

Portland Public Schools

Tax Measure Review - Measure 26-246

May 21, 2024 Election

OVERVIEW

Type of Measure	Local Option Levy - Renewal
Ballot Title	Levy Renewal to Maintain Teachers and Classroom Support Staff
Tax Impact	A five-year operating levy of \$1.99 per \$1,000 of Assessed Value beginning in FY 25-26.
Estimated \$ Raised	Roughly \$107 million on average annually/\$532.3 million over 5 years
Purpose	To fund approximately 660 teachers and classroom support staff annually over five years.
Hearing Date/Time	May 7, 2024 at 5 pm

MEASURE SUMMARY

Portland Public Schools is seeking voter approval for a local option levy of \$1.99 per \$1,000 of assessed value. This new levy would be effective from FY 2025-26 to FY 2029-30.

Summary from Request for Ballot Title

Portland Public Schools' local option levy was approved by voters in 2019 to provide funding for schools over five years. The renewed levy will provide an estimated \$101.5 million in the first year and is projected to fund approximately 660 teachers and classroom support staff annually over five years.

This renewed local option levy would fund teaching and other positions to:

- Support a well-rounded education, including career and technical programs and enrichments and electives, so students graduate with the skills they need to be career or college ready.
- Provide classroom supports, such as educational assistants and reading specialists for students struggling with academic or mental/behavioral health issues.
- Help maintain class sizes and prevent significant increases across the district.

Levy rate remains \$1.99 per \$1,000 assessed property value, the same as the 2019 levy.

Summary from Request for Ballot Title Continued

Funds will be placed in a separate account; independent community oversight will review expenditures to verify funds are used as approved by voters. No levy funds will be spent for administration. District is subject to annual independent financial and performance audits.

The levy will raise an estimated \$101.5 million in 2025-2026; \$103.0 million in 2026-2027; \$106.0 million in 2027-2028; \$109.3 million in 2028-2029; and \$112.5 million in 2029-30.”

BACKGROUND

Portland Public Schools (PPS) is the largest school district in Oregon, serving approximately 44,000 students in pre-kindergarten through 12th grade with 81 schools. PPS serves a population of economically, ethnically and racially diverse backgrounds. Educational services and programs provided include general and special education, career and technical education, and a variety of alternative programs.

PPS is governed by a Board of Education comprised of seven elected members serving four-year terms. Board members serve as the district’s policy-making body and do not receive compensation for their work. Located in Northwestern Oregon at the confluence of the Columbia and Willamette Rivers, the district covers an area over 152 square miles with portions of the cities of Portland, Lake Oswego, and Milwaukie. The district owns and maintains over 100 campuses for schools and other uses.

The district imposes a combined permanent/gap bond tax rate of \$5.2781 per thousand. Below is the General Information chart from the 2023-24 TSCC Annual Report showing property tax rates and other information.

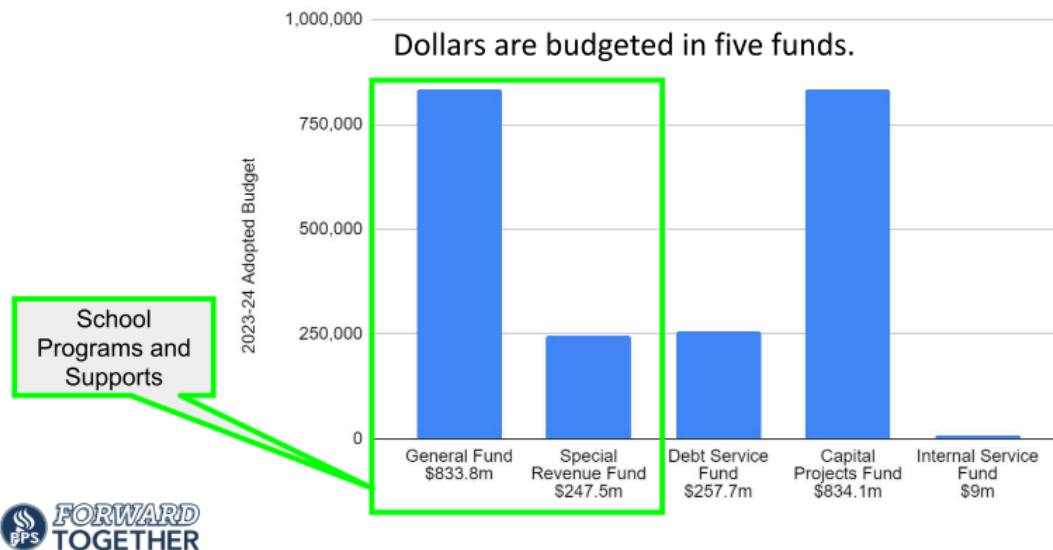
Portland Public SD 1J	2020-21	2021-22	2022-23	2023-24
Assessed Value in Billions	\$56.046	\$59.615	\$62.494	\$69.007
Real Market Value (M-5) in Billions	\$140.249	\$147.264	\$157.078	\$156.668
Property Tax Rate Extended:				
Operations	\$5.2781	\$5.2781	\$5.2781	\$5.2781
Local Option for Operations	\$1.9900	\$1.9900	\$1.9900	\$1.9900
Debt Service	\$2.4017	\$2.3335	\$2.3000	\$2.3828
Total Property Tax Rate	\$9.6698	\$9.6016	\$9.5681	\$9.6509
Measure 5 Impact (compression)	\$-22,989,685	-24,819,007	\$-25,191,648	\$-35,716,191
Number of Employees (FTE’s)	6,627	6,212	6,530	6,247

PPS Budget

The total FY 2023-24 budget for PPS is \$2.2 billion dollars. School programs and support are budgeted in the General Fund and Special Revenue Fund.

How much money does PPS have?

PPS budgeted **\$2.18 billion dollars** in the 23-24 school year.



	2020-21 Actual	2021-22 Actual	2022-23 Revised	2023-24 Adopted
Resources:				
Beginning Fund Balance	782,952,000	906,724,000	663,328,000	564,036,000
Property Taxes	520,574,000	553,417,000	577,592,000	610,660,000
Other Taxes	3,201,000	5,436,000	5,505,000	5,451,000
Intergovernmental Revenue	394,679,000	469,926,000	515,650,000	445,012,000
Fees and Charges	63,201,000	84,925,000	94,521,000	100,303,000
Other Income	15,406,000	2,281,000	22,441,000	39,341,000
Debt Proceeds	450,635,000	400,839,000	2,300,000	415,560,000
Transfers In	2,466,000	1,825,000	1,923,000	1,694,000
TOTAL RESOURCES	2,233,114,000	2,425,373,000	1,883,260,000	2,182,057,000

Property taxes are the single largest source of revenue for the school district. The current local option levy makes up nearly 19% of total property tax resources, budgeted at \$115 million dollars for FY 2023-24. The district tracks local option levy taxes in a sub-fund within the General Fund.

History of School Funding and Local Option Levies



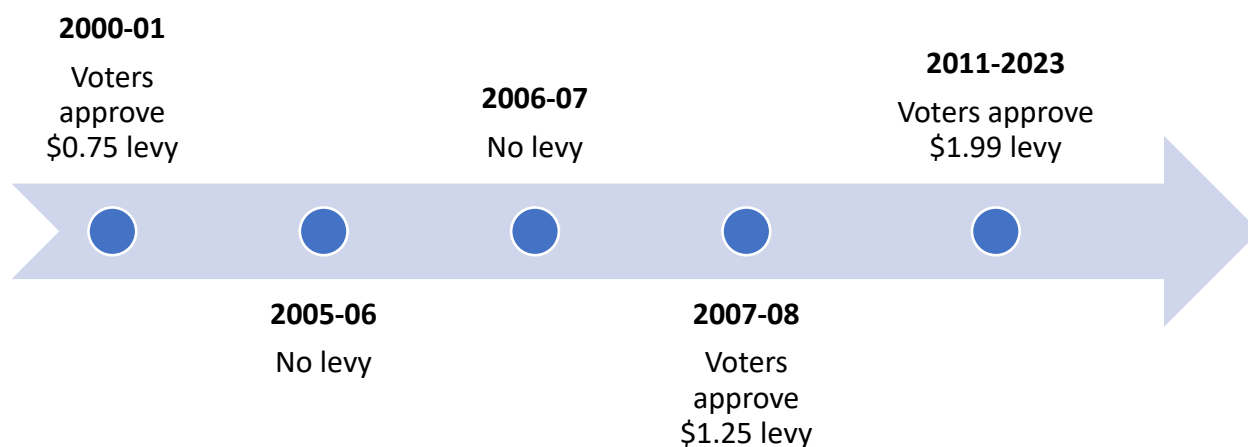
With the introduction of property tax limitations and the demand for school funding equalization, the State of Oregon took over primary responsibility for funding schools in 1991. The Legislature determines how much money is available statewide from both local and state sources and allocates that money to districts on a per-student basis. The state deducts permanent rate property taxes from each school district’s allocation.

In 1999, the Legislative Assembly granted school districts the ability to ask voters for local-option levies. The maximum amount of tax raised is limited to ensure equal funding between districts across the state. Current limits are set out in ORS 327.011, and if a district collects more than the limit, the amount over the cap may become part of the local revenue used by the school formula, and the district may lose the same amount in state education (State School Fund) dollars.

PPS has sought to increase or remove the statutory limit on local option revenue collections, most recently in the 2023 legislative session. PPS’s proposed changes to the limits were not passed. According to the district, the FY 24 limit on local option revenues was \$123 million, above what they expect to receive, and they do not expect to reach the statutory limit during the upcoming levy cycle based on the current levy rate of \$1.99 per \$1,000 of assessed property.

During the 2013 legislative session, the district led a successful effort to exempt all local option levies approved after January 2013 from urban renewal division of tax, resulting in more dollars for PPS’s local option levy.

PPS Local Option Levy History – Rate Changes Over Time



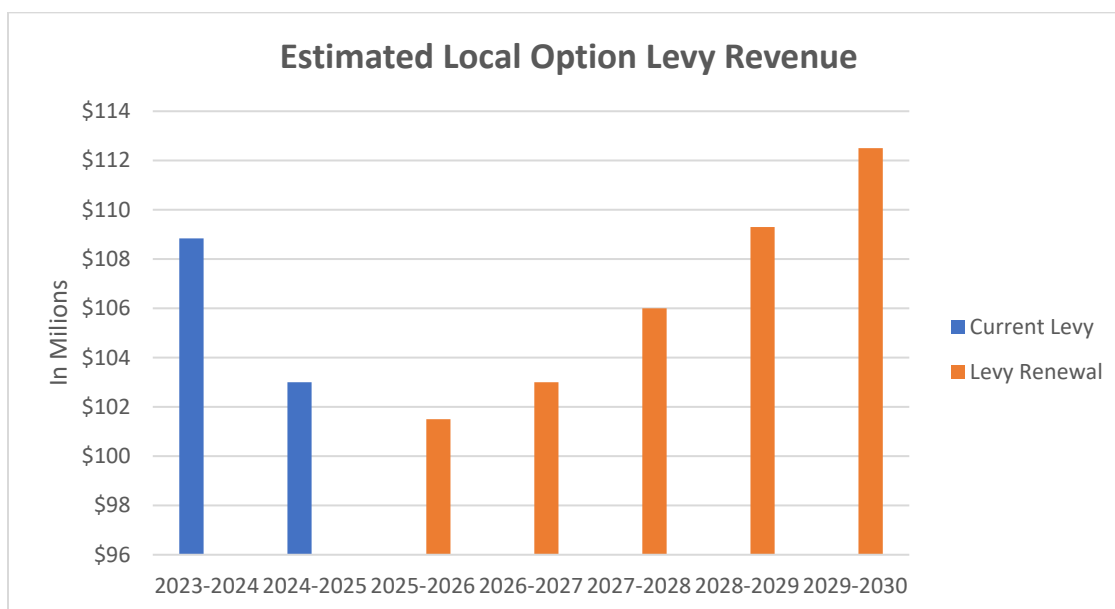
The district has relied on local option levies to fund operations every year since 2000-01, with two exceptions. The levy started with a \$0.7500 rate from 2000-01 to 2004-05. There was no levy

in 2005-06 and 2006-07¹. The levy began again and increased to \$1.2500 in 2007-08, and moved to a rate of \$1.99 in 2011. The \$1.99 rate has remained the same since then.

The most recent renewal was in 2019, when the levy was approved with 77% of “yes” votes.

MEASURE ANALYSIS

This ballot measure requests a renewal of the same \$1.99 rate as the last PPS local option levy. Polling shows voters were not supportive of an increase to the rate.² The district completed financial analysis and conferred with financial advisors to determine estimates for local option levy revenue. The district anticipates revenue will dip in the first year of the levy, down from the current year collections, and then grow at 3% annually going forward. The expected decrease is a result of anticipated property tax value increases, primarily in Portland’s downtown and central city. The district estimates account for discounts and delinquencies.



¹ Other resources were available to the district at this time - voters in Multnomah County passed a temporary 1.25% personal income tax from FY 02-03 to FY 05-06. The 06-07 budget included temporary funding sources to fill the gap, and in the 2006 Oregon Legislature re-authorized the use of a gap bond levy in the amount of \$0.5038 per thousand of assessed value. Revenue from the gap bond portion of property taxes goes directly to the district.

² [Portland Public Schools voters unwilling to raise property tax for education, poll finds - oregonlive.com](https://www.oregonlive.com/portland-public-schools-voters-unwilling-to-raise-property-tax-for-education-poll-finds-oregonlive.com)



Use of funds

In the past, the \$1.99 rate has funded various levels of teaching positions, dependent on teacher cost (benefits, salaries, and taxes) and property tax receipts, which fluctuate due to property values and compression trends (see Property Tax section of this review).

	Actual Average # of teachers funded	Ballot Measure
2010/11 - 2014/15	Unknown*	600
2015/16 - 2019/20	825	640
2020/21 - 2024/25	850	825
2025/26 – 2029/30	To be determined	660

** Reports for this timeframe are not consistently available online. The only available report is for FY 13-14 PPS and reports 580 positions.*

The district assumes the \$1.99 rate for this renewal will cover an average of roughly 660 positions annually during the length of the levy. This is fewer positions than the levy has funded in recent years, and is a result of anticipated lower levy revenue (in part due to lower property values in downtown/central city) and higher teacher expenses.

Funds would provide dollars at every school in the district and would cover nearly one-fifth of all teaching positions in the district. The ballot title provides three specific aims for the levy:

- Support a well-rounded education, including career and technical programs and enrichments and electives, so students graduate with the skills they need to be career or college ready.
- Provide classroom supports, such as educational assistants and reading specialists for students struggling with academic or mental/behavioral health issues.
- Help maintain class sizes and prevent significant increases across the district.

Oversight

The levy requires independent oversight by the community budget review committee to ensure levy dollars are used only for purposes approved by local voters. The most recent CBRC Annual Local Option Levy Review available online is for FY 22-23: [CBRC Local Option Review FY23 \(pps.net\)](#).

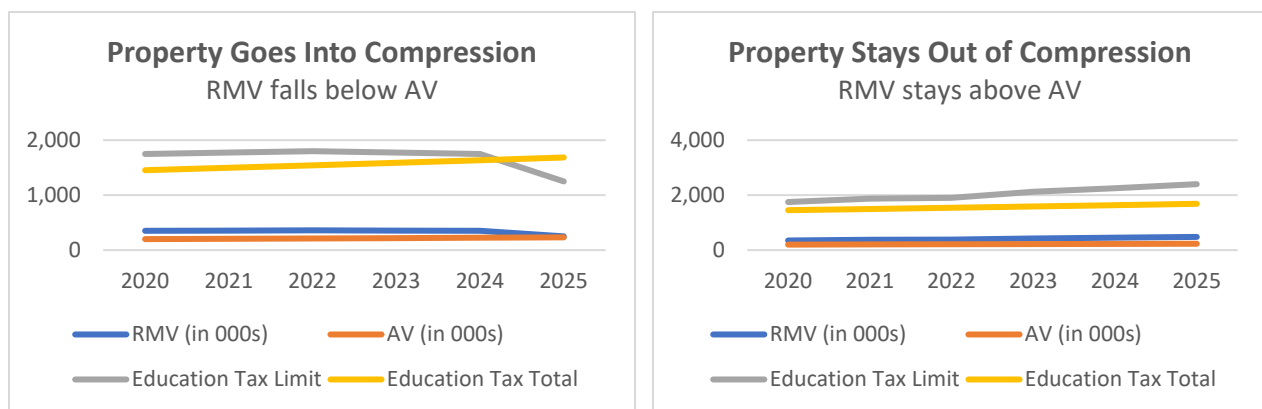
Property Tax Impact

Since the levy replaces an existing levy of the same size, there will be no immediate impact on property tax bills except for changes attributable to changes in assessed value or compression. For a home with an assessed value of \$275,000, the amount billed would be approximately \$45 per month, or \$547 per year. If this measure fails, property owners would see a decrease in their tax rate of 1.9900 and elimination of the \$199 per year per \$100,000 of assessed value attributable to this levy. Properties in compression would see less of a decrease.

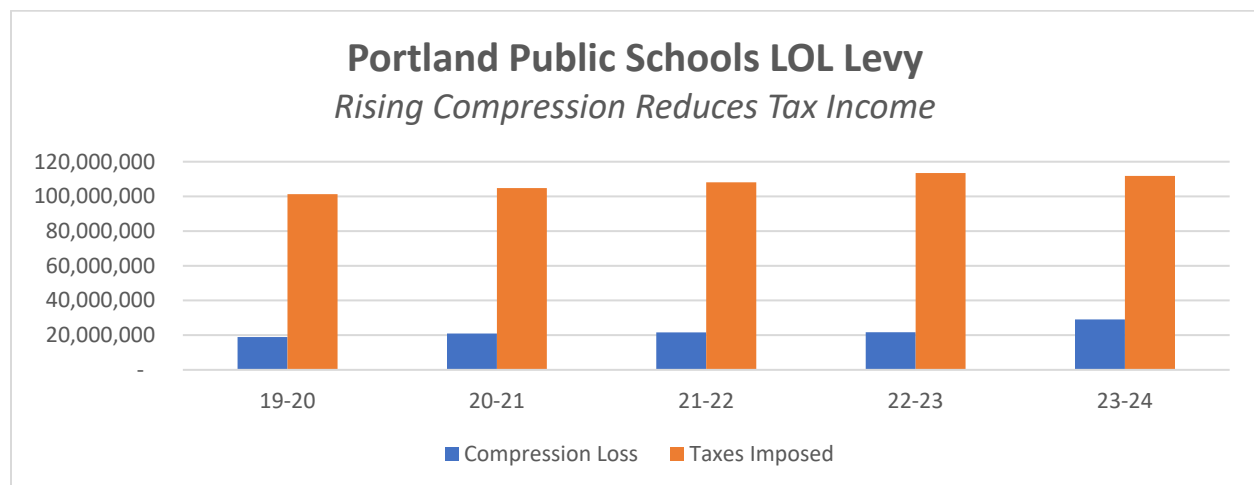
Compression Impact

Compression is a tax reduction that occurs when a property’s tax rates exceed constitutional rate limits. Compression limits are based on real market value (RMV), that is, what the property would sell for on the open market. Taxes are calculated on assessed value (AV), the value determined by the County Assessor and is limited to a 3% annual increase (with some exceptions).

Property tax rates are limited to \$10 for general government purposes and \$5 for education purposes. If the combined rates on an individual property exceed the limits, then the rates are reduced and *local option levies are reduced first*. Compression occurs when tax rates exceed tax limitations, so when AV and RMV move closer together, more properties will fall into compression (see charts below for an illustration).



Portland Public Schools district saw a decrease in real market value last year overall. With some properties in the central city and downtown losing a significant amount of RMV, properties that were not in compression before can move into compression, thereby paying less tax and lowering the revenue for the local option levy. For the last five years compression has reduced this levy by an average of \$22 million annually, meaning the levy only rose 74% of its authorized rate.



Compression increased over 34% between FY 22-23 and FY 23-24 to a total of \$29 million.