

**City of Portland  
Five-Year Children's Local Option  
Tax Renewal Levy  
Hearing Minutes  
Thursday, May 28, 2023, 12:00 p.m.  
Hybrid Meeting  
Measure 26-240**

May 16, 2023, Election

**Present:**

TSCC: Chair Harmony Quiroz, Commissioner James Ofsink, Commissioner Mark Wubbold, Commissioner Margo Norton, Executive Director Allegra Willhite, and Budget Analyst Tunie Betschart

**Absent:** Commissioner Matt Donahue

City of Portland: Commissioner Dan Ryan, Commissioner Rene Gonzalas, Commissioner Carmen Rubio (attended via Zoom Meeting)

Staff Present: Director of the Children's Levy Lisa Pellegrino (attended via Zoom Meeting), and Fiscal & Administrative Specialist John Kelly

Chair Harmony Quiroz opened the public hearing on the Portland Children's Five-Year Local Option Property Tax Levy by explaining TSCC's responsibilities concerning tax measures. She explained that the commissioners will take no action at the hearing but will provide a vehicle for the public to comment and ask questions the general public may be interested in hearing from the district. The minutes of this public hearing are prepared and retained as a permanent record of this hearing.

She followed with introductions of TSCC Commissioners, staff, and the City of Portland's representatives. Following the introductions, Chair Quiroz opened the hearing for public comment. She asked Executive Director Willhite if anyone had signed up to comment or if staff had received any written comments. Ms. Willhite had not received written comments, and no one signed up to give statements.

With that, Commissioner Ryan thanked the TSCC commissioners for their service to the community through their role as TSCC commissioners. He briefly described his role as the commissioner overseeing the Children's Levy. He commented on the consistency and leadership of the levy over the last 20 years. Financial oversight has made the process agile, adaptable, and accountable with constant improvement.

The TSCC prepared questions followed this brief description.

**TSCC Questions:**

**Chair Quiroz asked the following questions:**

The Portland Children's Levy has now been in existence for 20 years. What has changed in the last 20 years, particularly regarding program priorities and emphasis? Looking back on the program, what accomplishments are you most proud of?

Director Lisa Pellegrino reviewed some of the changes made over the years. They added a program that focused on youth in foster youth care. This addition was in response to the need indicated by data received stating the poor outcome for foster youth due to support services that ODHS was unable to provide. They have recently added foster care prevention services by giving providers the ability to serve youth whose families are DHS involved but who haven't been removed from their homes.

She discussed the hunger relief program that has been added to address a high food insecurity rate. The pandemic significantly increased the need for hunger relief among children and youth.

The outstanding achievements she mentioned were:

- Providing wrap-around service to support youth and families through after-school programs
- Partnering with Multnomah County & Federal 21 Century School Program to expand Schools Uniting Neighborhoods (SUN) throughout the city, to offer to all schools with high populations of low-income children and children of color
- Supporting culturally specific agencies to expand services for their communities
- Allowing grantee partners to respond to the pandemic and support children and families in the ways needed, with support for mental health, digital access, increased food, etc.

**Commissioner Wubbold asked the following questions:**

A considerable number of grants are directed toward Early Childhood programs, and they make up 29% of grants for 2022-23. Other governments also specifically focus on pre-K programs, from the State Department of Education to Portland Public Schools to the new Preschool for All implemented by Multnomah County. How are you blending your efforts with these other jurisdictions? Are there other priorities you could address as other jurisdictions increase focus in this area?

City Commissioner Dan Ryan stated he appreciates this question, particularly how it relates to the Preschool for All Program. He has had great conversations with County Chair Vaga-Pederson on the allocation committee to ensure the Portland Children's program will be agile and can quickly adapt to the changes. This could mean putting more money toward youth programs. However, there will still be investments in early childhood programs and after-school activities.

Did data from the "All Hands Raised" program help influence the decisions for the Children's Local Option Levy programs?

Commissioner Ryan said yes, and many organizations around the state have used the data points to guide their program decisions.

Director Pellegrino added that there had been conversations with the county to transfer Portland Children's Levy-funded preschool slots to Preschool for All within the next two years. The county supports this transition. She added that it is important to remember that the Portland Children's Levy serves 0-3 year-olds, so children before preschool.

She concluded by stating there will be a community engagement process to see what the community wants. Based on feedback in the last few years, PCL anticipates programs supporting older youth transitioning to post-secondary school and careers, violence prevention programs, and support of social-emotional learning/health to emerge as community priorities.

**Commissioner Norton asked the following questions:**

The PCL has always carried a sizable fund balance, up to \$14.6 million during the first part of the pandemic, and is still sizable now at almost \$11 million forecasted for the upcoming budget year. We understand the idea of holding some fund balance as a risk management tool to mitigate variability in taxes, compression, and property value swings and that some fund balance is likely related to planned future grant payouts. That said, is there a specific target amount for the fund balance threshold? Are there capacity issues? What are the obstacles to getting that money out the door?

Mr. John Kelly said the goal is to have half a million dollars in fund balance. He said a couple of things would cause an excess in fund balance. The city receiving revenue above projections and program underspending by grantees. All grants are cost reimbursement, so if grantees do not spend the dollars, it carries over.

He said that in the aftermath of the 2008 recession, revenues declined substantially, and the balance fell to a million dollars at the end of 2012. There were cuts made to grants.

Overall, the program has experienced 3-5% percent underspending. So, staff are now preparing for some underspending by raising the amount going out the door, knowing it will not all be spent. Mr. Kelly said staffing for in-person jobs at non-profits has been a considerable barrier. The organizations cannot hire people to do the work, so they cannot get the jobs done. The money does not get spent. People do not want low-paying jobs.

Director Pellegrino said the money was allocated but not spent, partly due to staffing. Most non-profits pay less than other places, thus making the jobs less attractive. The labor issue is a huge barrier to getting the money out where services are needed. Remote work started during the pandemic and has also been an issue. The money has been allocated to grants but has not been spent.

Commissioner Ryan added that this has also been a topic of discussion with the Allocation Oversight Committee. Not being able to get the employees needed to provide the service to the children is having an unfavorable impact.

**Commissioner Ofsink asked the following question:**

When TSCC last met with the city to discuss the Children's Levy, the number of children served for 2016-17 was over 11,000 (as reported by agencies receiving grants). Per budget materials, that number dropped to 10,575 in FY 19-20, and the levy now supports approximately 10,000 children. Can you tell us more about this decrease in the number of children served and what you expect for future levels of service?

Director Pellegrino said they are not focused on the number of children served but also on the service's quality and the outcome. The pandemic influenced the number of children served in many ways. So, when the committee looks at which programs to fund, they look at many factors. Some grants provide funding for programs with a range of services. This creates a variety in the numbers served. The grants funded each year are different. For that reason, comparisons can be misleading. The mix of programs changes over time. She cited examples of the numbers served for non-hunger relief programs in 2021-22 as 8,590 or 93% of the collective goal, and hunger relief programs served 17,000, 37% above the collective goal.

Commissioner Ryan added that there are high visibility-low impact programs and low visibility-high impact programs. Pivoting the money toward the programs with the most impact on the children served is the best choice for allocating dollars.

**Chair Quiroz asked this follow-up question:**

Could you share some of the other statistics used during the decisions you make?

Director Pellegrino said it is more about the program's impact than the numbers served. Every program funded by levy dollars has a set of goals. More than 200 outcomes are tracked, and significant outcomes are tracked. She said they average between 80 and 85% of the milestones.

**Commissioner Wubbold asked the following questions:**

In 2019, PCL contracted with Portland State University to examine its funding process. What recommendations did you implement as a result of this report? What have been the results of the changes you've implemented?

Director Pellegrino said the PSU report recommended they implement small grants for those who might not otherwise be able to compete for more significant amounts. This change was implemented during the pandemic. They have made seven grants to smaller organizations serving marginalized populations, which had never received funding from PCL. They also recommended forming a community advisory board so there would be an ongoing advisory board allowing the community to participate in governing the PCL. A Community Council was formed to advise levy staff on Allocation Committee policy and funding. They suggested changing the funding application to focus more on applicants' equity practices and results. The PCL has made that change as well. Most organizations funded in the FY20 have staff and board members that reflect the identities of the clients they serve, as reported in annual organization demographic reports.

**Commissioner Ofsink asked the following questions:**

Can you tell us what the role of the new community council is? What will be their focus for this first year of existence?

Director Pellegrino said they meet bi-monthly. The focus will be shaping the broader community engagement process. They will help shape the funding applications and process. They will be looking at all aspects of the PCL.

Can you tell us more about the decision to add a new community engagement coordinator to the staff? Do you anticipate adding more staffing in the future?

Director Pellegrino said the new community council will assist in engagement with the levy renewal process. The PSU report also advised this change. They anticipate hiring a data analyst as the next position. She said they would like to move the granting database from Excel to a granting database.

**Commissioner Norton asked the following questions:**

Five years ago, when we last held this hearing, Commissioner Saltzman talked about continuing the Local Option Levy, a 5-year temporary measure, until permanent funding was established. This levy, if renewed by the voters, will make it 25 years. Are there any efforts to find a permanent revenue source? Or alternatively, to use any of these funds to leverage other local, state or federal dollars.

Commissioner Ryan said there has not been any success in adding local children's funds to the list of special taxing districts allowed at the state level.

The Parks Levy has also identified the local option levy as a temporary funding source and needs permanent funding. Is it time to no longer call this temporary funding?

City Commissioner Gonzalas said he is struck by the imbalance in the approach to financing in terms of the various pieces of the city connects. Structural weaknesses exist in financing infrastructure, public safety, parks, and multi-generational deficits. The city is dependent on General funds every cycle to support those. The approach to the various demands must change. He said the city operates in a context in which some of public partners have taken significant tax proposals to the voters and repeatedly approved them. Portland is now one of the country's highest, if not the highest, taxed city. This information may change the appetite of voters the next time around. When the city thinks of the financial structure of the city government and the things it does, he sees need for a broader, more extended conversation about the impact on the existing requirements.

Commissioner Ryan added that the fact that there is a system in place, we can stand behind it. They are competitive and evaluated annually. He said he feels the PCL is one of the better practices in the city. He thinks if more programs were done in line with the PCL, the voters would be satisfied.

Chair Quiroz thanked everyone for the robust conversation and discussion. She said she would like the city representatives to use the last two minutes to make any final remarks they want to leave with the voters.

Commissioner Rubio thanked the TSCC for their thoughtful questions. She commended the PCL staff on being adaptive in providing data and services over the years and recalibrating when necessary. The commissioner complimented the committee on the small grants fund and the community advisory committee on their efforts. She said she is proud that the City of Portland has the Children's Levy to support the local children.

Commissioner Ryan asked voters to take their time going through the ballot. He stated that we need the Children's levy now more than ever to help get the children back on track following the disruption of the pandemic.

These comments concluded the public hearing, so Chair Quiroz closed it.