

Levy Committee Meeting
Tuesday, November 8, 2022 4:00 PM

Dr. Matthew Prophet Education Center -
Windows Cafeteria / Conference Room (Floor
2)
501 N. Dixon St.
Portland, OR 97227

Agenda

1. 4:00 pm - Presentation on levy rates and history of PPS levies (includes Q&A)
2. 4:40 pm - Research on multiple measures
3. 4:50 pm - Election timing discussion
4. 5:10 pm - Public Comment
 - To sign up for public comment email publiccomment@pps.net or call 503-916-3741

Local Option Mechanics

Presentation to Portland Public Schools



PIPER | SANDLER

Carol Samuels
Managing Director

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.
- 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.

Local Option Limits

Constitutional and statutory limits apply to SD local option levies

➤ Constitutional (Measure 5):

- M5 limit of \$5/\$1,000 RMV for education

➤ Statutory (revised 2019):

- \$2,184 per ADMw in FY 2022 (increases at 3%/year)
- 25% of State resources (total formula revenue)

Every dollar collected above the statutory limit would be counted as a local source inside the SSF formula.

Lowest for PPS is the per/ADMw limit.

Equalization Grants

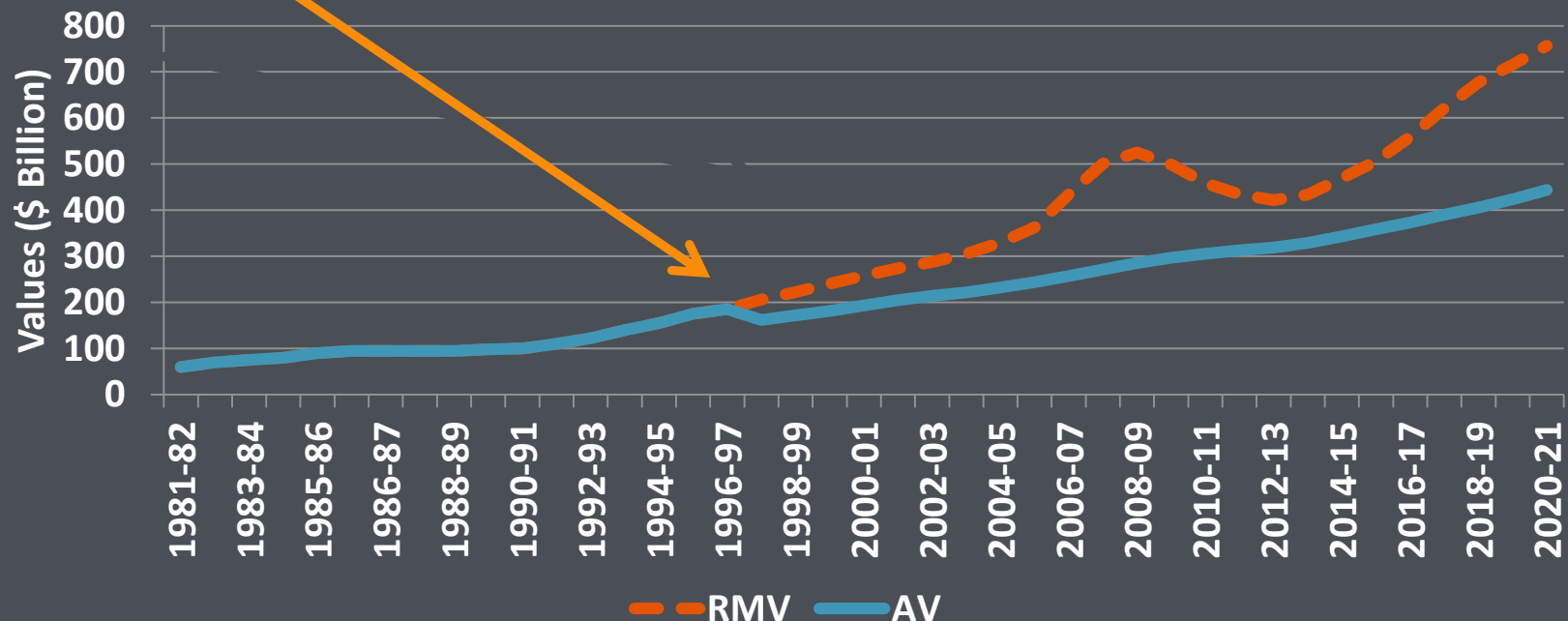
- Equalization grants are provided by State for low property value districts. Legislature must appropriate as carveout from SSF. PPS is not eligible.

Mind the Gap!

- Every property has “gap” between RMV and AV.
- If property’s RMV increases faster than 3% AV limit, gap grows. Opposite is also true.
- 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%

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 – PPS

	Portland Public Schools					
	2017	2018	2019	2020	2021	2022
Permanent Tax Rates						
School District	\$ 5.2781	\$ 5.2781	\$ 5.2781	\$ 5.2781	\$ 5.2781	\$ 5.2781
Community College	0.2828	0.2828	0.2828	0.2828	0.2828	0.2828
Education Service District	0.4576	0.4576	0.4576	0.4576	0.4576	0.4576
Total Education Rate	\$ 6.0185	\$ 6.0185	\$ 6.0185	\$ 6.0185	\$ 6.0185	\$ 6.0185
Education Measure 5 Compression						
School District (actual)	\$ 1,842,398	\$ 1,606,771	\$ 1,562,770	\$ 1,681,301	\$ 1,750,960	\$ 2,793,276
Community College (est.)	98,715	86,091	83,733	90,084	93,816	149,663
Education Service District (est.)	159,732	139,304	135,489	145,765	151,804	242,171
Total Education Compression (est.)	\$ 2,100,845	\$ 1,832,165	\$ 1,781,992	\$ 1,917,150	\$ 1,996,580	\$ 3,185,111
District Total Property Values						
M5 Real Market Value	\$ 106,935,120,227	\$ 121,647,527,598	\$ 131,734,570,412	\$ 134,575,991,606	\$ 140,097,590,824	\$ 147,263,772,983
Total Assessed Value	53,227,456,836	56,163,333,260	58,003,887,856	60,851,556,260	63,612,718,068	65,670,944,150
AV as % of RMV	50%	46%	44%	45%	45%	45%
Assessed Value per ADMw	\$ 921,470	\$ 968,427	\$ 1,006,049	\$ 1,053,186	\$ 1,101,792	\$ 1,213,061
Education Taxes in the District						
Education taxes before Compression	\$ 320,349,449	\$ 338,019,021	\$ 349,096,399	\$ 366,235,091	\$ 382,853,144	\$ 395,240,577
Less M5 Compression Loss	(2,100,845)	(1,832,165)	(1,781,992)	(1,917,150)	(1,996,580)	(3,185,111)
Education taxes collected	318,248,604	336,186,856	347,314,408	364,317,942	380,856,563	392,055,467
Education taxes at \$5/\$1,000 RMV	534,675,601	608,237,638	658,672,852	672,879,958	700,487,954	736,318,865
Measure 5 Gap Capacity	\$ 216,426,997	\$ 272,050,782	\$ 311,358,445	\$ 308,562,016	\$ 319,631,391	\$ 344,263,398
Local Option Levy Limits						
M5 Gap Capacity	\$ 216,426,997	\$ 272,050,782	\$ 311,358,445	\$ 308,562,016	\$ 319,631,391	\$ 344,263,398
Per Student Limit (beginning in FY19, \$2,000/ADMw + \$3% annually)	75,368,171	77,939,214	115,310,240	119,023,813	122,503,566	118,312,918
25% of SSF Limit (beginning in FY19, Previously, 20%)	82,326,001	92,260,340	117,569,513	124,779,048	129,285,574	129,851,011
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
ADMw	57,764	57,994	57,655	57,779	57,736	54,137
SSF Revenues*	\$ 411,630,004	\$ 461,301,701	\$ 470,278,053	\$ 499,116,190	\$ 517,142,297	\$ 519,404,045
Eligible for Equalization Grant						0%

* 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.

PPS Local Option History

- PPS voters first approved a local option levy in November 2006.
- Has been reapproved 3 times by the voters as follows:

Local Option Levies		
Election	Amount	Passage Rate
Nov-19	\$1.99/1,000	77.2%
Nov-14	\$1.99/1,000	71.4%
May-11	\$1.99/1,000	58.2%
Nov-06	\$1.25/1,000	63.2%

Portland Public Schools – Historic Collections vs. Limit

Fiscal Year	Total Assessed Value	Local Option	Maximum imposed w/out Compression	Local Option Authority Imposed	Per Student Levy Limit	Difference
2022	\$ 65,670,944,150	\$ 1.99	\$ 130,685,179	\$ 108,957,148	\$ 118,312,918	\$ 9,355,770
2021	63,612,718,068	1.99	126,589,309	105,537,092	122,503,566	16,966,474
2020	60,851,556,260	1.99	121,094,597	102,044,362	119,023,813	16,979,451
2019	58,003,887,856	1.99	115,427,737	98,327,764	115,310,240	16,982,476
2018	56,163,333,260	1.99	111,765,033	93,036,904	77,939,214	(15,097,691)

Over collection in 2018 led to legislative amendment to increase limits.

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

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.**
- **PPS's collections are governed both by property tax compression AND enrollment trends.**
- **Raising the rate for PPS may cause collections to exceed per/ADMw limit without further legislation.**

Levy Election Options

May 2023

- Potentially in labor negotiations with PPS bargaining units
- Middle of Legislative session/state and district budget process
- School board elections

November 2023

- Potential legislative referrals, and other regional and local measures

May 2024

- Primary election, including Presidential Primary
- District budget process; short session of the legislature

November 2024

- Presidential election – Higher turnout
- Potential for school modernization bond on ballot

May 2025

- Last option to renew levy without impact
- School Board elections.