

## ANALYSIS

### Item 48: Department of Revenue County Wildfire Distribution

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**Analyst:** Zane Potter

**Request:** The Department of Revenue (DOR) requests approval to change the methodology used to distribute the remaining grant funds to counties for the reimbursement of lost tax revenue related to the 2020 wildfires.

**Analysis:** HB 5006 (2021) provided a one-time General Fund appropriation of \$23.2 million for DOR to make grants to counties for the reimbursement of lost tax revenue related to the 2020 wildfires. The budget report to the bill detailed the process and timeline through which DOR must distribute the funds.

Counties face property tax losses for the 2020-2021 tax year and following years due to the destruction and loss of market value caused by the 2020 wildfires. Property owners can apply to their county assessor for a prorated reduction in taxes, or if the county is covered by a state of emergency related to the fire or natural disaster, the county assessor may proactively reduce the real market value (RMV) of the property and associated tax bill. DOR and the counties reached out to affected property owners to make them aware of this program.

The value of the property will be determined each year based on the property assessment cycle after the initial reduction in RMV. The pace of building back in a given location will also vary, depending on the extent of the property damage, the nature of the property, the financial circumstances of the property owner, and the availability of contractors and materials to build back. Counties may face a long-term reduction in property tax revenue due to delays in building back or if property owners replace the destroyed property with property of a lower RMV. It is also possible that property owners could replace the destroyed property with a property of higher RMV.

Per the budget report, distribution of the funds is limited to eight counties that were impacted by the 2020 wildfires and that could demonstrate losses due to the wildfires in property tax years beginning on or after July 1, 2020. Prior to disbursement of funds by DOR, each county is required to apply by December 1, 2021, and annually thereafter, with a sworn statement that the amount represents estimated revenue lost in that property tax year. The Department is to distribute funds by December 31, 2021 and each subsequent year. The first distribution of \$4.8 million for eight counties is provided in the budget report and DOR will make the distributions to the counties by the end of December 2021.

DOR is proposing to change the process and timeline outlined in the budget report to HB 5006. Rather than having counties come back annually and attest to their loss, DOR proposes that the remaining \$18.4 million go to the same counties in the same percentage received for 2020-21. The following table summarizes the proposed approach for the remaining funds.

County	20-21 Estimated Lost Revenue	20-21 %	20-21 % Applied to Remaining \$18.4 million
Clackamas	\$116,831	2.43%	\$446,166
Douglas	\$65,060	1.35%	\$248,458
Jackson	\$2,829,073	58.76%	\$10,803,960
Klamath	\$228,162	4.74%	\$871,329
Lane	\$579,208	12.03%	\$2,211,940
Lincoln	\$208,178	4.32%	\$795,012
Linn	\$72,226	1.50%	\$275,824
Marion	\$715,634	14.86%	\$2,732,938
Total	\$4,814,372	100%	\$18,385,628

DOR proposes this approach because it would maximize use of the funds by providing resources as soon as possible to the impacted counties. Also, DOR states it will only be able to distribute approximately \$10 million in program funds through the end of the 2021-23 biennium using the process and timeline outlined in the budget report. This is because the \$23.2 million was based on a projected loss over several years using the \$4.8 million in estimated loss for 2020-21 as a baseline and applying a 3% annual growth rate through 2023-24. It was not the amount expected to be needed in 2021-23 biennium. Any funding not spent during the 2021-23 biennium would revert to the General Fund.

**Recommendation:** The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means recommend including a change in the methodology used by the Department of Revenue to distribute grant funds to counties associated with lost tax revenue related to the 2020 wildfires in a budget reconciliation bill budget report during the 2022 legislative session.

**Request:** Report on General Fund distributions to counties to defray lost property tax revenues due to the 2020 wildfires.

**Recommendation:** Acknowledge receipt of the report.

**Discussion:** The Department of Revenue (DOR) is reporting on the distribution of General Fund to eight counties to defray lost property tax revenues due to the 2020 wildfires. House Bill 5006 (2021) appropriated \$23.2 million General Fund to the Department to make these payments. The budget report for the bill sets out a process and timeline through which DOR must distribute the funds, requiring DOR to make annual distributions. The first distribution of \$4.8 million will be based on estimates of property tax lost by each county in the 2020-2021 tax year. Specifically, in order to receive the funds, counties must apply to DOR by December 1 of each year, providing a county ordinance or resolution authorizing the request and providing a sworn statement the amount requested represents the county's lost revenue due to the September 2020 wildfires.

Counties face property tax losses for the 2020-2021 tax year and in subsequent years due to the destruction and loss of market value caused by the 2020 wildfires. For 2020-21 specifically, ORS 308.425 allows property owners to apply to reduce their property tax bill on a prorated basis for losses in real market value (RMV), which occurred after the most recent assessment due to fire or act of God. Property owners can apply to their county assessor for a prorated reduction in taxes, or if the county is covered by a state of emergency related to the fire or natural disaster, the county assessor may proactively reduce the RMV of the property and associated tax bill. There has been significant outreach by DOR and the counties to affected property owners with notification of this program. DOR worked with the counties and the Office of Emergency Management to proactively identify areas most likely to be damaged by the 2020 wildfires, down to the individual property tax lot number.

After the initial reduction in RMV, the value of the property will be determined each year based on the property assessment cycle. County assessors will use information from building permits to determine when improvements to the property are made and can be added to the tax rolls; this process will vary by county. The pace of building back in a given location will also vary, depending on the extent of the property damage, the nature of the property, the financial circumstances of the property owner, and the availability of contractors and materials to build back. Counties may face a long-term reduction in property tax revenue due to delays in building back or if property owners replace the destroyed property with property of a lower RMV.

Instead of following the process and timeline laid out in the budget report for House Bill 5006, DOR proposes in its report to distribute the \$23.2 million General Fund as follows: \$4.8 million will be distributed as laid out in the budget report to the specified eight counties by the end of December 2021 with the remaining \$18.4 million going to the same counties in the same proportion as soon as practical thereafter. DOR proposes this change to maximize the funds available to the counties, as DOR believes it will only be able to distribute approximately \$10 million in program funds through the end of the 2021-23 biennium, using the method described in the budget report, with the remaining amounts reverting to the General Fund.

In providing these reimbursements, the state is reliant on counties to shape important decisions on how the funds are used. DOR has no ability to independently verify county statements of lost property tax revenues. Depending on the pace of building back, if DOR issues payments all at once for the remaining \$18.4 million General Fund, some counties may receive more funds from this program than they lost in property tax revenues due to the 2020 wildfires. In addition, the program does not require counties to pass through funds to the cities, school districts, and special districts, which lost property tax revenue due the 2020 wildfires, leaving that decision to counties as well.



# Oregon

Kate Brown, Governor

Department of Revenue  
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December 6, 2021

Senator Elizabeth Steiner Hayward, Co-Chair  
Representative Dan Rayfield, Co-Chair  
Interim Joint Committee on Ways and Means  
900 Court Street NE  
H-178 State Capitol  
Salem, OR 97301

Dear Co-Chairs:

## Nature of the Request

The 2021 Legislature, through House Bill 5006, Section 154, provided a one-time General Fund appropriation of \$23.2 million for the Department of Revenue to make grants to counties for the reimbursement of lost tax revenue related to the 2020 wildfires. Distribution of these funds was to be limited to counties included in Executive Order 20-60 that were impacted by the 2020 wildfires and that could demonstrate losses due to the September 2020 wildfires in property tax years beginning on or after July 1, 2020. Prior to disbursement of funds by the department, each county is required to apply by December 1, 2021, and annually thereafter. The department is to distribute funds as requested by December 31, 2021 and each year thereafter.

The department is planning to distribute \$4,814,372 by December 31, 2021 under the current methodology. The department is requesting approval to distribute the remaining \$18,385,628 upon approval of this request. This action would maximize use of the legislatively approved funds by providing the resources as soon as possible to the impacted communities. If this request is not approved, the total distribution would be limited to under \$10 million for 2021-23 and revert the remaining \$13 million to the General Fund.

## Agency Action

In accordance with 2021 HB 5006, Section 154, the Department of Revenue is planning to distribute \$4,814,372 to the eight counties affected by the September 2020 wildfires. Per the budget report, the department will distribute the following amounts to each county to offset lost tax revenue for property tax year 2020-21.

	2021	% Total
Clackamas	116,831	2.43%
Douglas	65,060	1.35%
Jackson	2,829,073	58.76%
Klamath	228,162	4.73%
Lane	579,208	12.03%
Lincoln	208,178	4.32%
Linn	72,226	1.50%
Marion	715,634	14.86%
	4,814,372	100.00%

The HB 5006 budget report instructs the department to distribute the remaining \$18,385,628 annually. Instead, the department requests to distribute the remaining funds immediately following the 2021 allocation formula. The distribution would be as follows:

	2022	% Total
Clackamas	446,166	2.43%
Douglas	248,458	1.35%
Jackson	10,803,960	58.76%
Klamath	871,329	4.73%
Lane	2,211,940	12.03%
Lincoln	795,012	4.32%
Linn	275,824	1.50%
Marion	2,732,938	14.86%
	18,385,628	100.00%

This method, developed in consultation with the affected counties, seeks to maximize use of the funds by distributing it as soon as possible for use by communities impacted by the 2020 wildfires.

#### **Action Requested**

The department requests that the Legislature approve its request to change the methodology to distribute remaining grant funds to counties for the reimbursement of lost tax revenue related to the 2020 wildfires.

#### **Legislation Affected**

None

Thank you.

Sincerely,



Betsy Imholt  
Director