

SB 1532
Gain Share – Difficulties & Opportunities

Gain Share was created to replace lost essential services

When local elected officials came to the Legislature in 2007 to ask for the creation of Gain Share, they emphasized funds were necessary for ‘offsetting the service impact of new companies during the period of the property tax abatement¹.’ In 2007, officials from Washington County requested the Gain Share program to “[offset] service impacts” of SIPs, saying, “Clearly on the ground in terms of police, fire, libraries you know local services there is increased demand. That’s why the sharing of these makes sense to us.” [Tom Brian, April 2, 2007]²

In materials and testimony, the stated reason for the creation of Gain Share was to fund essential local government services: public safety, fire, social services and education. Testimony called for equity for local government to replace lost dollars caused by SIPs.

From the testimony, you can understand why the State decided to create the Gain Share program – it was meant to backfill county budgets, maintain infrastructure and fund vital services that were strained or lost through successful SIPs.

Current Gain Share expenditures do not fulfill preliminary promise

Unfortunately, current proposals for spending Gain Share funds do not align with the 2007 priorities or the priorities Oregon has set for funding services. If Gain Share stayed in Oregon’s General Fund, using current allocation trends, nearly 40% of it would go to K-12, 25% to Human Services and 16% to Public Safety (see chart below). In contrast, nearly 40% of Washington County’s proposed allocations go to facilities improvements, IT and a Fairgrounds Events Center³.

The City of Hillsboro’s proposed allocations also do not reflect their General Fund budget priorities. For 2013-14, over 50% of the city’s General Fund budget goes towards public safety⁴. Instead, Hillsboro proposes to allocate 46% of its Gain Share dollars for a Recreation Center⁵.

Percentage Comparison of Budget Allocations

| 2013-15 Legislatively Adopted General Fund + Lottery Fund Budget⁶ | Washington County 2013-14 Adopted General Fund Budget⁷ | Proposed 2013-14 Washington County Gain Share Distribution⁸ |
|---|--|---|
| State School Fund – 39.8% | Public Safety – 32% | Facilities + IT – 24% |
| Other Education – 11.7% | Land Use, Housing & Transportations – 9% | Bike + Pedestrian – 24% |
| Human Services – 25.8% | Health & Human Services – 25% | Events Center – 14% |
| Public Safety – 16.3% | Culture, Education & Recreation – 1% | Growth Mitigation – 11% |
| Other – 6.4% | General Gov – 21% | Other – 8% |
| | Other – 12% | Washington County Schools – 22% |

We need to protect vital local services when local governments use economic development tools to create jobs. Gain Share can act as that shield, but SB 1532 in its current form does not address fixes that protect taxpayers and the services they need. More conversation is needed, but I support the following amendments to the current system:

- **Gain Share should go to vital services.**
Gain Share dollars should be allocated through the same or similar processes as County or City general fund dollars so they are directed to the core services our communities need.
- Gain Share should be capped as a percentage of the abatement
Instead of merely tying Gain Share to the number of jobs created, Gain Share should rely on a combination of jobs created and an overall percentage cap of the total dollars abated. This will help insure that the Gain Share partnership does fall out of balance.
- As a part of this formula, the school district dollars abated under the current SIP model should not be counted as a part of the calculated abatement. In the case of the local governments, those property taxes are not “lost” dollars meant for county and city services.

1. Exhibit B, Oregon Senate Finance & Revenue Committee Hearing on SB 954, 4/7/07, Letter submitted by Washington County Chair Tom Brian
2. Commissioner Tom Brian, 4/2/07, Oregon Legislature Senate Committee on Finance and Revenue Hearing on SB 954, 13:00-15:00
3. <http://www.co.washington.or.us/boc/meetings/upload/cd-cao-gain-share-project-summary-11-26-13.pdf>
4. <http://www.hillsboro-oregon.gov/modules/showdocument.aspx?documentid=2434> Page 9
5. http://www.oregonlive.com/hillsboro/index.ssf/2013/11/hillsboro_city_council_gain_sh.html
6. <https://www.oregonlegislature.gov/lfo/Documents/2013-15%20Budget%20Highlights.pdf> Page 5
7. http://www.co.washington.or.us/Support_Services/Finance/CountyBudget/upload/Adopted-Budget-Summary-13-14.pdf Page 30
8. <http://www.co.washington.or.us/boc/meetings/upload/cd-cao-gain-share-project-summary-11-26-13.pdf>