House Bill 3518 – Increased and Stable Funding for County Assessment and Taxation Services

Summary Statement

House Bill 3518 will benefit the public, local taxing districts, and the State General Fund by increasing funding for county assessment and taxation services and ensuring that property tax rolls can be completely and accurately maintained. HB 3518 will return hundreds of millions in property tax revenue to local taxing districts annually and protect the State General Fund from having to back-fill more than $500m in missing tax revenue for schools over the next 6-8 years.

Problem

Due to systematic shortcomings in Oregon's CAFFA (County Assessment Function Funding Assistance) program, county assessors and tax collectors are increasingly unable to perform their full array of statutory duties. One of the costliest impacts is that billions of dollars in property value are missing from county tax rolls, with the problem worsening every year.

This has translated into an estimated loss of more than $100m per year in revenue to Oregon's local taxing districts. Within the next 6-8 years[1], we project that the annual shortfall could exceed $300m. With education districts making up ~40% of Oregon's property tax base, that's an annual loss of $120m or more for schools. That means the State General Fund needs to contribute an extra $120m per year to achieve the same level of overall school funding.

Oregon's General Fund is unnecessarily backfilling the loss of tens of millions of dollars every year in missing local property tax revenue. The problem is getting worse every year.

Solution

House Bill 3518 will return County A&T to state of health and keep it there by reforming the State's CAFFA funding formula. Increased revenue for the program would be (roughly) as follows:

- $10m annually from Oregon's local taxing districts.
- $5m annually via increases in document recording fees.
- $5m annually from the State General Fund.

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[1] 6-8 years represents that amount of time it would take for counties to return to a healthy re-appraisal cycle, which returns value to the rolls, increases accuracy, and allows counties to maintain complete and accurate tax rolls.

Contributions from Oregon's taxing districts and public will be indexed to future inflation. We hope that the future contributions from the State General Fund will keep pace as well.

Key Benefits to Local Taxing Districts

- The majority of taxing districts will see a positive return on investment within the first year.
- Taxing districts collectively could see increased annual revenue of $300m or more within 6-8 years.
- County A&T will be able to better assist local taxing districts in their local budget processes including projecting future property tax revenues.

Key Benefits to Oregon's General Fund and Education

- Within the first two years, and at a cost of roughly $8m, we expect that HB 3518 will generate more than $30m for school and education districts. That's nearly a 4:1 initial return on investment.
- We expect that HB 3518 will generate more than $200m per biennium for schools within 6-8 years.

Key Public benefits

- Ensures property taxes reflect the true value of properties and promotes equality amongst taxpayers.
- Precise property data and ownership information aids in land use planning, zoning, and infrastructure development.
- Reliable property data and ownership information helps to realtors, appraisers, and lenders facilitate smooth property sales and transfers.
- Provides essential data for emergency services, disaster response, and community safety planning.

HB 3518 is projected to generate more than $500 million for education and school districts over the next 6-8 years. This will un-burden the State General Fund and allow the Legislature to increase funding for schools.

Why does County A&T need state support?

Counties make up about 20% of Oregon's overall tax base. Yet they serve 100% of Oregon's taxing districts. Oregon's non-county taxing districts, however, currently contribute less than 10% of the revenue needed to support county A&T operations. Not only are County General Fund revenues unable to maintain a consistent level of service in County A&T operations, it's neither reasonable nor fair to expect that they should. History has proven that to be true.

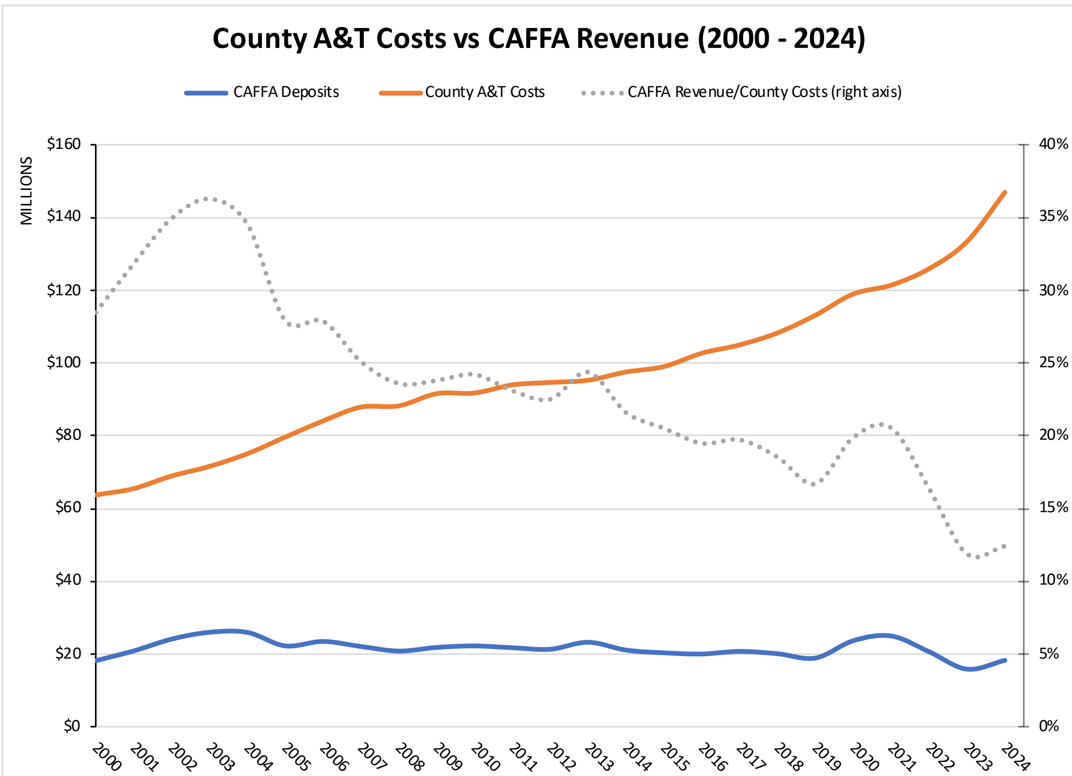
CAFFA was created in the 1989 in response to a property tax system that was that considered to be in a state of disintegration by the Department of Revenue. The CAFFA formula was revised twice – in 1997 and most recently in 1999. The 1999 Legislature established additional support for CAFFA via the state general fund to help augment contributions by the public and districts.

But none of that was indexed to growth. And State General Fund support was discontinued in 2009 during the mortgage crisis and never re-instated. As a result, financial support for County A&T services has steadily declined relative to need (see chart next page).

At its peak in 2003, CAFFA funded 36% of County A&T needs. In 2024, it funded a mere 12% of those needs. The decline will continue.

Under HB 3518, CAFFA's share of County A&T expenses should return to about 25% of the overall need and stay there. Were CAFFA to return to its peak of 36%, County A&T could provide better all-around services to taxpayers, districts, and the public. But in order to return the property tax asset to a healthy state and keep it there over time, maintaining a 25% or better level should be adequate.

HB 3518 seeks to balance support from the public, taxing districts, and the state for services that ultimately benefit the public, taxing districts and the state, each of which is currently suffering the impacts of a disintegrating property tax base.



The Department of Revenue projects of a decline of ~7% in CAFFA deposits over the next two tax years.

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