JOHN LIVELY
STATE REPRESENTATIVE
DISTRICT 12

HOUSE OF REPRESENTATIVES

HB 3404

CHIEF SPONSOR: Representative John Lively
SPONSORS: Representatives Buckley, Esquivel, Hicks, Holvey, Hoyle, Nathanson; Senators Bates, Beyer, Edwards, Kruse, Prozanski, and Roblan

HOUSE COMMITTEE ON RULES
Public Hearing June 3, 2013
3:00 P.M., Hearing Room F

TESTIMONY OF REPRESENTATIVE JOHN LIVELY

Good afternoon Chair Garrett and members of the Committee. For the record, I'm John Lively, State Representative for House District 12 in Springfield.

I come before you today to speak in favor of this bill which I have introduced. While the subject matter it deals with is very technical, the bill itself is very simple. House Bill 3404 ensures O&C Counties can continue to receive their usual apportionment of County Assessment Function Funding Assistance (CAFFA) Account grants for tax assessment & collection, despite the tightening of budgets due to lost Secure Rural Schools funds. In a nutshell, it simply extends the effects of HB 4177 one more biennium—a bill from the 2012 Session which had neither revenue nor fiscal impacts, and which passed both chambers unanimously.

Grants from the County Assessment Function Funding Assistance Account help subsidize the tax assessment responsibilities Oregon's counties are mandated to perform for taxing districts within their jurisdiction. Grant money is allocated based on the percentage each county's budget for assessment and taxation represents compared to the total of all such budgets for participating counties. Under HB 4177, counties which received 10% or more of their 2007 funds (excluding bonds) from the Secure Rural Schools Act were allowed to reduce their budgets for assessment and taxation by up to 15% without losing a proportional amount of CAFFA funding—so long as the reduction did not affect compliance with ORS or Department of Revenue rules and standards.

While HB 4177 only offered this flexibility for the fiscal years beginning July 1, 2011, and July 1, 2012, HB 3404 uses the same language as HB 4177 to extend these effects for two more fiscal years. Allowing O&C Counties to reduce expenditures without losing much needed CAFFA funding would help them mitigate the loss of Secure Rural Schools payments and still manage their statutorily required functions.

I thank you for the opportunity to testify on this bill, and urge that you schedule a work session for HB 3404 and send it to the Speaker's desk with a "Do Pass" recommendation.

900 Court St. NE., Salem, OR 97301 - 503-986-1412
rep.johnlively@state.or.us

About the County Assessment Function Funding Assistance Account

The County Assessment Function Funding Assistance Account (CAFFA) Account was created to fund county expenditures on property tax assessment and collection functions. Funding for the grants comes from document recording fees and a portion of the interest from delinquent property taxes.

To receive the grant, each county must submit an application to the Department of Revenue that includes its annual budget for assessment and taxation expenditures as approved by the county. The department reviews each application to determine if the county budget will provide the resources to adequately perform property assessment and taxation functions. Funds are allocated according to relative expenditures on these functions by each county.

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 its report, 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 (CAFFA Account).

Consulting with stakeholders, DOR in 1999 produced the Oregon Department of Revenue Property Tax Administration Funding Report (11-98), which resulted in two significant A&T funding developments that session. A $5 million biennial State General Fund contribution to the A&T fund on behalf of assessment and collection for schools was initiated. Also, HB 2139 reduced the assessor processing fee from $20 per document filed with the county clerk to $10 plus $1 per document, but increased the types of documents covered to virtually all.

In the 2009 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. No action was taken on the three A&T-related recommendations of the Governor's Task Force on Federal Forest Payment & County Services. 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.

While federal forest payments withered, no action was taken to help A&T funding during 2010 or 2011. With the adoption of HB 4177 in 2012: Benton, Columbia, Coos, Curry, Douglas, Grant, Jackson, Josephine, Klamath, Lane, Linn, Polk, and Tillamook counties were permitted, 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.