



# Superintendent's Education Update

DATE: November 6, 2019

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## Local Option Levy Update

(By Olivia Meyers Buch, Director of Finance and Operations)

### Background

Under Oregon's property tax law, a local option levy gives individual communities the ability to supplement state funding for their local schools. In November 2016, voters in Corvallis renewed a five-year local option levy, originally approved in 2006 and renewed in 2010, at a rate of \$1.50 per \$1,000 of assessed value. Local option taxes are used to fund teachers at all schools to sustain class sizes; instructional coaches to improve teaching and learning; music, physical education and art instruction for elementary students; vocational and technical education opportunities; counseling for students; and support for high school athletics and activities. In fiscal year 2018-19, local option revenues represented about \$7.2 million, or 9.3% of the district's general fund operating revenues.

### Limitations On Property Taxes

Oregon's property tax system as we know it today is shaped by Measures 5 and 50, two constitutional amendments that introduced statewide limitations on property taxes.

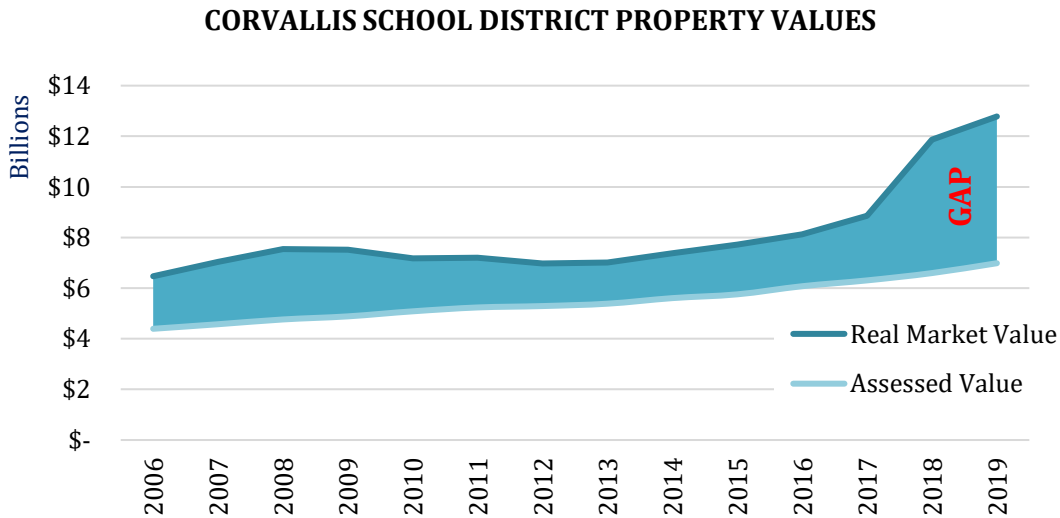
#### Measure 5 (1990)

- Capped property taxes at \$15 per \$1,000 of **real market value**. Bonds are outside of these limitations.
  - \$5 for education (school districts, ESDs and community colleges)
  - \$10 for general government (all others)

#### Measure 50 (1997)

- Created a lower **assessed value** on which property taxes are calculated, and capped assessed value growth at 3% per year.
- Created local option levies, which are levied in addition to permanent operating rates, but are still subject to Measure 5 limits, and require voter approval.

Most properties have a “gap” between their Measure 5 real market value and their Measure 50 assessed value. Because local option levies can increase taxes up to the Measure 5 limit on real market value, local option levies “tax the gap” between assessed value and real market value. When taxes on a property exceed the Measure 5 limit, the tax rates are reduced or “compressed”.



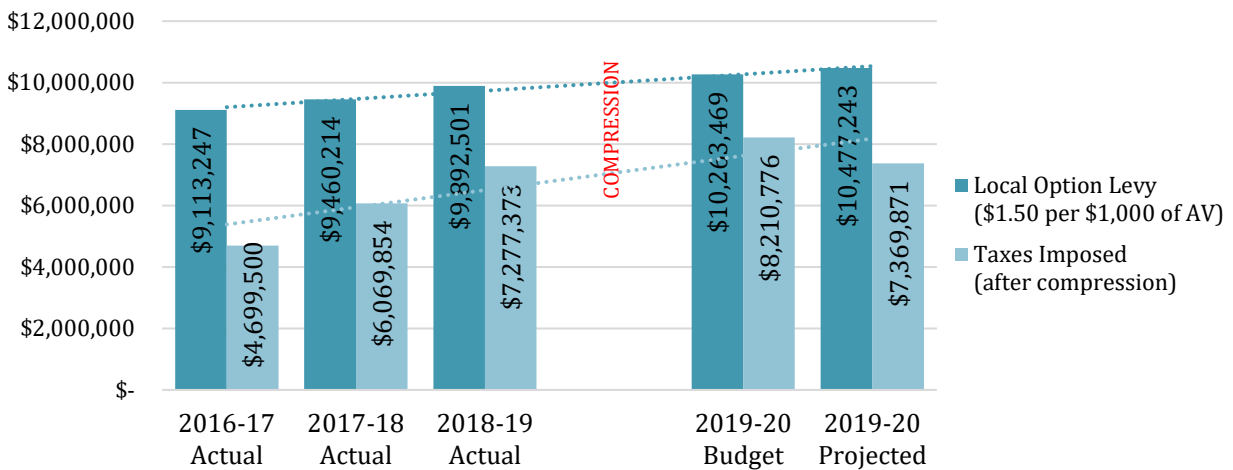
Because Measure 5 limits affect each property differently, the taxes imposed by the district’s local option levy are calculated on a property-by-property basis. Some properties may already be at the Measure 5 education limit, so not all property owners pay local option taxes, and some pay more than others, as shown in the example below:

	Corvallis House	Corvallis Neighbor	Corvallis Grocery Store
Real Market Value	\$ 375,000	\$ 300,000	\$ 1,325,000
Assessed Value	\$ 250,000	\$ 225,000	\$ 1,325,000
<b>Measure 5 Education Limit (\$5 per \$1,000 of RMV)</b>	<b>\$ 1,875</b>	<b>\$ 1,500</b>	<b>\$ 6,625</b>
<b>Education Tax Rates</b>	<b>\$ 5.2682</b>		
Corvallis School District	\$ 4.4614		
Linn Benton CC	\$ 0.5019		
Linn Benton Lincoln ESD	\$ 0.3049		
<b>Education Taxes (\$5.2682 per \$1,000 of AV)</b>	<b>\$ 1,317</b>	<b>\$ 1,185</b>	<b>\$ 6,980</b>
<b>Gap (Measure 5 Capacity - Education Taxes)</b>	<b>\$ 558</b>	<b>\$ 315</b>	<b>\$ 0</b>
<b>Local Option Levy (\$1.50 per \$1,000 of AV)</b>	<b>\$ 375</b>	<b>\$ 338</b>	<b>\$ 1,988</b>
<b>Local Option Taxes Paid (lesser of actual levy or gap)</b>	<b>\$ 375</b>	<b>\$ 315</b>	<b>\$ 0</b>

### Local Option Revenues

The projection of local option revenue can be difficult to calculate due to the volatility of real market values and the application of property tax limitations on individual properties. The table and chart below summarizes local option levy revenues received over the last three years, and the budget and current projection for this year. In the last three years, local option revenues increased by an average of 20.8%. This year, while assessed values increased more than expected, compression losses increased when a decrease was expected. Overall, local option revenue this year was budgeted to increase by 12.83% but the current projection reflects a 0.00% change from the prior year and about \$800,000 less revenue than budgeted.

	2016-2017 Actual	2017-2018 Actual	2018-2019 Actual	2019-2020 Budget	2019-2020 Projected
Assessed Value (AV)	\$6,075,498,088	\$6,306,809,269	\$6,595,000,408	\$6,842,312,923	\$6,984,828,681
Change in AV	+5.55%	+3.81%	+4.57%	+3.75%	+5.91%
<b>Local Option Levy</b> (\$1.50 per \$1,000 of AV)	<b>\$ 9,113,247</b>	<b>\$ 9,460,214</b>	<b>\$ 9,892,501</b>	<b>\$ 10,263,469</b>	<b>\$ 10,477,243</b>
Compression Loss	(4,413,747)	(3,390,360)	(2,615,127)	(2,052,694)	(3,107,372)
Taxes Imposed	\$ 4,699,500	\$ 6,069,854	\$ 7,277,373	\$ 8,210,776	\$ 7,369,871
Collection Rate	96.71%	96.09%	96.21%	95.00%	95.00%
<b>Net Revenue</b>	<b>\$ 4,545,040</b>	<b>\$ 5,832,531</b>	<b>\$ 7,001,620</b>	<b>\$ 7,800,237</b>	<b>\$ 7,001,377</b>
Change in Revenue	+14.03%	+28.33%	+20.04%	+12.83%	+0.00%



Local Option Expenditures

The majority of funds received from the local option levy (91%) pay for over 74 full-time staff positions, or about 10% of the district's total staff. The table below summarizes the 2019-20 adopted budget local option levy spending plan. Adjustments will be made to account for the decrease in local option revenue that was not planned for in the adopted budget.

	<b>2019-20 Adopted Budget</b>	
	<b>FTE</b>	<b>Amount</b>
Classroom Teachers to Reduce and Sustain Class Sizes	41.38	\$4,006,900
Instructional Coaches to Improve Teaching and Learning	6.00	702,444
Music, PE and Art Instruction for Elementary Students	7.85	777,603
Vocational and Technical Education Opportunities	4.36	464,125
Counseling for Students	12.98	1,240,106
High School Athletics & Activities	1.60	769,131
<b>Total Budget</b>	<b>74.16</b>	<b>\$7,960,309</b>