

TO: Members of the Senate Committee on Judiciary

FROM: Frank Stratton, Special Districts Association of Oregon

DATE: February 4, 2026

RE: **Testimony in Opposition of Senate Bill 1563**

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## INTRODUCTION

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The Special Districts Association of Oregon (SDAO) **opposes Senate Bill 1563** because the bill would substantially increase the legal and financial exposure of Oregon's special districts, diverting limited public resources away from essential local services. SB 1563 creates new avenues for civil lawsuits against any individual acting "under color of law," including employees and officials of special districts, and mandates attorney-fee awards to prevailing plaintiffs. These changes would predictably increase litigation, legal defense costs, and insurance burdens for special districts statewide.

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## BACKGROUND

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In the early 1980s, public entities across the nation faced a significant crisis regarding insurance availability, with most local governments unable to secure liability and property insurance. In response, numerous states—including Oregon—enacted legislation permitting local governments to collaborate via intergovernmental agreements to create self-insurance programs. In 1985, the Special Districts Association of Oregon (SDAO) established the Special Districts Insurance Services Trust (SDIS), offering liability and property insurance coverage specifically tailored for Oregon's special districts. Currently, SDIS administers self-insurance programs on behalf of its 960 member districts, covering liability, property, cyber, workers' compensation, and employee benefits.

Over the past five years, SDIS has experienced a more than twofold increase in payments for special district liability claims. Both the frequency and severity of lawsuits and settlements have risen substantially. This trend is largely attributable to diminished liability protections previously afforded by the Oregon Tort Claims Act, rising tort cap limits on damages, and substantial plaintiff attorney fee judgments. As a result, escalating claim costs have necessitated significant rate increases for special districts, thereby reducing the financial resources available to support public services.

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## IMPACTS ON OREGON'S SPECIAL DISTRICTS

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### **1. Increased Exposure to Litigation**

SB 1563 establishes a new and broad path for lawsuits involving alleged constitutional violations. The undefined and expansive nature of "deprivation of rights" under Article I creates uncertainty, encouraging more claims, some of which may be marginal or speculative. Special districts, many of which operate with very limited administrative capacity, will be disproportionately affected by the increased frequency and complexity of these suits.

## **2. Mandatory Attorney Fees Encourage More Claims**

Under SB 1563, plaintiffs who prevail are guaranteed attorney fees, which significantly increases the financial incentive to litigate. Even low-value claims could result in substantial fee awards, placing extraordinary pressure on public bodies to settle—regardless of the merits of the case.

## **3. Asymmetric Financial Risk for Public Entities**

Districts can recover attorney fees only if a case is deemed frivolous, an exceedingly rare finding in Oregon courts. This imbalance creates a one-way financial risk in which public bodies must absorb the cost of defense even when they act lawfully and ultimately prevail. Such a framework is neither sustainable nor equitable.

## **4. Rising Insurance Premiums and Operational Costs**

The financial exposure created by SB 1563 will inevitably lead to higher liability insurance premiums for special districts. Many districts operate on tight budgets and rely heavily on property tax revenue. Increases in insurance costs will reduce the funds available for frontline services such as fire protection, water treatment, search and rescue, emergency medical response, and community recreation.

## **5. Administrative Burden on Small Districts**

Even unfounded claims require staff time, legal coordination, and extensive documentation. For small districts, some operating with only one or two employees, handling legal demands diverts resources away from critical community services and strains already limited capacity.

## **6. Chilling Effect on Recruitment and Volunteerism**

Special districts rely heavily on volunteers and part-time staff, especially in rural areas. Expanded liability exposure and fear of lawsuits may discourage individuals from serving on boards, joining volunteer fire departments, or taking on leadership roles. This undermines the sustainability of vital local services.

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## **Conclusion**

SDAO values transparency, fairness, and accountability in public service. However, SB 1563 would impose substantial financial and operational burdens on Oregon's special districts without offering meaningful improvements to existing remedies. The bill risks reducing service levels, increasing operational costs, and discouraging public participation in local governance.

For these reasons, **we respectfully urge the committee to reject Senate Bill 1563.**

Thank you for your consideration.

A handwritten signature in black ink, appearing to read "Frank Stratton".

Frank Stratton  
Executive Director  
Special Districts Association of Oregon