

Capital District Plan Could Help Salem **Bridge** the City Budget Gap

by Tom Hoffert,
Chief Executive Officer

Our beloved Salem's rich history goes all the way back to its founding in 1842, 17 years before Oregon was admitted to the Union on February 14, 1859.

In the nearly 200 years since its founding, Salem has enjoyed significant growth and expansion while serving as the birthplace to countless success stories (individuals, projects, ventures, and businesses). But today, **the City of Salem is facing a budget crisis**. The City is in dire need of financial help, and some of that help should come from those inside the State Capitol, not solely from the financially overburdened residents and overtaxed businesses in the capital city.

The City of Salem's five-year financial forecast in October reported a **\$17.7 million budget shortfall**. In January's report, thanks to the efforts of a forecast revenue team which comprised **Mayor-Elect Julie Hoy**, **Councilor-Elect Shane Matthews**, three local business leaders (including two Salem Chamber Board Members), and three Salem budget committee members, that **shortfall was reduced to \$13.8 million**. According to the financial forecast presented to the Salem Budget Committee, City staff estimate state-owned property comprises 8% of the land within the Salem city limits worth about \$1.65 billion in real market value.



In a **Statesman Journal** article published on Dec. 11, 2024, City Manager **Keith Stahley** discussed the unique position the City of Salem holds as the seat of state government. The tax-exempt status of state-owned buildings means that Salem does not collect the \$7.25 million per year in property taxes.

"That \$7.25 million would go a long way in helping address the budget shortfall," Stahley told the *Statesman Journal*.

In 2024, the Salem Chamber partnered with the **Home Builders Association of Marion & Polk Counties**

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to discuss the City's budget issues and the options presented by the 2024 Revenue Task Force. With the help of the **Pac/West Lobby Group**, we surveyed 1,700 local businesses and conducted industry focus groups. Based on feedback from those efforts, the most popular option to bridge the City's budget issues was looking into a Payment in Lieu of Taxes, which is now being pursued as the "Capital District Plan," to raise revenue from state government to offset City services provided to state-owned facilities.

During the last legislative session, the Salem Chamber supported, and I provided testimony on, HB 4072, the Payment in Lieu of Taxes bill. This was Chief Co-Sponsored by **Representative Tom Andersen** (HD19), **Senator Deb Patterson** (SD10), **Representative Kevin Mannix** (HD21), and **Representative Ed Diehl** (HD17); and Co-Sponsored by **Representatives Paul Evans** (HD20) and **Mark Gamba** (HD40). During this upcoming long session, we're going back to work alongside our local elected officials to secure a Capital District Plan resembling the agreement Washington State has with its capital city of Olympia.

"I saw the unique challenges Salem faces as a state capital during my eight years on the Salem City Council," said Representative Tom Andersen. "The state owns 8% of Salem's total taxable property valued

at over \$1.8 billion — including the State Capitol and park grounds; the 2,040-bed, 194-acre Oregon State Penitentiary; and the 558-bed Oregon State Hospital.



*Representative
Tom Andersen.*



*Representative
Kevin Mannix.*

As a matter of basic fairness, I believe the state should pay for the uncompensated, essential fire, EMS, and police services it receives from the City. I committed to working tirelessly with my Republican colleagues in the 2025 Session to secure this funding."

"This plan is creative and calls for careful consideration," said Representative Kevin Mannix. "This kind of innovation can make a positive difference if handled properly."

I'm happy that we have a bi-partisan coalition of local State Senators and State Representatives who are working on the Capital District Plan for the 2025 session, and we at the Salem Chamber will provide them with any support needed to get this accomplished.

Salem's city motto is, "Salem: Historic heart of Oregon." A large part of Salem's identity is being the State Capital. I'm hopeful the legislature can find a pragmatic and durable solution to assist our historic city through this budget heartache. **503.**

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