February 20, 2012

RE: HB 4177 Public Hearing on February 20, 2012

Dear Honorable Members of the House Revenue Committee

Thank you for your consideration today of HB4177. This bill duplicates previous successful legislation from 2007 known as HB3532. It allows certain counties who had originally agreed to adequately fund their Assessment & Taxation operation when they submitted their FY 11-12 CAFFA application to reduce A&T expenditures by no more than 10% during the fiscal year and not lose their CAFFA revenue. It is an attempt to provide flexibility to counties facing severe fiscal distress as a result of the loss of federal timber funds.

The CAFFA fund is comprised of document recording fees paid locally and a portion of interest from delinquent property tax payments collected as a result of our tax collection efforts. The DOR then returns those locally generated dollars to the counties in the form of CAFFA payments using a distribution formula. CAFFA funds support approximately 20% of the cost of A&T operations statewide with the remaining 80% of the cost borne by the county. These funds are critical to keep the system functioning correctly for the benefit of all tax districts in the state, not just for the county's.

While HB4177 is a short term fix for FY11-12 funding shortfalls and will be welcome relief to those counties that are trying to rebalance their FY11-12 budgets, this approach will not address the situation my county faces. Our county is preparing across the board reductions of 25.5% including to the A&T system and we will not be eligible for the CAFFA program at all because the reductions are happening at the beginning of the fiscal year, not mid year. Attached is my letter to the County Payments Task Force with additional information on this situation.

I respectfully request that you consider an amendment to this bill that would further extend CAFFA relief on a limited basis to include counties impacted by the loss of federal timber funds in the FY12-13 year. The amendment should also include sideboards and accountability measures to limit the amount of reduction a county can make to A&T and still ensure administration of the state's property tax system occurs in the impacted counties.

Lastly, the funding crisis faced today by the O&C counties will soon be replaced by a new crisis next year when the Eastern Oregon counties lose their federal PILT funding. I encourage you to consider an interim group to look at solving the long term A&T funding issue so that CAFFA does not continue to be looked at as short term emergency funds when a county can not meet its 80% obligation.

Sincerely,
/s/
Anette Spickard, Lane County Assessor

ANETTE SPICKARD, LANE COUNTY ASSESSOR/ 125 EAST 8TH AVENUE/EUGENE, OR 97401/ (541) 682-6798

Attachment to Testimony of Anette Spickard
House Revenue Committee
February 20, 2012
HB 4177

February 7, 2012

Dear Representative Barnhart

RE: County Payments Task Force Meeting February 8, 2012, CAFFA grant program

Assuming the non-renewal of federal timber funds, Lane County has a projected $13.5 Million budget deficit. Lane County has instructed all general fund departments including Assessment and Taxation to submit initial budget proposals for FY2012-13 with 25.5% spending reductions. A&T's share is an estimated $1.2 Million reduction – or approximately 19.0 FTE – and that assumes we still receive our CAFFA revenue from the Department of Revenue at a reduced amount.

The Department of Revenue has indicated they will not certify Lane County to participate in the CAFFA program with this level of staff reduction. The loss of the CAFFA revenue results in a further cut of $1.45 Million to the department raising the level of staff reduction to 32 FTE. We will go from a staff of 58 employees to 26 employees to handle a $400 million tax roll with over 180,000 tax accounts and 83 tax districts to collect taxes for. It will be impossible for me to create an accurate tax roll and collect all taxes owed under this scenario. I will be unable to implement any new property tax laws that are passed this session. The Department of Revenue is correct that we will not meet our constitutional or statutory mandates as required by law and therefore are not legitimately able to receive CAFFA funds.

The 2007 law known as HB3532 allowed certain counties who had originally agreed to adequately fund their A&T operation when they submitted their CAFFA application at the beginning of the fiscal year to later reduce A&T expenditures during the fiscal year and not lose their CAFFA revenue. That same approach will not address the situation my county faces because we will not be eligible to get into the program at all because the reductions are happening at the beginning of the fiscal year, not mid year.

Cuts to A&T operations will have a ripple effect to all of the 83 tax districts we serve and to the rest of the state. Inaccuracy of our property values creates inaccurate taxation and erodes any semblance of uniformity and fairness. Our tax collection efforts will be reduced to only sending the statement in October. While our local governments will experience erosion of their revenue stream directly, the state too will feel the impacts. We have 17 school districts that will not receive the full amount of local tax revenues they are owed and that deficiency will be pushed onto the state general fund to backfill, shifting monies from other school districts across the state to make up for the tax collection problem created in Lane County.

The CAFFA fund is comprised of document recording fees paid locally and a portion of interest from delinquent property tax payments as a result of our tax collection efforts. The DOR then returns those locally generated dollars to the counties in the form of CAFFA payments. Lane County is considered a "donor" county remitting more to the state than it receives back. If we are the first county ineligible to receive these funds, then fees paid by our local citizens to ensure accurate real property records will be sent to other counties instead. Our local real estate industry may have an opinion on whether these recording fees are really a fee and not a tax when they are no longer directly related to a specific service that will benefit them.

Lastly, the law does allow the DOR to assume a county's appraisal function if the county is unable to perform adequately. They have no authority to assume any other part of the tax system. The DOR at this time is not sufficiently staffed, either in terms of numbers or local expertise, to be able to assume the Lane County appraisal function. When counties threaten to "return A&T to the state", they do not understand that in reality they will still have to provide the mapping, ownership updates, annexations, exemptions, special assessments, tax collection functions, etc.

Where will this leave us if the worst comes to pass? The DOR has said they cannot assist us while at the same time they cannot allow us to participate in the grant program. The county cannot afford to run the operation at a minimal level. And as we saw a few sessions ago, the local tax districts are not willing to help pay for the tax collection system that directly benefits them. It appears that none of the beneficiaries of the tax system are able or willing to adequately fund it even if it means a decrease to their tax revenues.

It is time for reasonable people to come to the table with a solutions-focused approach to solve this dilemma. At its core, the property tax system is a most basic example of our democracy. The citizens have enshrined property taxation in our state's constitution and have voted to tax themselves in order to have a quality community. I feel strongly we need to fulfill our responsibility to the citizens of our state and the tax districts that serve them.

Thank you for your consideration,

/s/

Anette Spickard
Lane County Assessor