

# Introduction to Local Option Levies



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## 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.

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## 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.

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# 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.
- Converted levy authority into permanent operating rates, which can never be increased.
- **Created local option levies.** Levied in addition to permanent rates, but still subject to M5 limits. Require voter approval.

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## Local Option Limits

### 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):
  - \$2,184.45 per ADMw in FY 2022 (increases at 3%/year)
  - 25% of State resources (total formula revenue)

Every dollar collected above the statutory limit is counted as a local source inside the state school fund formula

### Equalization Grants

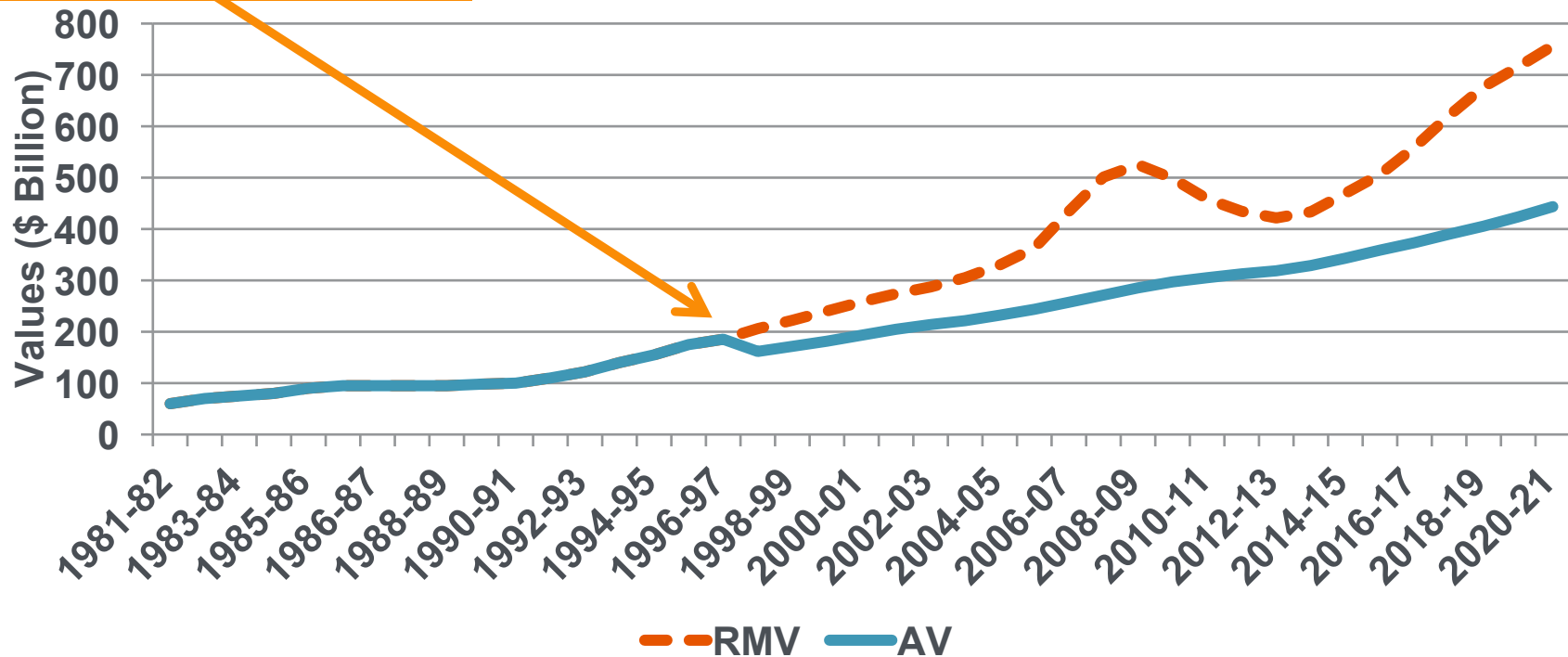
- Equalization grants provided by the State for low property value districts.
- Legislature must appropriate funds biennially for equalization grants.
- Parkrose was not eligible for a grant in Fiscal Year 2022.

# 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 FY 1982 to 2021



## 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:	\$250,000	Real Market Value:	\$80,256,230
Assessed Value:	\$150,000	Assessed Value:	\$79,508,329
AV as a % of RMV:	60%	AV as a % of RMV:	99%

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## 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.
- **In other words, not everyone pays local option taxes; some pay more than others.** 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.



# Theoretical Local Option Capacity – Parkrose SD

	Parkrose School District					
	2017	2018	2019	2020	2021	2022
ADMw	4,261	4,060	3,891	3,903	3,877	3,617
SSF Revenues*	\$ 31,410,098	\$ 32,690,945	\$ 33,111,095	\$ 33,870,649	\$ 34,478,549	\$ 34,459,745
<b>Permanent Tax Rates</b>						
School District	\$ 4.8906	\$ 4.8906	\$ 4.8906	\$ 4.8906	\$ 4.8906	\$ 4.8906
Community College	0.4917	0.4917	0.4917	0.4917	0.4917	0.4917
Education Service District	0.4576	0.4576	0.4576	0.4576	0.4576	0.4576
Total Education Rate	\$ 5.8399	\$ 5.8399	\$ 5.8399	\$ 5.8399	\$ 5.8399	\$ 5.8399
<b>Education Measure 5 Compression</b>						
School District (actual)	\$ 787,500	\$ 834,772	\$ 860,347	\$ 953,148	\$ 1,242,464	\$ 1,158,903
Community College (est.)	79,175	83,928	86,499	95,829	124,917	116,516
Education Service District (est.)	73,684	78,107	80,500	89,183	116,254	108,435
Total Education Compression (est.)	\$ 940,359	\$ 996,807	\$ 1,027,347	\$ 1,138,160	\$ 1,483,635	\$ 1,383,854
<b>District Total Property Values</b>						
M5 Real Market Value	\$ 5,892,012,328	\$ 6,787,761,246	\$ 7,788,224,354	\$ 7,615,052,167	\$ 7,959,710,929	\$ 7,938,363,034
Net Assessed Value	3,881,758,380	4,125,140,813	4,460,773,352	4,492,369,906	4,821,336,325	4,673,325,107
AV as % of RMV	66%	61%	57%	59%	61%	59%
Assessed Value per ADMw	\$ 910,914	\$ 1,016,075	\$ 1,146,419	\$ 1,151,054	\$ 1,243,622	\$ 1,291,937
<b>Education Taxes in the District</b>						
Education taxes before Compression Less M5 Compression Loss	\$ 22,669,081 (940,359)	\$ 24,090,410 (996,807)	\$ 26,050,470 (1,027,347)	\$ 26,234,991 (1,138,160)	\$ 28,156,122 (1,483,635)	\$ 27,291,751 (1,383,854)
Education taxes collected	21,728,721	23,093,603	25,023,124	25,096,831	26,672,487	25,907,897
Education taxes at \$5/\$1,000 RMV	29,460,062	33,938,806	38,941,122	38,075,261	39,798,555	39,691,815
Measure 5 Gap Capacity	\$ 7,731,340	\$ 10,845,204	\$ 13,917,998	\$ 12,978,430	\$ 13,126,068	\$ 13,783,918
<b>Local Option Levy Limits</b>						
M5 Gap Capacity	\$ 7,731,340	\$ 10,845,204	\$ 13,917,998	\$ 12,978,430	\$ 13,126,068	\$ 13,783,918
Per Student Limit (beginning in FY19, \$2,000/ADMw + \$3% annually)	5,560,128	5,456,113	7,782,100	8,039,830	8,225,900	7,905,443
25% of SSF Limit (beginning in FY19, Previously, 20%)	6,282,020	6,538,189	8,277,774	8,467,662	8,619,637	8,614,936
Limit	\$1,304.77 Per Student	\$1,343.91 Per Student	\$2,000.00 Per Student	\$2,060.00 Per Student	\$2,121.80 Per Student	\$2,185.45 Per Student
Eligible for Equalization Grant						0%

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## School Districts with Local Option Levies

18 school districts had local option levies in place in Fiscal Year 2022:

District	FY 2022 Local Option Rate
Portland SD 1J	\$ 1.99
Lake Oswego SD 7J	1.64
North Clackamas SD 12	1.63
Corvallis SD 509J	1.50
Crow-Applegate-Lorane SD 66	1.50
Eugene SD 4J	1.50
Philomath SD 17J	1.50
West Linn-Wilsonville SD 3J	1.50
Riverdale SD 51J	1.37
Ashland SD 5	1.29
Beaverton SD 48J	1.25
Falls City SD 57	1.25
Hood River County SD	1.25
Tigard-Tualatin SD 23J	1.00
Sisters SD 6	0.75
Siuslaw SD 97J	0.75
Seaside SD 10	0.52
Sweet Home SD 55	0.30

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## 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 additional property tax revenue.

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## Contact information

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