

# City of Portland

## Tax Measure Review - Measure 26-240

### May 16, 2023 Election



#### OVERVIEW

<b>Type of Measure</b>	Local Option Levy - Renewal
<b>Ballot Title</b>	Renew Portland Children's Levy investment for five years.
<b>Tax Impact</b>	A five-year operating levy of \$0.4026 per \$1,000 of assessed value beginning in FY 24-25.
<b>Estimated \$ Raised</b>	Roughly \$26.6 million on average annually/\$133 million over 5 years
<b>Purpose</b>	Preventing childhood hunger, child abuse prevention and intervention, early childhood programs, after school, summer and mentoring programs, and foster care programs.
<b>Hearing Date/Time</b>	April 28, 2023 @ 12:00

#### MEASURE SUMMARY

The City of Portland is seeking voter approval for a local option levy of \$0.4026 per \$1,000 of assessed value. The Portland Children’s Levy (PCL) was first approved in 2002. The rate has remained the same for every renewal since. The most recent levy renewal will expire in June 2024, next tax year. The new levy would be effective from FY 2024-25 to FY 2028-29.

##### Estimated tax revenue of \$133 million over 5 years

2024-25	2025-26	2026-27	2027-28	2028-29
\$24.9 million	\$25.8 million	\$26.6 million	\$27.5 million	\$28.3 million

The taxes generated by Children’s Levy are used to fund social services to carry out the PCL objectives. City bureaus and employees do not provide the services. All services are provided by contractors selected by the City Council.

##### Summary from Request for Ballot Title

Renews the Portland Children's Levy investment at current rate; supports proven programs preventing childhood hunger, child abuse and neglect, helping children arrive at school ready to learn, providing safe constructive after-school alternatives for kids, and helping foster children and youth succeed.

Funds can only be used for:

- **Preventing childhood hunger:** giving hungry children healthy food.
- **Child abuse prevention and intervention:** addressing juvenile crime, school failure, drug and alcohol abuse, homeless youth.
- **Early childhood programs:** making childcare more affordable and preparing children for success in school.



- **After school, summer and mentoring programs:** promoting academic achievement, reducing the number of youth victimized by crime, increasing graduation rates, mentoring programs supporting transition to college and career for youth.
- **Foster care programs:** helping foster children and youth succeed.

Accountability measures include:

- Investments subject to annual audits.
- Programs funded must be cost effective and have a proven record of success.
- Investments subject to oversight by a citizen committee.
- Administrative costs cannot exceed 5%.

## BACKGROUND

Portland is a full-service city, with administrative services divided into six operational areas: Public Safety, Parks, Recreation & Culture, Public Utilities, Transportation & Parking, Legislative, Administration & Support Services and Community Development. The Portland Children’s Levy is housed under Community Development in its own bureau.

The City of Portland has six property tax levies, the most recent being the Parks local option levy, which was approved in 2020 and began receiving revenues in FY 2021-22. The city’s total tax rate varies slightly above and below \$9 per \$1,000 of assessed value depending on geographic location in the city.

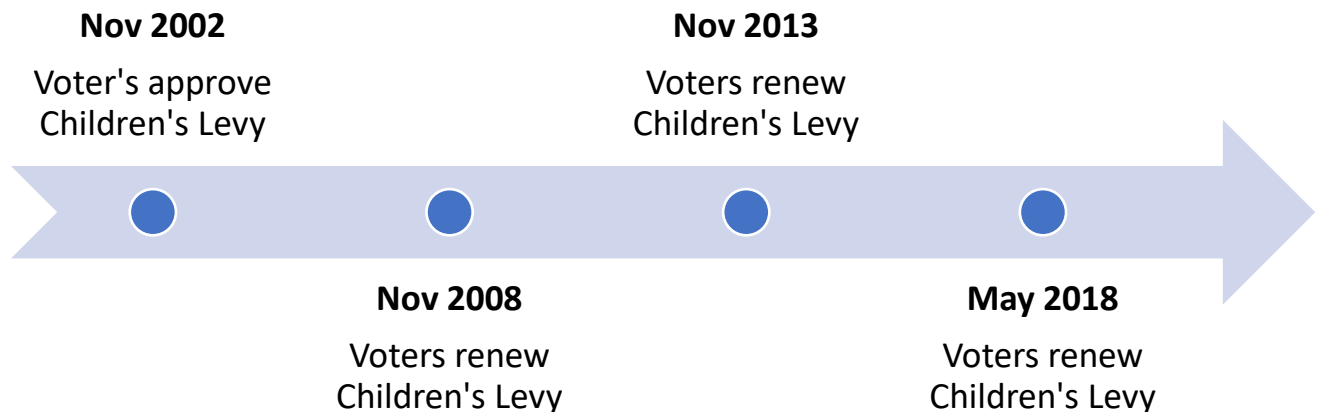
City of Portland	2019-20	2020-21	2021-22	2022-23
Assessed Value in Billions	\$63.269	\$66.115	\$69.746	\$72.889
Real Market Value (M-5) in Billions	\$152.774	\$159.017	\$166.899	\$178.529
Property Tax Rate Extended:				
Operations	\$4.5770	\$4.5770	\$4.5770	\$4.5770
Fire Police Disability/Retirement	\$2.6674	\$2.7580	\$3.0089	\$2.7281
Children’s Initiative Local Option	\$0.4026	\$0.4026	\$0.4026	\$0.4026
Parks Local Option	n/a	n/a	\$0.8000	\$0.8000
Urban Renewal Special Levy	\$0.2108	\$0.2018	\$0.1961	\$0.1887
Debt Service	\$0.2357	\$0.4270	\$0.3820	\$0.3698
Total Property Tax Rate	\$8.0935	\$8.3664	\$9.3666	\$9.0662
Measure 5 Loss	\$-27,409,852	\$-31,341,743	\$-47,320,018	\$-42,679,193
Number of Employees (FTE’s)	6,787	6,781	7,011	7,201

The total FY 2022-23 city resources budget is \$6.8 billion with \$720 million coming from property taxes. In FY 23, the PCL property tax budget is \$23 million (3% of total property tax received by the city) and funds the Children’s Investment Fund.

<b>City of Portland</b>				
Budgeted Property Taxes by Fund				
	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
	<b>Actual</b>	<b>Actual</b>	<b>Revised Bud</b>	<b>Adopted Bud</b>
General Fund	267,007,275	280,275,615	291,099,807	304,456,051
Fire & Police Disability & Retirement Fund	154,919,174	168,308,393	190,947,841	183,485,461
Urban Renewal - All Funds	173,019,922	182,756,579	143,579,616	135,774,500
Parks Local Option Levy Fund	0	0	44,735,444	46,239,576
Bonded Debt Interest & Sinking Fund	14,555,090	27,581,924	26,370,147	26,970,835
<b>Children's Investment Fund</b>	<b>21,489,742</b>	<b>22,076,029</b>	<b>21,403,372</b>	<b>23,250,196</b>
<b>Total</b>	<b>630,991,203</b>	<b>680,998,540</b>	<b>718,136,227</b>	<b>720,176,619</b>

### Children’s Levy History

The original levy was designed to fund programs for Portland children who were most in need. Seattle and San Francisco had passed similar levies prior to the City of Portland levy. The input was to offer funding to providers, rather than the city directly providing the programs, and that has been the model. The passage of the levy created a Children’s Investment Fund to provide long-term investments in the program areas described in the ballot. Since its inception, the PCL has been intended as a continuous program, with a plan to ask for reauthorizing of the levy if the investment fund was meeting its intended purposes.



Excepting one year (2008-09 – the first levy expired and was not renewed until November 2008 with funding resuming 2009-10), has been in effect since FY 2002-03. The levy was last renewed in May 2018 by 83% of voters.

The initial levy was estimated at \$10 million in funds, with the following proposed allocation:

- Early childhood - \$4 million
- After school/mentoring - \$5 million
- Child abuse prevention - \$1 million



Subsequent renewals added additional focus areas:

- In 2008, summer programs were added to after school and mentoring programs and foster care programs were made eligible.
- In 2013, a preventing childhood hunger category was added.

## MEASURE ANALYSIS

### Tax Rate & Compression

The PCL rate has been consistent at \$0.4026 per \$1,000 Assessed Value (AV), or \$40 per \$100,000 of AV per year. The city has projected that expected resources should be sufficient to maintain current program investment levels over next 5 years.

The initial levy was estimated to bring in \$10 million annually; that amount has more than doubled with an expected \$24.9 million in revenue in 2024-25. This increase is due in large part to the growth in assessed value in the City of Portland, which has increased 108% from FY 2003-04 to FY 2022-23.

Compression rates for the PCL have stabilized after spiking in 2011 to 2015 (this spike was a result of falling real market values during that time period that reduced the gap between AV and real market value). In recent years, PCL compression rates have hovered near 21-24%. (More information on compression in the Property Tax Impact section, page 8.)

When the Parks levy was referred to voters in 2020, the Portland City Council included a commitment in the resolution to make an annual transfer from the Parks Levy Fund to the Children’s Investment Fund.<sup>1</sup> The transfer amount is equal to the actual compression loss for PCL that can be attributed to the Parks levy. Compression loss is calculated by PSU’s Northwest Economic Research Center (NERC). In FY 23, the Parks levy expects to transfer \$379,962 to the Children’s levy to balance compression; in FY 23-24 that amount is estimated at \$400,000.

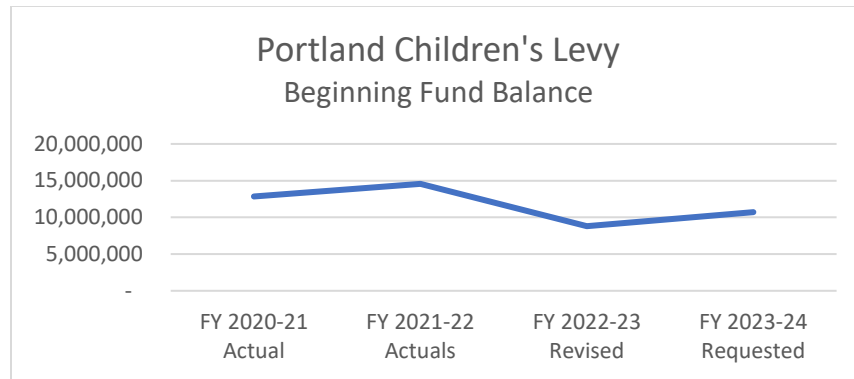
### Use of Funds

In recent years, the children’s levy has brought in \$21 to \$22 million in revenue:

FISCAL YEAR	PCL REVENUE (millions)	AMOUNT GRANTED (millions)	TOTAL NO. OF GRANTS	PCL ADMIN COSTS (audited yearly by independent third-party)
2018-2019	\$21.7	\$19.0	74	4.65%
2019-2020	\$21.9	\$19.2	70	4.69%
2020-2021	\$22.3	\$23.8	85	4.70%
2021-2022	\$22.8	\$27.0	92	4.68%

<sup>1</sup> [Agenda No \(portlandoregon.gov\)](https://www.portlandoregon.gov/agenda)

Prior to each grant funding round, the City Economist projects revenues for the grant period. When revenues exceed projections (or grant budgets are not fully expended), a fund balance accrues. Beginning fund balance is estimated at just under \$11 million for FY 23-24. Fund balance has ranged between \$8.9 million to \$14.6 million in recent years.



PCL employees seven employees who work 6.8 FTE. In FY 2022-23, PCL added a new community engagement coordinator. Cost for personnel services are estimated at \$1.2 million for FY 23-24 and include the following positions:

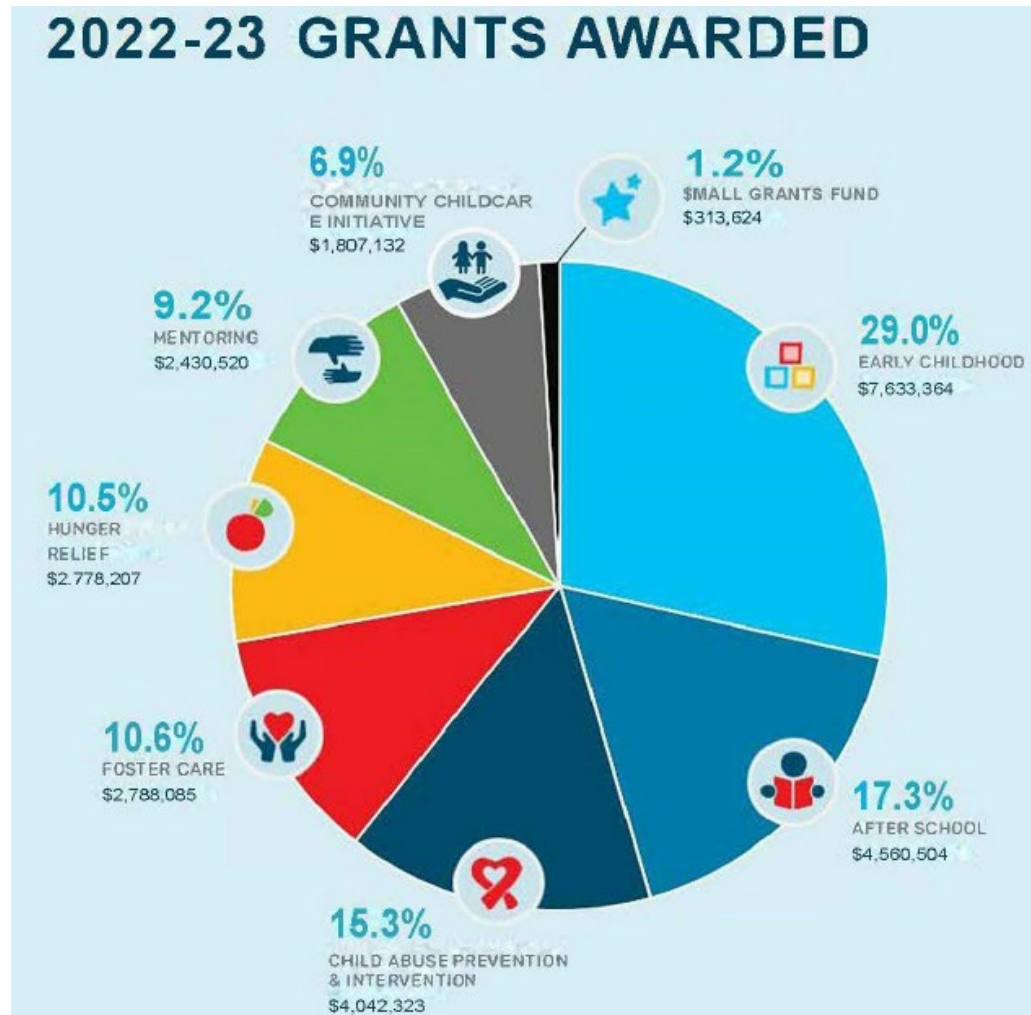
- Director
- Assistant Director
- Two Grant Managers
- Community engagement coordinator (new in FY 23)
- Communication & Outreach director
- Financial Analyst

Only 5% of the tax revenues can be used to administer the CLP. The city interprets administrative costs conservatively: any program expenses that are not grants to social service contractors or expenditures to support those contractors are considered administrative costs. These admin expenses include external costs (vendors outside of the city), salaries for PCL employees, General Fund overhead allocation, and internal services costs.

Grants are paid on a reimbursement basis to support programs in the community. From City of Portland materials:

*The Levy supports over 90 programs serving approximately 10,000 children and youth annually in early childhood, child abuse prevention/intervention, foster care, afterschool and mentoring programs, and providing 10,000-15,000 children and their families with hunger relief services. 75-80% of children served identify as Black, Indigenous or a child of color, 35-45% live or go to school in East Portland, approximately 40% live in homes where the primary language spoken is not English, and over 90% live in families with an income less than 185% of the Federal Poverty Level. Levy resources are directed toward supporting the most vulnerable children and families in our community.*

The CLP awards grants for three-year periods, with two, one-year renewal options. This five-year award cycle is synchronized with the five-year levy terms.



Complete grant information is available here: [Grants 2022-23 | Portland Children's Levy \(portlandchildrenslevy.org\)](https://portlandchildrenslevy.org/grants-2022-23)

### **Oversight & Outcomes**

The PCL has two oversight groups:

- The **Allocation Committee** (comprised of one Portland City Commissioner, one Multnomah County Commissioner and three citizen members: two appointed by the Mayor and one by the County Commission Chair), whose purpose is to allocate PCL funding in accordance with the ballot measure. The Allocation Committee makes funding recommendations to the Portland City Council for its final approval.

- The **Community Council** advises Portland Children’s Levy staff and the Allocation Committee on Levy policies and procedures, including community engagement and future funding rounds. It is composed of 11-13 members, who are approved by the Allocation Committee. The council was created in 2022, with the first meeting held in February 2023.

The CLP is audited annually for compliance and subject to periodic performance audits from the City Auditors Office. Each year, an independent audit report is conducted to examine the Portland Children’s Levy compliance with laws and regulations outlined in 26-197, the last renewal of the levy. In their most recent PCL report (FY 2021-22), the auditors determined that the levy’s cumulative administrative expenses were below the maximum threshold allowed.

The PCL tracks performance using a variety of metrics. Performance measures published in the FY 2023-24 Requested budget show the number of children served has been below the target in recent years, but numbers of grant contracts managed have remained on track. Per a presentation to City Council, pandemic-related staffing shortages impacted grant spending in FY 2021 and 2022.

### Performance Measures from FY 22-23 Budget

Performance	Actuals FY 2019-20	Actuals FY 2020-21	Target FY 2021-22	Target FY 2022-23	Strategic Target
Number of children served	10,575	5,765	10,000	8,000	10,000
Number of administrative cost audits	1	1	1	1	1
Number of grant contracts managed	70	92	93	92	90

The PCL has a number of annual reports that provide additional performance information. The Annual Performance Data report shares information from each PCL grantee using a consistent set of metrics.

- [2022 Community Report \(portlandchildrenslevy.org\)](https://portlandchildrenslevy.org/2022-Community-Report)
- [2021-22 Annual Performance Summary Report \(portlandchildrenslevy.org\)](https://portlandchildrenslevy.org/2021-22-Annual-Performance-Summary-Report)
- [2021-22 Full Independent Audit Report.pdf \(portlandchildrenslevy.org\)](https://portlandchildrenslevy.org/2021-22-Full-Independent-Audit-Report.pdf)

### Other Reports

The PCL contracted with Portland State University to examine its funding process in 2019-20 (a past review of the grantmaking process was conducted in 2015): [PSU-grantmaking-process-improvement-exec-summary.01.30.19.pdf \(portlandchildrenslevy.org\)](https://portlandchildrenslevy.org/PSU-grantmaking-process-improvement-exec-summary.01.30.19.pdf). This report provided 30 recommendations with the primary focus being on increased transparency and strengthening equitable practices.

In 2018-19, Empress Rules Equity Consulting conducted a survey to gather community input: [Report Title \(portlandchildrenslevy.org\)](https://portlandchildrenslevy.org/Report-Title).

## Property Tax Impact

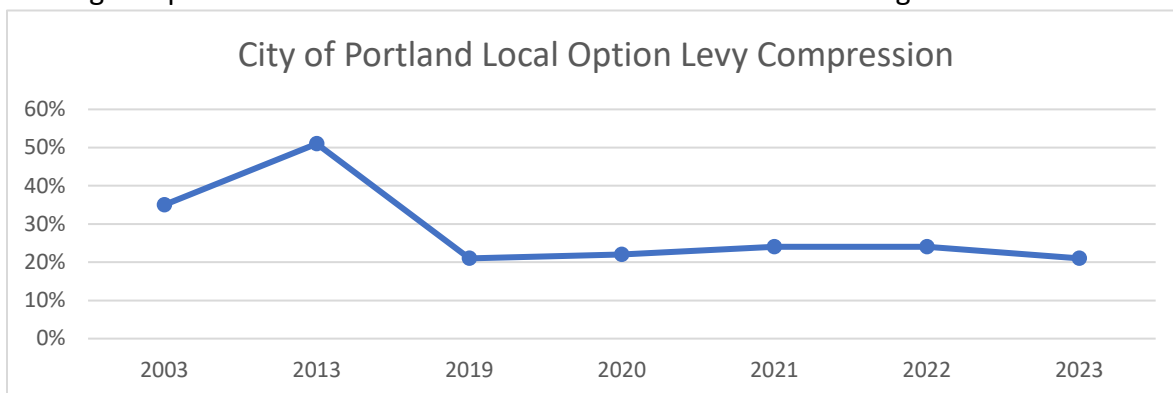
A home with an assessed value of \$250,000 would continue to pay \$100 per year if the local option levy is renewed (less if the property in question is subject to compression, see below).

## Compression Impact

Taxes are calculated using a property’s Assessed Value, but are also subject to limits due to the passage of Measure 5 in 1990. The loss of taxes to these limits is known as “Compression”. Compression is the constitutionally required tax reduction on a property when the total of the property’s tax rates exceed constitutional rate limits based on real market value (RMV), also known as Measure 5 limits. If a property is in compression, then the dollar value of the local option levies on the property are reduced until the levy rates come within the limits.

The city falls in the General Government rate limit of \$10 per \$1,000 of RMV. In geographic areas with General Government tax rates exceeding the \$10 limit, property owners pay a rate less than \$0.4026 on the Children’s Levy, and the city does not receive its full authorized revenue.

Compression rates for the levy have varied over the years. In the initial year of the levy, compression was 35%. Compression reached its apex in 2013, when PCL taxes were reduced by 51%. As real market values have risen, the gap between AV and real market value has widened, causing compression rates to decrease as Measure 5 limits are set higher.



Since 2017, PCL compression rates have hovered between 21-24%, with a small increase in 2021 and 2022 after the introduction of the city’s most recent Parks Local Option Levy. In the resolution referring the Parks levy to voter, City Council resolved to allocate funds from the Parks Levy to the Children’s Levy to offset increased compression on the Children’s Levy.





## **Appendix A – Children’s Levy and Measure 5 Limits, General Gov. vs Education Categories**

For two past Children’s levy renewals the TSCC asked questions about whether the portion of Children’s levy funds used for educational purposes could be construed as “dedicated to fund the public school system” under definitions established by Measure 5 and therefore subject to the education Measure 5 limit rather than the general government limit. This concern was based on a Oregon Supreme Court ruling (*Urhausen v. City of Eugene*), that found revenues from property taxes used for education have to be certified under the “education” category of Measure 5’s limits even if levied by a jurisdiction that principally provides non-educational services.

This concern was answered definitively in 2013 by the city:

“The City Attorney’s Office has studied the Court’s decision, and believes that the tax levy considered in that case is different from this levy in crucial aspects. The case you mention involved a Eugene local option levy that had the express purpose of funding public schools. To make their determination, the Court looked at measure language, the City Council resolution referring the measure, and the voter’s pamphlet description. They found the measure dedicated 93% of the levy revenues to the public school system. The Council resolution explicitly stated that the levy would fund school-based programs. By contrast, Portland’s levy specifies that the funds “shall be expended only for purposes of cost effective, proven early childhood programs, child abuse prevention and intervention, programs targeted at foster children, after school, summer and mentoring programs for children, and programs targeted at addressing childhood and family hunger.” Nothing in the measure language, City Council resolution, or voter’s pamphlet dedicates revenues to public schools.”