A BRIEF HISTORY OF DIRECT
PROPERTY TAX ADMINISTRATION COST SHARING

1989

Following the 1980's recession and steep decline of county timber harvest revenue sharing payments from the federal government, counties made across-the-board funding reductions that greatly reduced property tax administration. At that time, the state of Oregon played no funding role in assessment and taxation at the county level.

The 1989 legislature passed legislation (HB 2338) that established the (County Assessment Function Funding Assistance) CAFFA Account. Among other things, the legislation:

- Dedicated a percentage of interest on delinquent property taxes, and proceeds of a document filing fee on property ownership transfers to CAFFA;
- Transferred 90% of CAFFA to counties in proportion to their approved budgets;
- Sent 10% to DOR to pay for industrial property appraisal (previously done by counties);
- Prohibited local governments from imposing any new or increased fees or taxes on transfer of real property;
- Included a sunset date of June 30, 1998, for review of the program by the 1997 Legislature.

Note: The hope was that the fund would provide 35% of the expenses of county administration of the property tax system. In reality, that mark was reached only in three FYs: 2001-02, 2002-03, and 2003-04.

1997

The legislative review of the program yielded House Bill 2049 (1997). This law, among other things,

- Increased transfer of interest revenue on delinquent property taxes to CAFFA;
- Extended the prohibition of local government imposing real estate transfer taxes;
- Directed DOR to study the appropriate level of funding for A&T and appropriate funding sources, and report to the Legislature.

1999

The legislative review of DOR's report resulted in HB 2139 that, among other things,

- Changed document recording fee to $9 plus $1 per document. Increased the types of documents covered to virtually all documents.
- Dedicated the $1 filing fee to DOR to develop a base map system;
- Made permanent the preemption of new real estate transfer taxes or fees imposed by local government.
- Required DOR to study funding for A&T and appropriate sources, to report to 2004 session.
- Appropriated $5 million GF to the A&T fund through the DOR budget to support assessment and collection of taxes.

2004
The DOR study found, among other things, that:

- Current funding did not adequately fund: 1) Maximizing tax-generated revenue by maintaining active appraisal and omitted property discovery programs; 2) generating accurate or timely statistical data for system decision-makers; and 3) absorbing significant statutorily mandated program changes.

2007
For the 2007-09 biennium, the Legislature appropriated $5.155M GF to the A&T fund to support assessment and collection of taxes. The increase reflected the growth in the Consumer Price Index.

2008
During the fourth quarter of 2008, at the onset of the Great Recession the Legislature reduced the 2007-09 appropriation to the A&T fund to $4.64M. The reduction was “swept” into the state general fund.

In response to the federal forest payment crisis, Governor Kulongoski appointed the Task Force on Federal Forest Payments and County Services. The Final Report recommended:

- #23 – Place all delinquent interest on property taxes into the CAFFA fund within the next four years.
- #24 – Increase state general funding for A&T.
- #42 – Raise the $9 recording fee for A&T to $15.

2009
In a session dominated by the Great Recession and its accompanying finance challenges, the Legislature:

- Eliminated its biennial appropriation to the A&T fund that had been in place since 1999. Final year of General Fund to CAFFA.
- Took no action on the three A&T-related recommendations of the Task Force.

2010 and 2011
Economic recovery begins. Federal forest payments diminish. No action on A&T funding.

2012
The Legislature adopted House Bill 4177, which permitted distressed counties reduce expenditures in property tax administration and not lose CAFFA funding under certain conditions. Counties affected are Benton, Columbia, Coos, Curry, Douglas, Grant, Jackson, Josephine, Klamath, Lane, Linn, Polk, and Tillamook.

2013
The Legislature adopted two bills to address partial failure of county property tax administration.

- House Bill 3404, extending HB 4177 for the 2012 session, and House Bill 2206, which established an emergency process for DOR to take over A&T in distressed counties.

2015
The Legislature appropriated $1,836,836 of general funds to the Department of Revenue (DOR) to backfill a forecasted revenue shortfall in CAFFA caused by a decline in mortgage refinancing activities and lower recording fees. No corresponding revenue backfill was provided to counties.

There was also no provision to restart the state general fund contribution to CAFFA, which began in 1999 and ended in 2009.

2016
No action on A&T funding.

For 2016, statewide, counties retained 17% of property taxes they collect for schools and other local taxing districts. The statewide mean: Counties 17%; K-12 and ESDs receive 41%; cities 21%; and special districts 14%.

2017 - 2018
No action on A&T funding

For 2017 - 2018, statewide, counties retained 16% of the property taxes they collect for schools and other local taxing districts. The statewide mean for 2017-18: Counties 16%, K-12 & ESDs receive 42%, cities 21%, special districts (including service districts) 14%, community colleges 4%, and urban renewal 4%.

Some counties, however, retain collections far below the average, e.g., Curry 6.83%; Josephine 9.22%; Douglas 9.49%; Hood River 10.83%; Coos 11.68%; and Lane 12.10%.