



Date: February 22, 2018
To: Senate Finance and Revenue Committee, Chair Hass and Members
From: Laurie Wimmer, OEA Government Relations
RE: *HB 4117 [Local Option Update]*

On behalf of OEA's 47,000 members, it is my honor to testify in support of HB 4117, which will update Oregon's 21-year-old local-option law.

The 1997 Legislative assembly sent to the ballot this constitutionally provided right to pass temporary property-tax levies to fund operating costs. Voters subsequently passed this provision, enabling school districts and community colleges to seek approval for an operations levy good for up to five years. They may also elect to propose a capital levy for up to 10 years. If voters approve it, the levy may be extended beyond its original term. The local option levy for school districts must be within the Measure 5 limits of \$5 per \$1,000 of assessed value.

When originally conceived, the levy could not exceed 10 percent of the district's budget or \$500 per student – whichever was less. The caps are necessary to ensure that levies do not disrupt the overall balance of equalization statewide, but the percentages are nevertheless somewhat arbitrary. Twice the Legislature increased these caps to its current level of the lesser of 20 percent of the district's budget or \$1,000 per student. In a separate provision, the \$1,000 threshold was indexed by 3 percent each fiscal year. Given the increase in students, poverty, and needs for support services, this escalator may be insufficient to keep pace.

For instance, the State School Fund's growth over the period of time since the last major threshold update has exceeded 64 percent – well over the 3 percent annual bump since the last revision to this law.

During this period, more than 160 local option levy propositions have been on the ballot, and roughly half have passed. This funding supplement, which has passed in rural, suburban, and urban communities across the state, is due for another adjustment.

The bill as written will update the technical aspects, and we support it. We might also suggest additional fixes in 2019 that would improve monitoring and inter-entity communication so necessary to ensure that the limits are tracked in real time. The lack of this last element has made compliance to caps challenging for several districts over the years, especially after properties came out of compression when market rates soared in the years following recovery from Oregon's most recent recessionary slump.

Our thanks to Rep. Smith Warner for bringing this technical fix to the 2018 Session, to the House (which passed the bill on a 57-3 vote), and to this committee for its support.