

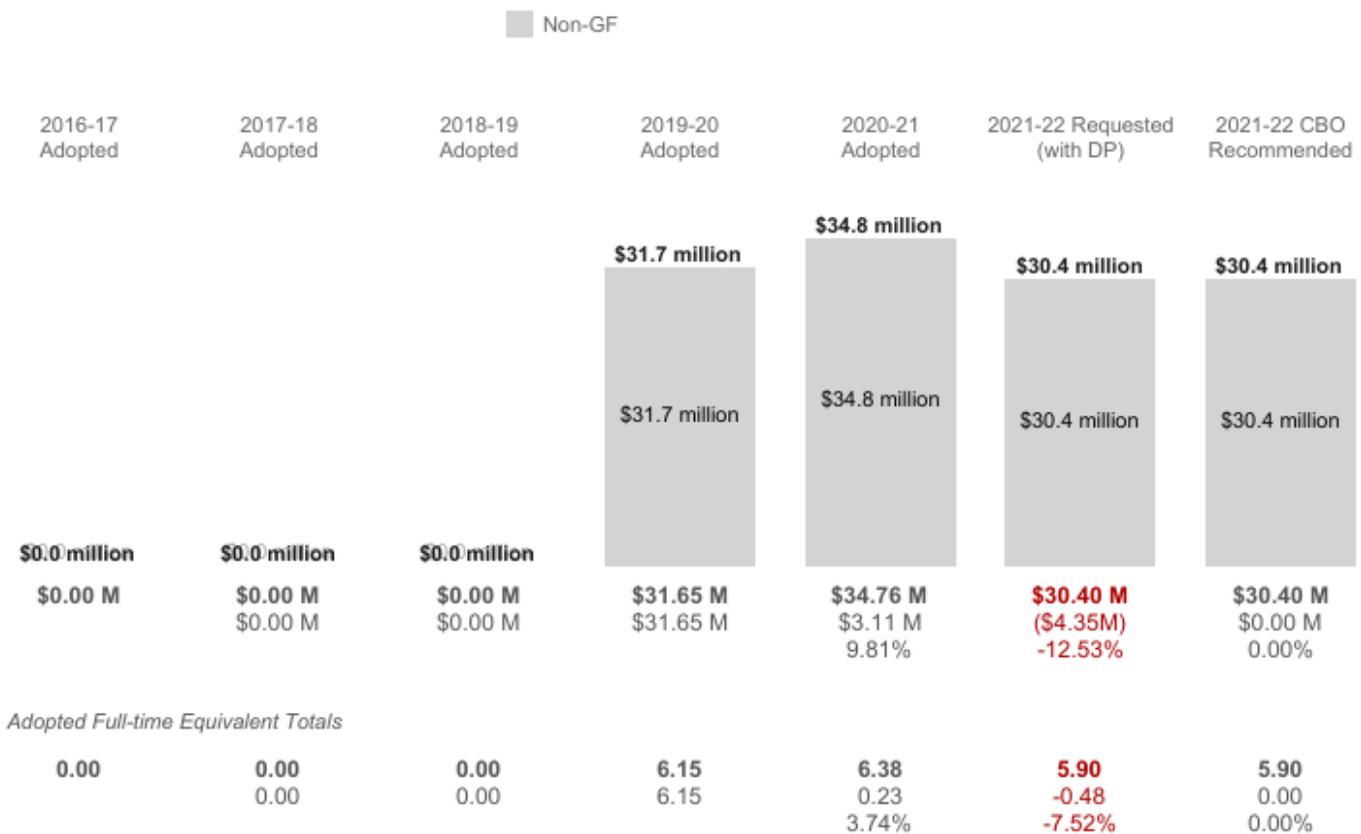


**City
Budget
Office**

Portland Children’s Levy

Analysis by Michelle Rubin

Adopted Budget Revenues | 5-Year Lookback



INTRODUCTION

The Office of the Portland Children’s Levy (Children’s Levy or PCL) FY 2021-22 Requested Budget totals \$30.4 million and does not include any requests for new resources. 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. The bureau’s budget is decreasing by \$4.4 million or 13% from its FY 2020-21 Revised

Budget due mainly to spending down CHIF reserves, and due to revenue projections in FY 2020-21 and FY 2021-22.

PCL's submission does not have significant decision points for City Council. CBO's review highlights the following key issues, which are discussed further below:

- The Levy's revenues are projected to remain relatively stable in FY 2021-22; however, estimates are uncertain due to economic impacts resulting from the COVID-19 pandemic, including the possibility of tax compression.
- PCL's most recent round of competitive funding for large grants in the spring of 2020 resulted in 84 grants totaling up to \$68.4 million over three years (FY 2021-FY 2023). In September 2020, the Allocation Committee recommended eight grants as part of the new Small Grants Fund (discussed further below).
- The Levy has recently added several new performance measures to its suite of measures in the City's performance management system to better measure the success of children in programs the Levy funds. CBO recommends PCL work to identify what existing or new performance measures best articulate intended outcomes of the Levy and should be identified as Key Performance Measures.

BASE BUDGET & KEY ISSUES

The purpose of the PCL is to administer the Children's Investment Fund (CHIF) in accordance with Measure 26-197, enacted by City of Portland voters in 2018.¹ The Levy funds grants in six program areas: Early Childhood, Child Abuse Prevention & Intervention, Foster Care, After School, Mentoring, and Hunger Relief. The Children's Levy is budgeting \$25.0 million for program expenditures in FY 2021-22 and plans to spend up to \$1.1 million to administer the fund in FY 2021-22. This amount is below the 5% cap on administrative expenses associated with the fund per the ballot measure. The CHIF is projected to have a fund balance of \$9.0 million at the end of FY 2020-21, which has accrued due to revenues exceeding projections in previous years and unspent grant balances carrying forward. The bureau plans to invest this fund balance in multi-year grants and spend it down over the next three years. PCL's requested budget reduces overall FTE by 0.9, as it is eliminating a vacant Public Information Officer position.

Projected Revenues, Compression, and Grant Allocations

Projected Revenues

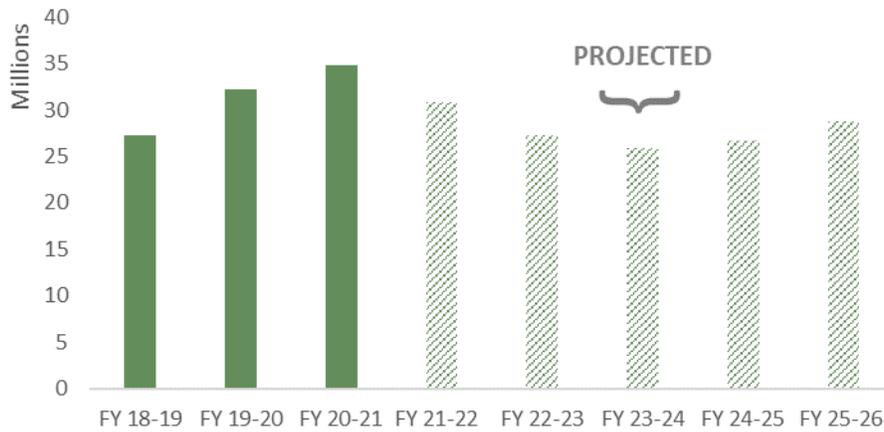
The PCL is funded by a five-year property tax levy of \$0.4026 per \$1,000 assessed value, approved for renewal by voters in the spring of 2018 for the third time.² Property tax estimates are provided by the City Economist. Previous year actuals and projected amounts for the Levy's total resources, inclusive of tax revenue, are shown in the graph. The most recent tax estimates

¹ The Children's Levy is a five-year Local Option Levy. It was approved by voters in 2002 and then renewed in 2008, 2013, and 2018. It will be up for renewal in 2023. For additional information, please see PCL's website:

<https://www.portlandchildrenslevy.org/about-portland-childrens-levy>

² For Ballot Measure 26-197 information, please see: <https://multco.us/file/69393/download>

PORTLAND CHILDREN'S LEVY TOTAL RESOURCES



are from January 2021 and forecast that the Levy is expected to generate \$21.4 million in revenues in FY 2021-22. This forecasted amount is \$533,632 lower than projected revenues in the current year. There is an increased level of uncertainty in these estimates due to economic impacts from the COVID-19 pandemic; the extent of potential economic impacts on Levy revenues will

be more fully known by the end of the fiscal year.

Tax Compression

In addition, 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 \$7.2 million in the current Fiscal Year to a high of \$8.9 million in FY 2022-23, but then is forecasted to flatten out by FY 2025-26. In Resolution 37498, City Council approved the allocation of Portland Parks Operating Levy resources to the Children's Levy to offset increased compression on the Children's Levy resulting from the new Parks Operating Levy.³ This amount is forecasted to be approximately \$475,944 in FY 2021-22, and is not currently included in the budget; however, both bureaus expect to budget this payment at a subsequent phase of the budget process.

Flexibility in Grant Allocations

The Levy's most recent round of competitive funding for large grants (as required per Measure 26-197) occurred in April and May 2020. In June 2020, City Council approved 84 grants totaling up to \$68.4 million over three years (FY 2021-23). The strategic direction of this funding round was created through an engagement process aimed to gather community input on the current needs of children and families. In September 2020, the Allocation Committee recommended eight grants as part of the new Small Grants Fund (discussed further below). Combined, the total grant budgets for FY 2021-22 is \$25.0 million. These resources will support community-based organizations and service programs working towards preparing children for school, supporting children's success inside and outside of school, and eliminating racial and ethnic disparities in children's well-being and school success. The Levy's Allocation Committee directed staff to negotiate all new grants flexibly to allow grantees to meet emergent community needs during the COVID-19 pandemic. In addition to this new flexibility, the Levy's grant awards are always allocated as "up to" amounts, so if revenues are significantly different than projected, the Allocation Committee can reduce total grant amounts. This strategy was employed during the

³ For Resolution 37498 information, please see: <https://www.portlandoregon.gov/auditor/article/764115>

2008 recession when revenues substantially declined and may need to be employed again contingent on the scale of COVID-19 impacts to Levy revenues. If future revenue projections show significant forecasted revenue declines, the bureau states it will have sufficient time to reduce grant allocations.

Small Grants Fund

In FY 2020-21 PCL piloted a Small Grants Fund to improve equitable access to PCL funding. This strategy was recommended in a 2019 Portland State University study, which made recommendations for improvement regarding PCL's grantmaking process in preparation for the FY 2020-21 funding cycle.⁴ The Levy's five-member Allocation Committee allocated \$1.0 million over three years to eight community programs, focusing on funding smaller organizations serving historically marginalized populations that had not previously received Levy funding. It has yet to be determined if the bureau expects the Small Grants Fund to become an ongoing program; it plans to analyze results and impacts of the grants after the three-year grant period and determine the future of the program and its scope at that time. CBO notes this fund as a new and equitable approach to grantmaking that could be scalable to other grantmaking processes Citywide.

Measuring Outcomes of Levy Funding

For FY 2020-21 the Levy added six new performance measures, one for each of the Levy's six program areas. These new measures generally intend to measure the number of children meeting certain program goals or milestones. These additions marked a significant increase in the number of measures the bureau had in the City's performance management system since becoming an independent bureau in 2018. Currently, only one PCL measure is identified as a Key Performance Measure (KPM) – *the number of children served* – which measures the number of children served by PCL funded programs. KPMs are measures selected by a bureau from its suite of bureau measures that best represent the outcomes of the bureau's core service delivery. The designation of several KPMs per bureau helps CBO communicate the City's intended outcomes, provide City Council and bureau leadership with information to guide decision-making, and connect City operations to strategic priorities.⁵ While the Levy's existing KPM is a useful measure to track the number of children served, CBO and the bureau plan to have additional conversations about what new or existing measures best capture the Levy's intended outcomes and therefore should be designated as KPMs in the City's performance system in FY 2021-22.

⁴ The Portland Children's Levy: Review of the Grantmaking Process. PSU Center for the Improvement of Child and Family Services. http://www.portlandchildrenslevy.org/sites/default/files/PCL%20report%20Jan%2030_0.pdf

⁵ For more information on the City's performance management strategy and key performance measures, please see CBO's website: <https://www.portlandoregon.gov/cbo/67122>

SUMMARY OF REQUESTS & RECOMMENDATIONS (ALL FUNDS)

Portland Children's Levy

		2020-21 Adopted Budget	2021-22 Requested Base (A)	Bureau Decision Packages (B)	CBO Recommended Adjustments (C)	Total Recommended Budget (A+B+C)
Revenue	Taxes	\$22,702,075	\$21,403,372	\$0	\$0	\$21,403,372
	Beginning Fund Balance	\$12,054,642	\$8,999,000	\$0	\$0	\$8,999,000
Revenue	Sum:	\$34,756,717	\$30,402,372	\$0	\$0	\$30,402,372
Expense	Personnel	\$970,241	\$879,819	\$0	\$0	\$879,819
	Internal Materials and Services	\$54,815	\$57,226	\$0	\$0	\$57,226
	Fund Transfers - Expense	\$25,000	\$25,000	\$0	\$0	\$25,000
	External Materials and Services	\$25,066,364	\$25,176,843	\$0	\$0	\$25,176,843
	Contingency	\$8,640,297	\$4,263,484	\$0	\$0	\$4,263,484
Expense	Sum:	\$34,756,717	\$30,402,372	\$0	\$0	\$30,402,372