

Local Option 101

Neah Kah Nie School District

Local Option Background

- ✓ **Local option levies present an alternative for raising additional operating funds from property taxes.**
- ✓ **Created under Measure 50 in 1997.**
- ✓ **Available for operations (5 year limit), or capital (10 years or useful life of project, whichever is less).**
- ✓ **Can be levied as fixed dollar amount or rate per thousand.**
- ✓ **Subject to majority voter approval at May or November elections or other regular elections with 50% voter turnout.**

Local Option: What Can You Use it For?

Operations:

- ✓ May be used for any legally allowable operating expenses of an Oregon municipality.

Capital:

- ✓ May be used for broad list of capital items, as long as life of levy matched to life of items financed.
- ✓ Given subject to same voter test as GO bonds and revenue stream is more unpredictable, jurisdictions tend to use GOs instead.

Property Tax History

Measure 5 (1990)

- ✓ Capped property taxes at \$15/\$1,000 of **RMV** of property:
 - \$5 for education (SDs, ESDs and CCs)
 - \$10 for general government (all others)

Measure 50 (1997)

- ✓ Created lower **AV** on which property taxes are calculated. Capped AV growth at 3% a year.
- ✓ Assigned permanent operating rates to all jurisdictions.
- ✓ **Created local option levies.** Levied in addition to permanent rates, but still subject to M5 limits. Require voter approval.

Local Option Limits for Schools

Constitutional and statutory limits apply to SD local option levies

- ✓ Constitutional (Measure 5):
 - M5 limit of \$5/\$1,000 real market value for education
- ✓ Statutory (revised 2019):
 - \$2,251.02 per ADMw in FY 2023 (increases at 3%/year)
 - 25% of State resources (total formula revenue)

It is unclear how these limits apply to NKNSD.

Equalization Grants

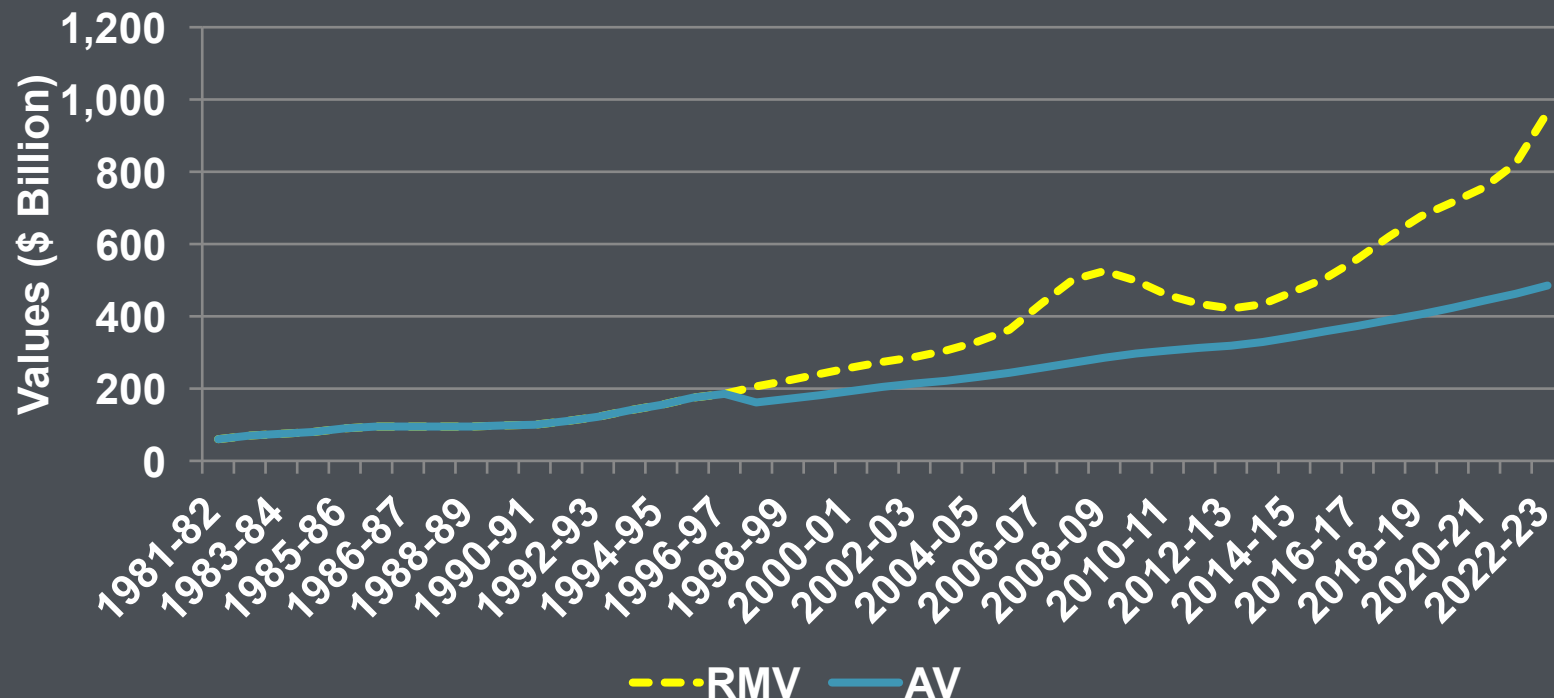
- ✓ Equalization grants are provided by the State for low property value districts.
- ✓ Legislature must appropriate funds biennially for equalization grants.
- ✓ **Neah Kah Nie SD** is not eligible for an equalization grant.

Mind the Gap!

- ✓ Every property has “gap” between RMV and AV.
- ✓ If property’s RMV increases faster than 3% AV limit, gap grows.
- ✓ Local Option Levies ‘tax the gap.’

1997: M50 froze AV at 90% of 1995 RMV, capped growth at 3%/year

AV and RMV of Property in Oregon
Fiscal Year 1982 to 2023



Different Property Types Can Have Very Different Gaps

- ✓ Gap on residential property is often wider than other types.
- ✓ In some cases commercial and industrial property depreciate, causing RMV to decline. AV can never be greater than RMV.



House	Target Store
Real Market Value: \$600,000	Real Market Value: \$80,256,230
Assessed Value: \$360,000	Assessed Value: \$79,508,329
AV as a % of RMV: 60%	AV as a % of RMV: 99%

Calculating Local Option Revenue

Total Local Option Capacity:

- ✓ Sum of all gaps in jurisdiction is total local option capacity.
- ✓ Some properties may already be at M5 limit, others may be well below.
- ✓ Many properties are likely within the Measure 5 limit and will be subject to this tax, however the only way to estimate amount raised is on property by property basis.
- ✓ Overlapping jurisdictions may have levies, causing compression and competition.
- ✓ Only those jurisdictions with consolidated tax rates significantly below M5 limits have consistent collections.

Neah-Kah-Nie School District						
	2020	2021	2022	2023	2024	2025
Extended ADMw	1,023	888	910	954	946	857
SSF Revenues*	\$ 9,825,142	\$ 9,592,159	\$ 9,032,564	\$ 9,414,319	\$ 10,434,313	\$ 10,085,237
Permanent Tax Rates						
School District	\$ 4.5002	\$ 4.5002	\$ 4.5002	\$ 4.5002	\$ 4.5002	\$ 4.5002
Community College	0.2636	0.2636	0.2636	0.2636	0.2636	0.2636
Education Service District	0.1538	0.1538	0.1538	0.1538	0.1538	0.1538
Total Education Rate	\$ 4.9176	\$ 4.9176	\$ 4.9176	\$ 4.9176	\$ 4.9176	\$ 4.9176
Education Measure 5 Compression						
School District (actual)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Community College (est.)	-	-	-	-	-	-
Education Service District (est.)	-	-	-	-	-	-
Total Education Compression (est.)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District Total Property Values						
M5 Real Market Value	\$ 3,116,404,666	\$ 3,155,064,285	\$ 3,529,389,448	\$ 4,680,868,916	\$ 5,387,062,588	\$ 5,598,048,390
Total Assessed Value	2,184,915,961	2,266,395,183	2,366,723,084	2,486,794,170	2,603,813,494	2,713,646,865
AV as % of RMV	70%	72%	67%	53%	48%	48%
Assessed Value per ADMw	\$ 2,135,480	\$ 2,552,506	\$ 2,600,595	\$ 2,607,003	\$ 2,751,689	\$ 3,168,076
Education Taxes in the District						
Education taxes before Compression	\$ 10,744,543	\$ 11,145,225	\$ 11,638,597	\$ 12,229,059	\$ 12,804,513	\$ 13,344,630
Less M5 Compression Loss	-	-	-	-	-	-
Education taxes collected	10,744,543	11,145,225	11,638,597	12,229,059	12,804,513	13,344,630
Education taxes at \$5/\$1,000 RMV	15,582,023	15,775,321	17,646,947	23,404,345	26,935,313	27,990,242
Measure 5 Gap Capacity	\$ 4,837,481	\$ 4,630,096	\$ 6,008,350	\$ 11,175,286	\$ 14,130,800	\$ 14,645,612
Local Option Levy Limits						
M5 Gap Capacity	4,837,481	4,630,096	6,008,350	11,175,286	14,130,800	14,645,612
Per Student Limit (beginning in FY19, \$2,000/ADMw + \$3% annually)	\$ 2,107,689	\$ 1,883,967	\$ 1,988,916	\$ 2,147,223	\$ 2,193,949	\$ 2,045,555
25% of SSF Limit (beginning in FY19, Previously, 20%)	2,456,286	2,398,040	2,258,141	2,353,580	2,608,578	2,521,309
Limit	\$2,060.00 Per Student	\$2,121.80 Per Student	\$2,185.45 Per Student	\$2,251.02 Per Student	\$2,318.55 Per Student	\$2,388.10 Per Student
Eligible for Equalization Grant	0%	0%	0%	0%	0%	N/A

* Limit includes general purpose, transportation, facility and high cost disability grants. Facility and high cost disability grant info not usually available until May and therefore may not be included in amount listed.

School Districts with Local Option Levies

19 school districts had local option levies in place in FY 2024:

District	Local Option Rate	Taxes Imposed	Compression Loss	% Loss	Actual Tax Raised
Portland SD 1J	\$ 1.99	\$ 141,840,657	\$ (29,154,451)	-21%	\$ 112,686,206
Lake Oswego SD 7J	1.64	17,067,197	(545,377)	-3%	16,521,820
North Clackamas SD 12	1.63	29,368,081	(4,337,525)	-15%	25,030,555
Corvallis SD 509J	1.50	12,083,042	(1,549,692)	-13%	10,533,350
Crow-Applegate-Lorane SD 66	1.50	472,900	(68,524)	-14%	404,376
Eugene SD 4J	1.50	28,743,443	(2,765,459)	-10%	25,977,984
Philomath SD 17J	1.50	1,577,109	(148,449)	-9%	1,428,659
Sherwood SD 88J	1.50	7,231,100	(1,219,277)	-17%	6,011,823
West Linn-Wilsonville SD 3J	1.50	15,396,902	(1,810,952)	-12%	13,585,950
Riverdale SD 51J	1.37	1,143,803	(58,171)	-5%	1,085,632
Ashland SD 5	1.29	5,284,663	(321,102)	-6%	4,963,561
Beaverton SD 48J	1.25	47,129,472	(4,174,193)	-9%	42,955,279
Falls City SD 57	1.25	138,713	(4,782)	-3%	133,931
Hood River County SD	1.25	4,124,620	(674,744)	-16%	3,449,876
Tigard-Tualatin SD 23J	1.00	14,035,330	(1,691,632)	-12%	12,343,698
Sisters SD 6	0.75	2,010,138	(27,982)	-1%	1,982,155
Siuslaw SD 97J	0.75	1,774,370	(40,162)	-2%	1,734,208
Seaside SD 10	0.52	2,258,600	(95,919)	-4%	2,162,682
Sweet Home SD 55	0.30	371,568	(37,437)	-10%	334,131



Summary

- ✓ Local option levies are main source of additional property tax funding.
- ✓ Every property is affected differently: some may pay the entire amount, and some may pay nothing.
- ✓ Because AV, RMV and tax levies vary every year, the amount collected will also vary.
- ✓ Competing levies may cause increasing compression.
 - ➔ **Bottom line:** local option levies are unpredictable, difficult to explain and inequitable. But they may be your only choice for meaningful additional revenue.



Contact Information

Piper Sandler

David Williams, Sr. Vice President

 david.williams@psc.com
 (503) 275-8303

Elaina Baucke, Associate

 elaina.baucke@psc.com
 (503) 275-8308

Piper Sandler Disclosures

Piper Sandler is providing the information contained herein for discussion purposes only in anticipation of being engaged to serve as underwriter or placement agent on a future transaction and not as a financial advisor or municipal advisor. In providing the information contained herein, Piper SANDLER is not recommending an action to you and the information provided herein is not intended to be and should not be construed as a “recommendation” or “advice” within the meaning of Section 15B of the Securities Exchange Act of 1934. Piper SANDLER is not acting as an advisor to you and does not owe a fiduciary duty pursuant to Section 15B of the Exchange Act or under any state law to you with respect to the information and material contained in this communication. As an underwriter or placement agent, Piper SANDLER’s primary role is to purchase or arrange for the placement of securities with a view to distribution in an arm’s-length commercial transaction, is acting for its own interests and has financial and other interests that differ from your interests. You should discuss any information and material contained in this communication with any and all internal or external advisors and experts that you deem appropriate before acting on this information or material.

Piper SANDLER Companies (NYSE: PIPR) is a leading investment bank and institutional securities firm driven to help clients Realize the Power of Partnership®. Securities brokerage and investment banking services are offered in the U.S. through Piper SANDLER & Co., member SIPC and FINRA; in Europe through Piper SANDLER Ltd., authorized and regulated by the U.K. Financial Conduct Authority; and in Hong Kong through Piper SANDLER Hong Kong Ltd., authorized and regulated by the Securities and Futures Commission. Asset management products and services are offered through separate investment advisory affiliates.

© 2024 Piper Sandler Companies. 800 Nicollet Mall, Minneapolis, Minnesota 55402-7036