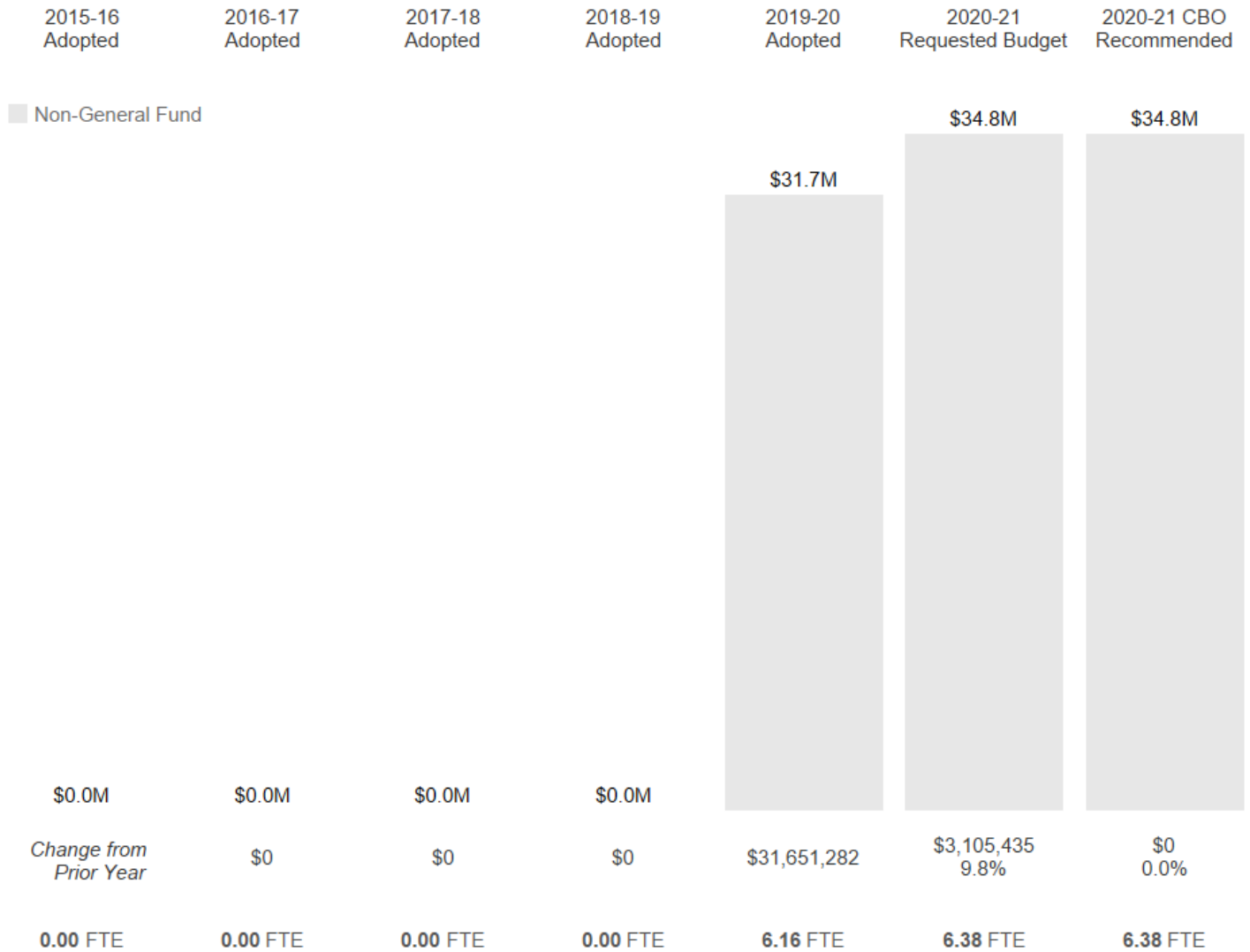




Portland Children’s Levy

Analysis by Asha Bellduboset

Adopted Budget Revenues | 5-Year Lookback



INTRODUCTION

The Children’s Levy FY 2020-21 Requested Budget is \$34.8 million and does not include any requests for new resources. The Office of the Portland Children’s Levy (Children’s Levy or PCL) will continue to invest in programs to support early development and readiness for kindergarten, prevent child abuse and neglect, support vulnerable families, support children and youth in foster care, provide safe and constructive after-school and summer activities, and expand access to healthy, nutritious food for children and their families. Effective November 8th, 2018, [Ordinance No. 189192](#) established the Office of

the Portland Children’s Levy as a City of Portland bureau.¹ The purpose of the Office is to administer the Children’s Investment Fund (CHIF) in accordance with Measure 26, enacted by City of Portland voters in 2018. The PCL is a five-year property tax levy of \$0.4026 per \$1,000 assessed value, approved for renewal by voters in the spring of 2018 for the third time.² The Office will remain in existence as a City bureau as long as voters renew the associated tax levy.

In FY 2020-21 the Children’s Levy budget will increase 10% over the prior year, with \$34.8 million in budgeted operating expenses. According to the most recent five-year revenue forecast, the tax levy is projected to generate \$22.7 million in FY 2020-21. The PCL is expected to begin the fiscal year with a fund balance of \$12.1 million. Over the next three fiscal years, the Levy plans to allocate up to \$68.2 million in grant funding to the six program areas identified in Measure 26.

PCL is making a small adjustment in personnel, increasing a Grant Manager position from 0.8 FTE to 0.9 FTE which will increase annual personnel costs by just over \$1,700. This adjustment is more reflective of the bureau’s growing workload, and there are no identified negative service impacts associated with this reallocation of resources.

BASE BUDGET

The PCL budget is funded solely by annual property taxes levied for the Children’s Investment Fund (CHIF) and receives no General Fund allocation. The PCL does not have capital assets or large projects on the horizon.

Levy funding allocations are recommended for approval by the Levy’s five-member allocation committee. Allocation committee recommendations are shared with the Portland City Council for approval before allocations are made.³ The Allocation Committee, which serves as the bureaus Budget Advisory Committee consists of a City of Portland Commissioner; a Multnomah County Commissioner; two members appointed by the Mayor, one from the business community and one citizen; and a citizen member appointed by the County Commission. The allocation committee meets at least 3 times per year, and more frequently as needed with meetings open to the public.

Over the last five fiscal years, Children’s Levy revenues have grown by just over 10% annually. In the Fall of 2019 projected CHIF revenues were forecasted at \$27 million annually over the next three years. The PCL develops its funding allocations for annual grant-making cycles based on annual five-year forecasts by the City Economist. During its Fall allocation committee meeting, funding allocations were approved for the next three fiscal years. However, an updated revenue forecast released by the City Economist in late January projected a reduction of approximately \$2.2 million between FY 2020-21 and FY 2022-23 primarily due to the impacts of compression on property tax collection.

Local option levies are the first to be compressed. Compression occurs when assessed value reaches approximately 70% of real market value. The impact of compression on the Children’s Levy is forecasted to increase from approximately \$6.2 million in FY 2020-21 to \$6.7 million by FY 2024-25. While the dollar value increases, the Levy is forecasted to experience a reduction in Levy revenue as a result of tax compression. However, the impact of compression on Levy revenues are expected to flatten to 20% over the same period.

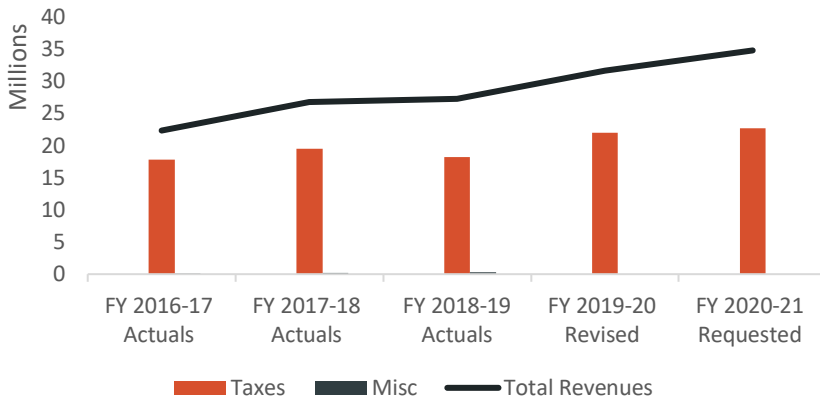
¹ Ordinance No. 189192 *Establish the Office of the Portland Children’s Levy.

<https://efiles.portlandoregon.gov/Record/12395124/>

² Multnomah County Ballot Measure #26-197. <https://multco.us/file/69393/download>

³ Allocation Committee, Portland Children’s Levy. <https://www.portlandchildrenslevy.org/about-us/allocation-committee>

CHILDREN'S LEVY EXPENSES FY 2016-17 to FY 2020-21



The primary expenses for the Children's Levy are external materials and services (grant funds) and personnel services costs. Due to restrictions in the Levy's authorizing legislation, however, administrative costs are capped at 5%. Levy materials and services costs have increased 41.5% over the last five fiscal years, this increase is consistent with the increase in grant funding activities, community engagement, and reporting activities.

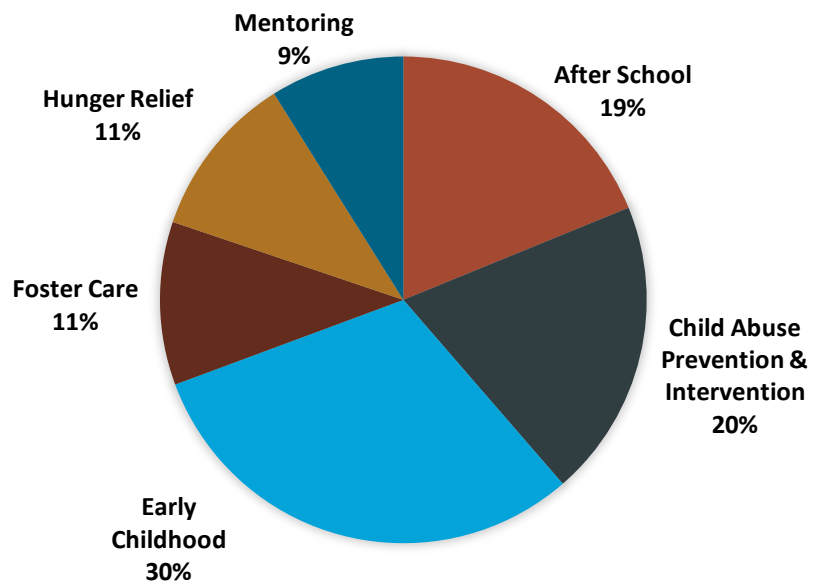
INVESTING IN CHILDREN

The primary program, Investing in Children, includes six program areas approved by voters in 2018: early childhood; child abuse prevention and intervention; after school; mentoring; foster care; and hunger relief. The Children's Levy currently funds 74 grant programs all of which will expire on June 30, 2020. The Allocation Committee is currently finalizing recommendations for FY 2020-21. Based on forecasted revenues, the PCL Allocation Committee will allocate \$68.2 million in the current competitive funding round of three-year grants, contingent upon Council approval. Committee recommendations will be submitted to Portland City Council in the Spring of 2020 for review and approval by May.

Several rules govern how levy funds can be allocated by the Allocation Committee:

- PCL cannot spend more than 5% of revenues on administrative costs.
- Up to 10% of the available fund balance can be allocated in a non-competitive process. However, there are limitations as non-competitive grants can be allocated based on:
 1. Special initiatives that address multiple program areas,
 2. Improving the quality of training and technical assistance for grantees, and/or
 3. Improving systems that affect children and the organizations that serve them.

PROPOSED GRANT ALLOCATION



- At least to 90% of the available fund balance must be granted in competitive processes.

Program Expansion & Growth

The Children’s Levy expects to allocate \$24.4 million in grant funding on average for the next three fiscal years (\$5.1 million to the Community Childcare Initiative; \$68.2 million in competitive grants), for a total investment of \$73.3 million. In February 2020, Levy staff presented recommendations for CHIF revenue allocations, recommending the following:

- \$1.0 million for Small Grants Program;
- \$1.0 million for training and technical assistance;
- \$5.1 million for the Community Childcare Initiative⁴; and,
- \$68.1 million in the current competitive grant cycle in three-year grants for the six program areas identified in the Levy’s authorizing legislation.

In FY 2020-21, the average annual investment is \$22.7 million. The Levy’s FY 2019-20 annual investment in large grants made through competitive processes is \$17.3 million which does not include the Community Childcare Initiative investment. Even with the forecasted reduction in revenues, the Levy will invest more funding in services for children and families in FY 2020-21 than in FY 2019-20.

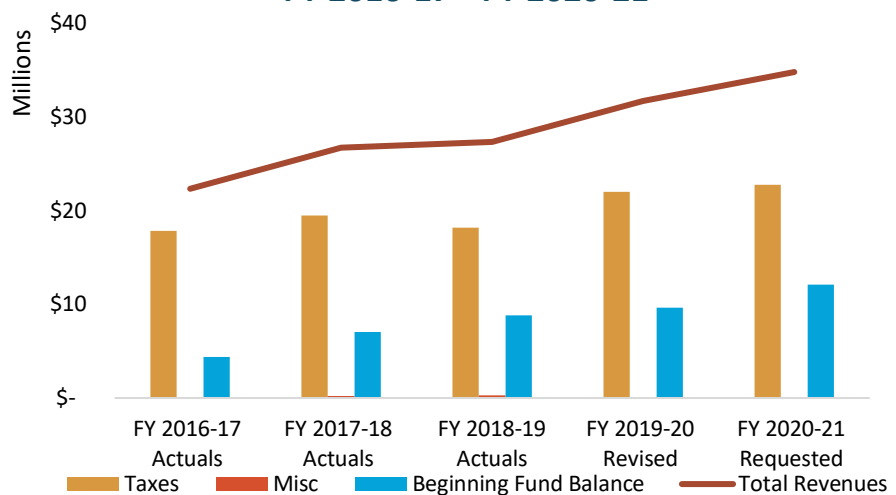
Over the last five fiscal years Levy staff have transitioned from predominately part-time employees to full-time employees. The FY 2020-21 Requested Budget includes 6.38 FTE with 4.9 full-time FTE and 1.48 part-time FTE, a modest change from FY 2018-19’s 5.15 FTE which consisted of 2.92 full-time staff and 2.23 part-time staff – closer to a 50/50 split. As Levy tax revenues and grant making activities increase, the administrative burden on Levy staff to administer those funds, report, and engage Portland’s growing community will increase as well.

Should voters continue to approve the Levy, the CBO would recommend an audit of the administrative cap to determine if the administrative cost categorization adequately funds the required oversight and management of the growing base of grantees and programs.

Small Grants Program

During their grantmaking process review in FY 2018-19, PCL developed a small grants fund to improve the equity of access to Levy resources and build

**CHILDREN'S LEVY REVENUES
FY 2016-17 - FY 2020-21**



⁴ Community Childcare Initiative funding was authorized by Council in Ordinance No. 189829. <https://efiles.portlandoregon.gov/Record/13505633/>

capacity in smaller organizations serving children and families.⁵ The Small Grants program will extend Levy resources to organizations with annual budgets of less than \$1.0 million, that have not been able to access Levy resources in the past, and that serve marginalized communities in Portland. Reaching smaller organizations is highly likely to increase the Children’s Levy’s ability to reach underserved communities.

In the FY 2019-20 Adopted Budget the Children’s Levy received budget authority for a Small Grants Fund Manager. In the FY 2019-20 Fall Supplemental budget, the PCL realigned resources to fund the new position and the allocation committee approved \$1.5 million for the Small Grants Program through FY 2023-24.

Levy staff are working with a design team of community members and holding community conversations to create new application materials and design the application and review process for small grant allocations. It is anticipated that the first round of applications for this new process will begin in July 2020, with the second review by September, final grant decisions in December 2020 with grants beginning on January 1, 2021.

As the Children’s Levy continues to enhance their services, increasing both the number and average allocation, administrative demands and staff workload will continue to increase. Based on budgeted contingency resources, the Levy will be able to keep grant fund allocations consistent over the next five years should revenues match forecasted growth.

SUMMARY OF REQUESTS AND RECOMMENDATIONS

Below is a summary of the FY 2020-21 Portland Children’s Levy Requested Budget. Per the table, the FY 2020-21 Children’s Levy Requested Budget does not include decision packages. The Children’s Levy budget is \$34.8 million in FY 2020-21, an increase of 9% over the FY 2019-20 budget. The PCL budget is primarily composed of external materials and services expenses, and Multnomah County tax revenue and interest on investments. The tax revenue budget is based on estimates from the City Economist. In FY 2020-21 the bureau will have \$8.6 million in contingency, these revenues represent accumulated fund balance that the Levy plans to spend down gradually over the next five fiscal years.

Portland Children's Levy - All Funds

		2019-20 Adopted Budget	2020-21 Requested Base (A)	Bureau Decision Packages (B)	CBO Recommended Adjustments (C)	Total Recommended Budget (A+B+C)
Expense	Personnel	\$902,324	\$970,241	\$0	\$0	\$970,241
	External Materials and Services	\$23,603,572	\$25,065,677	\$0	\$0	\$25,065,677
	Internal Materials and Services	\$53,242	\$55,502	\$0	\$0	\$55,502
	Fund Transfers - Expense	\$25,000	\$25,000	\$0	\$0	\$25,000
	Contingency	\$7,067,144	\$8,640,297	\$0	\$0	\$8,640,297
	Total	\$31,651,282	\$34,756,717	\$0	\$0	\$34,756,717
Revenue	Beginning Fund Balance	\$9,649,722	\$12,054,642	\$0	\$0	\$12,054,642
	Taxes	\$22,001,560	\$22,702,075	\$0	\$0	\$22,702,075
	Total	\$31,651,282	\$34,756,717	\$0	\$0	\$34,756,717

⁵ City Budget Office Fall 2019-20 PCL, page 79. <https://www.portlandoregon.gov/cbo/article/743155>

