
Learn How to LOL!

(Local Option Levy)

Presentation to OSBA Bonds and Ballots Conference



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Local Option Background

- Local option levies present an alternative for raising additional operating funds from property taxes.
- Created under Measure 50 in 1997.
- Available for operations (5 year limit), or capital (10 years or useful life of project, whichever is less).
- Can be levied as fixed dollar amount or rate per thousand.
- Subject to majority voter approval at May or November elections or other regular elections with 50% voter turnout.

Local Option: What Can You Use it For?

Operations:

- May be used for any legally allowable operating expenses of an Oregon municipality.

Capital:

- May be used for broad list of capital items, as long as life of levy matched to life of items financed.
- Given capital levies are subject to same voter test as GO bonds and revenue stream is more unpredictable, jurisdictions tend to use GOs instead.



School Districts with Local Option Levies

18 school districts had local option levies in place in FY 2020:

District	Rate
Portland SD 1J	\$ 1.99
Lake Oswego SD 7J	1.64
North Clackamas SD 12	1.63
Corvallis SD 509J	1.50
Crow-Applegate-Lorane SD 66	1.50
Eugene SD 4J	1.50
Philomath SD 17J	1.50
West Linn-Wilsonville SD 3J	1.50
Riverdale SD 51J	1.37
Ashland SD 5	1.29
Beaverton SD 48J	1.25
Falls City SD 57	1.25
Hood River County SD	1.20
Tigard-Tualatin SD 23J	1.00
Sisters SD 6	0.75
Siuslaw SD 97J	0.75
Seaside SD 10	0.52
Sweet Home SD 55	0.30

Property Tax History

Measure 5 (1990)

- Capped property taxes at \$15/\$1,000 of **RMV** of property:
 - \$5 for education (SDs, ESDs and CCs)
 - \$10 for general government (all others)

Measure 50 (1997)

- Created lower **AV** on which property taxes are calculated. Capped AV growth at 3% a year.
- Converted levy authority into permanent operating rates, which can never be increased.
- **Created local option levies.** Levied in addition to permanent rates, but still subject to M5 limits. Require voter approval.

Local Option Limits

Constitutional and statutory limits apply to SD local option levies

- **Constitutional (Measure 5):**
 - **M5 limit of \$5/\$1,000 real market value for education**
- **Statutory (revised 2007):**
 - **\$2,060 per ADMw in FY 2020 (increases at 3%/year)**
 - **25% of State resources (total formula revenue)**

Every dollar collected above the statutory limit is counted as a local source inside the state school fund formula.

Equalization Grants

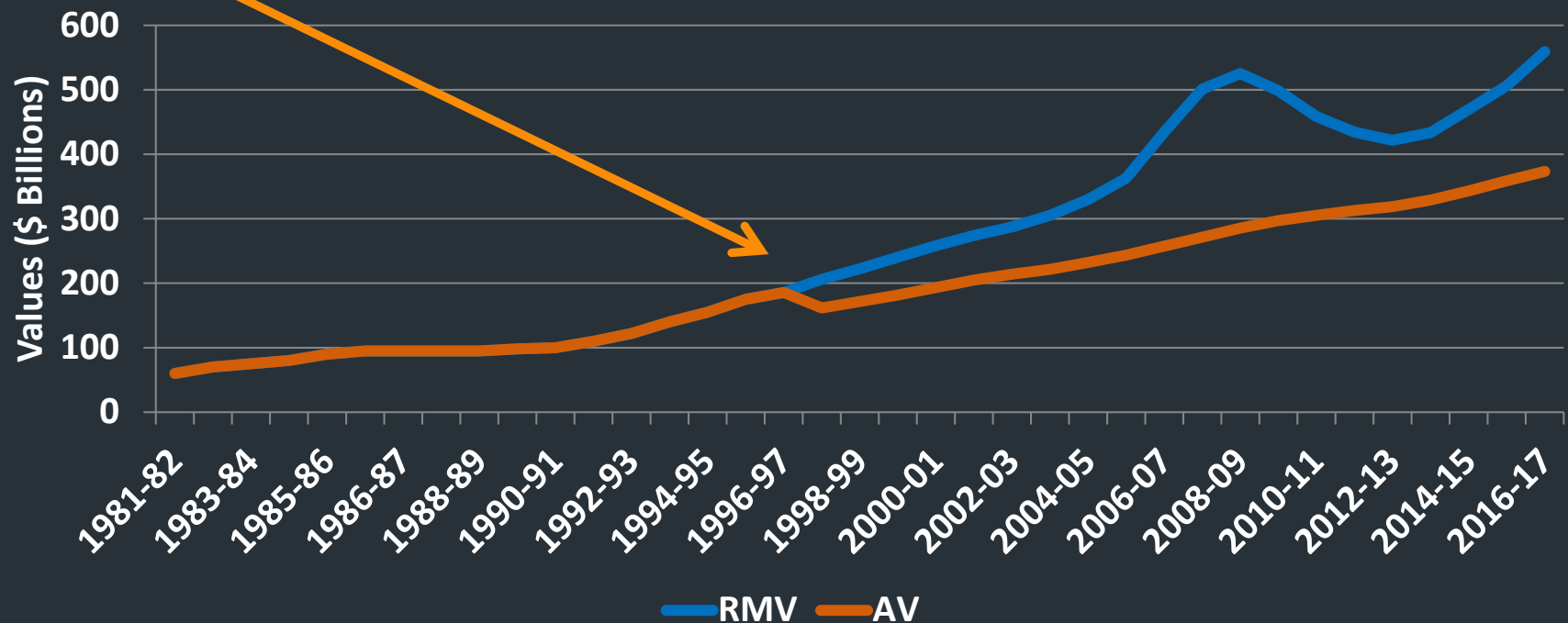
- Equalization grants provided by the State for low property value districts.
- Legislature must appropriate funds biennially for equalization grants.
- **North Clackamas was not eligible for an equalization grant.**

Mind the Gap!

- Most properties have a “gap” between RMV and AV.
- If property’s RMV increases faster than 3% AV limit, gap grows.
- Local Option Levies ‘tax the gap.’

1997: M50 froze AV at 90% of 1995 RMV, capped growth at 3%/year

AV & RMV of Property in Oregon
FY 1981-82 to 2016-17



Different Property Types Can Have Very Different Gaps

- Gap on residential property is often wider than other types.
- In some cases commercial and industrial property depreciate, causing RMV to decline. AV can never be greater than RMV.



House		Target Store	
Real Market Value:	\$250,000	Real Market Value:	\$80,256,230
Assessed Value:	\$150,000	Assessed Value:	\$79,508,329
AV as a % of RMV:	60%	AV as a % of RMV:	99%

Local Option Example



	Salem House	Salem Neighbor	Target Store
Real Market Value	\$ 250,000	\$ 250,000	\$ 80,256,230
Assessed Value	150,000	175,000	79,508,329
M5 Capacity (\$5/\$1,000 RMV)			
Measure 5 Capacity			
\$5.00 x RMV =	\$ 1,250	\$ 1,250	\$ 401,281
Education Tax Rates (\$/\$1,000 AV)			
School District Rate	\$ 4.75	\$ 4.75	\$ 4.75
Community College Rate	0.25	0.25	0.25
Education Service Dist. Rate	0.50	0.50	0.50
	<u>\$ 5.50</u>	<u>\$ 5.50</u>	<u>\$ 5.50</u>
Education Taxes			
Education Rate (\$1/\$1,000 AV)	\$ 5.50	\$ 5.50	\$ 5.50
x Assessed Value (\$1,000s)	150.00	175.00	79,508.33
Education Taxes Raised	<u>\$ 825.00</u>	<u>\$ 962.50</u>	<u>\$ 437,295.81</u>
Education Gap			
Education Capacity	\$ 1,250	\$ 1,250	\$ 401,281
Less: Education Taxes	825	963	437,296
Gap	<u>\$ 425</u>	<u>\$ 288</u>	<u>\$ (36,015)</u>

Calculating Local Option Revenue

Total Local Option Capacity:

- Sum of all gaps in jurisdiction is total local option capacity.
- Some properties may already be at M5 limit, others may be well below.
- **In other words, not everyone pays local option taxes; some pay more than others.** Only way to estimate amount raised is on property by property basis. The most any property will pay is the maximum under M5.
- Only those school districts with consolidated tax rates significantly below M5 limits have consistent collections.

Theoretical Local Option Capacity – N. Clackamas SD

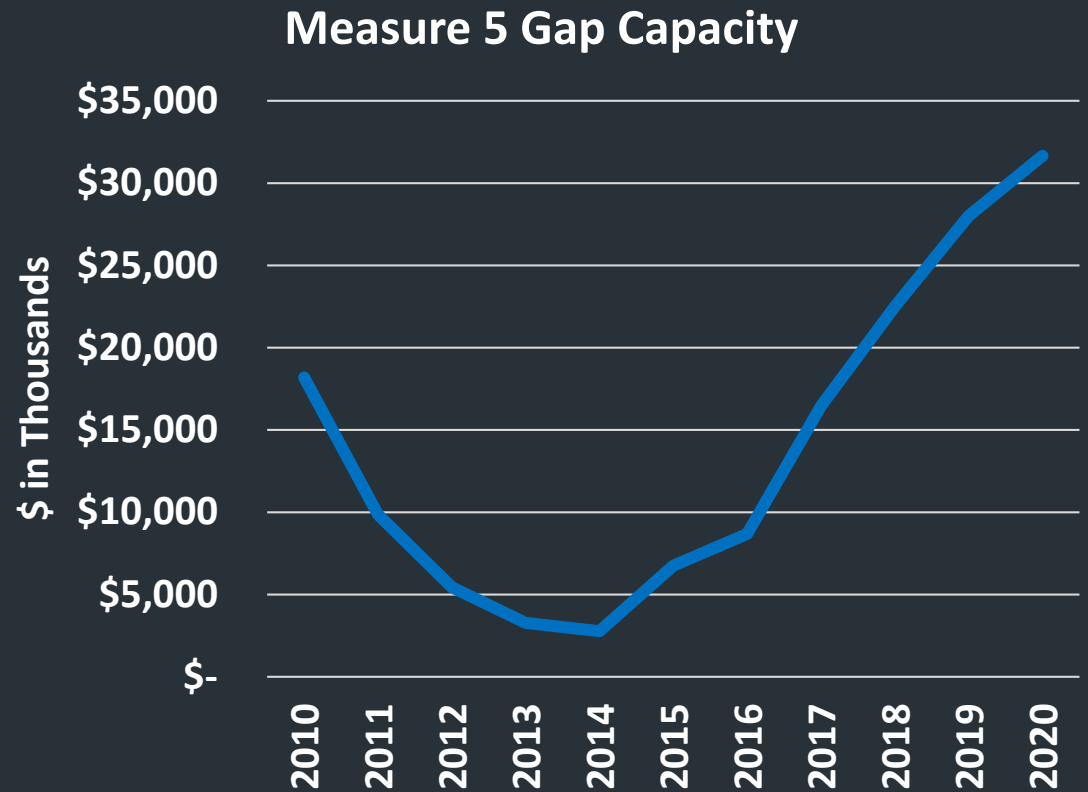
North Clackamas School District					
	2014	2015	2016	2017	2018
Permanent Tax Rates					
School District	\$ 4.8701	\$ 4.8701	\$ 4.8701	\$ 4.8701	\$ 4.8701
Community College	0.5582	0.5582	0.5582	0.5582	0.5582
Education Service District	0.3687	0.3687	0.3687	0.3687	0.3687
Total Education Rate	\$ 5.7970	\$ 5.7970	\$ 5.7970	\$ 5.7970	\$ 5.7970
District Total Property Values					
M5 Real Market Value	\$ 12,767,620,456	\$ 14,167,881,531	\$ 15,778,515,366	\$ 18,067,735,406	\$ 20,011,769,671
Net Assessed Value	11,267,787,081	11,789,351,385	12,348,071,877	12,936,468,433	13,561,682,738
AV as % of RMV	88%	83%	78%	72%	68%
Assessed Value per ADMw	\$ 575,425	\$ 589,133	\$ 604,583	\$ 624,104	\$ 652,961
Education Taxes in the District					
Education taxes before Compression	\$ 65,319,362	\$ 68,342,870	\$ 71,581,773	\$ 74,992,708	\$ 78,617,075
Education taxes collected	61,069,361	64,092,870	70,209,493	73,874,303	77,560,674
Education taxes at \$5/\$1,000 RMV	63,838,102	70,839,408	78,892,577	90,338,677	100,058,848
Measure 5 Gap Capacity	\$ 2,768,741	\$ 6,746,538	\$ 8,683,084	\$ 16,464,374	\$ 22,498,174
ADMw	19,582	20,011	20,424	20,728	20,770
SSF Total Formula Revenue	\$ 135,867,753	\$ 146,579,495	\$ 152,101,216	\$ 157,357,435	\$ 169,447,526
Local Option Levy Limits					
M5 Gap Capacity	\$ 2,768,741	\$ 6,746,538	\$ 8,683,084	\$ 16,464,374	\$ 22,498,174
Per Student Limit	23,381,480	24,611,350	25,872,573	27,045,335	27,912,413
20% of SSF Total Formula Limit	27,173,551	29,315,899	30,420,243	31,471,487	33,889,505
Limit	M5 Limit	M5 Limit	M5 Limit	M5 Limit	M5 Limit

Unless every property is raised to M5 maximum, District will not receive amount calculated as local option “capacity” under M5.

Theoretical Local Option Capacity – N Clackamas SD

Historic Measure 5 GAP Capacity

Fiscal Year	Measure 5 Gap Capacity
2020	\$31,659,786
2019	28,009,222
2018	22,498,174
2017	16,464,374
2016	8,683,084
2015	6,746,538
2014	2,768,741
2013	3,278,738
2012	5,441,828
2011	9,866,667
2010	18,192,842



Local Option Levy Analogy:

Pouring **WATER** into **CONTAINERS** of the **SAME HEIGHT**, but... with **DIFFERENT WIDTHS** and different amounts of **WATER ALREADY IN THE CONTAINER.**

Water = Available Local Option Revenue

Containers = Each Property (i.e., house, commercial property, etc.)

Same Height = Properties are the 'same height' because containers cannot "fill" any higher than \$5 per \$1,000 RMV. If it spills, you lose it!

Different Widths = Not all containers are the same size.

Water in Container = Each container already has a certain amount of water already inside of it (i.e. existing education taxes).

Local Option Analogy

LEVY RATE
(ON RMV BASIS*)

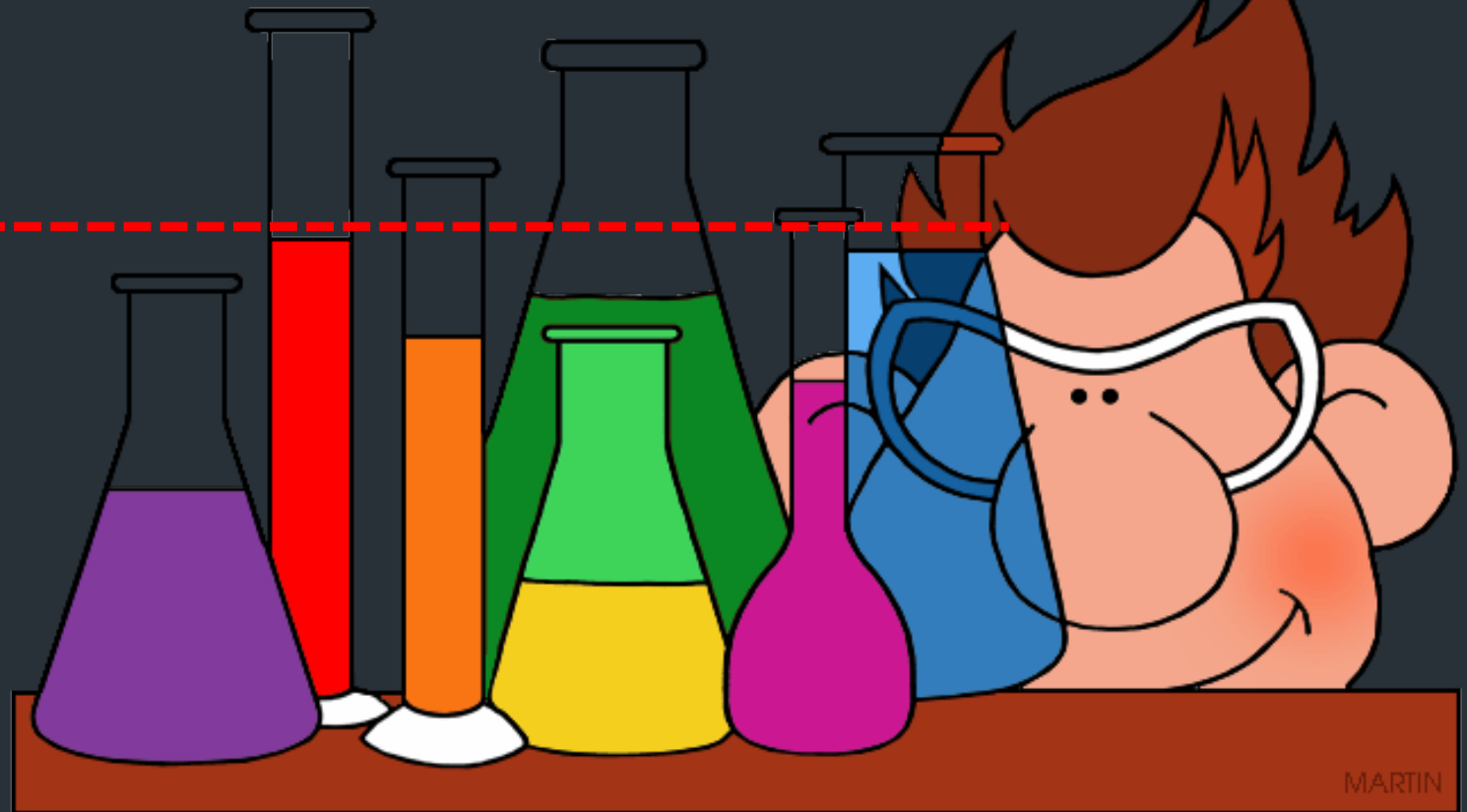
\$5.00

\$4.00

\$3.00

\$2.00

\$1.00



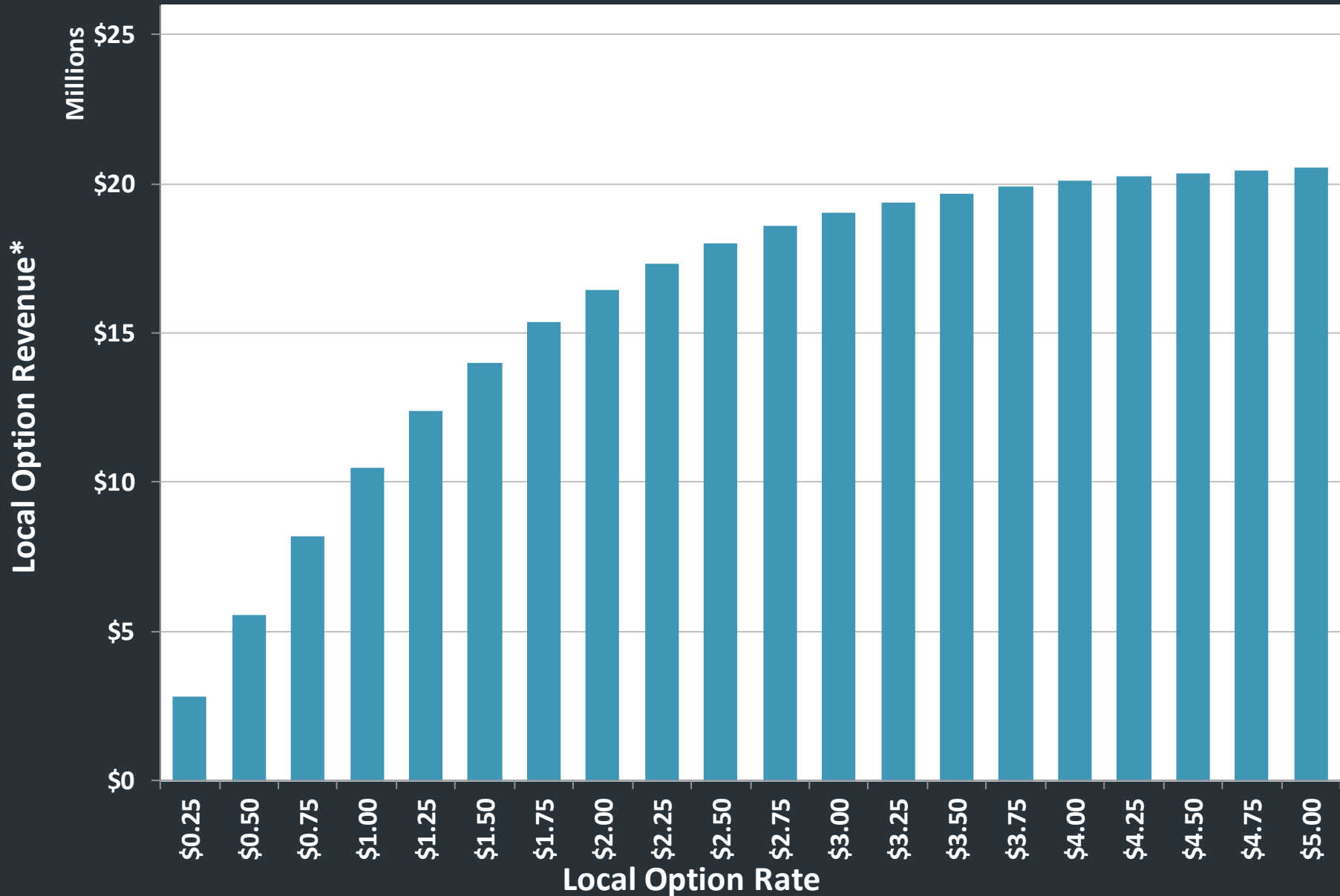
***UP TO \$5.00/\$1,000 RMV MAXIMUM FOR TOTAL EDUCATION TAXES**

Property by Property Analysis: Ingredients & Considerations

North Clackamas School District – Property Class Summary

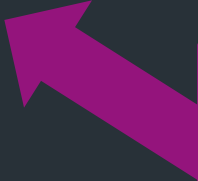
Property Class	# of Accounts	2018 Measure 5 Value	2018 Assessed Value	% of District
Residential	34,753	\$ 12,813,906,472	\$ 8,470,651,775	61%
Commercial	1,164	2,473,559,131	1,837,341,217	13%
Industrial	843	1,734,785,432	1,243,271,374	9%
Multifamily Housing	450	1,572,186,133	963,590,797	7%
Business Personal Property	3,454	404,550,509	404,550,509	3%
Miscellaneous, Manufactured Structures, Sma	1,685	389,591,235	382,357,000	3%
Utility	370	341,636,045	330,344,902	2%
Tract	246	193,768,528	104,460,980	1%
Farm and Forest	275	87,786,186	55,931,006	0%
	43,240	\$ 20,011,769,671	\$ 13,792,499,560	

NCSD - FY 2018 Local Option Revenue Projections



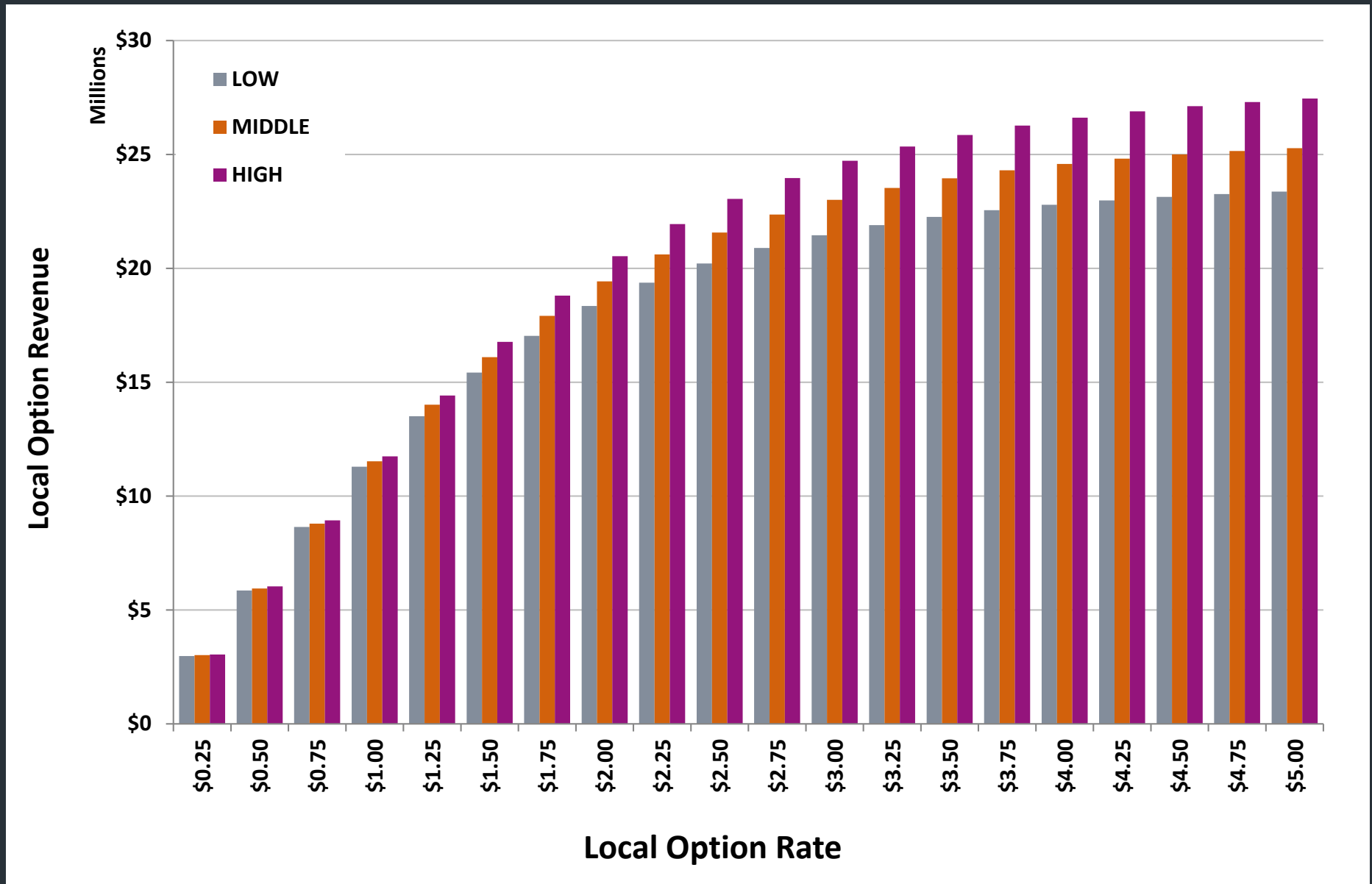
NCSD – Growth Assumption Considerations

Property Class	Existing Properties M5 (RMV) Value Growth	New Construction	
		Growth In Accounts	# of New Accounts
Residential	9.5%	1.00%	350
Commercial	7.0%	0.50%	10
Industrial	5.0%		
Multifamily Housing	6.0%		
All others	5.0%		
Total RMV Growth in District	9.0%		



- **“Middle Growth” Example.**
- **Actual Total FY2019 RMV = 8.1%**

NCSD - FY 2019 Local Option Revenue Projections



North Clackamas SD – Local Option Case Study

Our why:

- During the 2017-2018 school year it became clear we were going to face a \$17 million shortfall in the 2019-2020 school year without additional revenue.

In February/March 2018 we began exploring a local option levy

What did our community say (May and June 2018)?

- Before any information we had 47 percent support (16%DK)
- With some information we had 51 percent support (12%DK)
- Follow-up survey with just parents (72 percent support)
- Surveys said to maintain current services (\$17 million needed)

North Clackamas SD – Local Option Case Study

Sharing Our Story - getting in front of any group who would listen (every district staff, PTA, community organization)

- **Share the great work of the school district**
 - ✓ **Graduation rates**
 - ✓ **Attendance rates**
 - ✓ **Student Achievement rates**

- **Impact of the recession and funding history in Oregon**
 - ✓ **All our cost saving measures**
 - ✓ **Educate about the difference between a bond and local option**

North Clackamas SD – Local Option Case Study

Sharing Our Story- getting in front of any group who would listen (every district staff, PTA, community organization)

- **Focused on maintaining current services and what cutting \$17 million would mean to each school (approximately six teachers or 34 days of school)**
- **Financial Accountability:**
 - ✓ **100% of levy funds would go to prevent cuts, restore previous cuts, or increase student and school safety**
 - ✓ **None of the funds would go to administration**
 - ✓ **All funds stay in the district (none go to Salem)**
 - ✓ **Annual audit to ensure funds are being spent as intended**

North Clackamas SD – Local Option Case Study

Additional Information:

- Property Tax Calculator and FAQ on our website
- Hired a levy consultant and worked with attorney and Secretary of State
- Utilized a Political Action Committee (raised \$80,000) to Communicate Support (District can only provide information)
 - ✓ Three mailings
 - ✓ Phone calling
 - ✓ Door to door messaging
 - ✓ Voter's Pamphlet statements of support
- Charter Schools
- Thank You's

Levy Passed!

3-541 North Clackamas School District

Choice	Party	Vote By Mail		Total	
Yes		29269	53.29%	29269	53.29%
No		25656	46.71%	25656	46.71%
Cast Votes:		54925	100.00%	54925	100.00%
Undervotes:		2553		2553	
Overvotes:		9		9	
Write-ins:		0		0	



Election Schedule

Election Date	County Filing Date (SEL Form 805) ⁽¹⁾	County Filing/ Voters' Pamphlet Deadline (SEL Form 803) ⁽¹⁾	Ballots Mailed	First FY Taxes Levied
March 10, 2020 ⁽²⁾ May 19, 2020	December 21 February 29	January 9 March 19	Feb. 21-25 May 1-5	FY 2020-21
September 15, 2020 ⁽²⁾ November 3, 2020 March 9, 2021 ⁽²⁾ May 18, 2021	June 27 August 15 December 19 February 27	July 16 September 3 January 7 March 18	Aug. 28 - Sept.1 Oct. 16-20 Feb. 19-23 April 30-May 4	FY 2021-22
September 21, 2021 ⁽²⁾ November 2, 2021 March 8, 2022 ⁽²⁾ May 17, 2022	July 3 August 14 December 18 February 26	July 22 September 2 January 6 March 17	Sept.3-7 Oct. 15-19 Feb. 18-22 April 29-May 3	FY 2022-23

Note: Dates associated with future elections are preliminary, subject to change.

- ✓ Check with your County elections office to verify filing deadlines.
- ✓ All elections are by mail.

- 1) SEL Form 805 includes ballot title, and may include explanatory statement. Must be filed 80 days prior to election to allow for challenge process. Final filing is 61 days prior to election (SEL Form 803).
- 2) Subject to double majority provisions.

Summary

- Local option levies are only source of additional property tax funding.
 - Every property is affected differently: some may pay the entire amount, and some may pay nothing.
 - Because AV, RMV and tax levies vary every year, the amount collected will also vary.
 - Local option revenues may decline as market values decline and the gap gets squeezed.
- ➔ **Bottom line:** local option levies are unpredictable, difficult to explain and inequitable. **But they are your only choice for additional property tax revenue, and campaigns are winnable!**

Contact Information

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