



TINA KOTEK  
GOVERNOR

June 10, 2025

Jessica Vega Pederson, Chair  
Multnomah County  
501 SE Hawthorne Blvd., Suite 600  
Portland, OR 97214

Dear Chair Vega Pederson:

Like you, I believe our earliest learners should have access to safe, high quality early childhood education. Investments in a child's early development are some of the best dollars we can spend to improve their educational outcomes and successful trajectory for the rest of their lives. We also agree that access to affordable early learning and care is important for families and to the overall economic health of our communities.

What is also important to Oregon's success is the future economic vitality and growth of Portland – and all of Multnomah County – especially as the area recovers from the consequences of a global pandemic and other challenges over the last five years. I believe we are at a crossroads when it comes to sustaining the goals and designs of Preschool for All (PFA), which was adopted by voters in 2020, and addressing the near-term impacts of the local income tax that funds PFA. I am concerned that the program's current direction is not responsive to the economic realities of 2025. And if Portland does not rebound in the way we think it can, the downstream impacts on our economy will end up costing our most vulnerable and lowest income Oregonians the most.

Right now, Multnomah County's higher income earners shoulder the second-highest top marginal income tax rate in the country at 13.9%. I am troubled by the overall decline in the total number of taxpayers filing for the PFA tax, a drop of more than 1,700 total filers since 2021 according to the data presented to the Portland Central City Task Force Tax Advisory Committee on May 16, 2025. The data from that presentation suggests that the PFA tax is creating an environment that discourages higher income earners, and any businesses that may be associated with those earners, from staying or locating in Portland. The County's own data show fewer high-income earners (\$500,000 and above) filing taxes in Multnomah County year over year, with a drop of nearly \$55 million in collected revenue from this tax bracket between 2021 and 2024. At the same time, revenue collected from other tax brackets has not substantially increased. This is an unsustainable trend, both for PFA and for the rest of city and county services.

The Fiscal Year 2025 operating costs for the PFA program are \$106.3 million, and the PFA fund balance is nearly \$430 million. The current budget provides seats for the projected 3,800 slots expected in 2026 while continuing the quality services for children and families already in place. This achievement is worthy of celebration. However, I am concerned that the scope of the program has grown beyond what was proposed in the ballot measure and that the change in scope is already having, or will have, an impact on the sustainability of future program costs. For example, the program allows families to access full-day 10-hour slots regardless of income. The original measure only called for full day seats for low-income families. For public transparency, it is imperative to share line-item budget information regarding per child costs and a comparison of program costs as projected for the next fiscal year based on the original scope of the program versus the current scope.

I reviewed the timeline your office shared on the work of the Technical Advisory Group (TAG) charged with evaluating the structure of the tax. Based on my concerns about near-term impacts, I do not believe the TAG's timeline meets the urgency of the moment. I urge you to expedite the work of the TAG which only had its first meeting last month. The ordinance passed by the board last September delayed the report from the TAG from January 2026 to January 2027. Moreover, in that meeting you promised the TAG would be appointed and begin its work as early as November. That did not occur. All of this has compounded the County's lack of responsiveness and set up significant barriers to a responsive, data-driven approach to taxation. The County is simply not moving quickly enough to address concerns, as the April 2025 program audit reiterated. The deadline you have currently set for the TAG to have a recommendation on needed changes to the tax structure is March 2026, which means the earliest that taxpayers could experience tax relief is on their 2027 taxes. Please accelerate the TAG's work to have recommendations by August 2025, which is the deadline your program team mentioned would allow for changes to have an impact in tax year 2026.

In addition, I ask for your consideration of approaches that ease the current tax burden even if doing so may slow the timeline toward achieving universal preschool in Multnomah County by 2030. Acting now with such an approach would allow for maintaining services currently provided by the program, create space for more deliberate and strategic focus on implementation, and responsibly draw down existing reserves that can ensure progress remains sustainable and equitable over the long term. These approaches may include:

- Clarifying what is financially necessary to achieve the original goals of the program and provide increased budget transparency for plans to achieve the goal.
- Pausing collection of the tax for three years and focusing on strengthening the existing program at the current number of seats.
- Reducing the tax rate to meet future expenditures as identified in the original goals.

Chair Vega Pederson  
June 10, 2025  
Page 3 of 3

Furthermore, I would welcome an opportunity to collaborate on a statewide initiative to provide something like PFA or the state's Preschool Promise to every child in Oregon. That approach is the ultimate solution to the disrupting unintended consequences of a significant local income tax only in Multnomah County.

Championing an innovative program of this scale and importance requires significant effort and risk taking, so I thank you and your staff for rising to the occasion to serve Multnomah County families through PFA. A successful program is not just measured on its service delivery, but also on its long-term viability. This expectation is not limited to PFA. My office has been working with Metro on a parallel conversation around the Supportive Housing Services measure, and they are heeding the call to consider changes that meet the moment. As evidence mounts pointing to a correlation between the impacts of the PFA tax and the challenges the city and county are facing, I hope you will take action as outlined above so we can all continue to strengthen the region's future.

Thank you for your consideration, and I look forward to further discussion on these issues.

Sincerely,

A handwritten signature in black ink, appearing to read "Tina Kotek", with a stylized, cursive script.

Governor Tina Kotek