March 11, 2025
House Committee on Revenue
HB 3518—Relating to Funding County Assessment Functions

Dear Chair Nathanson, Vice-Chairs Reschke and Walters, and Members of the Committee:

I'm writing in support of HB 3518; to stabilize, index, and increase the County Assessment Function Funding Assistance Account (CAFFA) grant.

The CAFFA program provides an important supplemental funding source for Assessment and Taxation (A&T) functions. CAFFA revenues have failed to keep pace with inflationary increases in expenses to the detriment of the property tax system.

Specifically, in Lane County:

- In 2012, due to funding shortfalls, A&T reduced from 60 staff to only 48 staff.
- Staffing levels since 2012 have fluctuated.
- Current staffing level is 48.
- Since 2010, we've grown by 7,000+ property tax accounts.
- Our staffing levels are one of the lowest per account in Oregon. The Oregon Department of Revenue recommends a staffing level of 76 full time equivalent (FTE).
- As we head into fiscal year 2025-2026, the county general fund is facing a $6.5 million budget deficit; 5% reductions in all departments and A&T would be reduced to 45 FTE.
- Fiscal year 2024-2025, certified $720.9 million in tax revenue to collect and distribute to 85 districts which include schools, cities, public safety, fire, ambulance, the county, and parks districts.
- 38% of residential properties have not been physically inspected for 25-30 years.
- CAFFA has been on a steady decline since 2001 when it covered 41% of A&T costs
- FY 2024-2025 expected to cover between 11-12% of A&T costs.
- If passed, HB 3518 will provide relief to Oregon's county government general funds and increase to 25% of A&T costs.

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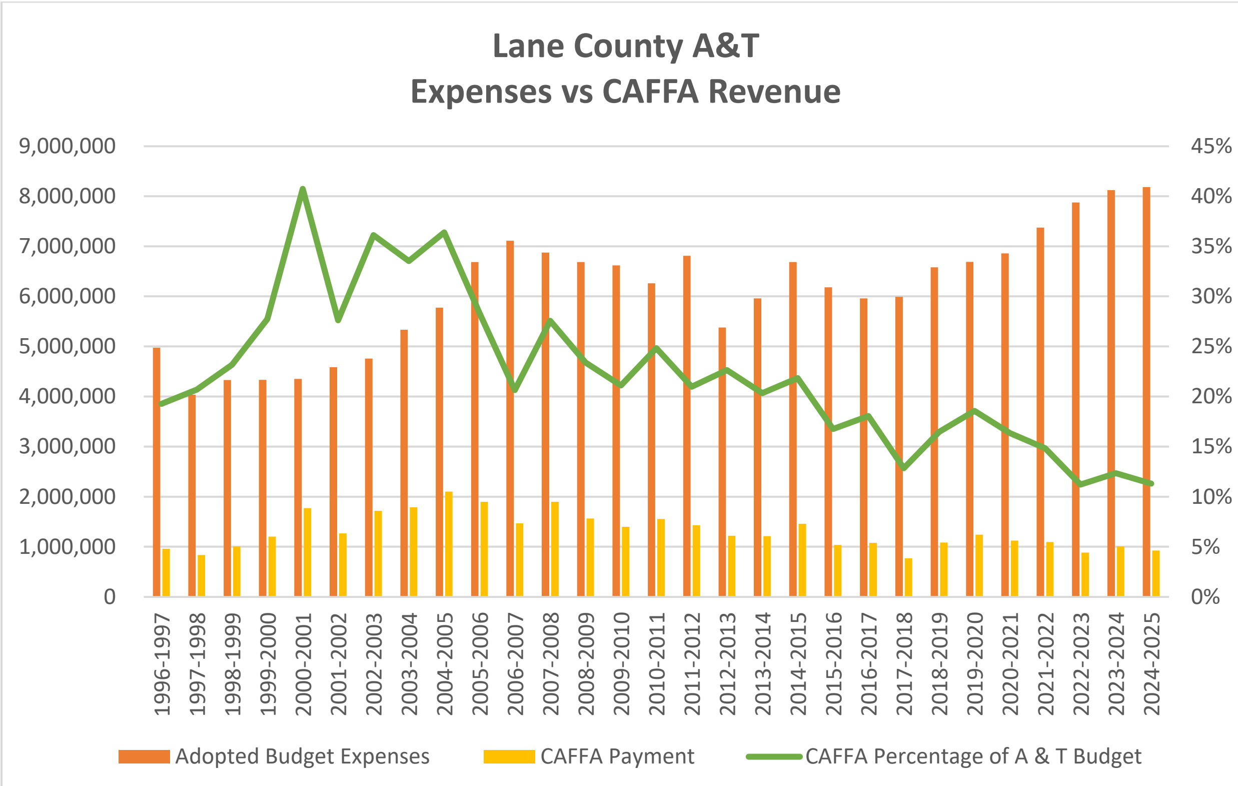

County General Fund for FY 2024-25:

- 27.96% of the fund is made up of property tax revenue.
- 72.8% allocated to Public Safety.
- 10.8% allocated to Public Health and Welfare.
- 15.5% allocated to General Government; 6.23% for A&T.
- 0.9% allocated to non-departmental.

Protecting the Property Tax Base

The property tax base is a service district's most stable and important asset in their portfolio. To achieve a greater return, improved investment in the assessment and taxation mechanism generating the revenue on which schools, public safety, cities, counties, and fire districts financially depend on is crucial.

Protecting district assets also includes processing refunds timely to avoid losing revenue as additional refund interest accrues.

Timely and Accurate Addition of New Value to the Property Tax Roll

Measure 50 (M50) made more than a few changes to the administration of the tax system; one area I'd like to focus on is:

- Elimination of the 6-year reappraisal cycle for all properties

- Replaced with Exception Events, which include new construction, major renovations, additions, partition plats and subdivisions, out of exemption, to name a few.

M50 exception value must be added to the property tax rolls in a timely manner by qualified, well-trained employees. Adding M50 exception value accurately the first time is critical for creating precise Maximum Assessed Value (MAV). Timely addition of new construction avoids omitted property being added in later years.

Property permits are prioritized by high return, including new homes, large additions, and new buildings. Permits deemed of lower return, such as electrical, mechanical, or plumbing, are not inspected due to lack of staff.

M50 exception value is incorporated into the tax roll through the diligent efforts of appraisers conducting property field inspections and cartographers working subdivisions and partition plats to create new parcels. Ownership records are updated using recorded deeds to ensure taxpayers receive their tax statements accurately. These are manual processes carried out by A&T employees, whose expertise and contributions are irreplaceable in generating M50 exception value, collecting the revenue attributable to the new value and distributing funds for schools, cities, public safety, counties, and fire districts.

The 2024-2025 certified tax roll for Lane County showcases the dedication of A&T staff who contributed to adding $2.3 billion in new (M50) taxable assessed value. Using an average tax rate of $16.69 that equates to $38.4 million in new revenue.

<u>Return on Investment (ROI) Example 1</u>

New Business Personal Property Outreach Project, conducted by Kim Westwang, Property Appraiser III with Lane County Assessment and Taxation, 2024

- 3,151 letters sent to potential new businesses not filing a Business Personal Property Return
- 1,464 responses received – 46% response rate
- 493 new Business Personal Property accounts created
- 56 taxable accounts – exceeding the value threshold of $22,500
- 25 accounts owed for back taxes (omitted property)
- $113,735.07 added for omitted property for 2024
- $4,680,921 total taxable value added to the roll for 2024

Recommendations - Future New Business Outreach Project:

- The State of Oregon Business Registry identified 14,000 potential new businesses that have not filed a Business Personal Property Return in Lane County.
- Proactive outreach to these entities could significantly enhance public relations by assisting businesses in their early stages, rather than waiting until they receive omitted property tax bills after several years.
- ROI - Based on the above study, a reasonable estimate of $58 million in unrealized taxable assessed value can be concluded for value left on the table. Using an average tax rate of $16.69 could generate $968,020 in potential revenue.

ROI Example 2

District #1 Personal Property (DIPP) Project conducted by the National Policy Consensus Center, Hatfield School of Government, Portland State University, 2014-17

- 2014-2017 we participated in a regional pilot project that shared A&T staffing through support from the Oregon Legislature ($345,000).
- The ROI for Lane County equaled $10.7 million in RMV and an increase in tax receipts which totaled almost $157,000 for the first year.
- The public awareness campaign phase of the project returned an additional $511,000 to the taxing districts within Lane, Coos, Curry, and Klamath.

Data source: Hatfield School of Government, Portland St. University, DIPP Report

ROI Example 3

Lane County Assessment & Taxation FTE Study, conducted by The University of Oregon Institute for Policy, Research and Engagement, 2023

- The study targeted residential properties that sold 20% outside of the Real Market.
- Data set of 4,000 sales over two years not inspected by appraisal staff.
- The property sample within the Eugene urban growth boundary indicated a yield of $227,663.02 in foregone tax revenue for the 509 properties (out of 4,000) studied.
- Expert interviews suggest moving back towards a six- to ten-year appraisal cycle and leveraging technology available to appraisers.
- The County should prioritize building permits, kitchen remodels, and buildings last inspected before 1997.

Data Source: Lane County Assessment & Taxation FTE Study Final Report prepared by The University of Oregon Institute for Policy Research & Engagement, School of Planning, Public Policy, and Management, June 2023

Underfunded assessment and taxation functions leave tax revenue uncollected, and property records outdated.

Stable indexed funding will help maintain experienced A&T staffing, enhance accurate, timely, and reliable assessment values, improve fairness to taxpayers and provide greater income to taxing districts.

Thank you for considering and time reading my testimony.

Respectfully,

Mary Vuksich-Shafer

Mary Vuksich-Shafer
Lane County Assessor & Tax Collector