

County A&T Funding Update

Presentation to the Interim House Committee on Revenue

September 28, 2023

Oregon State Association of County Assessors

Oregon Association of County Tax Collectors

County Assessment Function Funding Assistance (CAFFA) Quick Facts

- CAFFA established in 1989 (House Bill 2338) by the Oregon Legislature, citing concerns over the “disintegration of Oregon’s property tax system.”
- In passing HB 2338, the Legislature recognized a shared responsibility for statewide uniformity and accuracy in Assessment and Taxation.
- CAFFA provided county officials and the state with new sources of funding for approved A&T programs by increasing delinquent interest on late property tax payments and document recording fees.
- CAFFA has been modified several times since, most notably in 1997 (HB 2049) and in 1999 (HB 2139).

CAFFA Revenue Sources

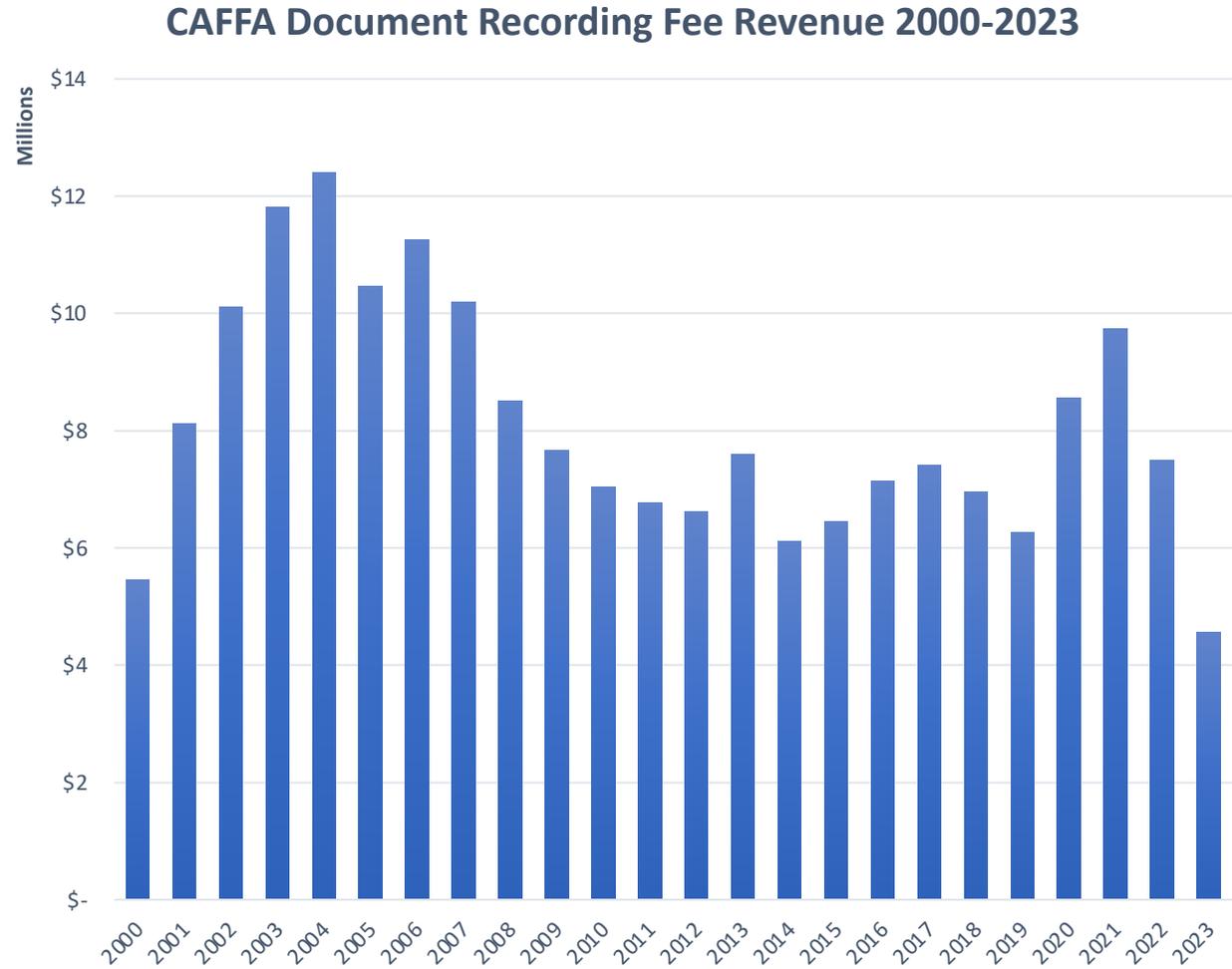
- **Document Recording Fees:** Every time a person records a title or deed with their county clerk they pay a document recording fee, \$9 of which is dedicated to A&T funding. Recording fees are collected at the county level. Then they're sent to the state and redistributed back to counties based on need.
- **Delinquent Interest:** Late property taxpayers accrue delinquent interest at a rate of 1.33% per month, or 16% annually, as the rate is not compounded. Delinquent Interest is collected at the county level and redistributed out to the taxing districts of that county. 25% of that is held back from all taxing districts (Tier 1) and another 25% is held back from all taxing districts that aren't county or K-12 school districts (Tier 2). This is also sent to the state and redistributed back to counties based on need.
- **State General Fund:** In 1999, the Legislature allocated \$2.5m per year (\$5m per biennium) to supplement the revenue generated from recording fees and delinquent interest. This allocation continued through the 2007-2009 biennium but was discontinued by the 2009 Legislature.

CAFFA Revenue Distribution

- On June 15th of each year, the DOR estimates how much money is going to come into CAFFA in the coming tax year. (July 1st – June 30th)
- If the estimated delinquent interest revenue is at least \$13m then the Tier 1 and Tier 2 rates stay at 25%.
- If the estimate is less than \$13m, a new rate is set for Tier 1 that is greater than 25% so that exactly \$13m is held back. Except that the rate cannot be increased so much that it would result in more than \$3m in additional holdback.
- DOR retains up to 10% of CAFFA revenue for its own A&T functions, which include central assessment and state-appraised industrial property valuations. The rest is provided to counties via grants.

Document Recording Fee Deposits to Counties

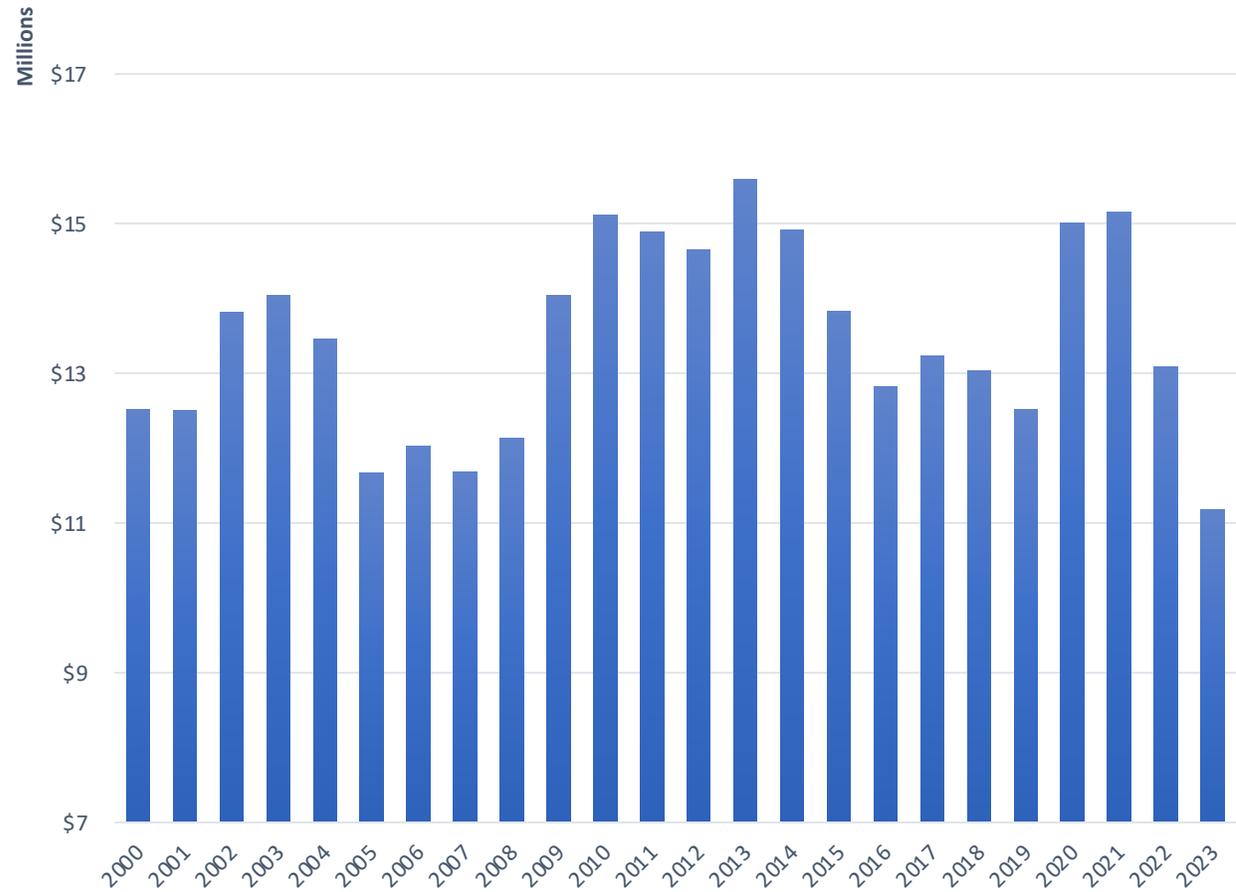
- Unstable
- Not indexed to growth
- Directly related to the level of activity in the real estate and the mortgage finance markets.



Delinquent Interest Deposits to Counties

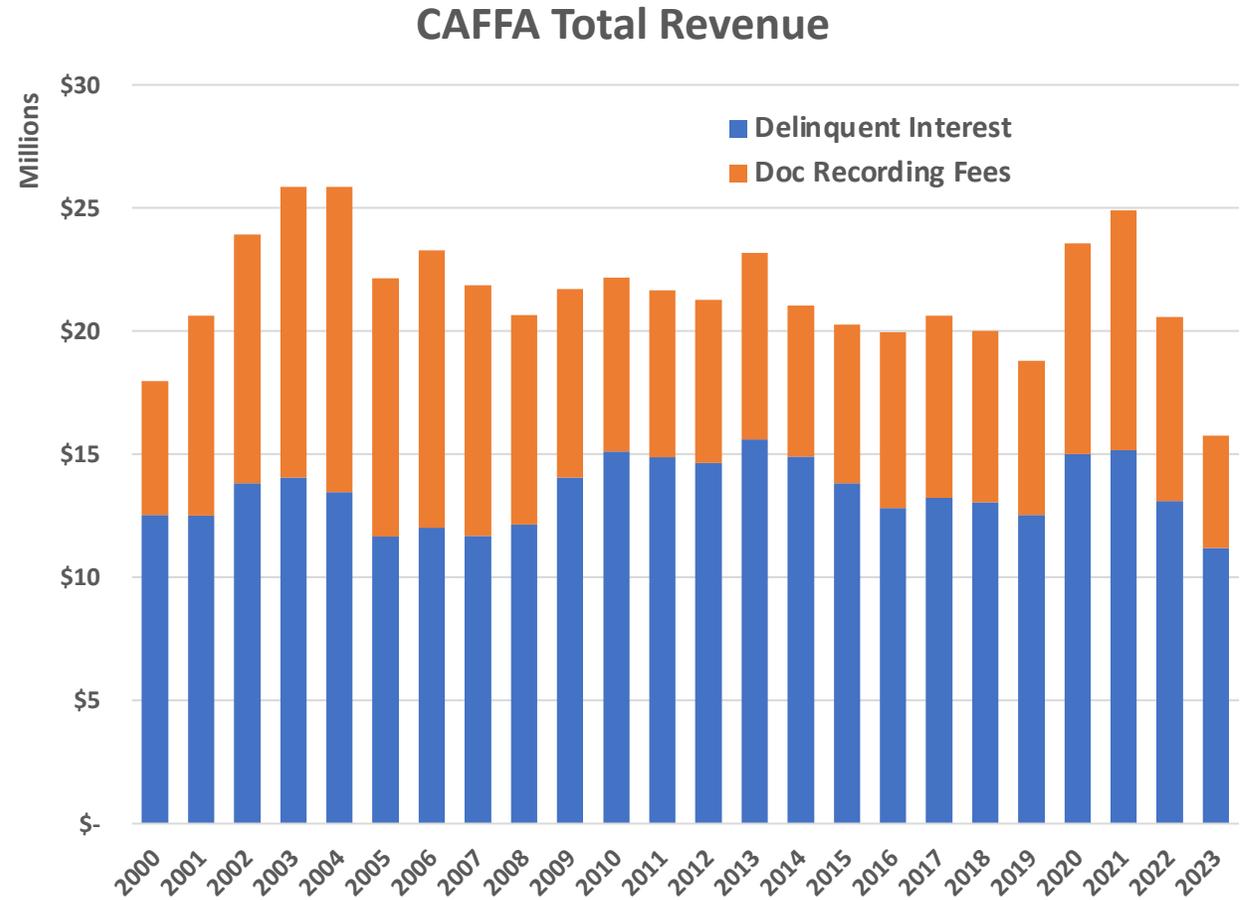
- Unstable
- Not indexed to growth
- County A&T benefits when taxpayers pay late.

CAFFA Delinquent Interest Revenue 2000-2023

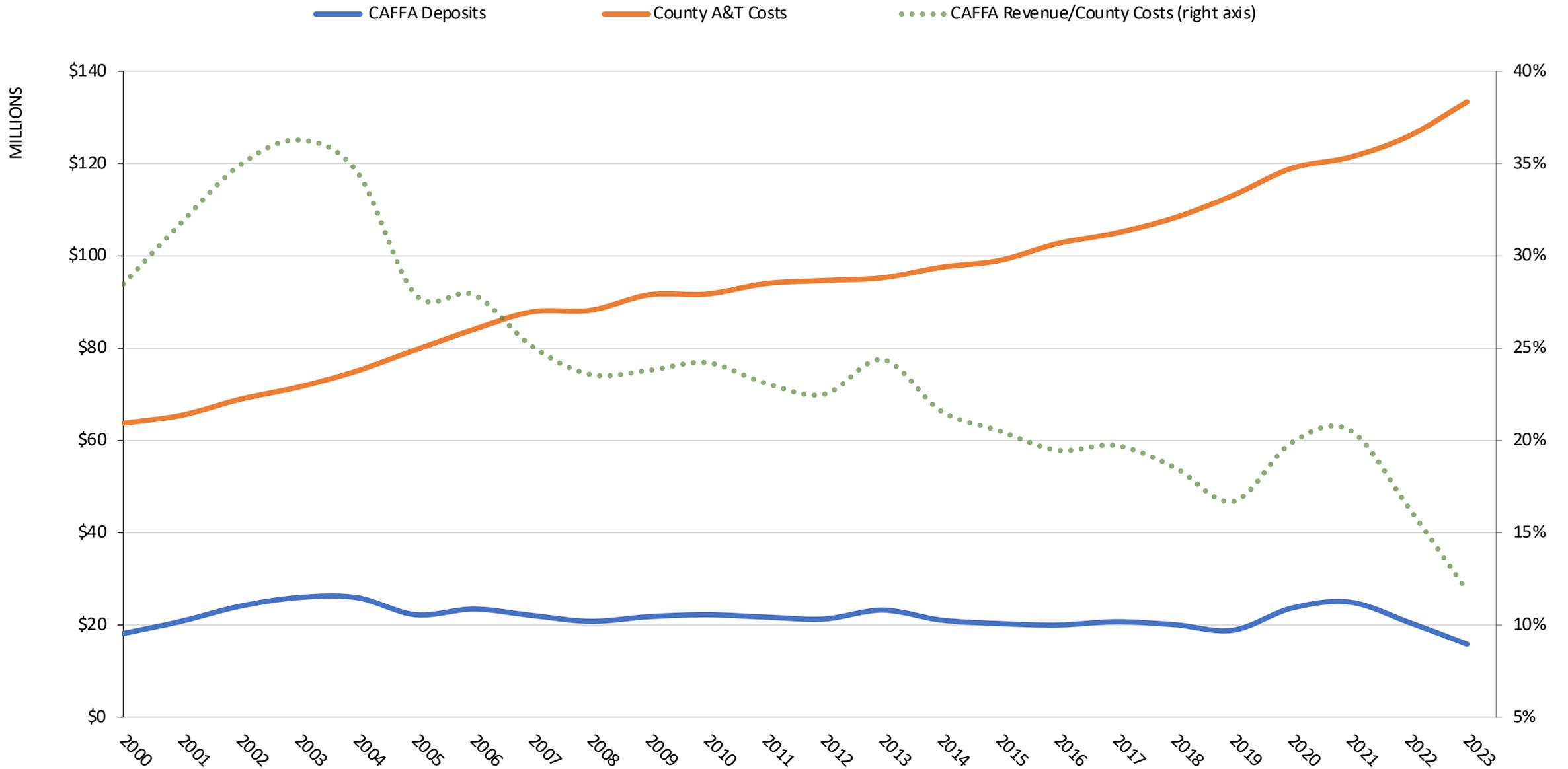


CAFFA Revenue Deposits to Counties

- Unstable
- Not indexed to growth



County A&T Costs vs CAFFA Revenue (2000 - 2023)



What Comes Next?

- Continued decline without legislative action.
- 2023 workgroup met several times with no clear sense of direction.
- Assessors and Tax Collectors built a model (*still in Beta mode*) to evaluate different options.
- Objective was to understand what it would take to return to and maintain "Peak CAFFA" which is about 36% of approved county A&T expenditures.
- Requires not just boosting revenue but indexing to future growth.
- For TY 2021-22 Peak CAFFA would require about \$25m in additional revenue beyond existing returns.
- For TY 2022-23 Peak CAFFA would require about \$32m in additional revenue beyond existing returns.
- Following slides show examples. These are NOT policy recommendations.

CAFFA Funding Model - Template

Scenario X

INPUT:

Model Input Paramaters:

	2021-22 Actual Value	Model Input Value	Net Change	CAFFA Additional Revenue	Funding Source (Negative is a Loss)	
					Districts	Public
Document Recording Fee	\$9.00	\$9.00		\$0		\$0
Delinquent Interest Rate	1.3333333%	1.3333333%		0.00%		\$0
Tier 1 Rate	30.09%	30.09000000%		0.00%		\$0
Tier 2 Rate	25.00%	25.00000000%		0.00%		\$0
Timely Payment Discount	2.660000000%	2.660000000%		0.00%		\$0.00
Back-Tax Deferral Retention	0%	0.00%		0.00%		\$0
Property Tax Distribution	0.00%	0.00%		0.00%		\$0
State General Fund	\$0.00	\$0.00		\$0.00		\$0
Totals						
				22-23 Target	\$32,000,000	

OUTPUT:

CAFFA

Funding Source (Negative is a Loss)

Additional Revenue

Districts

Public

Increase in Document Recording Fees for A&T

INPUT:				OUTPUT:		
Model Input Paramaters:	2021-22 Actual Value	Model Input Value	Net Change	CAFFA Additional Revenue	Funding Source (Negative is a Loss)	
					Districts	Public
Document Recording Fee	\$9.00	\$72.00		\$63 \$31,889,466		-\$31,889,466
Delinquent Interest Rate	1.33333333%	1.33333333%		0.00%		\$0
Tier 1 Rate	30.09%	30.09000000%		0.00%	\$0	\$0
Tier 2 Rate	25.00%	25.00000000%		0.00%	\$0	\$0
Timely Payment Discount	2.660000000%	2.660000000%		0.00%	\$0	\$0.00
Back-Tax Deferral Retention	0%	0.00%		0.00%	\$0	\$0
Property Tax Distribution	0.00%	0.00%		0.00%	\$0	\$0
State General Fund	\$0.00	\$0.00		\$0.00	\$0	\$0
Totals					\$31,889,466	\$0
				22-23 Target	\$32,000,000	

Increase Delinquent Interest Holdback for A&T

INPUT:				OUTPUT:		
Model Input Paramaters:	2021-22 Actual Value	Model Input Value	Net Change	CAFFA Additional Revenue	Funding Source (Negative is a Loss)	
					Districts	Public
Document Recording Fee	\$9.00	\$9.00		\$0		\$0
Delinquent Interest Rate	1.3333333%	1.3333333%		0.00%		\$0
Tier 1 Rate	30.09%	100.0000000%	69.91%	\$18,909,242	-\$18,909,242	
Tier 2 Rate	25.00%	0.0000000%	-25.00%	-\$3,774,897	\$3,774,897	
Timely Payment Discount	2.660000000%	2.660000000%	0.00%			\$0.00
Back-Tax Deferral Retention	0%	0.00%	0.00%	\$0	\$0	
Property Tax Distribution	0.00%	0.00%	0.00%	\$0	\$0	
State General Fund	\$0.00	\$0.00		\$0		\$0
Totals						
				22-23 Target	\$32,000,000	
					-\$15,134,344	\$0

Increase Document Recording Fees and Delinquent Interest for A&T

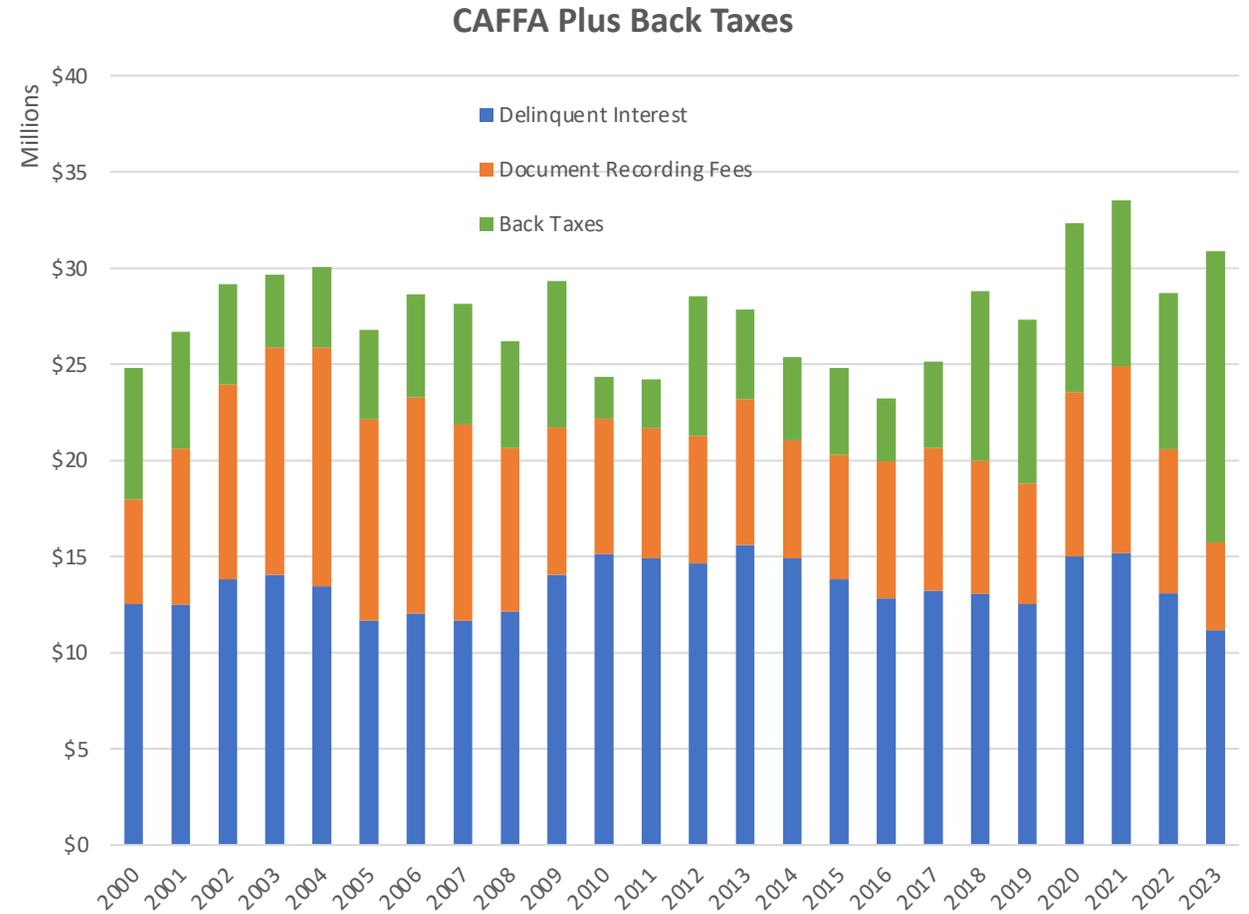
INPUT:				OUTPUT:		
Model Input Paramaters:	2021-22 Actual Value	Model Input Value	Net Change	CAFFA Additional Revenue	Funding Source (Negative is a Loss)	
					Districts	Public
Document Recording Fee	\$9.00	\$45.00	\$36	\$18,222,552		-\$18,222,552
Delinquent Interest Rate	1.33333333%	1.33333333%	0.00%		\$0	\$0
Tier 1 Rate	30.09%	100.00000000%	69.91%	\$18,909,242	-\$18,909,242	
Tier 2 Rate	25.00%	0.00000000%	-25.00%	-\$3,774,897	\$3,774,897	
Timely Payment Discount	2.6600000000%	2.6600000000%	0.00%		\$0	\$0.00
Back-Tax Deferral Retention	0%	0.00%	0.00%	\$0	\$0	
Property Tax Distribution	0.00%	0.00%	0.00%	\$0	\$0	
State General Fund	\$0.00	\$0.00	\$0.00	\$0		\$0
Totals				\$33,356,896	-\$15,134,344	-\$18,222,552
22-23 Target				\$32,000,000		

Adding In A New CAFFA Source? Back Taxes from Properties Previously in Tax Deferral

INPUT:				OUTPUT:			
Model Input Paramaters:	2021-22 Actual Value	Model Input Value	Net Change	CAFFA Additional Revenue	Funding Source (Negative is a Loss)		
					Districts	Public	
Document Recording Fee	\$9.00	\$32.00		\$23	\$11,642,186		-\$11,642,186
Delinquent Interest Rate	1.3333333%	1.3333333%		0.00%		\$0	\$0
Tier 1 Rate	30.09%	85.0000000%		54.91%	\$14,852,045	-\$14,852,045	
Tier 2 Rate	25.00%	0.0000000%		-25.00%	-\$3,774,897	\$3,774,897	
Timely Payment Discount	2.660000000%	2.660000000%		0.00%		\$0	\$0.00
Back-Tax Deferral Retention	0%	65.00%		65.00%	\$9,831,282	-\$9,831,282	
Property Tax Distribution	0.00%	0.00%		0.00%	\$0	\$0	
State General Fund	\$0.00	\$0.00		\$0.00	\$0		\$0
Totals					\$32,550,615	-\$20,908,429	-\$11,642,186
				22-23 Target	\$32,000,000		

CAFFA Plus Back Taxes

- More stable than current CAFFA
- Also more complicated
- Still not indexed to growth



Reduction in Timely Payment Discount for County A&T

INPUT:				OUTPUT:			
Model Input Paramaters:	2021-22 Actual Value	Model Input Value	Net Change	CAFFA Additional Revenue	Funding Source (Negative is a Loss)		
					Districts	Public	
Document Recording Fee	\$9.00	\$9.00		\$0	\$0		\$0
Delinquent Interest Rate	1.3333333%	1.3333333%		0.00%		\$0	\$0
Tier 1 Rate	30.09%	30.0900000%		0.00%	\$0	\$0	
Tier 2 Rate	25.00%	25.0000000%		0.00%	\$0	\$0	
Timely Payment Discount	2.660000000%	2.310000000%	-0.35%	\$30,655,464	\$0	-\$30,655,464.00	
Back-Tax Deferral Retention	0%	0.00%		0.00%	\$0	\$0	
Property Tax Distribution	0.00%	0.00%		0.00%	\$0	\$0	
State General Fund	\$0.00	\$0.00		\$0.00			\$0
Totals					\$30,655,464	\$0	-\$30,655,464
22-23 Target					\$32,000,000		

Current CAFFA Plus Property Tax Distribution Holdback for County A&T

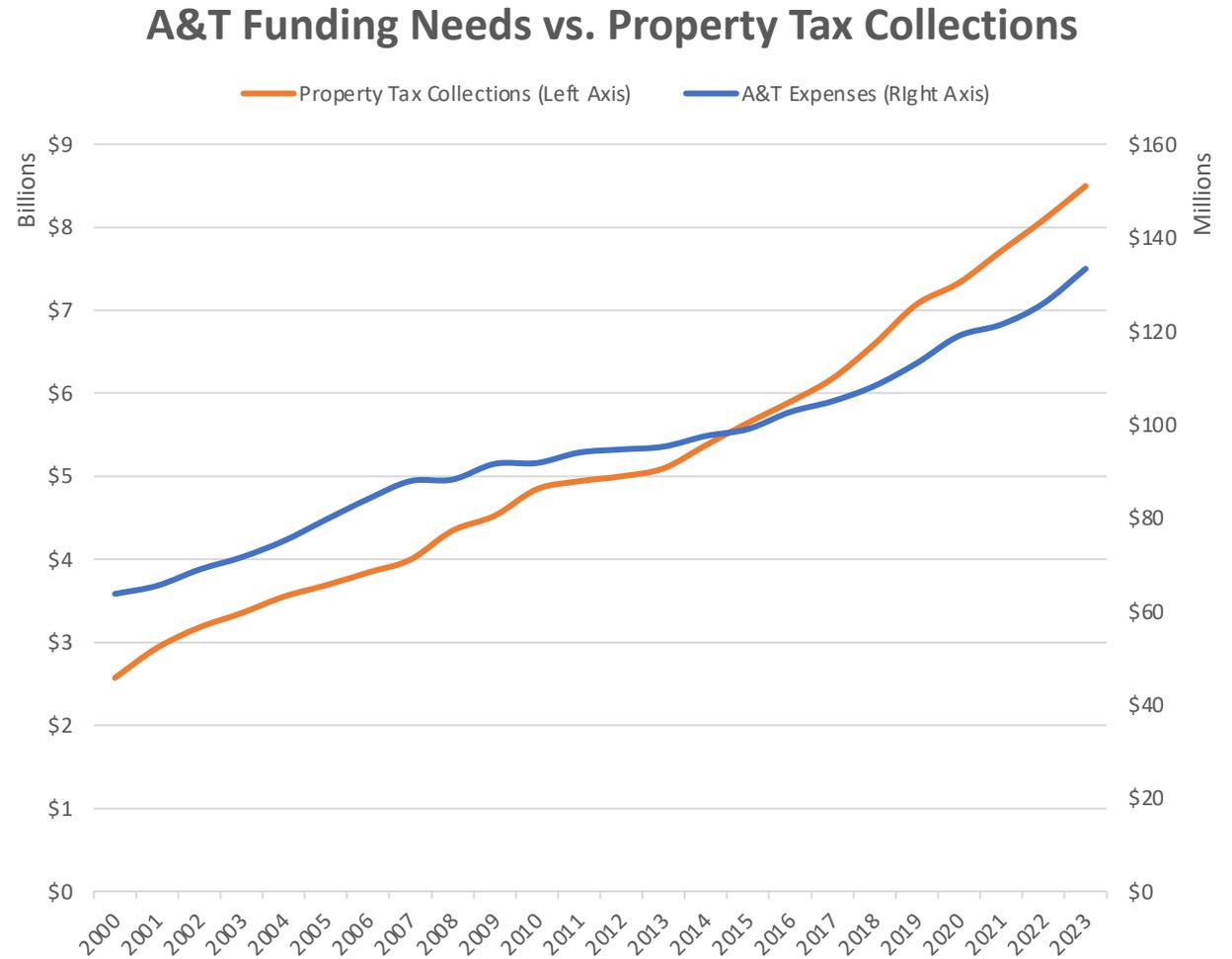
INPUT:				OUTPUT:		
Model Input Paramaters:	2021-22 Actual Value	Model Input Value	Net Change	CAFFA Additional Revenue	Funding Source (Negative is a Loss)	
					Districts	Public
Document Recording Fee	\$9.00	\$9.00		\$0		\$0
Delinquent Interest Rate	1.33333333%	1.33333333%		0.00%		\$0
Tier 1 Rate	30.09%	30.09000000%		0.00%		\$0
Tier 2 Rate	25.00%	25.00000000%		0.00%		\$0
Timely Payment Discount	2.6600000000%	2.6600000000%		0.00%		\$0
Back-Tax Deferral Retention	0%	0.00%		0.00%		\$0
Property Tax Distribution	0.00%	0.38%		0.38%	\$31,875,230	-\$31,875,230
State General Fund	\$0.00	\$0.00		\$0.00		\$0
Totals					\$31,875,230	-\$31,875,230
22-23 Target					\$32,000,000	

Replace CAFFA with Property Tax Holdback

INPUT:				OUTPUT:			
Model Input Paramaters:	2021-22 Actual Value	Model Input Value	Net Change	CAFFA Additional Revenue	Funding Source (Negative is a Loss)		
					Districts	Public	
Document Recording Fee	\$9.00	\$0.00	-\$9	-\$4,555,638		\$4,555,638	
Delinquent Interest Rate	1.3333333%	1.3333333%	0.00%		\$0	\$0	
Tier 1 Rate	30.09%	0.0000000%	-30.09%	-\$8,138,737	\$8,138,737		
Tier 2 Rate	25.00%	0.0000000%	-25.00%	-\$3,774,897	\$3,774,897		
Timely Payment Discount	2.660000000%	2.660000000%	0.00%		\$0	\$0.00	
Back-Tax Deferral Retention	0%	0.00%	0.00%	\$0	\$0		
Property Tax Distribution	0.00%	0.58%	0.58%	\$48,651,667	-\$48,651,667		
State General Fund	\$0.00	\$0.00	\$0.00	\$0		\$0	
Totals							
				22-23 Target	\$32,182,395	-\$36,738,033	\$4,555,638
					\$32,000,000		

Replace CAFFA with Property Tax Holdback

- Fully Indexed to Growth – and then some.
- Growth in A&T increases by about 3.2% per year while property taxes increase by about 5% per year.



History Repeating?

INTRODUCTION

In March of 1987 the Department of Revenue released a report on the "Disintegration of Oregon's Property Tax System." That report discussed problems in the property tax system which were causing properties in Oregon to be assessed and taxed unfairly.

In the period since, there has been a continuing disintegration of the system. Last year, 22 of the 36 counties were out of compliance with the statute requiring current appraisals. Today that number has grown to 26. As this disintegration of the foundation continues, a system that collects over \$2 billion a year in taxes is becoming more and more unfair.

For more information: erik@kanclerconsulting.com

