Arts Education and Access Income Tax Update

Status Update for the Arts Education and Access Fund Citizen Oversight Committee

Office of Management & Finance -- Revenue Bureau

April 1, 2014

Overview

- TY 2012 revenues and expenses as of 2/28/2014
- 5% cost cap as of 2/28/2014
- Disbursement calculations & status
- TY 2013 update
- Update on two lawsuits
- Next steps in collection process
- Questions?

TY 2012 Collections and Disburse-ments as of 2/28/2014

(rounded to nearest dollar)

Collections and Costs		
Gross Tax Collections	$ 8,039,413	100.0%
Refunds to Taxpayers	$ (73,473)	0.9%
Net Tax Collections	$ 7,965,940	
Credit Card Fees (net)	$ (16,872)	0.2%
One-time start up costs	$ (589,085)	7.3%
Revenue Bureau collections costs	$ (360,285)	4.5%
	$ (966,242)	12.0%
Net Revenues (PCC 5.73.010 E)	**$ 6,999,698**	
Disbursements		
Centennial School District	$ 539,956	6.7%
David Douglas School District:		
David Douglas School District	$ 947,256	
Charter School (1)	$ 17,861	
	$ 965,118	12.0%
Parkrose School District	$ 294,264	3.7%
Portland Public School District:		
Portland Public Schools	$ 4,408,990	
PPS Charter Schools (6)	$ 103,249	
	$ 4,512,239	56.1%
Reynolds School District	$ 357,942	4.5%
Riverdale School District	$ 40,429	0.5%
Total School Disbursements	$ 6,709,947	83.5%
Regional Arts & Culture Council	$ 200,000	2.5%
Disbursements to date	**$ 6,909,947**	**86.0%**
Net revenues less disbursements	$ 89,751	1.1%
Interest earnings on AEAF	$ 22,276	
Available funds	**$ 112,027**	

TY 2012 Expenses as of 2/28/2014

Cost Area	$600K One-time	$525K Ongoing	2013 Totals
Personnel	$ 151,999	$ 318,899	$ 470,898
External materials & services	$ 104,656	$ 31,096	$ 135,752
Net merchant fees	$ -	$ 16,872	$ 16,872
Printing & distribution	$ 252,654	$ 696	$ 253,350
Technology services	$ 79,776	$ 9,594	$ 89,370
Totals	$ 589,085	$ 377,157	$ 966,242

2013 Annual Budget	$ 1,125,000
Remaining budget	$ 158,758
Percent of budget remaining	14%

Personnel
- One-time charges = business process design, mapping, testing
- Ongoing charges = customer service and tax return/check entry

External Materials & Services
- Computer programming (vendor services)
- Office equipment and workstation setup
- Database purchases

Net merchant fees

- Merchant fees	$ 72,401
- Convience fee revenue	$ (55,529)
Net	$ 16,872

Printing & Distribution
- PO box set-up
- Address list purchase
- Initial postcard and other mailings

Technology Services
- Phone installation
- Programming online services
- Ongoing = phone and computer usage

TY 2012 5% Cost Cap as of 2/28/2014

- The “cap”: expenses cannot exceed 5% of revenues over a five year average
- Gross TY2012 tax revenue as of 2/28/2014: $8,039,413
- Ongoing TY2012 expenses as of 2/28/2014: $360,285
- Ongoing expenses are currently 4.5% of gross revenues; the Revenue Bureau is currently under the cap
- Revenues will increase as collections continue, changing cap percentage (percentage expected to slightly decrease)
- The Revenue Bureau anticipates the 5% average 5 year cost cap will ultimately be exceeded as a result of lost revenues

Disbursement Calculations

Average Teacher Salary x K-5 Students / 500

Reynolds SD:	$ 91,874.24	x	1,954 / 500	=	$	357,942.03
Riverdale SD:	$100,569.43	x	200 / 500	=	$	40,428.91
Centennial SD:	$ 96,870.39	x	2,787 / 500	=	$	539,955.55
Parkrose SD:	$ 94,618.51	x	1,555 / 500	=	$	294,263.56
David Douglas SD:	$ 94,536.57	x	5,010 / 500	=	$	947,256.45
DD Charter School:	$ 56,883.51	x	157 / 500	=	$	17,861.42
Portland Public SD:	$ 95,041.82	x	23,195 / 500	=	$	4,408,990.03
PPS Charter Schools*:	$ 55,208.02	x	947 / 500	=	$	103,249.25

*PPS has 6 charter schools with average teacher salaries ranging from$50,089 to $64,337. The above calculation was done separately for each charter school and added together to get the correct disbursement amount. The above calculation is a representation of the calculation showing the correct total number of students and expected full disbursement.

Note: ODE determined that the Ivy and Southwest charter schools are sponsored by ODE, not PPS. As a result, Arts Tax funding for those two charter schools has not been provided.

Disbursement Status

- All School disbursements have been made
  - $6,709,947 in total

- RACC disbursement was $200,000 in January 2014
  - Additional disbursements will be made as additional 2012 tax collections are received.

Tax Year 2013

- $909,445 Gross Revenues as of 3/30/2014
- $74,914 ongoing expenses as of 2/28/2014
- 301,000 Reminder postcards mailed 3/11/2014 to 3/24/2014
- 115,000 Email reminders sending 3/31/2014 to 4/12/2014

Two Lawsuits

- Both challenge the constitutionality of the tax, one in the Tax Court and one in Circuit Court
- City Attorney is representing the Revenue Bureau
- Oregon Tax Court dismissed the case on jurisdictional grounds; petitioner appealed to the Regular Division of the Tax Court; City moved to dismiss on jurisdictional grounds; hearing held September 19th; further briefing filed by plaintiff on October 11th, and City on October 17th; Regular Division granted the City's motion to dismiss on March 10, 2014. Plaintiff has until April 9, 2014 to appeal.
- Multnomah County Circuit Court found in favor of City regarding constitutionality of Arts Tax; petitioner appealed to Oregon Court of Appeals. City's answering brief filed January 31st. The Court denied the petitioner's motion for oral argument, so the court will decide the case on the briefs only. The court needs to set an "at issue" date, which is when the court will officially take the case under advisement.
- City generally does not comment on pending litigation

Next Steps in Collection Process

- 3,000 collection letters sent in January and March 2014.
- Another 5,000 non-filer bills will be mailed after 4/15/2014.
- Estimated 25,000 more each month during May, June and July.

Questions, Comments?