



# CITY OF GRESHAM

February 13, 2019

Senate Committee on Finance and Revenue  
Oregon State Capitol  
900 Court Se. NE  
Salem, OR 97301

Re: SB 543

Dear Chair Hass and Members of the Committee:

The City of Gresham lauds the effort represented in SB 543 to enhance services for children. Spearheaded by our Mayor and Council's clear priority around children and families, Gresham has substantially increased recreation opportunities in recent years, and partnered with non-profit providers of children's services to locate in Gresham, including Friends of the Children, the Boys and Girls Club, Family of Friends Mentoring, and the Portland Opportunities Industrialization Center. Services for children make communities stronger, but the City of Gresham has substantial concerns with the vehicle to achieve this outcome proposed by SB 543.

While meritorious in its intent, the creation of a new special property-taxing district to deliver children's services could threaten the effectiveness of existing property-tax-based service providers to deliver other critical services like police and fire/emergency medical services. In some cases, it could also create significant inequities between the taxing burden of residents in different jurisdictions within a proposed district.

## **Vague Language in SB 543 Makes Impacts Concerning, Difficult to Fully Predict**

The chief concern of the City of Gresham is that the creation of a children's special district in Multnomah County could have substantial negative impacts on the City's ability to collect property taxes and provide services. In Gresham, by policy, 100% of the City's property tax revenues go to fund public safety services, so any losses from property tax compression have direct impacts on the number of police officers on the streets, and on the City's fire/emergency medical staffing.

Section 4(4) of SB 543 says children’s service districts would have the authority to “...assess, levy and collect taxes to pay the cost of children’s services within the boundaries of the district, any lawful claims against the district and the operating expenses of the district.” The bill does not, however, say what kind of taxes would be collected, and what parameters would exist. Would the district have the right to establish a permanent property tax rate? Would it have the statutory authority to pursue other taxing instruments? Would a permanent rate need to be approved by voters?

One great weakness of SB 543 is that it is nearly entirely unclear about what taxing sources, authorities, and restrictions would apply. Section 2(1)(b) of the bill protects educational service providers from compression impacts by ensuring that the district can only provide services under the “general governance” umbrella of Measure 5. That would put the full burden of Measure 5 compression on general government service providers, such as cities and counties.

Section 5 of the bill states, “Each year, the district board of a children’s service district shall determine and fix the amount of moneys to be levied and raised by taxation for the purposes of the district.” This broad authority appears to contradict the Constitutional limitations imposed by Measure 50’s controls on permanent rates.

### **Impact of Measure 5 Compression:**

Assuming that SB 543 would result in a children’s services district collecting property taxes (and because Section 2(1)(b) places the entire burden on the general government side of the equation), municipal service providers would be heavily impacted in years when Measure 5 compression is triggered. In a compression environment, all of the permanent rates of general government taxing jurisdictions in an area are reduced, or “compressed” until the total tax bill assessed on a property is \$10 per \$1,000 of Real Market Value (RMV). Allowing a new taxing district to operate in this arena would cause compression to be triggered even sooner, and would compress the revenues a city is able to collect even more. Providing services for children and providing high quality public safety services should not be mutually exclusive, and the Legislature should not create a scenario where one must naturally come at the cost of the other.

Compression impacts change with market conditions, and are reduced in years with heavy market value growth. It’s possible, depending on the rate collected by a district, and the conditions in any given year’s real estate market, that the compression impacts could be decreased. However, in slightly different market conditions, they could be substantial.

For example, and for purposes of scale, if a countywide children’s service district had been approved in Multnomah County in 2013/14 at a permanent rate of \$1.00 per \$1,000 TAV (categorized as general government), the City of Gresham estimates that, the City and its urban renewal agency would have lost around \$840,000 in revenue, with additional impacts occurring on other general government taxing districts as well. Even in relatively good market years, the

compression impacts could be significant. If the district were in place for the 2017/18 tax year, for example, the City estimates net losses of around \$420,000 due to additional compression. Children's services are important, but we shouldn't rob public safety services, social safety-net services provided by the County, library services (which heavily benefit children), economic development services, and parks and recreation services to provide them.

In addition, even in years when market value growth mitigates compression, the existence of another general government taxing district would put jurisdictions closer to compression. Since local option levies are first to be removed from a tax bill when compression occurs, allowing children's service districts could have the unintended consequence of rendering local option levies less effective, weakening an important funding tool for local jurisdictions.

### **Inequities Triggered by New Service Districts due to Measures 5 and 50:**

Not only would a children's service district impact other service providers' ability to collect revenue and provide services, but it would likely cause significant inequities between taxpayers within the same district, but in different municipal jurisdictions. Gresham's permanent property tax rate under Measure 50 is \$3.61 per \$1,000 Taxable Assessed Value, around half of that levied by neighboring Portland. Because Gresham was frozen in time with such a low permanent rate, our residents become net-payers for shared services in Multnomah County when Measure 5 compression is triggered, because property owners in Gresham have more room to pay within the \$10 per \$1,000/RMV cap.

When the Multnomah County Library District was approved by voters in 2013, for example, 100% of Gresham households saw a tax increase in the first year, while only 48% of Portland households saw a tax increase that year. On average, Gresham households saw a \$52 tax increase as a result of the district that year. Portland households saw an increase of about half that amount, at \$24. A children's district would have the same unfair and disproportionate impact in a compression environment, if it were adopted countywide in Multnomah County. To make it worse, the population distribution in Multnomah County would make it impossible for the smaller jurisdictions to stop the district, and they could have little or no voice on its governing board.

### **Alternate Approach Needed for Children's Services**

This bill, in some form, has been proposed in several past legislative sessions, and Gresham is squarely supportive of the intent of the bill: to provide more services for children.

The fact that SB 543 is now drafted to prohibit the district from engaging in education activities in order to avoid Measure 5 compression is clear evidence of the structural weaknesses of this approach. The value of a potential district would be immediately diminished if it cannot, by law, provide any educational value or educational services for children. That would likely eliminate afterschool tutoring, homework clinics, SUN classes, clubs of educational value, and educational

field trips. We should search for a way to achieve the goals of this legislation through a less restrictive vehicle, and one that allows for educational support for children.

The City of Gresham urges the Senate Finance and Revenue Committee to seek additional information from the Legislative Revenue Office regarding what the potential compression impacts of this bill would have been in recent years when compression was at its peak before advancing this legislation, and further urges the Committee to take a step back and work to design a better approach -one that does not threaten the viability of other core public services in order to serve our children. Given the merit of enhancing services for children, we would be happy to assist in the search for alternative options.

Sincerely,

Eric Chambers  
Government Relations Director