



Superintendent's Education Update

DATE: December 13, 2017

Local Option Levy

(By Olivia Meyers Buch)

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 the Corvallis School District 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. Local option revenues represent about \$5.8 million, or 8%, 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)

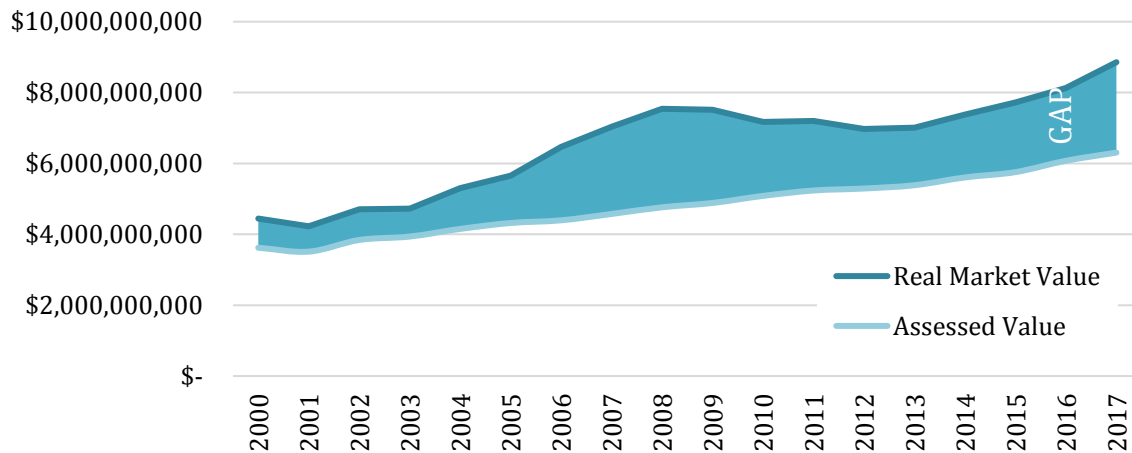
Measure 50 (1997)

- 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".

When real market values decline or increase less than the 3% limit on assessed value growth, the gap shrinks and more compression occurs. When real market values increase faster than the 3% limit on assessed value growth, the gap grows and less compression occurs; this was particularly the case over the past year when real market values in the district grew by 8.98%.

CORVALLIS SCHOOL DISTRICT PROPERTY VALUES



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:

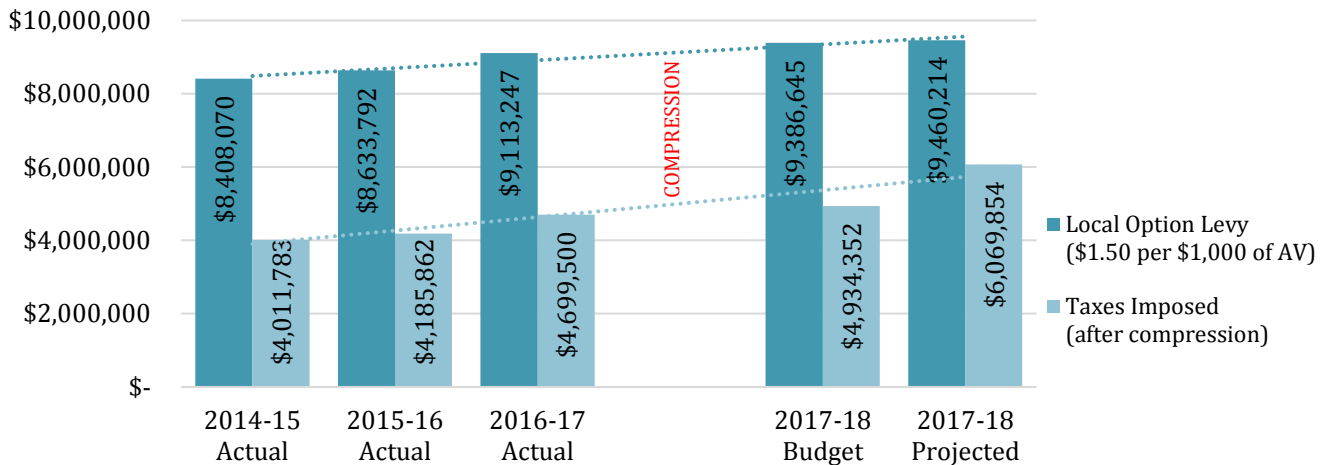
	Corvallis House	Corvallis Neighbor	Corvallis Grocery Store
Real Market Value	\$ 375,000	\$ 300,000	\$ 1,325,000
Assessed Value	\$ 250,000	\$ 225,000	\$ 1,325,000
Measure 5 Education Limit (\$5 per \$1,000 of RMV)	\$ 1,875	\$ 1,500	\$ 6,625
Education Tax Rates	\$ 5.2682		
Corvallis School District	\$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

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 summarize local option levy revenues received over the last three years, and the budget and current projection for this year. Compression losses decreased significantly this year because real market values increased at a much higher rate than assessed values.

	2014-2015 Actual	2015-2016 Actual	2016-2017 Actual	2017-2018 Budget	2017-2018 Projected
Assessed Value (AV)	\$5,605,379,979	\$5,755,861,51	\$6,075,498,088	\$6,257,763,031	\$6,306,809,269
Change in AV	+4.08%	+2.68%	+5.55%	+3.00%	+3.81%
Local Option Levy (\$1.50 per \$1,000 of AV)	\$ 8,408,070	\$ 8,633,792	\$ 9,113,247	\$ 9,386,645	\$ 9,460,214
Compression Loss	(4,396,287)	(4,447,930)	(4,413,747)	(4,452,293)	(3,390,360)

Taxes Imposed	\$	4,011,783	\$	4,185,862	\$	4,699,500	\$	4,934,352	\$	6,069,854
Collection Rate		94.72%		95.22%		96.71%		95.00%		95.00%
Net Revenue	\$	3,800,156	\$	3,985,685	\$	4,545,040	\$	4,687,634	\$	5,766,361
Change in Revenue		+10.12%		+4.88%		+14.03%		+5.00%		+26.87%



LOCAL OPTION EXPENDITURES

The majority of funds received from the local option levy (97%) pay for over 52 full-time teachers, or about 14% of the district's teaching staff. The table below summarizes the 2017-18 adopted budget local option levy spending plan. Additional appropriations may be made at a later date to account for local option revenue we did not plan for in our adopted budget that we want to spend this year.

	2017-18 Adopted	2017-18 Adopted FTE
Classroom Teachers to Reduce and Sustain Class Sizes	3,019,350	38.00
RTI Specialists	195,000	2.00
Physical Education Teachers	302,500	3.34
Music Teachers	297,500	3.34
Art Teachers	125,000	1.55
Vocational and Technical Education	330,000	4.00
High School Athletics & Activities	500,000	-
Total Budget	4,769,350	52.23