

TO: Members of the House Emergency Management, General Government, and Veterans Committee  
FROM: Hasina Wittenberg on behalf of Special Districts Association of Oregon (SDAO)  
DATE: January 24, 2023  
RE: **Testimony in Support of House Bill 2110**

Chair Grayber and members of the committee. SDAO's membership consists of over 960 special service districts who provide services ranging from water, wastewater, park and recreation, fire, irrigation, transportation and many others. Special districts are single service providers. Unlike cities and counties who can prioritize funding departments (e.g., public safety vs elections) districts typically provide a single service (library, 9-1-1, sanitary sewer) and when faced with additional costs and or revenue shortages they must either cut or raise revenue. 20% of our 900 special districts have budgets of more than \$1 million and 45% of our districts have budgets of \$100,000 or less.

Section 2 of HB 2110 increases the threshold for the municipal audit exemption from \$500,000 to \$1,000,000 and the review threshold from \$100,000 to \$250,000. These thresholds have not been increased since 2005; SB 837 (2005) which enacted the increase was passed in 2005 and our districts were part of that successful effort.

Over the past few years, the cost of doing business has gone up exponentially causing small districts to exceed the \$150,000 threshold provided for in ORS 297.435. A municipal audit review can cost a district between \$7,000 to \$10,000 which can cause financial hardship for many of our small districts. As an example, one of our small districts reported to us during the interim that they were on the verge of going over the \$150,000 threshold last fiscal year by roughly \$35,000 (the total budget was \$185,000). After many calls to auditors approved by the Secretary of State the district received a handful of calls/emails in response. The auditors all had the same answer, "we aren't taking new clients." There is a shortage of auditors who are willing to do this work. In addition, it doesn't make sense to spend \$10,000 because a district exceeds a threshold by several thousand dollars. Spending \$10,000 for audit purposes does not make good fiscal sense and can amount to a few months of payroll, typical monthly expenditures or elimination of a small project that requires funding.

HB 2110 will benefit a large number of small districts who are having difficulty, not only finding a municipal auditor to serve the district but affording the cost of a municipal audit. SDAO introduced HB 2254 to accomplish the same provisions as Section 2 of HB 2110 and we are grateful that the Secretary of State's Office included our suggested increase in HB 2110.

Thank you for the opportunity to submit this letter in support of HB 2110 we urge the committee's support of the bill.