

**FISCAL IMPACT OF PROPOSED LEGISLATION**

79th Oregon Legislative Assembly – 2017 Regular Session  
Legislative Fiscal Office

**Measure: SB 123 - A3**

*Only Impacts on Original or Engrossed  
Versions are Considered Official*

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Date: 5/12/2017

**Measure Description:**

Authorizes formation of children's special districts.

**Government Unit(s) Affected:**

Cities, Counties, Special Districts

**Summary of Expenditure Impact:**

See analysis.

**Analysis:**

This bill adds “children’s special district” to the statutory list of special districts that may be formed to provide services in a designated local area. Special districts are formed by a vote of the residents in a designated area. The area can be within city or county boundaries, or can cross local government boundaries and include more than one city or county.

Under this bill, if residents voted to create a children’s special district, the district would provide children’s services for children up to age 18. “Children’s services” are defined as those services, provided outside of school hours, that support children’s total health and well-being. The district would have the ability to levy ad valorem property taxes to pay for the services.

Property taxes are subject to Measure 5 caps of \$5 per \$1000 of real market value for education and \$10 per \$1000 of real market value for local government. The definition of “children’s services” in the bill may result in services that fall under either category or both. The bill provides that if a court holds that the district is subject to the \$5 education caps, then the district shall discontinue those services that constitute education services.

Cities, Counties and Special Districts

Presently over 90% of school districts and about 60% of cities are subject to Measure 5 compression. When an area is subject to compression, each taxing entity’s levy is reduced to ensure the property tax assessment stays below the cap. Adding a children’s district in these areas could trigger further compression and result in reduced revenue for cities, counties and special districts. To avoid compression, local governments may choose litigation to determine if the children’s district is subject to the Measure 5 caps. Such litigation could be costly to cities and counties.

The fiscal impact of this bill on cities, counties and special districts is indeterminate because it is unknown how many, if any, children’s districts will be formed, whether the formation of children’s special district will result in reduced revenues for local governments, or whether local governments will incur litigation expenses.