



SB 118 - Local communities will no longer abate the property taxes owed to school districts

Testimony for Senate Finance and Revenue – Jody Wisner – 3.21.2017

Starting in 1985, Oregon began supporting businesses enterprise through enterprise zones, areas where businesses could locate and pay no property taxes for a series of years. The original goal was to encourage non-retail businesses to locate in depressed areas. Today Oregon has eight different kinds of e-zones or e-zone clones, with the exemptions stretching from construction through 15 years of operations, 30 years in the case of Intel’s most recent SIP agreement. The zones were enacted in 1985, 1993, 1997, and 2003. The cost in the coming biennium:

- construction in progress zones abate \$15.1 m
- operational zones abate \$135.1 m
- SIPs \$447.1 m

A total of \$597.3 m for the 2017-19 biennium.

K-12 education taxes are roughly 41% of the total, or \$245 m. In addition, local jurisdictions sequester education dollars when they form **urban renewal districts, removing an additional \$77 m from k-12 funding statewide. Thus, this coming biennium, \$322 million in education dollars are directed instead to business subsidies, at local communities’ option.**

Further, in the last few years a number of optional property tax exemptions have been created for local communities to use if they wish. Today’s SB 311 is an example, one of at least two bills of this nature proposed this session. Recently, the legislature has said it is up to local communities if they want to abate property taxes for the surviving spouses of public safety officers, for brownfields, new industrial property, and solar projects.

When enterprise zones began being created, local communities were the primary funders of their school systems. Today the state is the primary funder, providing nearly 70% of k-12 funding. Further, the way the school funding formula works, each similar child gets the same amount spent on their education. Let’s use \$10,000 a year as the figure. If the local tax base provides \$3000 per child, the state provides \$7000. But if the local tax base only provides \$1000, the state provides \$9000. **When a local community chooses to abate school taxes, the state’s General Fund makes up the difference. Thus children throughout the state pay the price, sharing in the lost funding.**

Given the fact that the whole state pays, isn’t it time to remove from local jurisdictions the ability to abate k-12 dollars? Local elected will still be able to abate local taxes – for their own cities, counties, libraries, community colleges and other jurisdictions, just not their k-12 dollars under SB118 as intended.

Note: the ORS cited in the bill are not those intended.

<https://olis.leg.state.or.us/liz/2017R1/Measures/Overview/SB118>

Excludes taxes imposed by school districts from certain property tax exemption programs requiring adoption by local governments. Provides that any exemption, partial exemption or special assessment shall not apply to property taxes imposed by school district if, on or after effective date of Act, statute granting exemption is first enacted, sunset date of statute granting exemption, partial exemption or special assessment is extended or exemption, partial exemption or special assessment is increased or extended to broader class of property by law..