BEAVERTON
SCHOOL DISTRICT
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**BOARD MEETING DATE**
**October 8, 2012**

**FUNDING SOURCES**

**POLICY ISSUE / SITUATION:**

In an effort to improve the financial realities of Beaverton School District, the Board will review possible funding sources for the District.

**BACKGROUND INFORMATION:**

District staff are planning for a possible 2014 general obligation bond issue. One scenario includes the District issuing bonds in four-year increments for equipment, instructional materials, curriculum and technology and a 20-year issue for capital construction.

Other possible funding sources include:

- The League of Oregon Cities is proposing a constitutional amendment that would allow voters to approve a local option levy outside of compression and lengthen the levy from 5 to 10 years (see attached Local Control Amendment handout).
- The League of Oregon Cities is proposing a constitutional amendment to reset a property's assessed value to its real market value at the time of sale or construction (see attached Reset at Sale handout)
- State Legislation
- Community fundraising

**RECOMMENDATION:**

The Board of Directors will engage in a conversation regarding new funding sources for Beaverton School District.

# Reset at Sale

## Description

The League's second proposed constitutional amendment would reset a property's assessed value to its real market value at the time of sale or construction. The amendment would not raise anyone's taxes on their current home, but would restore equity by recalibrating taxes based on the market's valuation of a property at the time of sale—a better measure of a property's value and an owner's ability to pay.

## Background

Measure 50, passed in 1997, created a new "assessed value" for all properties. Assessed value was initially set at 90 percent of a property's 1995-96 real market value. For newer properties, a county-wide ratio is applied to determine the initial assessed value. Growth in assessed value is limited to 3 percent annually.

By locking in assessed values based on 1995-96 real market values or a ratio at the time of construction, and by capping annual growth, huge disparities in tax bills have emerged as property values have changed and as neighborhoods have gentrified.

## Example and Statewide Impacts

Homeowners in inner North and Northeast Portland, for example, often have property tax bills that are one-third or one-fourth of what homeowners with similar real market values pay across town. The reason is simple. In the early and mid-1990s, large swaths of North and Northeast Portland had lower market values, and those values still determine the taxes owed. (See Table 1 for examples.)

Similarly, the ratio applied to new property can vary greatly from year to year as the market fluctuates. In Deschutes County, the ratio used to calculate assessed value for new properties has increased 50 percent between 2010 and 2011. As a result, identical properties with the same sale price but permitted only months apart can have dramatically different tax liabilities.

**Table 1: Tax inequities between two neighborhoods in Portland**

| Established | RMV | AV | Taxes |
|---|---|---|---|
| 9910 SW 61st | $ 269,670 | $ 213,930 | *$4,236* |
| 9931 SW 61st | $ 270,590 | $ 236,110 | *$4,270* |
| 9930 SW 61st | $ 279,390 | $ 216,920 | *$4,385* |
| 9911 SW 61st | $ 311,450 | $ 252,070 | *$4,897* |
| **Gentrifying** | **RMV** | **AV** | **Taxes** |
| 5134 NE 16th | $ 267,870 | $ 72,870 | *$1,624* |
| 5117 NE 16th | $ 268,480 | $ 51,790 | *$1,154* |
| 5126 NE 16th | $ 282,140 | $ 51,640 | *$1,151* |
| 5133 NE 16th | $ 352,530 | $ 81,930 | *$1,826* |

These inequities are not confined to certain areas of the state, however; they exist statewide.

## Solution

Seventeen other states have property tax limitations similar to Oregon's. Of those, 15 readjust property taxes at the time of sale. Oregon's existing system, according to a Lincoln Institute of Land Policy report, "has gone the farthest of any [in the country] in breaking the link between property taxes and property values."

Resetting assessed value to real market value at the time of sale would reconnect the link between property value and property taxes, and improve the fairness of Oregon's system.

For more information, contact Chris Fick at (503) 588-6550 or *cfick@orcities.org.*

# Local Control Amendment

## Description

The League's proposed constitutional amendment would allow local voters the ability to consider a local option levy outside of compression, and would lengthen the maximum duration of a levy from five to 10 years. The amendment would not raise anyone's taxes, but would empower voters to authorize a tax for local operations.

## Background

Under Oregon's current system, statewide limitations can prohibit local voters from having the ability to raise their own taxes to support services they demand. Measure 5 limitations prevent general governments (cities, counties and special districts) and schools to levying $10 and $5 per $1,000 of real market value respectively. Any taxes levied in excess of those limitations are reduced, or compressed, proportionally until the limitations are met. Local option levies—temporary levies in excess of the municipality's permanent rate that are approved by voters to provide funding for operating expenses —are compressed first under this system. As a result, residents residing in a municipality in compression are essentially prohibited from voting to raise their taxes even to support essential services such as police and fire.

## Example

Sweet Home, a timber-dependent community of roughly 9,000 residents in Linn County, has a low permanent tax rate for a city of its size. As a result, the city has provided essential police protection and library services via a local option levy since 1986. In 2010, voters in Sweet Home approved these local option levies with 60 and 55 percent of the vote respectively.

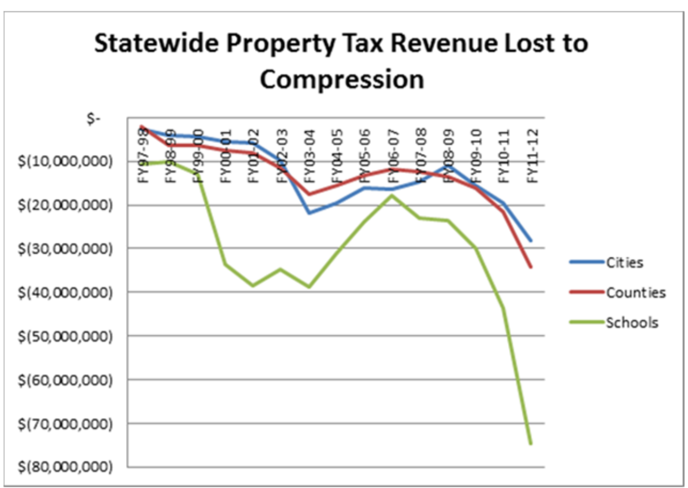
However, Linn County passed a local option levy of its own soon thereafter, and property values in Sweet Home fell. As a result, the local option levy revenue losses due to compression increased from $300,000 to $730,000 – nearly a third of what the levy was supposed to collect. As a result, the public safety and library services are not being provided at the level local citizens wanted.

## Statewide Impacts

Compression is becoming a growing problem for local governments statewide. Since 2008-09, compression for all local governments has increased from $51 million, or 1.13 percent of property tax collections, to $144 million, or 2.8 percent of collections (see Table 1). All counties are in compression, as are half of all cities and more than 90 percent of all school districts.

**Table 1: Statewide compression losses**

| | Revenue lost to compression in FY2011-12 (in millions) | Percent increase in compression losses since FY2008-09 |
|---|---|---|
| **Schools** | $ (74.50) | 216% |
| **Counties** | $ (34.30) | 154% |
| **Cities** | $ (28.20) | 161% |




Last May, local voters approved 18 of 21 (86 percent) local option levies, including six out of six city levies and four out of five county levies. While voters may still be concerned about the state of the economy, in many instances they clearly realize the value of local government services and are willing to tax themselves to provide those services. Whether or not any local voters approve local option levies outside of compression limitations is irrelevant. What matters is that local voters currently do not have the freedom and opportunity to do so.

For more information, visit *www.orcities.org/toolkit* or contact Chris Fick at (503) 588-6550 or *cfick@orcities.org*.