID-19 pandemic, and enhances the viability of small banks in the state according to the Boston Fed [51], [52] Beyond these clear benefits, the BND is also a source of revenue for the state, as all of its profits are deposited into the general fund – over $585 million worth of profits have been deposited into the general fund since the bank was founded [53]It should be noted that the business model of the BND focuses primarily on business-to-business (B2B), and while it does offer limited retail public banking services, it intentionally does not compete with the private sector for public retail services, and its offerings are limited [54]

However, a Bank of Oregon (BoO) would not necessarily be limited towards copying others and could be set up as we desire. Let's consider what could be possible.

A: Strictly Government

In this model, our Bank of Oregon would focus exclusively on financing state projects and priorities.

The main role of this style of entity would be similar to IBank, serving as another funding source for the government outside of private sector loans or writing new municipal bonds, or for backstopping crises like California's insurance crisis. In this model, the SWF would be used in part as a capital source for these loans and investments.

Perhaps this model is best viewed through the lens of one hand washing the other. For example, if Oregon needed funds for a new bridge, instead of selling new bonds to out-of-state investors, they could instead be sold directly to the Bank of Oregon. This has notable concerns, including systemic instability during a financial crisis, but could be mitigated through robust rules such as bonds must be set at prevailing

public rates and limiting exposure. While this author does not believe this is the right choice, let's consider the possibility.

In 2025, the State of Oregon issued bonds of approximately $2.3 billion [55]. Assuming these are at a ~3.5% average interest rate, that would be ~$81 million in interest paid annually to bondholders – many of whom are outside of Oregon. If these bonds were instead held by the SWF, this money would stay in our local economy and continue to compound over time. Depending on the specifics of laws and risk tolerances, it may also be possible to issue those bonds at a reduced rate, saving the state money each year. This could also be extended to municipalities like the Portland Metro, who in 2018 issued an Affordable Housing Bond of over $650 million at rates around 3.5% [56]. However, the main benefit here would be for projects unappealing to public investors; if we were to assume efficient markets, there would be little advantage for the SWF prioritizing state projects that could already receive investors.

B: Primarily Business-to-Business

In this model, our Bank of Oregon would be similar to the BND model, focusing on investing in local businesses and community banks while also backstopping state projects. It would also provide resources to these banks earmarked for specific projects, such as low-income home loans. Let's use those home loans as an example to explore this opportunity.

Oregon already has a program focused on supporting lower-income families purchase homes, Oregon Flex Lending, which provides 4-5% of the mortgage as down payment assistance [57]. Currently, this is connected to the state General Fund, and is not self-sustaining – in 2025, HB5011 was related to this funding [58] With a BoO, programs like this could be both fully self-sufficient and profit-returning, turning a financial burden into a boon. One merely has to consider the Bank of North Dakota's over half-billion dollar historical profits to see how this can benefit our state.

C: Retail banking

This model could bring significant benefits to everyday Oregonians – though would have tougher political headwinds.

Discussions of public retail banking in the United States have often focused around postal banking – a system that already existed in the United States between 1911 and 1967 [59], [60] In that system, the post offices accepted deposits from the public, but instead of providing banking services directly, instead redeposited these funds into banks at interest [60] However, there have been many different models across many countries, starting originally with the United Kingdom in 1861 – which, critically for this proposal as we will see in the next section, offered public bonds [61].

Oregon currently has ~$101 billion deposited into public, FDIC-insured banks – not counting credit union deposits [62]. Many of these retail banks charge their customers fees, especially those with lower balances – which would provide a public option with notable appeal to these customers [63], [64]. If we

were to consider the entire ~$101 billion as the Total Addressable Marketshare (TAM), if the BoO operated similar to the prior US Postal Banking system and took a cut of ~0.2% from redeposits (e.g. a 3% APR market rate would give a BoO depositor 2.8% instead), that would be over $200 million annual potential revenue. Real performance would be significantly below this, though even 10% TAM would still yield $20 million revenues.

This would only grow larger if the BoO expanded into underwriting auto, home, and business development loans – though doing so would have more potential concerns politically. Regardless, if the state bank were to offer a public option, even if it were to just underwrite and redeposit for regional banks and credit unions, there is significant potential for revenue while improving public services.

This proposal recommends that the path of the public option be taken, if for no other reason than providing further defense for constitutionality – especially if the BoO were able to directly issue and manage municipal bonds.

6: Flexibility

It is my belief that the proposal to fully redirect the kicker is constitutional based on the outline above. However, the overall concept has significant room for flexibility to ensure it can meet legal challenges and legislator appetites.

A: Kicker Bonds

One such concept would be the creation of "kicker bonds." In this scenario, each full-time Oregonian taxpayer would receive one share of a state bond (two for married filing jointly), whose face value would be equal to the total kicker value divided by number of full-time taxpayer residents. This would essentially mean that a taxpayer in the lowest bracket would receive the same rebate as a taxpayer in the top 1% - a concept already supported by numerous groups [65]

The bonding of this rebate, however, comes with significant upsides. First, the State gets to hold on to the kicker money for the length of the bond, during which time the value can accrue in a SWF per above. These kicker bonds would also be tradeable, similar to current state and municipal bonds – with all the tax privileges that come with them.

Municipal bonds are attractive to investors for multiple reasons, though perhaps the most significant is their special tax status – income from these bonds are tax exempt, both federally and within the state that issues them. For a state like Oregon, that is especially appealing as the top combined income tax rate (including local income taxes) can reach 50% (e.g. 37% federal, 9.9% state, 4% city and county) [66], [67], [68]. This essentially means that to the wealthiest Oregonians, investing in a 2% kicker bond has the same after-tax return as a 4% corporate bond. However, to the poorest Oregonians, that 2% return would be far less valuable, and they'd likely prefer their capital immediately. This difference creates an arbitrage market for these bonds.

Let's say each kicker bond (KB) for a given year has a face value of $1000 for ease of calculations, has a ten-year maturation, and offers 3% returns. To both investors, that would yield $30 per year. Let's also assume that a competing corporate bond (CB) offers 4.5% yield, paying $45 before taxes each year.

Let's imagine a lower income Oregonian A taxed at a combined marginal income tax rate of 20.75%. Let's compare that to a wealthy Oregonian B living in Multnomah County being taxed at 50.90%. To both, the yield from the KB is still $30 per year. However, the after-tax income of the corporate bond is about $36 to Oregonian A vs about $22 for Oregonian B. To Oregonian A, the corporate bond is more attractive, but to Oregonian B, the kicker bond is more appealing. Therefore, Oregonian B wants to buy the bond off Oregonian A – at a price notably higher than $1000.

To estimate the "intrinsic value" of the bond, one needs to compare the yield of the KB to the yield of the CB to calculate the opportunity cost, then calculate the discounted cash flow and discounted present value based on this [69]. The equation for this is below in Equation 1.

$$Current\ Value = \sum_{t=1}^{n} \frac{Cash\ Flow}{(Opportunity\ cost)^t} + \frac{Cash\ Flow}{(Opportunity\ Cost)^n}$$

Equation 1: Calculation of bond value. n is the number of years of maturity of the bond [69]

Using this equation, we can determine that the intrinsic value of this bond for Oregonian B would be closer to $1070, using the values provided above. This means that if these bonds were tradeable in an efficient market, Oregonian A could immediately sell that kicker bond for more than the $1000 they would get with a simple rebate – all while the government continues to use those funds to build the SWF.

Now, the obvious downsides need to be discussed. First, having these as bonds mean that after the lifetime of the bonds expires, the SWF would have a large expenditure when the bonds are redeemed. Also, for these bonds to be desirable, they would need to offer a yield competitive with the market, which also would eat into the overall performance of the fund.

To balance this, the state would need to consider the combined cost of payouts to both bondholders and the general fund. So long as the long-term growth of the fund (~7% after inflation) is higher than these expenditures, the fund should accrue in value over time. Similarly, to avoid a credit crunch during a market downturn, the fund should analyze performance retroactively and average over a longer period of time, such as 8 years (or four legislative terms). This would also smooth out the expected payouts of the fund to better maintain fiscal stability.

Briefly, it should be noted that if the above was implemented, it might be possible to "supercharge" the SWF by selling bonds over a longer period (e.g. 20-30 years). This would allow the state to start growing the SWF without needing to wait for the kicker rebates to fill it naturally. By implementing a longer

timeframe, it is far more likely that the average market will exceed the cost of the bond – especially if the state were to add protections in the form of call options every 5 years.

In this proposal, all these bonds would be issued and managed by the BoO, to ensure that every Oregonian has access to these bonds. To maximize performance, the market could be extended to out-of-state investors, including market funds, to help ensure a healthy market.

B: Extractive Industry Taxes

Many current SWFs, such as Alaska's and Norway's, are based around extractive industries, such as oil and gas. The concept is that these are non-renewable industries, and therefore the tax revenue from these industries would slow and eventually stop when the deposits run out – but by placing these revenues into a SWF instead, the financial windfall can benefit current and future generations even after the wells run dry.

Oregon has a long history of our own extractive industries, most notably timber harvesting. While timber is far more renewable than oil and gas, it is still not fully sustainable, as it can take hundreds of years before trees are considered old growth [70]. Currently, Oregon has a multi-tiered structure surrounding taxation around forest products, e.g., the Forest Products Harvest Tax (FPHT) and various privilege taxes which add up to approximately $6.29 per thousand board feet (MBF) [71]. There is also a Small Tract Forestland Owner tax option levied at harvest as an alternative to property taxes, but for the sake of this conversation we will not consider it [72]. Currently, the FPHT taxes bring in approximately $21 million per year [73].

Our neighbor Washington, on the other hand, has an ad valorem stumpage tax of 5%, instead of a volume-based tax [74]. Over the past few years, while the harvesting volume of timber in Oregon has slowly decreased, the value of the timber itself has increased – sometimes drastically [75], [76]. This led to a situation where Washington was able to capitalize on the valuation windfall, while Oregon revenues remained unchanged. In fact, Oregon historically had a value-based severance tax which was repealed in the early 1990's – a report in 2020 estimated that Oregon lost over $2 billion in potential tax revenue from 1991 to 2020 from its repeal [77]. According to that report, in 2018 Oregon would have generated $130 million from its severance tax of between 5-6.5%, or if it used California's or Washington's systems instead it would have generated $59 million or $91 million, respectively [77]. Instead, the FPHT based on volume generated under $14 million total [77].

As an alternative to completely overhauling our timber tax structure, we could instead consider simply adding a small value surtax, say 1%, to help fund a SWF while addressing the realities of a dwindling resource. Using the prior data, this would have raised over $18 million in 2018 alone. True, this would be nearly double the total taxes over that period ($32 vs $14), which is significant. However, it would have a far *less* significant impact than a full switch, which would lead to more than sextupling the tax collected ($91 vs $14).

This 1% surtax could be expanded to other extractive industries, including mining. Currently, there are significant deposits of lithium and gold in the southeastern corner of our state, which have yet to be significantly exploited. The McDermitt Caldera is one of the largest lithium deposits in the US, and could generate over $1 billion per year in ore, and the Grassy Mountain Gold Mine is estimated to produce over $100 million in ore per year [78], [79], [80], [81]. A 1% surtax would generate over $11 million per year for the SWF, and this would be *far* below the rates of our neighboring states (and therefore could be raised to remain competitive) [82], [83].

C: Data Centers

A flash point in current Oregonian politics surround data centers and their impacts to the local communities they exist in. It has been well documented that these facilities consume extreme amounts of water and electricity, and since they are able to negotiate low rates with the local utilities, the community residents end up having to pay the difference through cost hikes [84], [85]. For example, Hillsboro is home to a substantial number of new data centers which historically have paid as low as $0.08 per kilowatt-hour (kWh) [86]. Meanwhile, the local residents have seen their electricity rates increase from $0.13 in 2020 to $0.19 in 2025 in significant part due to increased load from these facilities [87]. In the 2025 session, Oregon passed the POWER act to address these concerns, creating a new classification of service for large energy consumers, which will help to create new rates and ensure the costs of their infrastructure are not passed entirely on to residential users [86]. While this is a significant leap forward, these facilities will still likely pay rates significantly below the residential average, with groups like Oregon's Citizen's Utility Board arguing that PGE is not going far enough in assigning costs to data centers, theorizing an increase of approximately 18% (from $0.08 to ~$0.10) [88].

Similarly, in The Dalles, Google has built a massive data center that was found to consume vastly more water than they had reported, thanks to breakthrough reporting from The Oregonian [89]. This last year, Google constructed a massive water reservoir for The Dalles and "gifted" it to the city, though this reservoir was needed specifically for their own capacity [89], [90]. Under current utility rates, a resident of The Dalles pays a hybrid base fee of ~$53 for the first 7000 gallons and per-use fee of $1.87 for every thousand gallons afterwards, while industrial centers pay a flat rate of ~$3.61 per thousand gallons. If one were to consider an average family use of 10k gallons, the residential rate would be equivalent to ~$5.88 per thousand gallons, almost two-thirds higher than the industrial rate [91], [92].

This author believes it appropriate to consider data centers as an example of a modern extractive industry, given the sheer volume of consumption of local resources and their effects on local utilities. As such, a tax could be levied on the consumption of both water and electricity for these large consumers, which could be used to fill the SWF.

Let's consider Google's The Dalles campus. Google consumes over 355 million gallons of water per year (or 355,000 1000-gallon units) [89], [93]. The most recent data in 2010 showed the Google campus consuming 330 million kWh – though this can be easily considered out of date, given Google's multiple expansions since then [89], [94]. This was achieved by comparing the NWCPUD consumption in 2005

(before it came online), and in 2009 when it was fully operational [94]. Google protects their actual consumption as a trade secret, but if we were to use this same methodology, we can see that the consumption was 242 gigawatt-hours (GWh) in 2005, 592 GWh in 2009, and 1,376 GWh in 2023 [95]. If we were to compare this to census data from 2010 and 2020, The Dalles grew approximately 18% while Wasco County grew approximately 6%. We can also see that residential sales revenue for the utility was approximately $10 million, while for industrial use it was over $91 million, over 9x higher. These industrial use sales rose from $1.4 million in 2005, $13.8 million in 2009, and $91 million in 2023 [95]. If we were to assume all $90 million was from this data center, at ~$0.07 per kWh, that would equate to 1286 GWh as seen in Equation 2.

$$90{,}000{,}000\ dollars\ \div \frac{0.07\ dollars}{1\ kWh} = 1{,}285{,}714{,}286\ kWh = 1{,}286\ GWh$$

Equation 2: Estimating the energy consumption of Google's The Dalles facility

Using these numbers (1,286 GWh and 275,000 kgal), we can now predict what theoretical taxes on *just one* site could return. If we were to add a $0.01/kWh tax on electricity, that would return over $13 million dollars per year – while only raising the effective bill to $0.08/kWh. If we were to add a $0.35/kgal tax on water consumption, that would raise just under $125,000 per year. Clearly, it can be seen the water consumption is a significantly lower cost to Google for this data center, even with it consuming approximately 30% of a town's water infrastructure [89], [90], [93].

Let's now consider expanding this across the entire state. Again, exact data is very hard to come by, as each company treats this as a trade secret. However, current estimates suggest that Oregon data centers consume ~6 terawatt-hours (TWh) of electricity per year [96]. Water consumption is much harder to estimate, but the two largest sites (Google's The Dalles and Meta's Prineville) consume around 600 million gallons per year. If we were to use that as a floor and include other facilities like Amazon's, we can estimate over 1 billion gallons of water per year [93], [97]. With a $0.03/kWh and $2.00/kgal tax structure in place, Oregon could raise over $180 million from the energy tax and $2 million from water tax. Again, the energy consumption tax shows significantly greater promise, though this also suggests that there is *plenty* of room to address water consumption for these large users. Given the drastic impact that water consumption can have on these communities, more should be done to adequately address the real societal cost. To this author, it is clear that water usage needs to start being viewed through a lens similar to electrical usage, taking capacity and peak demand into account.

Lastly, it should be noted that the *vast* majority of expenses on data centers come in the form of hardware refreshes. Every few years, this hardware depreciates and needs to be replaced, let alone new purchases for expanding capacity. The estimated amount of annual expenses for data center hardware is over $6 billion annually [98]. It should also be noted that this electronic hardware is an environmental hazard when disposed of and must be properly recycled [99]. As Oregon does not have a sales tax, this is

essentially a lost opportunity. It would be possible to institute a privilege tax on new server hardware economic activity within the state, between 1-3% as an advance fee on the environmental remediation, which would generate between $60 million and $180 million depending on rates.

D: Millionaire's Tax

There has been a significant push in our neighboring states recently to increase our taxes on the wealthy. While California has long had a 1% surtax for incomes over $1 million, recently Washington just increased their capital gains taxes from 7% to 9.9% at capital gains over $1 million [100], [101]. While Oregon has fewer millionaires than either of these states, let's consider the impacts of a surtax specifically directed towards a SWF [102].

Earlier, we saw that Oregon has approximately 6,600 households earning $1 million or more per year, or ~0.3% of filings [66]. According to Oregon Center for Public Policy, they estimate that in order to be in the top 0.1% of filings, the taxpayer would need to earn over $1.9 million [103]. For these 6,600 households, their total adjusted gross income is ~$25 billion per year. If we were to add this surtax, we would be able to bring in over $180 million, though that would drop to ~$130 million if we were to raise the cutoff to $2 million for married couples filing jointly.

Regardless, this would be a significant windfall to the SWF, especially if the "kicker bond" option was implemented. Over $250 million per biennium, or over $1.3 billion every decade that would not be subject to the bonds being cashed at maturity, would go a long way.

7: State Wealth Fund Models

To summarize, it might be helpful to visualize the real impacts of a SWF based on the above criteria. To do so, we need to list assumptions.

To start, let's look at performance over 20 years to allow room for market fluctuations and the model where kicker bonds are being called after 10 years. Next, let's estimate that our fund returns 7% after inflation each year on average. Using the lifetime of the kicker, including the upcoming $1.4 billion, we have over $14 billion returned over 14 payouts, averaging to $1 billion every biennium. This will be the backbone of our SWF and our calculations.

Let us also consider adding in some extras from above. Let us add in $16 million every year from timber, $180 million from data center electricity, $2 million from data center water, $100 million from data center hardware, and $130 million from a millionaire's tax. We will not consider state bank profits as part of this calculation, as it is presumed that these profits would mostly be seen through the performance of the fund. Combined, this is $428 million per year – and these would be added yearly as opposed to the kicker's 2-year cycle.

For disbursements to the General Fund, we will use a percent of market value method for calculating proceeds, which will be averaged over the prior 8 years (4 cycles). At the start of the fund, we will include years where the fund is $0 as part of that rolling average. We will limit our proceeds to 7% of this market value every other year to allow for growth.

A: Without Bonds

This model is the simplest and most attractive for state finances.

Year	Annual Inflow	Kicker Inflow	Rolling Average Value	Payout	End of Year Value
1	$428		$57		$458
2	$428	$1,000	$309	$22	$1,996
3	$428		$634		$2,594
4	$428	$1,000	$1,172	$82	$4,222
5	$428		$1,794		$4,975
6	$428	$1,000	$2,650	$185	$6,666
7	$428		$3,599		$7,590
8	$428	$1,000	$4,805	$336	$9,313
9	$428		$6,051		$10,423
10	$428	$1,000	$7,383	$517	$12,164
11	$428		$8,743		$13,473
12	$428	$1,000	$10,198	$714	$15,230
13	$428		$11,671		$16,755
14	$428	$1,000	$13,246	$927	$18,528
15	$428		$14,833		$20,283
16	$428	$1,000	$16,531	$1,157	$22,074
17	$428		$18,237		$24,077
18	$428	$1,000	$20,064	$1,404	$25,886
19	$428		$21,899		$28,156
20	$428	$1,000	$23,863	$1,670	$29,984
Total	**$8,560**	**$10,000**		**$7,015**	

Table 7: State Wealth fund performance (without bonds). All values in millions of dollars

As can be seen from Table 7, the payouts start relatively low – thanks to the 8-year rolling average including zero values. However, by Year 10, the SWF is estimated to have a payout of $517 million, with an end-of-year value at $12 billion. At Year 20, these values jump to $1.6 billion and ~$30 billion, respectively.

The bottom of the table shows the sum of total inflows and outflows over the 20 year period. This model returns ~$7 billion of payouts on a ~$18.5 billion investment, while still retaining nearly twice the total deposit value of ~$30 billion. In essence, this proposal has more than doubled the value of these deposits and turned highly fluctuating revenues into a predictable and growing stream over time.

B: With Bonds

This model is more complicated and returns less revenue to the state, though at the end of 20 years the returns are not too dissimilar. For these calculations, we will assume a 2% bond interest rate, and a payout to the State General Fund of 5% every 2 years. This will be a slightly higher payout rate than above (closer to 9%), though at 7% annual returns this is still covered by the fund.

Year	Annual Inflow	Kicker Inflow	Rolling Average Value	Kicker bond debt	Bond Interest	Payout	Bond Redemptions	End of Year Value
1	$428		$57	$0	$0			$458
2	$428	$1,000	$309	$1,000	$20	$22	$0	$1,976
3	$428		$631	$1,000	$20			$2,553
4	$428	$1,000	$1,163	$2,000	$40	$81	$0	$4,138
5	$428		$1,774	$2,000	$40			$4,845
6	$428	$1,000	$2,613	$3,000	$60	$183	$0	$6,470
7	$428		$3,536	$3,000	$60			$7,320
8	$428	$1,000	$4,706	$4,000	$80	$329	$0	$8,951
9	$428		$5,903	$4,000	$80			$9,956
10	$428	$1,000	$7,174	$5,000	$100	$502	$0	$11,579
11	$428		$8,458	$5,000	$100			$12,747
12	$428	$1,000	$9,821	$6,000	$120	$687	$1,000	$13,360
13	$428		$11,055	$5,000	$100			$14,653
14	$428	$1,000	$12,367	$6,000	$120	$866	$1,000	$15,221
15	$428		$13,537	$5,000	$100			$16,645
16	$428	$1,000	$14,784	$6,000	$120	$1,035	$1,000	$17,183
17	$428		$15,885	$5,000	$100			$18,744
18	$428	$1,000	$17,061	$6,000	$120	$1,194	$1,000	$19,269
19	$428		$18,089	$5,000	$100			$20,976
20	$428	$1,000	$19,190	$6,000	$120	$1,343	$1,000	$21,509
Total	**$8,560**	**$10,000**			**$1,600**	**$6,243**	**$5,000**	

Table 8: State wealth fund performance (with 2% bonds). All values in millions of dollars

The most notable differences here are that we now need to account for the debt of the bonds, the interest paid out on these bonds, and the redemptions after 10 years. It's worth noting that the total debt and

interest of the bonds will reach a cap after the first decade, at which point it will oscillate between $5 and $6 billion, depending on bondholder redemptions. Similarly, the interest payout will hit a cap of approximately $100 million per year (as it is unlikely the state would continue to pay interest on the matured bonds). This means that while the total liability of the SWF is essentially limited, the theoretical growth over time is not.

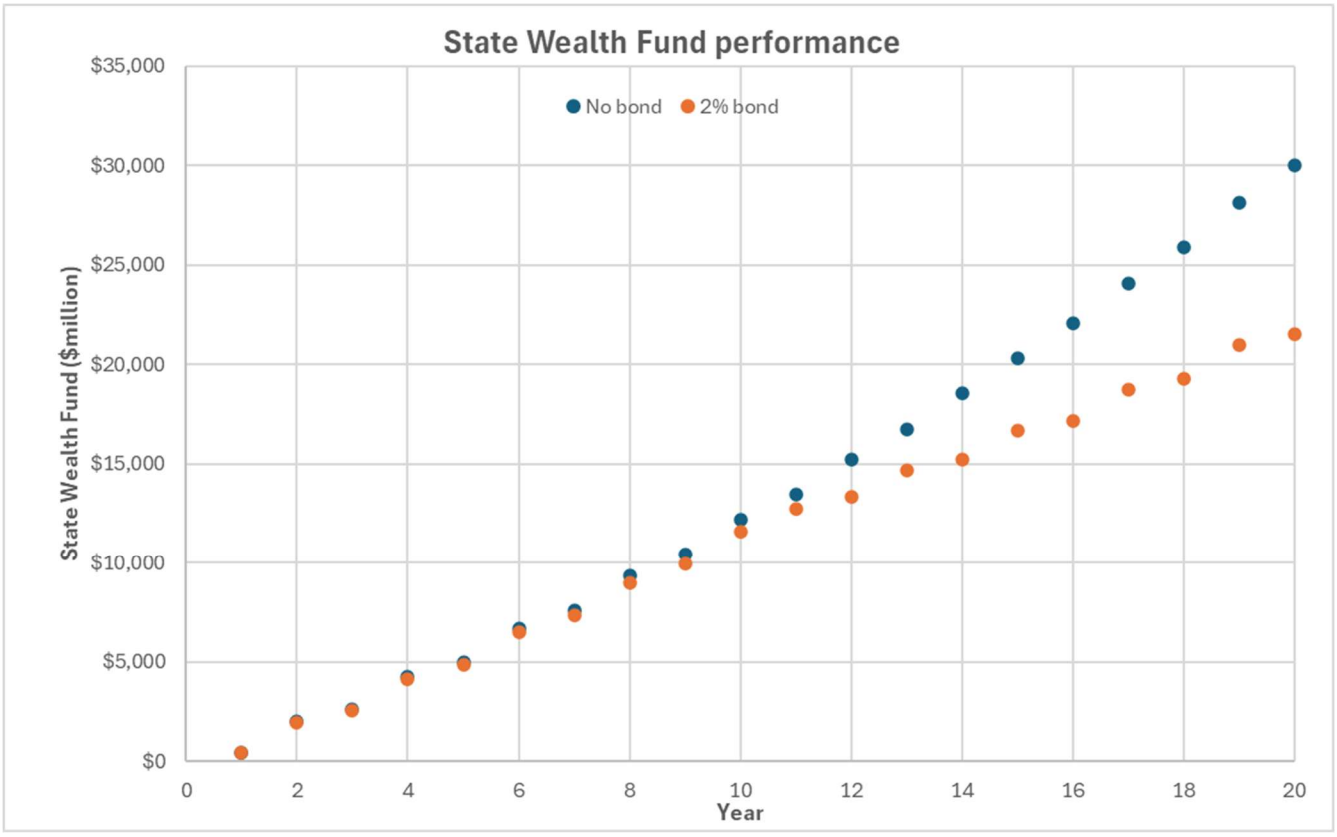
At year 10, our bonds have yet to hit maturity (as they'd be issued at Year 2, when the kicker would be distributed). We can see, though, that our payout is slightly reduced at ~$500 million, and the total value is around ~$11.6 billion. At Year 12, when bonds are redeemed, we would see $687 million and $13 billion, respectively. At the end of Year 20, our fund would return ~$1.3 billion and have a value of ~$21.5 billion remaining.

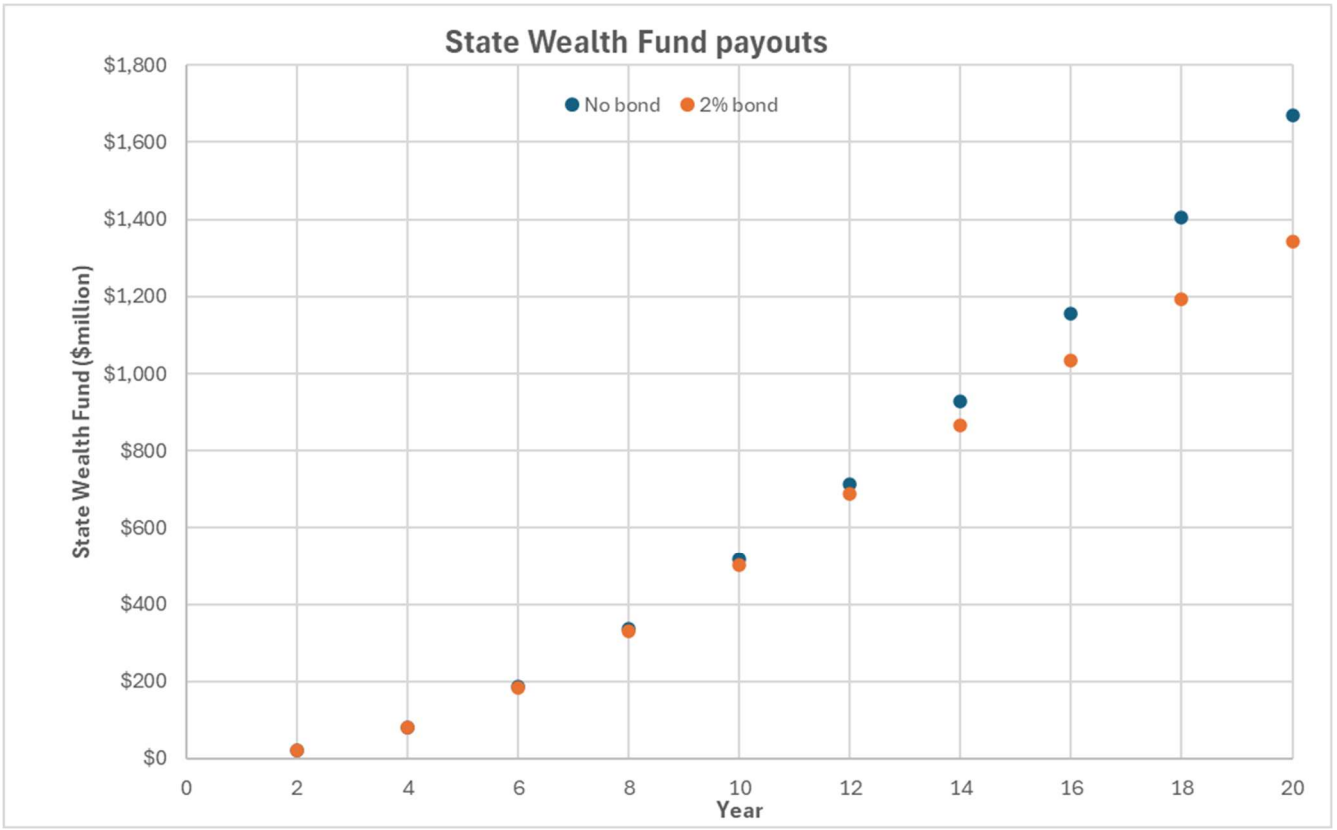
Cumulatively, we still would have the same inflow of $18.5 billion, but our outflows would increase. We would pay ~$1.6 billion to interest over these 20 years, which we should note would be untaxable by the state, theoretically leading to a maximum loss of around $160 million dollars at current state income tax rates (and not accounting for local taxes). We would also have to pay back out $5 billion, half of our $10 billion kicker income. However, we would receive ~$6.2 billion in payouts to the State General Fund from interest, while still retaining a SWF valuation of ~$22 billion.

C: Kicker Funds Only

It's important to consider that the above examples include revenue streams separate from the kicker, equating to nearly half of the expected income. This was intentionally chosen to show the versatility and potential strength of a SWF. However, the same models as above are included for clarity, with the removal of the non-kicker income as the only difference.

As is readily apparent, these two options provide significantly less revenue to the State General Fund. However, they are still both profitable choices. The no-bond option returns ~$16 billion after 20 years and has payouts of ~$900 million. The bonded option, however, has starkly reduced performance. After 20 years, this theoretical fund would have $~7.5 billion and pay out ~$555 million to the general fund. When considering that at Year 20 the State General Fund would be able to receive $555 million while returning $1 billion to the taxpayers, all while the SWF continues to grow in value, it becomes clear that a SWF would be of enormous value to Oregonians. It should also be noted that most state bonds are issued with maturities of at least 20 years, and performance will improve with longer maturation terms.





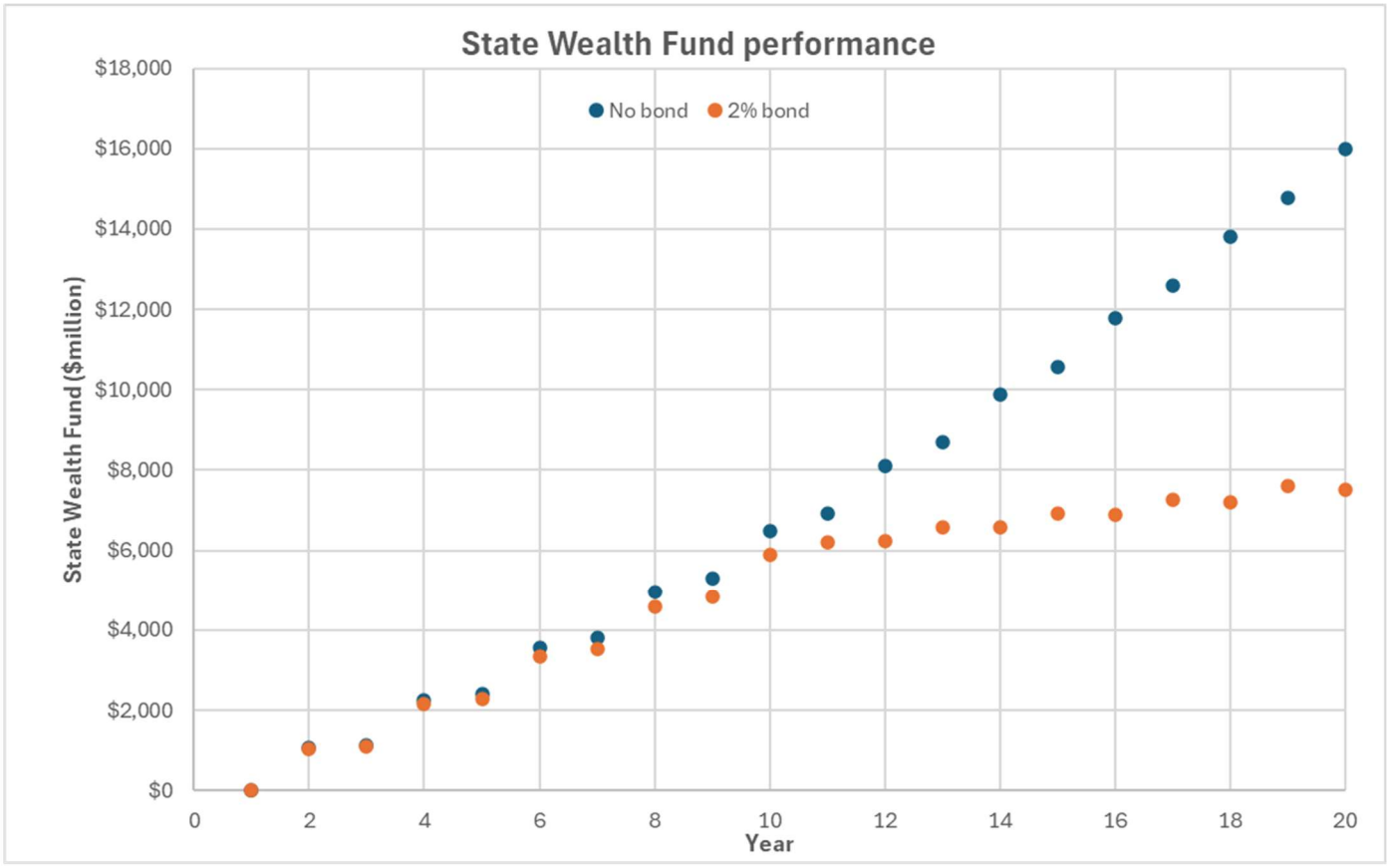
Charts 1 and 2: Performance and payouts of the SWF over time.

Year	Kicker Inflow	Rolling Average Value	Payout	End of Year Value
1		$0		$0
2	$1,000	$134	$9	$1,061
3		$276		$1,135
4	$1,000	$561	$39	$2,245
5		$861		$2,402
6	$1,000	$1,316	$92	$3,548
7		$1,791		$3,797
8	$1,000	$2,433	$170	$4,962
9		$3,096		$5,309
10	$1,000	$3,806	$266	$6,485
11		$4,532		$6,939
12	$1,000	$5,308	$372	$8,123
13		$6,094		$8,691
14	$1,000	$6,935	$485	$9,884
15		$7,783		$10,576
16	$1,000	$8,690	$608	$11,778
17		$9,601		$12,603
18	$1,000	$10,577	$740	$13,814
19		$11,557		$14,781
20	$1,000	$12,606	$882	$16,004
Total	**$10,000**		**$3,666**	

Table 9: SWF without extra revenue streams. All values in millions of dollars

Year	Kicker Inflow	Rolling Average Value	Kicker bond debt	Bond Interest	Payout	Bond Redemptions	End of Year Value
1		$0	$0	$0			$0
2	$1,000	$134	$1,000	$20	$9	$0	$1,041
3		$273	$1,000	$20			$1,093
4	$1,000	$553	$2,000	$40	$39	$0	$2,161
5		$842	$2,000	$40			$2,273
6	$1,000	$1,280	$3,000	$60	$90	$0	$3,352
7		$1,728	$3,000	$60			$3,527
8	$1,000	$2,334	$4,000	$80	$163	$0	$4,600
9		$2,949	$4,000	$80			$4,842
10	$1,000	$3,596	$5,000	$100	$252	$0	$5,900
11		$4,246	$5,000	$100			$6,212
12	$1,000	$4,931	$6,000	$120	$345	$1,000	$6,252
13		$5,478	$5,000	$100			$6,590
14	$1,000	$6,056	$6,000	$120	$424	$1,000	$6,577
15		$6,487	$5,000	$100			$6,938
16	$1,000	$6,943	$6,000	$120	$486	$1,000	$6,887
17		$7,249	$5,000	$100			$7,269
18	$1,000	$7,574	$6,000	$120	$530	$1,000	$7,198
19		$7,747	$5,000	$100			$7,602
20	$1,000	$7,933	$6,000	$120	$555	$1,000	$7,529
Total	**$10,000**			**$1,600**	**$2,893**	**$5,000**	

Table 10: SWF without extra revenue streams and with 2% bond. All values in millions of dollars.



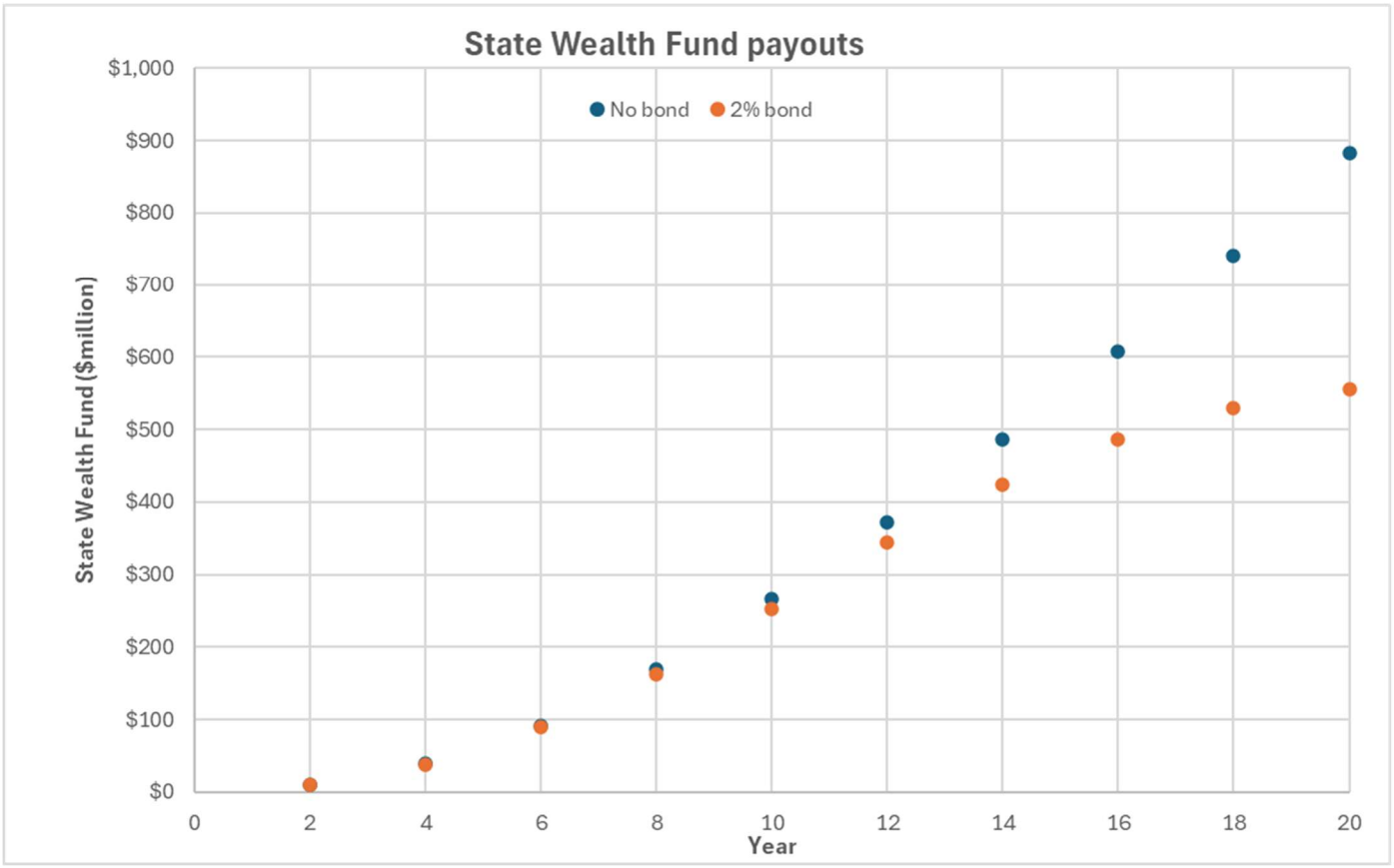


Chart 3 and 4: SWF performance and payouts without extra revenue streams

D: Hypothetical Fund: 2005 – 2025

Lastly, we should look at hypothetical past performance of a SWF as opposed to purely future-looking calculations. For the below simulations, the returns of a SWF both with and without bonds was calculated over 20 years, starting in 2005. The actual values of kicker rebates were used, and the total returns of the S&P 500 were used to show market fluctuations between years [104].

For these models, another layer of safeguards was implemented: instead of using a flat 7% payout every other year, the rolling average total returns were calculated over the past 8 years in the same manner as the rolling average value (e.g. 0% returns were used for years before 2005). In the event any rolling average return would be negative for a given year, a lower-bound of 0% was set (i.e. payout that year would be $0). As this rolling average is only taken every other year, the goal of keeping half the returns in the fund to grow over time is still achieved.

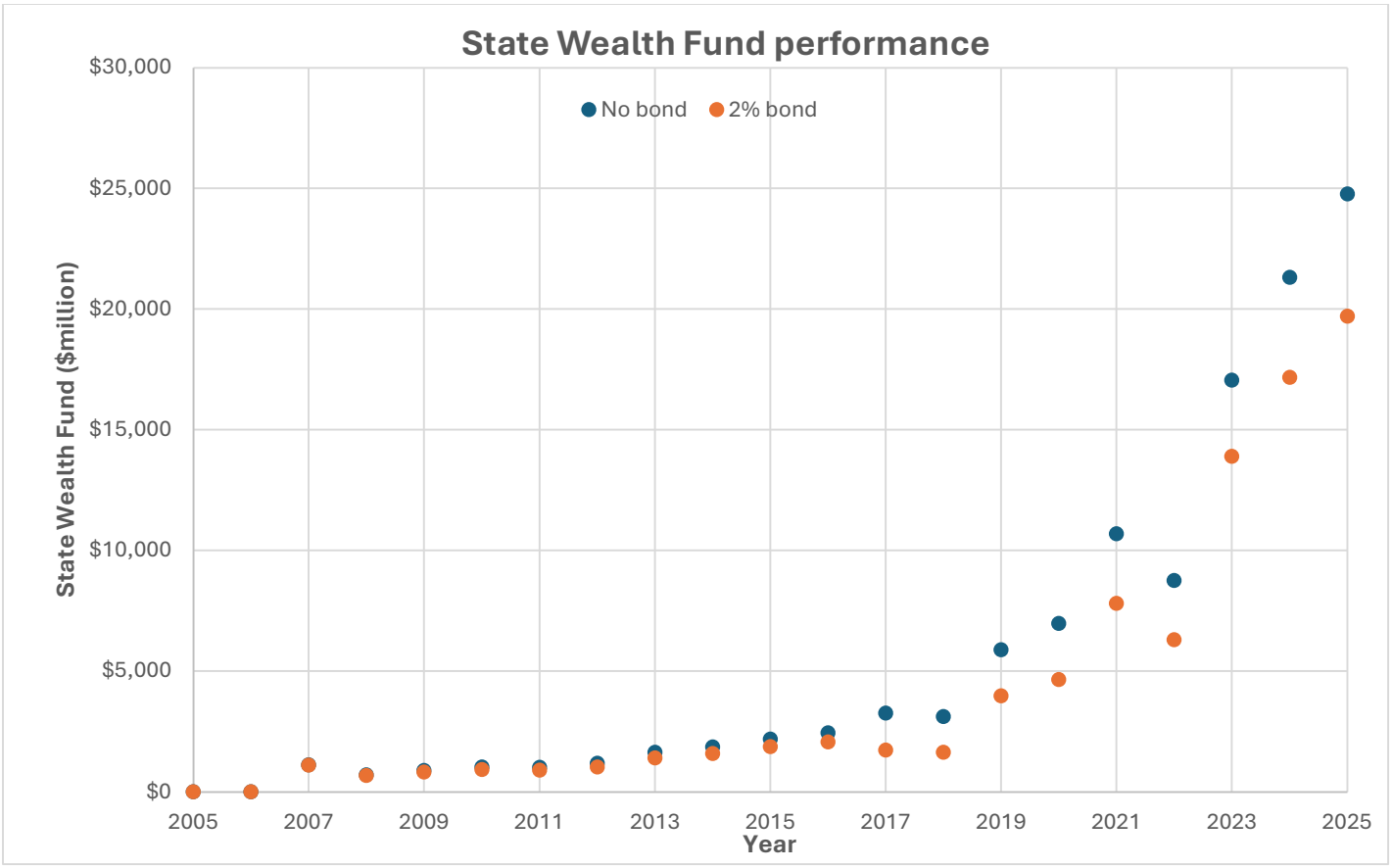
Even when considering the wildly fluctuating returns of the financial markets and kicker values, if this proposal were instituted back in 2005 it would have been a major success for Oregon. Depending on whether the SWF utilized kicker bonds, the payout to the state general fund in 2025 would have been between $1.6 - $2 billion. This is in part due to the last decade having average returns significantly higher than the previously presumed 7%, yet this shows that even when taking financial crises like the 2008 Great Recession into account this fund would be sustainable and eventually provide Oregon with extra revenue that surpasses most kicker rebates over the last twenty years. If the additional revenue streams from previous models were included as well, it is evident that such a fund would be an economic powerhouse for Oregon.

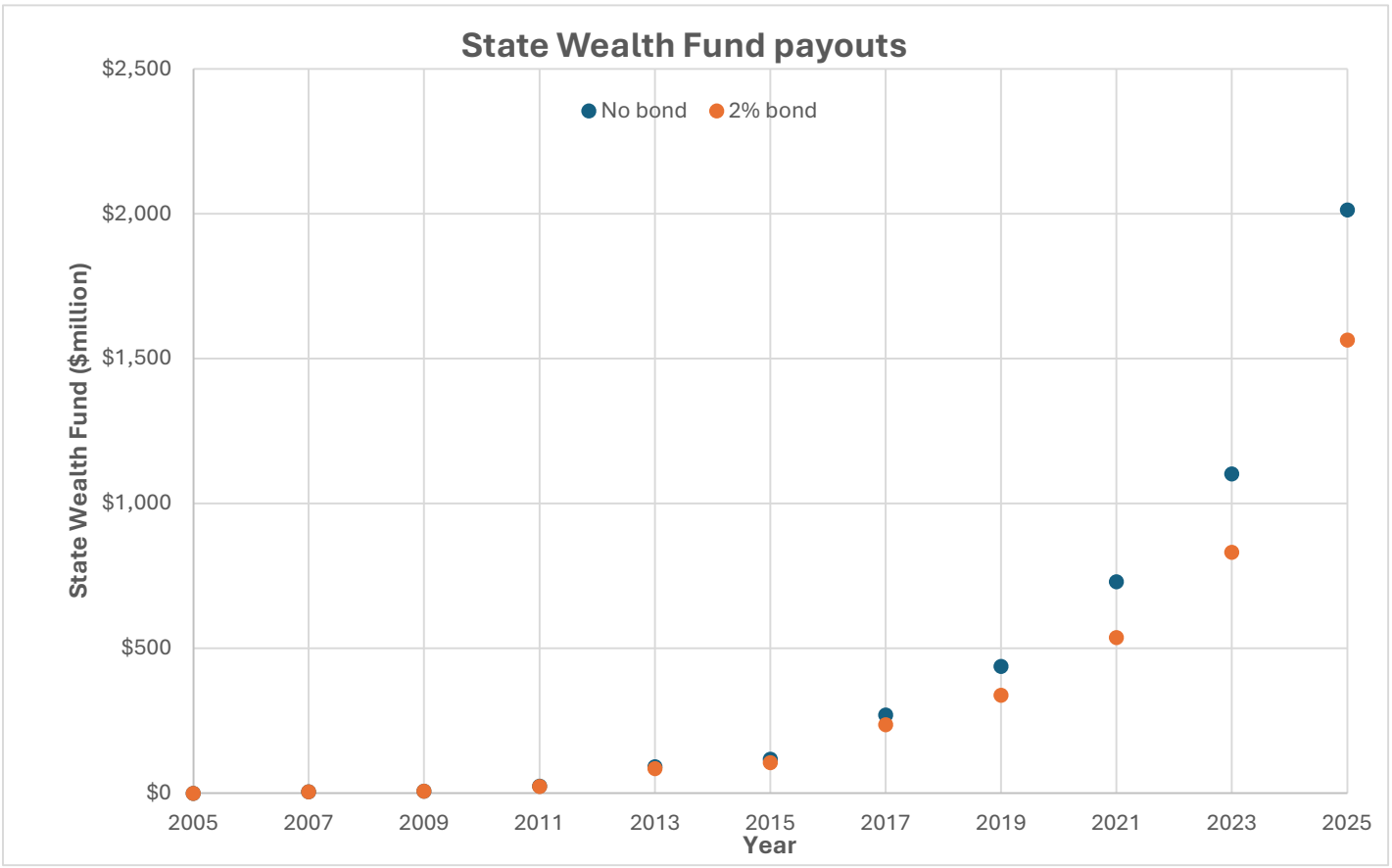
Year	Kicker Inflow	Annual Market Return	Rolling Average Value	Rolling Average Return	Payout	End of Year Value
2005	$0	4.9%	$0	0.6%	$0	$0
2006		15.8%	$0	2.6%		$0
2007	$1,071	5.5%	$141	3.3%	$5	$1,125
2008		-37.0%	$230	-1.4%		$709
2009	$0	26.5%	$342	2.0%	$7	$890
2010		15.1%	$470	3.8%		$1,024
2011	$0	2.1%	$601	4.1%	$25	$1,021
2012		16.0%	$749	6.1%		$1,184
2013	$124	32.4%	$965	9.5%	$92	$1,640
2014		13.7%	$1,198	9.3%		$1,864
2015	$402	1.4%	$1,344	8.8%	$118	$2,180
2016		12.0%	$1,560	14.9%		$2,440
2017	$464	21.8%	$1,891	14.3%	$270	$3,268
2018		-4.4%	$2,153	11.9%		$3,125
2019	$1,688	31.5%	$2,814	15.5%	$437	$5,891
2020		18.4%	$3,537	15.8%		$6,975
2021	$1,898	28.7%	$4,749	15.4%	$731	$10,690
2022		-18.1%	$5,610	11.4%		$8,754
2023	$5,619	26.3%	$7,592	14.5%	$1,103	$17,049
2024		25.0%	$9,951	16.2%		$21,314
2025	$1,410	17.9%	$12,857	15.7%	$2,014	$24,774
Total	**$12,676**			**9%**	**$4,800**	

Table 11: Real-world performance of Kicker Wealth Fund. All values in millions of dollars.

Year	Kicker Inflow	Annual Market Return	Rolling Average Value	Rolling Average Return	Kicker Bond Debt	Bond Interest	Payout	Bond Redemptions	End of Year Value
2005	$0	4.9%	$0	0.6%	$0	0	$0	0	$0
2006		15.8%	$0	2.6%	$0	$0			$0
2007	$1,071	5.5%	$141	3.3%	$1,071	$21	$5	0	$1,104
2008		-37.0%	$228	-1.4%	$1,071	$21			$674
2009	$0	26.5%	$335	2.0%	$1,071	$21	$7	0	$824
2010		15.1%	$453	3.8%	$1,071	$21			$927
2011	$0	2.1%	$572	4.1%	$1,071	$21	$23	0	$902
2012		16.0%	$702	6.1%	$1,071	$21			$1,025
2013	$124	32.4%	$892	9.5%	$1,195	$24	$85	0	$1,412
2014		13.7%	$1,093	9.3%	$1,195	$24			$1,581
2015	$402	1.4%	$1,203	8.8%	$1,597	$32	$105	0	$1,873
2016		12.0%	$1,378	14.9%	$1,597	$32			$2,065
2017	$464	21.8%	$1,657	14.3%	$2,061	$41	$237	$1,071	$1,732
2018		-4.4%	$1,745	11.9%	$990	$20			$1,636
2019	$1,688	31.5%	$2,173	15.5%	$2,678	$54	$338	$0	$3,980
2020		18.4%	$2,632	15.8%	$2,678	$54			$4,658
2021	$1,898	28.7%	$3,496	15.4%	$4,576	$92	$538	$0	$7,809
2022		-18.1%	$4,095	11.4%	$4,576	$92			$6,303
2023	$5,619	26.3%	$5,726	14.5%	$10,195	$204	$832	$124	$13,897
2024		25.0%	$7,636	16.2%	$10,071	$201			$17,173
2025	$1,410	17.9%	$9,989	15.7%	$11,481	$230	$1,564	$402	$19,710
Total	**$12,676**			**9%**		**$1,226**	**$2,893**	**$5,000**	

Table 12: Real-world performance of Kicker Wealth Fund with Kicker Bonds. All values in millions of dollars.





Charts 5 & 6: Back-simulated State Wealth Fund performance from 2005 - 2025

IV: Conclusion

Oregon's Personal Income Tax Kicker is a significant problem for state revenues and needs to be addressed – though most attempts to-date have focused on politically difficult constitutional amendments. This proposal bypasses the amendment process and instead provides a system that benefits long-term state revenues, stabilizes the kicker process through more accurate revenue forecasting, and benefits Oregonians through both improved government services and the potential for reduced income tax rates. It was also shown how the flexibility of a State Wealth Fund could further bolster the strength of this proposal by ensuring long-term stability from volatile, short-term business cycles.

State Wealth Funds, both on the state level like Alaska and national level like Norway, have long enjoyed broad public support in the communities they serve thanks to their resiliency and the benefits they provide. While this proposal focused on stabilizing state revenues, the potential is far broader than that. Subsidized education and healthcare and a universal public stipend are options chosen by the two previous examples, but the possibilities are limited primarily by our imagination and political will.

I believe this fiscal crisis provides Oregon with an opportunity to turn one of our most destabilizing fiscal laws into a source of resiliency and strength for generations to come. As we've seen, both state and local funding are subject to the whims of administrations and business cycles. An Oregon Legacy Fund would, instead, be an opportunity for self-reliance and the object of envy of our neighbors. It would promote housing development, business investments, and population growth, and would grow even faster as a result.

Let's seize this opportunity, both for ourselves and for the Oregonians who come after.

Appendix 1:

For the calculations in Section II, subsection 4 – "Updating Brackets," the data available was limited to the chart provided by the State of Oregon in Chart 2. The full data set of tax returns were unavailable, so for each AGI subsection (e.g. $0 - $5000), it was assumed that every return in that range were identical and equal to the values of the average (e.g. every return had an AGI of $1,746 and a taxable income of $714). This obviously leads to some inaccuracies, especially at higher brackets – for example, it is assumed that every taxpayer with an income over $500,000 actually had an income of $1.2 million. However, without access to the raw data, a completely accurate calculation was not possible.

For ease of calculations, returns filed "married filing separately" were treated as though they were single filers and were included in the singles columns. Similarly, "head of household" returns were combined with "married filing jointly." This also adds some inaccuracies, as these returns have unique properties that set them apart from the more common "single" and "married filing jointly" returns. However, the total number of these returns is relatively quite small and any introduced errors would be minimal.

Lastly, tax credits were not considered for these calculations. The total state revenue was calculated based on the total taxable income columns. This was chosen both for simplicity of calculations and the fact that tax credits change with policy. As the later models for the state wealth fund will look over 20-year spans, tax credits were disregarded as they would undoubtedly fluctuate substantially during this period.

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