

DATE: MAY 11, 2017

TO: JOINT COMMITTEE ON WAYS & MEANS, SUBCOMMITTEE ON GENERAL GOVERNMENT

FROM: THE ASSOCIATION OF OREGON COUNTIES

SUBJECT: DEPARTMENT OF REVENUE 2017-19 BUDGET/SENATE BILL 5535.

REQUESTED ACTION:

AOC respectfully requests that the Subcommittee on General Government give serious consideration to reinvesting General Funds into the County Assessment Function Funding Assistance Account (CAFFA), which has continued to dwindle to the now dangerously inadequate level of 17%.

AOC is open to a different means of fulfilling the promise of CAFFA and gaining a fully functioning property tax appraisal, assessment, and collection system.

BACKGROUND:

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 Legislative Assembly memorialized their initial solution in House Bill 2338 (1989), including the creation of CAFFA. *The hope was that the fund would provide 35% of the expenses of county administration of the property tax system. In reality, that mark was reached only in three FYs: 2001-02, 2002-03, and 2003-04.*

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. *Statewide, K-12 and ESDs receive around 40% of property taxes collected, yet contributed nothing to CAFFA. This appropriation further advanced the policy that beneficiaries of the service will help pay the cost.*

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.

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.

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.*

Representative Peter Buckley, Co-Chair of Joint Ways & Means, stated on the House floor that as the State’s governance partners in development and delivery of shared services for our joint constituency, counties will be restored the temporary and one-time cuts and sweeps taken during the 2009 session as the economy recovers.

The economy recovered; the \$5 million plus CPI state General Fund appropriation to CAFFA did not resume.

AOC urges the Subcommittee to once again provide badly needed resources for on-the-ground property tax appraisal, assessment, and collection services, as a significant provider of funds for education and other essential local services.