

**REVENUE IMPACT OF
PROPOSED LEGISLATION**
74th Oregon Legislative Assembly
2007 Regular Session
Legislative Revenue Office

Bill Number: SB1036-B*Conf.
Revenue Area: School Finance
Economist: Meyer
Date: 6/22/07

Measure Description:

Allows school districts to impose a tax on new construction measured by the square footage of improvements. Requires revenue to be used for capital improvements and defines capital improvements. Sets a tax rate limit of \$1 per square foot for residential use and \$0.50 for nonresidential use. Imposes additional \$25,000 limit on nonresidential use. Indexes rates beginning in 2009. Exempts construction of affordable housing, public buildings, agricultural buildings, hospitals, private schools, and religious facilities.

Requires school districts with construction tax revenue to develop long-term facility plans. Requires intergovernmental agreement with local governments collecting the tax and limits collection expense to 1% of tax revenue. Preempts local governments from using a construction tax until 2018, but grandfathers in local government construction taxes already in effect as of May 1, 2007 or in the process of being adopted. Allows taxes to be used for repayment of capital improvement debt. Takes effect on the 91st day after sine die.

Revenue Impact:

School Districts	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
Construction Tax Revenue	Indeterminate			
State School Fund Distribution	0	0	0	0

Impact Explanation:

Construction revenue depends on the number of school districts adopting the construction tax, the average tax rate adopted under the limit and the square feet of taxable new construction added in these districts. Assuming that all school districts adopt the maximum tax rate, the potential statewide revenue is about \$60 million per year. Revenue may replace some school property taxes for school bonds. The distribution of State School Fund dollars does not change.