

School Funding Facts

Checking claims about the income tax for schools

Clashing campaign claims around a proposed temporary city income tax for schools may leave voters confused.

This week, proponents of the four-year, \$17 million tax Measure 20-182 on the May 17 ballot filed a lawsuit alleging that supporters falsely quoted Eugene Mayor Kitty Piercy in the official Voters' Pamphlet, misleading voters about Piercy's and Gov. John Kitzhaber's position on the school funding measure.

Piercy has endorsed the measure and Kitzhaber has not taken an official position.

Mark Callahan, a 4J School Board candidate and school funding measure opponent named by the lawsuit called the charges "libelous" and refused to retract the Voters' Pamphlet statement. "I maintain my innocence," he said.

Hillary Johnson, a 4J mother and chair of the pro-schools campaign, said this isn't the only misinformation from opponents to school funding. "Opponents are twisting words and misrepresenting the facts in an attempt to mislead citizens into voting against adequate funding for our public schools," she said.

Here's a rundown and fact checking of some of the key claims in the hot campaign around the city income tax measure to reduce cut school days and crowded classrooms in 4J and Bethel schools:

AMOUNT

Opponents claim the tax will cost average families four times more than the tax will actually levy.

"The average family will pay \$500 a year," opponents claim on their website. The "\$500 tax increase" figure for "middle income wage earners" is repeated by opponents in the Voters' Pamphlet. KEZI-TV also repeated the "tax the average family \$500 a year" claim in an April 18 broadcast.

But, in fact, the average family will pay only about \$120, according to the measure, tax law and U.S. Census data.

According to the latest Census, the average family income in Eugene is \$58,875. Common adjustments for health insurance, retirement, taxes paid, etc., could reduce that figure to an Adjusted Gross Income of roughly \$50,000.

According to calculations by ECONorthwest, an independent economics firm, \$50,000 in AGI is about \$34,300 in Oregon Taxable Income and a Measure 20-182 tax of about \$120.

The tax impact exceeds \$500 a year only for families with an AGI of more than about \$100,000, according to ECONorthwest calculations.

MIDDLE CLASS

Opponents have claimed repeatedly that the tax "targets low-income families," but the tax actually targets high incomes.

Based on state tax data and the city tax rates, an estimated 84 percent of the tax

revenue will come from the top 20 percent of incomes. About 30 percent will come from the highest 1 percent of incomes over \$500,000 a year.

The city income tax for schools exempts the poorest third of taxpayers (joint AGI under \$31,000) and has graduated rates rising with income from 0.35 percent to a top rate of 1.2 percent for joint AGI over \$250,000.

Opponents have reported raising \$64,000 to defeat the school funding measure, mostly from wealthy conservatives who would pay the most with the tax, according to campaign finance disclosures.

Some of the Measure 20-182 opponents back property tax increases. But income taxes generally have a lower impact on the poor than property taxes because they rise with ability to pay and the poor have a greater share of their income invested in their housing, according to tax experts.

JOBS

Opponents claim that the school funding measure will reduce jobs, but ECONorthwest economists found that the measure would have "a net positive impact on the local economy," creating hundreds of jobs and millions of dollars for increased wages spent locally. "The favorable impact on location and production decisions provided by the enhanced services may more than counterbalance the disincentive effects of the associated taxes," ECONorthwest reported.

Directly, the revenue from the measure could save up to 100 local teaching jobs.

Many employers, including officials from the UO, PaloAlto Software and Sporthill and local doctors, support the tax and testified that they need adequately funded local schools to attract and retain employees and/or keep their businesses in Eugene.

PERS

Opponents have claimed "the money will be diverted to fund a generous public employee benefit package," but that contradicts the judge-approved official ballot title for the measure.

The ballot title specifies that "school districts would be required to use revenues to reduce the number of days students are not in school and to reduce average class size."

The measure resolution also specifies that the districts annually "must provide a report to the City Council describing how the income tax revenues were spent" as a "condition of continuing to receive the funds." The report will be reviewed by a panel including two opponents of the measure, the resolution requires.

None of the official measure text mentions funding the Public Employee Retirement System (PERS) for teachers. The city and local school district do not control the statewide PERS system. Nor do

they control a state exemption of federal and state retirement benefits from local and state income taxes.

Opponents argue that teachers are overcompensated. But research, including a recent comprehensive study by the Economic Policy Institute, has found that teacher pay significantly lags pay in professions with similar education requirements, even after taking vacations and health care and retirement benefits into account.

School staff have already taken cuts in contracted pay and benefits. Bethel teachers agreed to up to \$3 million in compensation reductions next year after taking a \$2.5 million cut the year before, in addition to working one day without pay and a \$2.1 million cut the previous year. The 4J School District is now negotiating \$7 million in cuts to contracted teacher pay and benefits for next year after similar cuts last year.

many other city services. About half the people who work in Eugene benefit from city road, police, fire and other services but live outside the city and don't pay taxes in Eugene, according to Census figures on commuters.

About 25 percent of 4J and Bethel students live outside city limits and their parents wouldn't pay the tax on city residents. To account for the non-resident issue, the measure distributes the tax revenue based on the number of Eugene residents enrolled in each school district.

SCHOOL CUTS

Opponents charge that supporters are "exaggerating enlarged class sizes, and fewer instructional days for students," but the school districts have said drastic cuts will happen if the measure doesn't pass.

Budget cuts may force Bethel and 4J schools to lay off up to 100 teachers. That could boost average 4J class sizes about 25

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CHANGES

Opponents argue that the City Council could change the tax to extend beyond four years and/or change the tax rates without a vote, but the council has that power whether the tax passes or not.

State law and the Eugene City Charter allow the city to pass an income tax without a vote of the people. No city councilor advocated for imposing the tax without a public vote. The measure specifies the tax "shall" be for "four years" on income "earned between January 1, 2011 and December 31, 2014."

The measure specifies that the tax "shall" have graduated rates rising from .35 percent to 1.2 percent for top earners.

ADMINISTRATIVE COSTS

Opponents have claimed that collecting the tax will cost \$7 million a year, but actual collection costs are likely to be less than \$1 million.

The city plans to contract with Multnomah County, which had experience with a similar income tax for schools, to collect the Eugene tax. The county's earlier income tax cost about 5 percent of the total raised for "collections costs, audits and other administration," according to the Multnomah County website.

OUTSIDE KIDS

Opponents charge that the taxes paid by Eugene residents will benefit people who live outside the city. But that's also true of

percent and force some classrooms to pack in up to 50 students. The budget cuts could also force the districts to effectively move to a four day school week.

South Eugene Principal Randy Bernstein testified to the City Council that the cuts will be "extremely painful and very, very difficult for our schools to bear."

MEASURES 66 AND 67

Opponents argue that state Measures 66 and 67 tax increases on the wealthy and corporations last year didn't solve the school funding crisis so the city measure won't either.

But 66 and 67 supporters, including the Oregon Center for Public Policy, point out that the deep recession reduced the state's projected tax revenues and the deficits would have been twice as bad without the passage of the tax measures.

WAIT FOR STATE

Opponents argue that the education funding should be left to the state. But the state hasn't solved the problem in two decades and there is no state solution in sight.

"The state of Oregon is not going to fix this problem anytime soon," said local state Rep. Phil Barnhart, co-chair of the House revenue committee.

Gov. John Kitzhaber hasn't proposed any substantive solutions to school funding. His top legislative priority for education involves him appointing a new oversight board, but no new funding. **EW**