

EUGENE CITY COUNCIL

AGENDA ITEM SUMMARY



Work Session: 4J and Bethel Budget Shortfall

Meeting Date: January 24, 2011
Department: Central Services
www.eugene-or.gov

Agenda Item Number: 4
Staff Contact: Sue Cutsogeorge
Contact Telephone Number: 541-682-5589

ISSUE STATEMENT

This work session is a continuation of the council discussion about whether to move forward with consideration of a new revenue source to assist the public schools.

BACKGROUND

As the magnitude of the budget shortfall facing the Eugene School District has become clearer in recent months, a community discussion has emerged around the possibility of the City of Eugene enacting a tax on behalf of the local public school systems.

On December 14, 2010, Mayor Piercy held a public forum on the topic to hear from concerned citizens and a citizen group has formed to explore the idea further. While the City can impose the taxes suggested by the citizen group, such efforts should be evaluated in a broader context including competing measures (both City of Eugene and other local jurisdictions), which options are viable and what the funds raised should be used for.

On January 11, 2011, the council met to discuss a possible new revenue for schools. Several key questions were posed in order to provide direction on whether to move forward, and if it was decided to move forward, what the revenue package should look like. A list of the key questions is included in Attachment A.

As a result of their discussion, the council directed the City Manager to create an education subcommittee that would include representatives of the City of Eugene, the Bethel and 4J school districts, Stand for Children and the business community, and to return to the council with recommendations. The charge of the subcommittee is included as Attachment B. On January 18 and January 20, the Subcommittee on Education Funding met to discuss an income tax proposal for education funding. A report on the subcommittee's progress will be provided at the council work session. Subcommittee materials are available on the City's website at www.eugene-or.gov/schooltax.

Next Steps: If the council identifies a revenue source that should be pursued and provides answers to the questions in Attachment A, staff will prepare a measure for the ballot for the council to consider at the February 14 meeting.

RELATED CITY POLICIES

There are no City policies related to City support for school funding. There is a council goal of Fair, Stable and Adequate Financial Resources: A government whose ongoing financial resources are based on a fair and equitable system of revenues and are adequate to maintain and deliver municipal services.

COUNCIL OPTIONS

There are several options that the council could pursue with respect to school funding. The options below have blanks for the council to fill in regarding the type of tax to pursue, the amount of funding desired, what the funds should be used for, and which election to target for the measure.

1. Direct the City Manager to return with a ballot measure for the May 2011 election to implement a City personal income tax to generate approximately \$__ million to assist the schools by [insert what school funding is to be used for] [and fund ____ City programs].
2. Direct the City Manager to return with a ballot measure for the May 2011 election to implement a City surcharge on the state personal income tax to generate approximately \$__ million to assist the schools by [insert what school funding is to be used for] [and fund ____ City programs].
3. Direct the City Manager to work on a plan for the November 2011 ballot to implement a City [personal income tax or City surcharge on the state personal income tax] to generate approximately \$__ million to assist schools by [insert what school funding is to be used for] [and fund ____ City programs].
4. Determine to not move forward with a new revenue measure at this time.

CITY MANAGER'S RECOMMENDATION

The question before the council – whether to refer a tax measure to the ballot to support schools – is a complicated question involving a number of political and fiscal considerations. Schools need additional revenue. As discussed, the City also will need additional revenue in the future to develop and maintain a long-term sustainable budget, including the maintenance of existing services as well as considering new or expanded services. The council should weigh the school districts' needs against the potential impact of a City tax measure (to support schools) on a possible future revenue measure for City services. Since this assessment primarily is a political conclusion about how voters will react, the City Manager's recommendation to the council is limited to encouraging it to consider these other impacts when deciding whether to refer a measure to support schools.

SUGGESTED MOTION

None.

ATTACHMENTS

- A. Key Questions About Education Funding Measure
- B. City Council Subcommittee on Education Funding – Subcommittee Charge

FOR MORE INFORMATION

Staff Contact: Sue Cutsogeorge, Finance Director
Telephone: 541-682-5589
Staff E-Mail: Sue.L.Cutsogeorge@ci.eugene.or.us

Key Questions for a City Revenue Measure for Education Funding

Questions Posed of Subcommittee on Education Funding

1. Should the City of Eugene pursue an income tax surcharge for education funding at this time?
2. If so, what is the target amount of revenue to be generated to be distributed to the school districts?
3. Should there be limits on what the schools can use the money for?
4. Should the revenue be permanent or have a sunset clause?
5. What should happen if the State develops an adequate, sustainable funding source for schools while this tax is in effect?
6. What should the tax rates be for different income brackets?
7. Should any City services be included in the revenue package? If so, which ones?
8. How should the revenue be split among the two school districts and any City services that might be included?
9. Which election date should be targeted – May or November 2011?
10. Should the Council pursue a regional revenue solution for education funding?

Additional Questions for Council Consideration

1. Should the new revenue be implemented through an ordinance or charter amendment?
2. When should the new revenue measure go into effect?

City Council Education Funding Subcommittee Subcommittee Charge

The Education Funding Subcommittee will make recommendations to the City Council on a new revenue source for education funding. Specific questions to be addressed by the Education Funding Subcommittee are:

1. Should the City of Eugene pursue an income tax surcharge for education funding at this time?
2. If so, what is the target amount of revenue to be generated to be distributed to the school districts?
3. Should there be limits on what the schools can use the money for?
4. Should the revenue be permanent or have a sunset clause?
5. What should happen if the State develops an adequate, sustainable funding source for schools while this tax is in effect?
6. What should the tax rates be for different income brackets?
7. Should any City services be included in the revenue package? If so, which ones?
8. How should the revenue be split among the two school districts and any City services that might be included?
9. Which election date should be targeted – May or November 2011?
10. Should the Council pursue a regional revenue solution for education funding?

Timeline:

The Education Funding Subcommittee will meet on Tuesday, January 18 from 3-5PM and Thursday, January 20, from 9-11AM. Both meetings will be held in the Saul Room in the Atrium. The Subcommittee will provide a progress report with any recommendations to the City Council at the January 24 meeting. Further Subcommittee work will be determined by the City Council at that time.

Resources:

The City has contracted with EcoNorthwest to provide analysis of potential revenue yields (gross and net), information about how the revenue would be expected to perform over time (i.e., volatility), overall economic impacts to the community as a whole and the business community specifically, and equity issues. Information generated by EcoNorthwest will be available to the Education Funding Subcommittee as it is developed. In addition, City staff is working to develop a range of potential costs for administering such a tax, using different possible methods of collection (i.e., State Department of Revenue, City staff, any other options).

Membership:

1. Andrea Ortiz, City Council
2. George Brown, City Council
3. Craig Smith, 4J School Board
4. George Russell, 4J Superintendent
5. Alan Laisure, Bethel School Board

6. Colt Gill, Bethel Superintendent
7. Joy Marshall, Stand for Children
8. Hillary Johnson, School Advocate
9. Dave Hauser, Chamber of Commerce
10. John Barofsky, Business Representative