AOC | Association of Oregon Counties

SENATE BILL 5538/DEPARTMENT OF REVENUE

Comments by Gil Riddell, Policy Coordinator, Association of Oregon Counties, before the Joint Ways & Means General Government Subcommittee, March 28, 2013.

The Association of Oregon Counties respectfully requests that you **maintain support to the Property Tax Division of the Department of Revenue**, and as the economy improves, **restore the state general fund contribution to the County Assessment Function Funding Assistance Account of at least the temporarily swept amount of $5.2 million**.

County Property Tax Administration

The county role is critical. County property tax administration is important, because, among other things, it assesses and collects critical revenues for education and local and state/county shared services. In FY '11-12, the property tax system collected nearly $2.1 billion for K-12 and ESDs, and another $204 million for community colleges. In biennial terms, that is $4.2 billion and $408 million, respectively. This was over 44% of all property tax collections.

The State Assessment & Taxation Funding program originated in 1989 in response to the disintegration of the property tax system. All county programs were suffering, because of the Recession and termination of federal general revenue sharing. County governing bodies were forced to make drastic across-the-board cuts.

Attached is a summary of the funding program, A Brief History of Direct Property Tax Administration Cost Sharing (June 8, 2012). In its current form, the Department of Revenue supervises county A&T administration and the County Assessment Function Funding Assistance Account (CAFFAA), which provides some funds for county support. Qualifying counties – i.e., those that meet minimum statutory standards – share in the funds proportionally, based on the size of their A&T budgets.

Counties cannot backfill. CAFFAA has not delivered on its promise or kept up with costs. You are well aware of the struggles of counties in southwestern Oregon to continue to provide even the most basic of critical local services. Counties are in no position to backfill this shortfall in property tax administration. Even though the counties' share of property taxes statewide is merely 18%, in FY 11-12 counties had approved A&T budgets of over $92 million, of which only $19 million were CAFFAA contributions. The balance, therefore, was county general funds raised locally.

Moreover, in 2009, the Legislature eliminated its biennial appropriation to CAFFAA, sweeping the $5.2M for other state general fund programs. This appropriation had continued since 1999 to support assessment and collection of taxes for the state-funded school system.

Counties are doing their best to keep up with A&T requirements despite:

- Funding a full array of state-county shared services.

- Gridlock of federal forest management.

- The end of federal forest payments under the Secure Rural Schools & Community Self-Determination Act. The Governor's Task Force on Federal Forest Payments & County Services (January, 2009) noted 24 'hard-hit' counties, of which 12 will be in 'condition critical' for general fund or road services and three more in 'condition unsustainable' for general fund services.

- The gap between annual county revenues and expenditures continues to grow (attachment).

As revenues fall further behind needs, local pressure will mount to retain public safety and health services, matters potentially of life and death. We do not anticipate a groundswell of support for field appraisers in the assessor's office. For those counties that cannot meet minimum A&T standards, the Department of Revenue will be forced to make an untenable choice: Whether to withhold the CAFFAA grant, thus likely ensuring system failure.

To continue to function, the A&T system needs an appropriately funded Property Tax Division, and as economic conditions improve, restoration of the State general fund contribution to CAFFAA of at least $5.2 million.