



March 25, 2025

Senate Finance and Revenue Committee
900 Court Street NE
Salem, OR 97301

RE:Support for SB 712

Chair Meek, Members of the Committee:

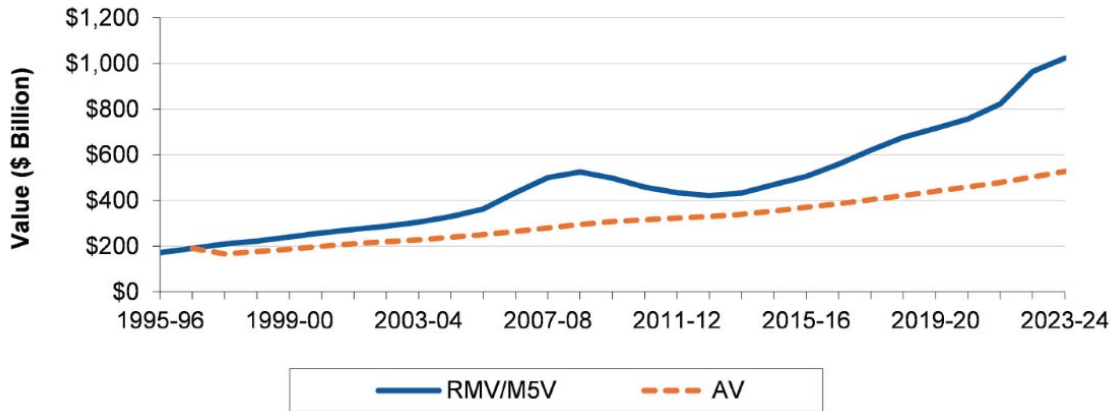
The League of Oregon Cities Supports SB 712. SB 712 is one of the only tools that can be changed statutorily and allow cities to future proof for when recessions happen so they can bounce back more quickly to provide the services their communities rely on.

Property taxes are the largest source of revenue for cities, with **\$1.9 billion** collected in FY 2023-24. Property taxes play a vital role in funding capital projects and the essential services that cities provide, including police, fire, roads, parks and more. The current property tax system is broken and in need of repair due to Measures 5 and 50, which are both now more than 20 years old. Because Measures 5 and 50 are embedded in the constitution they leave little to be done statutorily.

Measure 5	Measure 50
<ul style="list-style-type: none"> - Passed in 1990 - Limits \$5 per \$1,000 real market value (RMV) for schools - Limits \$10 per \$1,000 RMV for general government taxes - Applies only to operating levies, not bonds 	<ul style="list-style-type: none"> - Passed in 1997 - Repealed M47 - Created permanent rates - Assessed value (AV) was set at 90% of 1995-96 RMV for each property - AV limited to 3% annual growth - Change property ratio (For new property, AV = (RMV) x (AV/RMV of similar property))

Measures 5 and 50 were passed in the 1990s. These measures introduced significant constraints on property taxes, limiting how much local governments and schools could raise to provide services, creating a new valuation system that grows at a rate of only 3% per year, which is not consistent with the market or growth, and establishing a permanent tax rate limit for each taxing district that the city or its voters cannot change. Some cities have a permanent rate of zero, which means they do not receive any property tax revenues. This means that cities develop budgets based on property values that are constrained and equal to values that existed decades ago.

Exhibit 7—Assessed and Real Market Value of Taxable Property in Oregon, FY 1995-96 to FY 2023-24



When taxing districts hit Measure 5 limits this causes compression. Compression proportionately reduces levy rates until the taxes are within the Measure 5 limits. Local option levies and special districts are compressed first, then permanent rate. General obligation bonds are NOT subject to compression.

Compression by Type of Government in FY 23-24

District	Total #	# in Compression	% in Compression	Total Compression
City	241	182	76%	\$ 48.5 M
County	36	35	97%	\$ 20.8M
School	205	185	90%	\$ 71.3M
Other	765	387	51%	\$ 14.2M
Total	1247	789	63%	\$ 154,988,722

Cities need large scale property tax reform, but that will take time. In the meantime, cities need all the statutory tools they can get to improve a failing system. We urge your support for SB 712.

Respectfully,

Jenna Jones, Lobbyist, League of Oregon Cities