A BRIEF HISTORY OF DIRECT PROPERTY TAX ADMINISTRATION COST SHARING
(June 8, 2012)

1989

Partial direct sharing by the State and local districts of counties' costs to administer the property assessment and taxation program began in 1989. After the recession of the 1980s and the end of federal general revenue sharing, and the severe across-the-board cutbacks that counties were forced to make as a result, property tax administration was in crisis. The Department of Revenue (DOR) documented this crisis in Disintegration of Oregon's Property Tax System (3-1987).

Stakeholders and the Legislature memorialized their initial solution in House Bill 2338 (1989). The law:

- Created a state A&T fund (County Assessment Function Funding Assistance Account/CAFFA Account);
- Provided it new revenue (dedicated the new four percent interest on delinquent taxes [12-16%]; created a $20 assessor processing fee on filing of documents with the county clerk that convey ownership, with five percent retained by the county for administration);
- Minimized revenue instability with a "floor" and "subfloor". If, as estimated by DOR, interest on delinquent property taxes will not produce at least $10 million that year, interest revenue produced by the 'first' 12% will be used to ensure at least $10 million flows to the fund ("floor"). Use of this revenue is limited to $3 million/year ("subfloor").
- Required that the county A&T budget be approved by DOR as being in compliance with certain statutory requirements or that the county has a plan to come into compliance. A county out of compliance risks across-the-board reductions of non-dedicated state-shared revenues;
- Provided that at least 90% of the A&T fund be distributed to counties in proportion to their approved budgets;
- Dedicated up to 10% of the fund to DOR for supervisory expenses and to pay for appraisals of industrial properties valued from $1 million to $5 million (previously appraised by counties);
- Imposed continuing education requirements on appraisers and assessors;
- Prohibited until January 1, 1994, all local governments from imposing any new or increased fees or taxes on transfer of real property;
- Included a sunset date of June 30, 1998, for review of the program by the 1997 Legislature.

1997

The legislative review of the program yielded House Bill 2049 (1997). This law:

- Dedicated an additional 25% of interest revenue on delinquent property taxes to the A&T fund to the extent that this would not have been distributed to school districts or counties. It, therefore, advanced the policy that users of taxes collected pay their proportionate share of this service – but only with respect to local governments, not schools;
- Increased from $10 million to $13 million the minimum amount of estimated interest revenue dedicated to the fund ("floor") that triggers an increase in the percentage dedicated to the fund;
- Directed that DOR review of county administration be results-based and reward innovation and efficiency;
- Changed the date counties must file their A&T budgets with DOR from April 15th to May 1st. Changed the date DOR must certify these budgets from June 1st to June 15th;
- Prohibited any local government from imposing a real estate transfer tax until July 1, 2000;
- Extended sunset for legislative review of the A&T program to June 30, 2000;
- Directed DOR to study the appropriate level of funding for A&T and appropriate funding sources, and report to the Legislature by November 1, 1998.

1999

Consulting with stakeholders, DOR produced the Oregon Department of Revenue Property Tax Administration Funding Report (11-98). The findings resulted in two significant developments in the 1999 legislative session: Revision of the A&T funding program and a State General Fund contribution to the A&T fund on behalf of assessment and collection for schools ($5 million + CPI/biennium).

House Bill 2139:

- Made permanent the A&T funding program;
- Reduced the assessor processing fee from $20 per document filed with the county clerk to $10 plus $1 per document. Increased the types of documents covered to virtually all, except fee marriage certificates, instruments otherwise exempt from fee, and internal county government instruments. Continued the provision that counties retain five percent of the assessor processing fee for administration. [Note: HB 3581 (1999) directed the retention of another five percent for document archiving and retrieval];
- Created the Oregon Land Information System Fund, to receive the $1 portion of the filing fee. Appropriated these moneys to DOR to develop a base map system;
- Made permanent the preemption of new real estate transfer taxes or fees imposed by local government.

- Required DOR to study the appropriate level of funding for A&T and appropriate sources, and report to the Legislature by December 31, 2004.

Also in 1999, the Legislature began appropriating $5 million to the A&T fund through the DOR budget to support assessment and collection of taxes for the state-funded school system. This further advanced the policy that beneficiaries of the service will help pay the cost.

2004

As directed by HB 2139 (1999), DOR produced the 2004 Assessment and Taxation Funding Study (11-04). Among other things, the study found that:

- Biennial legislative appropriation to the A&T fund was enacted "as an alternative method to acknowledge the fact that schools benefit from a healthy A&T system, but pay proportionately less for the benefits of that system when compared to other jurisdictions" (note 1, pg. 1);
- "The current level of funding allows all counties to fulfill most but not all of their critical program requirements" (emphasis added) (pg. 2);
- Current funding does not adequately fund: 1) Maximizing tax-generated revenue by maintaining active appraisal and omitted property discovery programs; 2) generating accurate or timely statistical data for system decision-makers; and 3) absorbing significant statutorily mandated program changes.

2007

For the 2007-09 biennium, the Legislature appropriated $5.155M to the A&T fund through the DOR budget, continuing since 1999 the biennial appropriations to support assessment and collection of taxes for the state-funded school system. In addition, this appropriation included an increase reflecting the growth in the Consumer Price Index.

2008

During the fourth quarter of 2009, at the onset of the Great Recession and its sharp drop in income tax revenues, the Legislature reduced the 2007-09 appropriation to the A&T fund by $515, 000, to $4.64M. The reduction was "swept" into the state general fund.

In response to the federal forest payment crisis, Governor Kulongoski appointed the Task Force on Federal Forest Payments and County Services. The Task Force's Final Report (January 2009) included three Recommendations on A&T.

- #23 – Place all delinquent interest on property taxes into the CAFFA fund within the next four years. Have the State make up the loss to K-12.

- #24 – Increase state general funding for A&T, within the next four years, to pick up full costs of schools' use of those services.
- #42 – Raise the $9 recording fee for A&T to $15.

2009
In a session dominated by the Great Recession and its accompanying finance challenges, the Legislature:

- Eliminated its biennial appropriation to the A&T fund, "sweeping" the $5M+ for other state general fund programs.
- Took no action on the three A&T-related recommendations of the GTF-FFP&CS. Senate Bill 563, which would have directed all delinquent interest to the CAFFA Account, did pass the Senate unanimously, but received no action in the House.

2010 and 2011
Economic recovery begins. Federal forest payments wither. No action on A&T funding.

2012
Legislature adopts House Bill 4177, which permits certain counties for FYs 2011-12 and 2012-13 to reduce expenditures in property tax administration and not lose its CAFFA grant, if the reduction does not exceed 15% and does not result in failure by the county to comply with equality and uniformity requirements. Counties affects are Benton, Columbia, Coos, Curry, Douglas, Grant, Jackson, Josephine, Klamath, Lane, Linn, Polk, and Tillamook.

Association of Oregon Counties