County Assessment Function Funding Assistance (CAFFA) Basics

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Overview

The County Assessment Function Funding Assistance (CAFFA) program was created by the Oregon Legislature in 1989 (House Bill 2338) to provide financial assistance for County Assessment and Taxation (A&T) functions. The passage of HB 2338 followed reports to the Legislature concerning 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.

HB 2338 provided county officials and the state a new source of funding for approved A&T programs by increasing delinquent interest and document recording fees. CAFFA has been modified several times since, most notably in 1997 (HB 2049[1]) and in 1999 (HB 2139[2]).

CAFFA Revenue Collection

Funding for CAFFA comes from document recording fees and interest on delinquent property tax payments. Each of Oregon's 36 counties has its own County Assessment and Taxation Fund (CATF) into which revenue from those sources is continually deposited. Those funds are then deposited quarterly into the statewide CAFFA fund. Up to 10% of those funds are held back for Department of Revenue A&T functions. The remainder are then distributed to counties based on estimates of need.

<u>Document Recording Fees:</u> Every time a person records a title or deed with their county clerk they pay a document recording fee. $9 of every recording fee[3] is deposited in the county's CATF account. That revenue then gets deposited into the statewide CAFFA fund. Revenue from titles and deeds is directly related to the level of activity in the real estate market and the mortgage finance market.[4]

<u>Delinquent Interest:</u> Local property taxes are due in three installments every year: November 15th, February 15th, and May 15th. If a property owner pays in full by November 15th, they receive a 3% discount. If they pay at least two-thirds of their taxes by November 15th, they receive a 2% discount. Paying each third in a timely manner results in no discount. Late payers receive a one-month grace period[5] following the November 15th deadline after which interest starts to accrue. Interest begins to accrue on December 16th at

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[1] HB 2049 (1997) https://www.oregonlegislature.gov/bills_laws/archivebills/1997_hb2049.en.html

[2] HB 2139 (1999) https://www.oregonlegislature.gov/bills_laws/archivebills/1999_hb2139.en.html

[3] Oregon's document recording fee rate is established in ORS 205.323(4) https://www.oregonlegislature.gov/bills_laws/ors/ors205.html. The $9 CAFFA fee was established via HB 2338 in 1989 and has never been increased.

[4] Oregon's document recording fee was last increased in 2018 (HB 4007 Section 10) when the Legislature raised the fee $40 (from $20 to $60) to raise additional revenue for the Oregon Housing Fund. https://olis.oregonlegislature.gov/liz/2018R1/Measures/Overview/HB4007

[5] The one-month grace-period was established by HB 3143 in 2021. https://olis.oregonlegislature.gov/liz/2021R1/Measures/Overview/HB3143

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a rate of 1.33% per month[6]. There is no grace period following the February 15th and May 15th deadlines. Interest is applied only to the portion of the annual payment that is past due.

The vast majority of delinquent interest that is owed ends up being collected. Delinquent interest collections are deposited into each county's unsegregated tax account for onward distribution to the taxing districts, except that 25% is held back from all taxing districts (Tier 1) and another 25% is held back from all taxing districts that aren't either county or K-12 school districts (Tier 2)[7] Those funds then get deposited into the county's CATF account for onward distribution to the statewide CAFFA account.

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 every year, the DOR's Research Office estimates how much money is going to come into CAFFA from all sources in the coming tax year. (July 1st – June 30th) If the estimated delinquent interest revenue is least $13m[8] then the Tier 1 and Tier 2 rates are applied as described above. If the estimate is less than $13m, the office sets a new rate for Tier 1 that is greater than 25% so that exactly $13m is held back with one exception: The rate cannot be increased so much that it would result in the hold back more than $3m more than would have been held back under the original 25% + 25% formula.

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.

Per DOR guidelines[9], each county submits a grant application[10] by May 1st to the Department that includes its projected A&T budget, certified expenses, the difference between the two, and staffing levels for the upcoming tax year. The DOR then validates the expenses and compares the staffing levels to a best-practices staffing model[11]. Grants are provided based on the adequacy of budgeted county assessment and taxation expenditures.

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[6]The interest rate on delinquent property tax payments (ORS 311.505) was last raised in 1999 via HB 2139 from 1% to 1.3%. https://www.oregonlegislature.gov/bills_laws/ors/ors311.html.

[7] The allocation of delinquent interest revenue to CAFFA is established in ORS 311.508. https://www.oregonlegislature.gov/bills_laws/ors/ors311.html.

[8] A $10m cap was established by the Legislature in 1989 (HB 2388). Tier 2 was added in 1997 (HB 2049) cap was raised to $13m for the purpose of increasing CAFFA funding.

[9] OAR 150-294 (https://secure.sos.state.or.us/oard/displayDivisionRules.action?selectedDivision=417)

[10] CAFFA grant application: https://www.oregon.gov/dor/forms/FormsPubs/caffa-grant-application_338-001.pdf

[11] The DOR staffing model is based on information from the Library of International Association of Assessing Offices and particular funding models in in Texas, California, Wisconsin, and Washington. It was created in 2006.