



February 2, 2016

The Honorable Senator Mark Hass, Chair
Senate Finance and Revenue Committee
900 Court Street
Salem, OR 97301

Routed to: lro.exhibits@state.or.us

RE: SJR 201 -Relating to an amendment to the Oregon Constitution to require assessment of property taxes at real market value and exemption for owner-occupied principal dwellings.

Dear Chair Hass and members of the committee:

The City of Eugene is in support of comprehensive property tax reform. Thank you for introducing SJR 201 as a venue for legislative discussion around this very important issue. We very much appreciate the efforts the legislature is taking to address some of the shortcomings that have developed over time with the current property tax system. Property taxes represent about 2/3 of the City's operating revenues in the General Fund and pay for critical services like police patrols, fire suppression, libraries and planning.

I would like to highlight two particular areas of interest for Eugene when you are considering what to address in the package: the 3% limit on AV growth and the time limits on local option levies.

First, the 3% limit on AV growth. As you know, current law limits increases in assessed value to no more than 3% per year, with certain exceptions. This means that unless the community is experiencing rapid growth, resulting in significant new construction or improvement activities, annual property tax growth will remain at or under the 3% mark. At the same time, the City of Eugene like other local governments, continues to face cost increases above 3% in key areas of the budget, such as employee retirement and healthcare, maintenance of City assets and equipment and technology. With those costs increasing much faster than 3% per year, the result is that the City of Eugene is in perpetual service reduction mode. With AV growth capped at such a low rate, we are not able to achieve a stable budget that provides adequate resources for all the City's needs such as important equipment and public safety vehicles, maintenance for our aging buildings and facilities, and the level of services that the residents of Oregon's second most populous City deserve.

Second, the time limits on local option levies. The City of Eugene has used local option levies to provide services that the community has requested, such as libraries and youth recreation services. Under the current system, there is no way for the community to approve ongoing funding for new

services through an increase in the permanent tax rate. The only way to expand the service level in the community is through temporary tax levies. The short timeframe allowed under current law of just five years for operating levies means that there is the potential for disruption in the service every few years as the community has to go through another conversation about the tax levy. This makes policy makers very cautious about adding community-requested services and discourages significant investment in the infrastructure and equipment associated with a service expansion, as that investment might not receive necessary funding support beyond a relatively short period of time. Extending the timeline allowed for operating levies would still allow for periodic discussions among voters and taxpayers about the value of those services, but it would provide the community with more assurances about receiving the services that they desire for a longer period of time. It would make policy makers more comfortable with hiring new employees and investing in infrastructure and equipment associated with added services, and it would avoid the time, expense and uncertainty that comes with holding elections every five years.

Thank you for your consideration of our comments and our support of SJR 201.

Sincerely,



Sue Cutsogeorge
Finance Director