



Vote No on SB 858 —New Children’s Districts are Unnecessary, Duplicative and Costly

Property tax revenues are vital for local governments, including cities, counties, special districts, and schools. Property taxes fund public services, infrastructure, and almost 30% 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 858, 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. Overall counties lost 1.6% of taxes that could have otherwise been imposed in 2019-20, cities lost 2.2%, and general service districts lost 3.4%.
- **In 2019, the legislature passed the [Student Success Act](#)**, a new commercial activity tax that adds over \$1 billion a year to K-12 education and supportive services. The large majority of the revenue funds a wide variety of [student success initiatives](#) outside of the classroom including early learning, early childhood special education, school meals, summer programs, career and workforce readiness, drop out prevention & reengagement, mental and behavioral health needs and more. A stable revenue source for children’s services is already in place and introducing a new taxing district is duplicative and burdensome on a flawed property tax system.
- **The services authorized under SB 858 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 the whims of a district board with no guarantee of service continuity or the ability to meet their responsibilities.
- **Children’s services can already be provided under current statute.** Cities and Counties currently have the authority to refer a local option levy to the voters for children’s services. The current process makes more sense – no permanent government with overhead and the avoidance of administrative costs, flexibility to increase or decrease the rate, and voters can decide whether to enact or renew it every five years. SB 858 is an attempt to go around the will of elected county leadership who may have other funding priorities.
- **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 properly classified as education or general government under Measure 5. 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. Section 2 specifically allows anyone who owns property in the district to file an “action” claiming that revenue of children’s service district is subject to the \$5 education limit. Upon the filing of a “valid claim”, 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 or who determines if it is valid. After school programs like math and literacy programs described in testimony supporting SB 858 will likely be considered education services upon challenge and **school district revenues could be subject to tax payment return requirements.**

We urge that you VOTE NO on SB 858 which would exacerbate our already broken property tax system.