

House Committee on Revenue

March 11, 2025

Special Districts Association of Oregon Opposition to HB 3518

Thank you for the opportunity to provide testimony regarding HB 3518. My name is Hasina Wittenberg, and I serve as the Government Affairs Director for the Special Districts Association of Oregon (SDAO). SDAO represents approximately 960 special districts across the state, encompassing more than 30 types of single-service providers, including water, sewer, rural fire protection, parks and recreation, and libraries. Many of these districts are heavily dependent on property tax revenue to fund essential public services, with some, such as rural fire protection districts, receiving approximately 95% of their funding from property taxes.

Special District Funding

Special districts provide essential services but unlike cities and counties do not receive revenue from sources such as liquor, tobacco, or state-shared funds. With no ability to shift revenue losses between “departments”, special districts must absorb funding cuts directly, which often results in reductions to critical services.

The financial profile of our membership highlights the unique nature of our membership and demonstrates the vulnerability of special districts as it relates to potential revenue reductions:

- 75% of our members have five or fewer full-time employees (FTEs).
- 38% of our members operate with all-volunteer staff and have no paid employees.
- 45% of our members have annual budgets of \$100,000 or less.

Ensuring a stable and effective property tax system is vital to the financial health of special districts and their ability to provide essential services.

Historical Context: CAFFA Program

In 1989, the Legislature created the County Assessment Function Funding Assistance (CAFFA) grant program through HB 2338 to prevent the collapse of the

property tax system. Following the 1980s recession and the end of federal general revenue sharing, counties faced severe budget cuts, threatening the uniformity and accuracy of property tax assessments. Recognizing that assessment and taxation are shared statewide responsibilities, the Legislature prioritized stable funding for these functions. In 1999, it began appropriating \$5 million per biennium through the Department of Revenue to support property tax collection for K-12 schools and ESDs, which account for 40% of property tax revenue. This appropriation increased slightly in 2007 but was eliminated in 2009.

Overview of HB 3518

HB 3518 would provide additional funding to Oregon's 36 counties for the administration of A&T programs, which are responsible for collecting and distributing property taxes to taxing districts. Specifically, the bill proposes the following:

- Increasing document recording fees from \$9 to \$19, with a Consumer Price Index (CPI) going forward.
- Retaining 0.3% of property tax revenue for assessment and taxation while ensuring that 100% of delinquent interest is returned to taxing districts.
- Adding \$10 million per biennium in state general funds to support assessment and taxation functions.

The provisions of HB 3518 that add \$10 million per biennium in state general funds would reinstitute and reinforce the legislature's previous commitment to the integrity of Oregon's property tax system.

According to proponents HB 3518's funding structure will require taxing districts to contribute 0.3% of their property tax revenue and districts will receive all delinquent interest revenue. Currently, taxing districts have been funding the CAFFA program since 1989 through a delinquent interest holdback. Under this proposal, that holdback would be eliminated.

Net Cost to Districts vs. Counties in Need

Supporters of HB 3518 argue that the financial impact on special districts is relatively small compared to the benefits of securing a stable and well-functioning property tax system. According to the proponents of the bill, special districts

statewide would contribute approximately \$1.2 million more per year than they currently do.

Not all counties are facing the same level of financial distress as it relates to their A&T programs. According to proponents, some counties are in a state of active failure, struggling with inadequate staffing and disorganized assessment records, while others are experiencing gradual declines in financial health due to the ongoing erosion of CAFFA funding. Given this variability, special districts maintain that A&T functions are fundamentally a county responsibility.

If districts are expected to increase their financial contributions, they should be provided with a clearer understanding of how these additional funds will be allocated on a county-by-county basis. This transparency would help ensure that only counties with demonstrable financial need receive additional revenue, rather than applying a blanket funding increase across all jurisdictions.

Focusing on transparency and proper data collection is crucial if taxing districts are expected to contribute additional funding toward county assessment and taxation programs. Suggested improvements to HB 3518 include the following:

1. County-by-County Financial Assessments

- A county-by-county needs assessment should be required before additional funding is allocated.
- To ensure fair allocation of funds, consistent financial reporting on the health of each county's assessment and taxation function should be produced.

2. Performance Metrics and Accountability

- If taxing districts are required to contribute additional funds, they should have access to data on how their contributions improve assessment and taxation outcomes.
- To ensure accountability for additional funding, clear performance measures should be established to evaluate the return on investment. These indicators should assess items like improvements in county assessment office staffing levels, reductions in assessment backlogs, enhancements in property tax accuracy, and decreases in valuation appeals and revenue losses.

3. Ensure Ongoing Reporting and Legislative Oversight

- Taxing districts need to know their contributions are producing tangible improvements in the administration of property taxes.
- Counties receiving additional funds should be required to submit reports detailing how the funds were used and their impact on property tax administration.
- Trends in assessment and taxation funding and performance should be provided to ensure ongoing oversight and transparency.

Conclusion

SDAO believes that assessment and taxation (A&T) is a county function, and taxing districts should not be required to sacrifice their revenue to fund these operations. While we acknowledge the importance of well-funded A&T programs, any additional financial contributions from taxing districts must be based on a transparent, data-driven approach that ensures funds are directed where they are most needed.

Special districts remain committed to maintaining the integrity of Oregon's property tax system. However, HB 3518 does not sufficiently account for the varying financial health of counties. Some counties are in dire need of additional support due to severe staffing shortages and administrative challenges, while others are on a more stable footing. Without a clear and equitable framework for allocating funds based on demonstrated need, the bill risks placing an unnecessary financial burden on taxing districts without guaranteeing meaningful improvements to the system.

To address these concerns, HB 3518 should include provisions for a county-by-county financial assessment, establishing clear performance metrics to measure the impact of additional funding, and ensuring ongoing transparency through legislative oversight. Taxing districts deserve to know that any contributions they make are leading to tangible improvements in assessment and taxation functions statewide.

SDAO has a history of supporting efforts to stabilize A&T funding, including the 2019 pilot program in Curry County, in which taxing districts matched county funds to ensure the continued operation of A&T services. However, broad-based revenue diversions without clear justification set a troubling precedent for taxing districts that already operate with limited resources.

For these reasons, SDAO opposes HB 3518 in its current form. We urge the committee to consider amendments that prioritize transparency, accountability, and a need-based approach to funding A&T programs. Thank you for the opportunity to provide testimony, and we look forward to continued discussions on this important issue.