



Vote No on SB 299 —New Children’s Districts are Unnecessary, Duplicative and Costly

Property tax revenues are vital for local governments, including cities, counties, school districts and special districts. Property taxes fund infrastructure, public services, and approximately one-third of the K-12 education budget. For most taxing districts, property taxes are their largest and, in some cases, their sole revenue source.

We acknowledge the importance of funding children’s after school programs. However, SB 299, which authorizes the creation of children’s districts and provides them with the authority to levy permanent property taxes AND other taxes is unnecessary, duplicative and has the effect of limiting the capacity of existing taxing jurisdictions in meeting their responsibilities.

- ❖ **Adding more taxing districts could lead to compression** and those already in compression would see compression increases if children’s districts are created and added to the tax rolls. (Compression is a reduction in taxes that would otherwise be levied but must be reduced due to the 1990 Measure 5 caps of \$5 for education and \$10 for local government.)
- ❖ According to the Department of Revenue, tax year 2019-20 compression losses totaled about \$129 million. Twenty districts, mostly cities and schools, lost more than 10 percent of the taxes that would have otherwise been owed. Seven districts had more than 20 percent of their taxes compressed.
- ❖ **The services authorized under SB 299 are already or can be provided by existing school districts, cities, counties and special districts.** A provision allowing local government programs to apply for district funds does not fix the issue. It requires school districts, cities, counties, and special districts to hinge the existence of their services on a ‘competitive process’ with no guarantee of service continuity or the ability to meet their responsibilities. Further, this setting of organizations against each other reduces everyone’s capacity to provide important services to children in our communities.
- ❖ **The property tax a children’s district levies must be properly categorized under Measure 5.** Under *Urhausen v. City of Eugene*, 341 Or 246 (2006) the court concluded that services must be segregated into the two Measure 5 categories—and a levy could have both categories within it. In that case, taxes had to be recalculated and payments returned to taxpayers as part of the levy was determined to be for education and the education cap had already been reached in Eugene. After school programs like tutoring and homework help are considered education services. **This bill is a real threat to school district revenue streams as they could be subject to tax payment return requirements as well.**
- ❖ In addition, the bill contemplates and even encourages potentially expensive and unnecessary litigation as well as ongoing tax uncertainty. Section 2 specifically allows anyone to file an “action” claiming that revenue of children’s service district is subject to the \$5 education limit. Upon the filing of an “action”, the children’s district is supposed to discontinue the project claimed to be an education service. Multiple filings are permitted, and it is not clear where to file the action.

We urge that you VOTE NO on SB 299 which would exacerbate our already broken property tax system.