

SB 123 Highlights Problems with Property Tax System and Need for Property Tax Reform

We acknowledge the importance of funding children's services and the present lack of resources in many parts of the state to fund after school children's programs. However, SB 123 has the effect of exacerbating the present inequities and problems with Oregon's property tax system.

Property tax revenues are vital for local governments, including cities, counties, school districts and special districts. Property taxes fund infrastructure, public services, and approximately one-third of the K-12 education budget. For most taxing districts, property taxes are their largest revenue source.

SB 123 raises concerns for the following reasons:

- ❖ More existing taxing districts will likely go into compression and those already in compression would see compression increases if children's districts are created and added to the tax rates in many locations. (Compression is a reduction in taxes that would otherwise be levied but must be reduced due to the 1990 Measure 5 caps of \$5 for education and \$10 for local government.)

In FY 2015-16:

- ❖ 97% of counties had properties in compression
 - ❖ 88% of schools had properties in compression
 - ❖ 59% of cities had properties in compression
 - ❖ 51% of special districts had properties in compression
- ❖ Many of the services authorized under SB 123 are already or can be provided by existing school districts and local government taxing districts including cities, counties and special districts. As a result, SB 123 is duplicative or could end up competing with other successful programs.
- ❖ The bill will increase complexities and cause potential litigation as children's district levies must be properly categorized under Measure 5 to determine which Measure 5 caps apply or whether a split rate will apply. See *Urhausen v. City of Eugene*, 341 Or 246 (2006) (Oregon Supreme Court applying ORS 310.155 and analyzing mixed-use expenditures; case concludes that services must be segregated into the two Measure 5 categories by percentages).

We urge that you VOTE NO on SB 123 which would exacerbate our already broken property tax system.



AOC

**Association of
Oregon Counties**

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**Special Districts
Association of Oregon**