

How Property Taxes and School Funding Work in Oregon

Property taxes are paid every year by everyone who owns real estate. They are mostly used to fund local government activities. For example, if you live in Coos Bay, your property tax statement will have lines for the city, the county, the college, the library, the port, the airport, and so on.

Usually, the largest single item on a property tax statement is the line for your local school district. Whatever your school district in Oregon, there is a line on your property tax statement for that district. But, your local school district doesn't actually have any direct control over that money, and has no control over the tax rate.

Instead, districts receive money from the state each year according to the state school fund formula. This calculation starts with the number of students in a district and then adjusts for a bunch of factors, such as poverty level, experience level of teachers, transportation, special education students, and so on. In the end, the formula spits out a total funding number for each district.

The state then looks at how much each district collects from local property taxes. If that amount is less than the state school fund number, then the state gives the district additional money to make up the difference. This is what happens in Coos Bay. If the district collects more money from local property taxes than its state school fund number, then it has to pay the excess to the state, which gives it to other districts. This is what happens in wealthy districts with a high tax base.

The money each district receives through the state school fund formula is intended to cover general operating expenses: salaries, utilities, supplies, insurance, maintenance, transportation, and so on. The state school fund has never been intended to cover school buildings. Those are owned and paid for by the local community. That's where facilities bonds like Coos Bay's Measure 6-166 proposal come in.

With voter approval, a school district can borrow money by selling tax-free government bonds and repaying them back over time with additional money from property taxes. If voters approve a bond measure, future property tax statements will have a new line item just for repayment of those bonds. All districts in Oregon

use this same process when they need to renovate, replace, or add new school buildings.

Bond money is collected and accounted for separately from a district's state school fund money. It is never mixed with a district's general budget, and can only be used to repay bonds. The bonds themselves can only be used for capital projects approved by the voters. Measure 6-166, if approved, would add about \$1.60 per \$1000 of assessed tax value to annual property taxes in the District.

All property taxes, including money for bond repayment, are based on a property's assessed tax value. This is often much less than a property's real or market value. When the current property tax system was created in the 1990s, most properties started with a tax value that was less than their real market value. Oregon law also limits annual increases in assessed value to 3%, but market values often rise faster. As a result, for most properties, assessed tax value gradually falls further and further behind market value. In calculating how much Measure 6-166 will cost you, it is important to use actual assessed tax value, not how much you think your home is worth.

Only property owners pay property taxes. If you don't own a home, land, or business property, you do not pay property taxes. Landlords, however, may consider property tax rates when deciding how much rent to charge.