



HB 2088: Assessment and taxation funding

House Revenue Committee – Jody Wiser – 1.25.2023

Counties have the responsibility of assessing and collecting property taxes. An average of 32% of the revenues they collect benefit the General Fund, as that is the average local portion of K-12, ESD and Community College funding they collect. Any portion of potential taxes that are not either assessed or collected end up being backfilled by the various education funding formulas. For decades the County Assessment Function Funding Assistance Account (CAFFA) funding has rightly helped cover those costs.

But the amount of CAFFA funding has remained flat while costs have gone up. CAFFA funds are no longer covering an adequate share of costs.

We recognize the problem. Poorly funded county departments of assessment and taxation mean property taxes are not being robustly and uniformly assessed or collected, and that is neither fair nor equitable. We've heard the stories of distress from counties, particularly rural counties, and the reality must be addressed.

But the mechanism in this bill is not the right solution to the problem.

First of all, withholding 3% of all property taxes is more than is needed for assessment and taxation budgets, equating to roughly \$220 million in new revenue for the counties, and \$69 million less for education. And secondly, it doesn't reflect counties' needs. Providing 3% of all taxes collected to every county just doesn't make sense. High population and property-rich counties have both revenue and economies of scale that don't exist for low-population, low-resource counties.

By our calculations, the idea of retaining 3% of all taxes collected in each county would, for instance, deliver to Washington county \$36 million. Their current assessment and taxation budget is \$14 million, so the new money would be a 250% increase to their current budget. But Lake County would get only a 57% increase to their current budget.

The problem is real; the solution is increased funding. But how? The legislature could return to General Fund funding, as it did until 2008, making sure that General Fund and CAFFA funding equal 32% of collected property taxes, since that's essentially the State's share of property taxes. With that as a model, perhaps local jurisdictions will also begin providing counties with funding for Assessment and Taxation in proportion to what they receive in property taxes. Cities, special districts and school districts (for bonding and local option levies) could each do their share.

We read the bills and follow the money