



April 24, 2019

Representative Keny-Guyer, Chair  
House Committee on Human Services and Housing  
Oregon State Capitol  
900 Court St. NE, HR 50  
Salem, OR 97301

**RE: Concerns with SB 543**

Dear Chair Keny-Guyer and Members of the Committee:

The City of Hillsboro is concerned with authorizing the formation of a new taxing district to provide children's services. The City has a long-standing partnership with the Hillsboro School District (HSD) to provide and fund after school and summer programming for children in the community. The City contributes approximately \$675,000 annually through General Fund programming, which includes staff time and in-kind contributions. For example, Hillsboro Parks and Recreation and HSD have joined together on the Bringing Leadership, Arts and Sports Together (BLAST) program. BLAST is an after school program that combines teamwork, recreation, arts and crafts, community service projects, life skills training, and academic support. This is just one example of the long standing partnership between the City and HSD that support kids after school hours.

SB 543 is vague on what services a children's district would provide. The only information we have to that end is what is articulated in subsections (a), (b) and (2)(a) of Section 1. Those subsections only tell us that a district can be formed to provide children's services, defined as "services that support children's total health and well-being that are provided to children outside of school hours," and that it must only serve children who are 18 years old or younger. That is the same population we serve in partnership with HSD. We are concerned with the idea of creating another government, with administrative costs and overhead that may duplicate services already provided and funded in the community.

**Taxing Authority is Unclear and May Result in Measure 5 Compression**

As we sit today, properties in Hillsboro are generally not experiencing property tax compression on the \$10 per \$1,000 of Real Market Value (RMV) that support general government (city, county, special district) operations and services. It is important to remember that compression impacts change with market conditions – the compression landscape looked very different at the beginning of this decade.

Section 4(4) gives a children's service district that ability 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." It does not provide clarity regarding what taxing mechanisms a district could access. Could it establish a permanent rate and if so, must it be approved by voters? Would it have the authority to fund programs and operations via local option levy? Can it fund capital expenses with general obligation bonds?

Notwithstanding general obligation bonds, adding a permanent rate or a local option levy would increase the likelihood of compression in Hillsboro, especially during future recessions. The City has a voter-approved local option levy that provides supplementary funding for police, fire and park services.

That levy would compress first with a new permanent rate taking priority position. That could affect our ability to provide adequate public safety services and/or our ability to continue the level of partnership with HSD to support after school and summer programming for kids in the community.

### **Provision Attempting to Shield Education Services from Compression Could Paralyze District Expenditures**

Section 2(2)(b) is unclear, confusing, and could result in a district that collects revenue but is unable to spend the revenue it collects on children's services. It seemingly allows anyone to file an action claiming that any proposed project to be funded by a district constitutes "educational services" within the \$5 per \$1,000 RMV. The legislation does not specify *where* an action should be filed and does not require that the action have *any legal basis* whatsoever. It appears that so long as an action is filed the district must discontinue the project and redirect the revenue to a project that does not constitute educational services. This could result in one or more residents filing meritless claims against district projects, paralyzing district expenditures, resulting in a district that collects revenue but cannot spend it on children's services.

### **Underlying Statutes Require Cities to Opt-In to Children's Service Districts**

Subsection (3)(a) of Section 2 of the bill provides that *ORS 198.705 to 198.955* apply to children's service districts. *ORS 198.720(1)* provides that "[a] district may consist of contiguous or noncontiguous territory located in one or more adjoining counties. *If any part of the territory subject to a petition for formation or annexation is within a city, the petition shall be accompanied by a certified copy of a resolution of the governing body of the city approving the petition.*"

To that end, a petition to form a children's service district, just like a petition to form any other special service district, must include a resolution from a city council approving inclusion of the city within the district if the petition proposes to include land within the city as part of the district's territory. Failure to include such a resolution in the petition precludes the proposed district from including any territory within the city as part of the district.

SB 543 could be improved with an amendment that resolves any ambiguity that this is in fact the case and we would encourage this committee to add the amendment language below if you choose to move the bill forward.

*ORS 198.705(8)* "District" has the meaning given that term in *ORS 198.010 (2) to (4), (6) to (14), (17) to (23) and (25) and (28)*. This would clearly connect Subsection (3)(a) of Section 2 of the bill to the definition of "District" that requires city assent to district establishment within its territory.

Sincerely,



Andy Smith  
Government Relations Manager