



Local Revenue Concerns Related to COVID-19

March 23, 2020

Background

COVID-19 will clearly affect the budgets of local governments, both on the revenue and cost side of the equation. On March 18th, the Legislature's Joint Special Committee on Coronavirus Response met for almost five hours to discuss the legislative response to the COVID-19 pandemic. During the meeting, Governor Brown's staff was very clear that COVID-19 will mean a "[sea change](#)" in Oregon's economy, and much of the discussion was devoted to understanding how the crisis is affecting businesses small and large. There is broad acceptance that a recession is imminent, but the severity is hard to predict with the limited information available today. One of the largest drivers will be how long the outbreak lasts, and Oregon Health Authority (OHA) Director Pat Allen signaled that we are looking at a month, "and potentially a lot of months." Another unknown is how effective the economic side of the response will be, both at the federal and state levels. State economists are next scheduled to give a revenue forecast on May 20, but there may not be much in the way of guidance before then. We will be working with state partners to get insight into the magnitude of the losses as new information becomes available.

All of this puts local governments in a tough situation when it comes to developing their budgets, which must be finalized by June 30 under current law. Anticipated losses to local revenue are difficult to quantify at this time. We anticipate lodging revenues will flatline in the short-term, and gas tax revenues will be down sharply. Local jurisdictions with business, income, or payroll taxes will see declines with the overall economy. Alcohol and marijuana revenues may be a bright spot as folks are forced to stay home. Given the January 1 assessment date, we don't expect to see property tax impacts until 2021-22, unless the Legislature looks to create new exemptions as a form of stimulus. There will likely be some losses on the fee side if building and the real estate market slows and businesses are closing.

The Concern

LOC, AOC, and SDAO are concerned that a number of the ideas currently on the table to respond to the pandemic will decrease local revenues. We are sensitive to the needs of the business community, but demand for local services will only increase during this crisis, with added costs to local government being likely. Jurisdictions including Portland, Beaverton, Hillsboro, Gresham, Eugene, Springfield, and Lane County have taken steps to create grant or loan programs for local businesses with funds they were able to reallocate. Smaller jurisdictions will not have the same financial flexibility, and further decreasing revenues may require staff lay-offs; exacerbating the strain on the unemployment insurance system and dollars going into the local economy. If services like permitting are reduced it could make recovery more difficult. If services like law enforcement, courts and jail are reduced it will have effects on community stability.

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Looking at the Legislature's COVID-19 Committee [summary of public testimony](#) between 3/20 and 3/22 there are a number of proposals that would reduce local revenue or affect timing of cash flows, some of the proposals include:

- stop all property taxes until pandemic ends and/or move property tax payments from Nov. 15 to Jan. 15 (Page 1)
- eliminate state fuel tax until July (Page 1)
- defer all city business and licensing fees for three months (Page 2)
- defer all city business taxes (Page 2)
- ask local government to put hold on new tax measures pending COVID-19 crisis resolution (Page 2)
- moratorium on weight-mile taxes for trucking firms (Page 3)
- allow lodging providers and intermediaries (such as Expedia) to defer remittance of sales and transient lodging taxes for at least six months (Pages 11-12)
- six-month deferral of sales and transient lodging taxes (TLTs) to provide immediate flexibility and relief to lodging providers and intermediaries (Page 13)
- delay potential new local taxes (Page 13)
- suspend payroll taxes (Page 13)
- suspend weight-mile taxes (Page 13)
- cities hold off on charging for utilities (Page 16)
- suspension of tax expenses that drive rent (Page 29)
- enact an immediate freeze on taxes on rental property (Page 29)

Additional ideas were proposed in the Committee [summary of public testimony](#) submitted between 3/16 and 3/18:

- increase Distiller Tasting Room Compensation (Page 6)
- suspend property taxes to lower burden on landlords (Page 9)
- reduce weight-mile for trucking firms (Page 12)
- cannabis businesses temporarily keeping sales taxes (Page 12)
- fines and fees suspension (Page 16)
- relieve/suspend tax burdens for small landlords and/or landlords who rent to low-income tenants (Page 18)
- provide property tax relief, equal to rent losses (Page 22)
- forbearance on mortgage, tax bills, utility bills (Page 22)

Other ideas that have been floated in public testimony and letters to public officials include the following:

- no new property tax proposals (unclear on whether this includes levy renewals)
- commercial property tax abatements tied to tenants who are not making payments
- residential property tax abatements tied to rent breaks
- defer all city and state business licensing fees for three months
- 90-day deferral of payment of real property taxes for hotels while they recover

Conclusions

LOC, AOC, and SDAO will continue to monitor the revenue implications of the pandemic, but recognize that the primary concern at this time needs to be public health. There is wide acknowledgement by the business community that the number one thing we can do for the economy right now is contain the outbreak. That being said, both LOC and AOC are engaged in the Governor's Coronavirus Economic Advisory Council and will be working to make sure residents have a job to return to once the current crisis subsides.

Cities, counties, and special districts are in a similar situation to the state at this critical time, we know that revenues will decline just as demand for local services is increasing. We ask that the legislature be very careful in making any changes that could further erode local government revenues and expect that these changes would follow the same framework identified by committee members for state assistance; namely not duplicating federal effort and targeting only businesses that are affected. We share the concerns of the business community but know that the statewide need will outstrip the resources of local governments. Some jurisdictions will be better able to reallocate funds to help local businesses, and some communities have already taken these steps. Cities, counties, and special districts want to be good partners, but statewide unfunded mandates could push some local budgets to the breaking point and should only be contemplated as a last resort.

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