

MINUTES

Joint City/County/District Sub-Committee Meeting #2
For purpose of Exploring Local Taxing Options to Support Schools and Youth

Meeting Location: Corvallis School District 509J Central Office
1555 SW 35th Street
Corvallis, OR 97333

City Representatives Present

Jon Nelson, City Manager
Nancy Brewer, Finance Director
Jim Brewer, City Attorney

City Council Members Present

Hal Brauner
Justin Roach

County Commissioner Present

Jay Dixon

School Board Members Present

Cyrel Gable, Chair
Bob Johnson

School District Staff Present

Jim Ford, Superintendent
Kathy Rodeman, Business Services Director

The meeting began at 4:35 p.m. Superintendent Ford facilitated the meeting.

I. MULTNOMAH COUNTY UPDATE

Ms. Rodeman opened the discussion by reporting that the Department of Revenue had told Multnomah County that they were not willing to administer their proposed tax. They felt there was too short of a timeline to undertake the task and were concerned about the subsequent loss of approximately \$8-9 million of state-wide income due to local taxes being deductible.

It was reported that Dave Boyer of Multnomah County would be talking to the City of Portland regarding their willingness to collect the county tax, feeling that they or some other entity would step up to administer the proposed tax. Diane Lynn, Multnomah County Chair, is pursuing other avenues.

It was decided members of the group would be contacting Multnomah County representatives and local and state government leaders to voice the Corvallis area's desire to open up the avenues for a local tax measure.

Ms. Rodeman stated the Department of Revenue would be willing to perform a tax analysis for Benton County after April 15, as they had done for Multnomah County.

Comments were made to consider whether a tax structured on percentage of income or a surcharge on taxes paid would be more attractive.

II. LOCAL PERSONAL INCOME TAX REVENUE ESTIMATE

Ms. Rodeman reviewed "Personal Income Tax Revenue Estimates" in the handout, which was distributed (filed as Supplemental Item #XIII-5 in the Official 2002-2003 Board Minutes), which compared an example 1.25% tax levied in Benton County versus the City of Corvallis. She found that statewide only 80-90% of citizens file taxes so estimates were based on 80% compliance. The estimated net tax receipts for Corvallis, based on a county tax base, would be approximately \$7 million per year.

Superintendent Ford reported that in his earlier meeting that day with Benton County school superintendents and Albany Superintendent Pat Bedore, the group was very much in favor of a county tax. They felt its greatest chance of passage would be to limit the tax benefit to education.

County Commissioner Dixon reported those same superintendents were invited to an April 22 meeting with county commissioners where the topic would also be discussed.

III. SERVICES TO BE FUNDED

A. CITY

Ms. Brewer reviewed the City's initial list, entitled "Youth Services," of possible recipients of the proposed tax. (Filed as Supplemental Item #XIII-6 in the Official 2002-2003 Board Minutes) The list included youth recreation programs, Osborn Aquatic Center, sports fields' maintenance, the school resource officer program, and library materials and programs totaling a little over \$1.7 million.

B. DISTRICT

Superintendent Ford reported the district would focus on using the funds to directly support classrooms including limiting their class sizes. It was noted that an income tax would work better for that purpose than an activities levy as it would create issues if activities were funded but classrooms were suffering cuts. Referring to the "Corvallis Youth Activities Levy" in the distributed handout, (filed as Supplemental Item #XIII-5 in the Official 2002-2003 Board Minutes) Ms. Rodeman stated the list contains possible activities that could be supported from a youth activities levy, eliminating fees. The list does not take into account current budget cuts and it is to be considered a menu of possible beneficiaries.

C. COUNTY

Commissioner Dixon suggested school-based health clinics and components of the health and safety levy coming up for renewal to be county beneficiaries. He feels a countywide tax should be related to education.

IV. EARLY CHILDHOOD

The listing in the distributed handout for tax supported "School Readiness Ideas" prepared by Heidi McGowan, Director of Stand for Children, was noted, a \$500,000 total. (Filed as Supplemental Item #XIII-5 in the Official 2002-2003 Board Minutes)

V. STATE EQUALIZATION UPDATE

No one present had discovered that anything being considered would be under the state funding formula.

VI. OPERATING LEVY GAP

Ms. Brewer noted that areas in the county differ in their capacity for raising revenue based on property taxes resulting in a counter-intuitive process in which the higher the tax rate the less likely the full amount desired would be achievable. (See "City of Corvallis Tax Capacity" filed within Supplemental Item #XIII-5 in the Official 2002-2003 Board Minutes.)

Ms. Rodeman stated an added "Pro" to the "Local Income Tax" listing on the provided handout (Filed as Supplemental Item #XIII-5 in the Official 2002-2003 Board Minutes) would be that the revenues could be used for any school function as opposed to the property tax, which could only be used for non-academic purposes such as sports, drama, etc.

VII. COUNTYWIDE VERSUS CITYWIDE ANALYSIS

The group addressed their mission of making a recommendation to the City Council and School Board. The question was raised whether a city or countywide tax would be better. Ms. Rodeman noted a county base captures nearly all of the school district's population, helps all Benton county school districts, includes the higher per capita income outside of the city limits, and would likely yield higher returns though it might have a lesser chance of passage than a city tax.

Concerns were raised for how receptive Benton County/North Albany school areas would be, the margin left for the city or county to raise taxes (a property tax would pretty much eliminate city

or county opportunities), the state's view of local tapping of income taxes and the larger issue of providing these local taxes which keeps the state legislature off the hook.

Superintendent Ford stated it seemed the group consensus was to support a county personal income tax. There were no dissenters.

VIII. ADMINISTRATION

Mr. Brewer referred to the "Sunset Language Information" near the end of the distributed packet. (Filed as Supplemental Item #XIII-5 in the Official 2002-2003 Board Minutes.)

This is language adopted by Multnomah County for their proposed tax initiative and could be taken into consideration when developing a local initiative.

IX. NEXT STEPS

Due to the County's work session on April 22 to discuss the possibility of a countywide income tax, the members discussed postponing the joint City/School District meeting scheduled for April 10. If the County does not feel it would like to pursue, then this sub-committee could choose to meet again.

The meeting adjourned at 5:50 p.m.

Attested to by:

Kathy Rodeman, Business Services Director

Prepared by Jolene Shute

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