

February 15, 2016

The Honorable Mark Hass, Chair
Members of the Senator Committee on Finance and Revenue

Dear Chair Hass and Members of the Committee:

I write to express the City of Gresham's concerns regarding to SB 1545, which would allow for the formation of countywide children's special districts. While the intent of providing enhanced services for children is laudable, doing so under the architecture of SB 1545 would cause a number of unfortunate consequences.

Within Oregon's property tax system, resources to local agencies on the "general government" side of the equation are limited to \$10 per \$1,000 of a property's real market value (RMV). If services to children are provided under the authority of a special district, the permanent rate funding these services would immediately compete with the permanent rates of cities, counties, and other special districts. By ostensibly doing something for children through a special district, the Legislature could be inadvertently reducing the police and fire/emergency services there to protect them as well.

Because of the broad definition in SB 1545 of what the functions of the district could entail, it would be difficult for tax assessors to determine which portion of the services belong on the "general government" side of the Measure 5 ledger, and which belong on the "education" side. Any compression impacts on the \$5 per \$1,000/RMV education side could result in actual costs to the State of Oregon as school districts could be further compressed and less able to collect property tax resources, causing the State to make up for it via equalization.

While the City of Gresham is very concerned about the financial impacts of a children's district, we are also substantially concerned about the governance structure. Consider Gresham's disposition within Multnomah County as an example. The 107,000 residents of Gresham constitute a significant electoral minority within the 766,000 population of Multnomah County, making it easy for residents in a different jurisdiction to form such a district even over the objection of Gresham residents. No matter how the five member board proposed in SB 1545 is constituted, Gresham would be far from having a significant voice in the governance of the district.

Making matters worse, because of Gresham's exceptionally low permanent property tax rate, there is more room within the compression calculation in Gresham than there is in the much larger City of Portland. Boiled down, all of this points to a scenario where Gresham residents could disproportionately pay higher amounts for a children's special district than their counterparts in other parts of Multnomah County, but lack the governance influence to ensure that resources and services from the district are made available within their jurisdiction.

There is little to gain by making Oregon's property tax system even less fair, and even more complicated. While the intent to provide enhanced services for Oregon's children is meritorious, doing so by creating a new

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category of special district would cause significant issues for cities like Gresham. We urge the Senate Committee on Finance and Revenue to heavily weigh the potential unintended consequences inherent to SB 1545 during your deliberations.

Sincerely,



Eric Chambers
Government Relations Director