

From the desk of

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CITY OF GRESHAM

Compression Issues with SB 543

Legislative Revenue Office estimates potentially large losses to local government:

At Senator Monnes-Anderson's request, and for purposes of identifying a scope of magnitude, the Legislative Revenue office conducted a compression scenario to see what the impact of a children's services district (as proposed in SB 543) would have been, had one been operating in Multnomah County in 2013 at a permanent rate of \$1 per \$1,000 of taxable assessed value.

Countywide, LRO estimates that the impact to general government could have been \$30 million in compression losses (inflating countywide compression losses from around 9% to around 12%). Those losses would have been substantially borne by Multnomah County and the cities within it, not to mention the damage that would have been done to the Oregon Historical Society Levy and the Metro Open Space Levy, which would have compressed first.

The City of Gresham estimates that the compression losses to its agency under that scenario would have been around \$840,000 -a loss of around 3.5% of its total property tax receipts, the vast majority of those losses being suffered by public safety, as these services are funded by property taxes. Even in a reasonably "good" compression year like 2017 where growing market values eased conditions, Gresham estimates that a children's district with a permanent rate of \$1 per \$1,000 TAV would have resulted in net property tax revenue losses of around \$420,000.

This is just one scenario, and in years with strong market value increase, and at a lower permanent rate, the impact could be reduced, but if these districts are allowed with any permanent rate, they will almost certainly cause compression to occur, which will directly impact other general government agencies -particularly because the legislation attempts to bypass any compression impacts on the education side of the Measure 5 docket, meaning that the full burden would be shouldered by local government.

If that potential fiscal impact hit state coffers instead of local government, the fiscal impact of the proposed legislation alone would almost certainly stall the legislation's progress. At a minimum, the legislation would be forced to contend with other Ways and Means priorities. Before moving the bill, the Legislature should ask the Legislative Revenue Office to conduct

additional compression scenarios and seek to identify the full potential impact that the legislation could have on local government providers of other critical services.

Disparate impact:

It's tempting to point to the fact that voters would have to form these districts and could make these informed compression decisions themselves. However, in the case of Multnomah County, the City of Gresham is home to only 14% of the countywide population, so the ability of Gresham voters to impact the outcome of a countywide vote would be minimal. That's particularly troublesome because Gresham's permanent rate (frozen in the State Constitution), at \$3.61 per \$1,000 TAV is one of the lowest of any full-service city in Oregon, and about half of Portland's rates. That means that Gresham households have more "room" to pay within the compression limits, so they would shoulder a greater percentage of the burden than their neighbors in Portland.

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.

With little ability to influence an electoral outcome, and strong data suggesting a disparate impact, the Legislature should look to other funding mechanisms to provide these important services. Gresham is ready and willing to help constructively work to amend the bill and design a revenue model that would allow for children's services without further damaging Oregon's already dysfunctional property tax system.