

Oregon's Proposed School "Safety Net"

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Oregon schools may close, under current law, if voters in a school district do not approve tax levies adequate to fund the district's operations for an entire year. On May 19, 1987, Oregon voters will vote on a proposal designed to prevent school closures.

Measure 2 would amend the Oregon Constitution and laws to give a "safety net" to school districts with "inadequate tax bases." The "safety net" is the authority to levy up to the same amount of property taxes for operating purposes as it did the year before.

Districts using this "safety net" would be required to stay open a full year within the budget allowed by this levy and to operate schools that meet State standards.

Current system

How does the current system work?

School districts depend very much on local property tax support. Local property taxes provided 52 percent of 1984-85 school district revenues statewide. State aid and other sources such as fees and Federal aid provided 25 and 23 percent of revenues, respectively.

A school district may levy property taxes equal to its tax base without voter approval. (A tax base is permanent levying authority. If levied, the tax base automatically increases up to 6 percent per year.)

Almost two-thirds (188) of Oregon's 304 school districts operated entirely within their tax bases during the 1986-87 school year. With one exception, these districts did not need voter approval of temporary levies to operate their schools an entire year (this one district will close early because voters failed to approve a temporary levy).

The other one-third (116) of Oregon's districts obtained voter approval for the temporary operating levies they needed to operate their schools all year. (Temporary operating levies include 1-year special levies outside the tax base and 2- or 3-year serial levies.)

Most of these 116 districts would not have been able to operate a full year without voter approval of temporary levies or new tax bases. In this sense, they had "inadequate tax bases." Thirty-seven districts had no tax bases and required voter approval of temporary levies for their entire property tax levy.

The chart below illustrates the present situation for a district with an "inadequate tax base." The district received approval for a temporary levy in 1986-87 (left column). The automatic 6 percent increase in the tax base in 1987-88 would not yield the same total operating levy in 1987-88 that the district had in 1986-87. If voters approve a temporary levy for 1987-88, the total

operating levy in 1987-88 could be larger or smaller than the 1986-87 levy (center column).

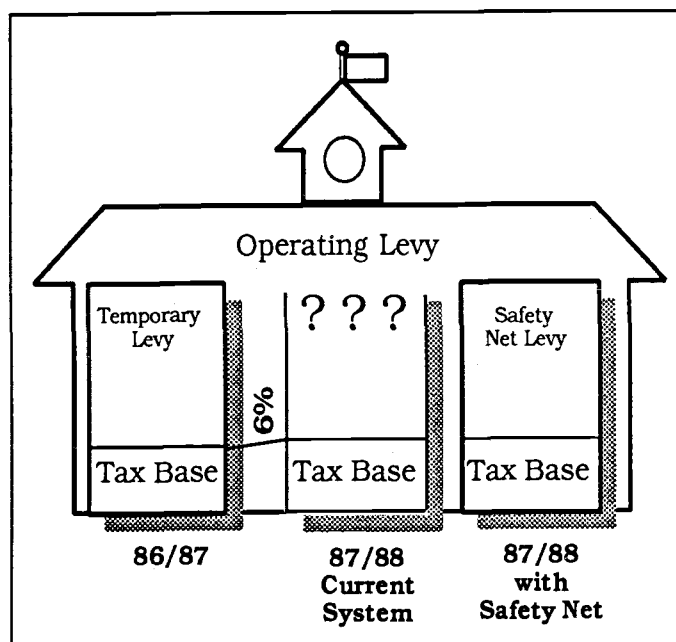
How do districts obtain voter approval for higher property taxes?

Districts may seek voter approval for a new tax base (in May and November of even-numbered years) or for a temporary levy (in up to six elections per year on specified dates in March, May, June, August, September, and November). Because voter approval of tax bases is often more difficult to obtain than temporary levies outside the tax base, districts more often seek approval of temporary levies.

What happens if voters fail to approve new tax bases or temporary levies?

If voters fail to approve an initial levy measure, districts often continue to seek voter approval. In the September 1986 election, almost one in six (59) Oregon school districts were still seeking voter approval for temporary levies.

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Under the current system, if voters do not eventually approve levies needed to finance a district's operation, schools close. Eleven Oregon school districts have closed from 5 to 37 days during the past decade. At least one Oregon district will close 12 days early this year because voters failed to approve a temporary levy.

Proposed "safety net" system

How would the proposed "safety net" system work?

Measure 2 is designed to prevent school closures in districts with "inadequate tax bases." If voters in such districts had not approved a levy by September 30 that provided enough revenues to operate a full school year, the district would be allowed to levy the "safety net," and then would be required to operate all year.

(Districts with "inadequate tax bases" are those whose tax bases were less than about 95 percent of total operating levies the previous year.)

The "safety net" levy would be the amount necessary to bring the operating levy of a district up to the total operating levy of the prior year. The operating levy is the total levy minus levies for bonded debt or serial levies for capital construction.

The "safety net" levy for 1987-88, for example, would be the amount that brings a district's total operating levy for 1987-88 up to its 1986-87 level—when the district adds this amount to its 1987-88 tax base (or any serial levy previously authorized for 1987-88). This is why the chart's righthand column is the same height as its lefthand column.

No district would ever have smaller operating levy authority than it had the previous year. This would be true even if student enrollment declined.

The proposed "safety net" would apply only to school districts providing kindergarten through grade 12 and educational service districts that levy taxes for component school districts. It would not apply to other educational service districts or to community colleges.

Measure 2 would not affect State aid or the nonproperty tax revenues that finance schools in Oregon.

Districts that need temporary levy authority outside their tax base would continue to have five election dates each year prior to the end of September to submit levy measures to voters. If such a district received voter approval for levies adequate to fund the district operation for the entire year at one of these five elections, it would not be subject to the "safety net" provisions.

What would happen if voters did not approve a tax levy by the end of September?

If a district with an "inadequate tax base" did not have approval for its levy requests by September 30, the school board of the district would have to decide at that time if the district could operate a full year with the amount of property taxes within the tax base or operating serial levies authorized previously by voters.

If the board determined that the district could not do this, the board would calculate the "safety net" levy and certify it to the assessor. In so doing, the board would ensure that the district could levy the same amount for operations that it did the previous year. The board, however, would also commit the

district to three conditions:

1. the district would adjust its budget to operate a "standard school" (as defined by the State Board of Education) for the entire school year with the revenues available;
2. it would not submit any further operating levy requests to voters for that school year; and
3. it would not increase expenditures beyond those in the adjusted "safety net" budget through supplemental appropriations.

What would happen in future years if voters in a district approved a new temporary levy?

If voters were to approve a new temporary levy (either a 1-year operating levy or a serial operating levy for 2 or 3 years), that new levy would be used as a basis for "safety net" levies in subsequent years.

What would happen in future years if voters in a district continued to reject temporary levies?

If voters in a district with a small tax base or no tax base failed to approve temporary levy requests in future years, the district would have to operate within its 1986-87 operating levy until voters approved a higher amount—or until the tax base growth of 6 percent per year eventually yielded a levy larger than the 1986-87 operating levy. Measure 2 makes no provision for automatic growth in the "safety net."

How would Measure 2 affect districts operating within their tax bases?

Districts operating entirely or almost entirely within their tax bases would not be affected by the "safety net." A district operating within its tax base in 1986-87 could make an operating levy in 1987-88 that is 6 percent greater than its 1986-87 levy. Such a district could not levy a "safety net," nor would it be subject to the "safety net" conditions. It could hold elections after September 30, and it could close its schools.

How would voting on new tax bases be affected by the proposal?

The proposed constitutional amendment would change the dates on which schools could submit tax base proposals to voters. Under the "safety net" proposal, school districts could submit tax base proposals to voters each year in May rather than (as is now the case) in May and November of even-numbered years.

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