

February 7, 2018

TO: House Committee on Revenue

FR: Carol Samuels, Piper Jaffray

RE: House Bill 4117

Chair Barnhart and Members of the House Revenue Committee:

My name is Carol Samuels and I am a Managing Director at Piper Jaffray & Co. As such, I currently serve as Financial Advisor to Portland Public Schools, as well as many other school districts across the State. I am here today to testify in support of HB 4117, which will increase statutory limitations on the collection of local option revenue. These limits have not been raised in 15 years.

At Piper Jaffray, my focus is on Oregon school districts, cities and counties to which I provide assistance with both bond issues and local option levies. In that capacity, I observe firsthand the difficulties that school districts have in making ends meet. Updating local option limitations, while not a panacea, will give school districts another tool that may help them meet their financial needs.

The local option calculation is exceptionally complicated and relies on multiple variables that are difficult to predict with any certainty. Portland has a history of strong support from its voters, and obtained approval of a local option levy back in 2000 at a level of \$0.75/\$1,000. This was increased to \$1.25/\$1,000 in 2006 and again to \$1.99 in 2011.

The 2011 election was held in the middle of the recession, when Portland asked its voters to once again dig deep to try to offset other revenue reductions. At that time, the District's RMV had just fallen by nearly 3%. The following year it fell by another 6%. As a consequence, the District was appropriately conservative in their assumptions about future growth. In their 2011 ballot title, the District estimated that local option collections would top out at \$66 million.

In 2013, the Legislature approved an amendment to allow a portion of urban renewal collections to be redirected to school district local option levies. The District thus resubmitted the same levy rate in 2014. In that ballot title, they estimated that the levy would generate \$70 million by 2017-18.

All of these estimates would have been within the limitations that are currently in place.

Unfortunately, the District did not predict that the metro area would be entering into a period of unprecedented economic growth. In each year since 2014, the District has experienced double digit percentage growth in RMV, matched by solid growth in AV, thereby expanding local option collections. This year, the amount generated at the \$1.99 rate exceeded \$93 million. The current limit is \$77 million.

While Portland's situation is currently unusual, other school districts may soon find themselves looking to the local option for additional support as costs rise, and may discover that the limits are a significant constraint. Local voters must approve the taxation level, as they have done in PPS four times. Given the paucity of revenue options available, and the fact that these limits have not been updated since 2003, I believe it is appropriate for the Legislature to increase these levels. I urge your support for HB 4117.

