



Chair Meek and Members of the committee.

The League of Oregon Cities supports **HB 2321**. Property tax reform has been a longstanding priority for cities since the passage of M5 and M50. Property taxes are the largest source of revenue for cities, with \$1.9 billion collected in FY 2023-24.

The current property tax system is broken. Measure 5 passed 35 years ago and put limits on the amount of revenue cities can raise for critical services. Measure 5 has also led to millions of dollars of compression losses every year. In FY 23-24 cities across Oregon lost approximately \$50 million.

Compression by Type of Government in FY 23-24				
District	Total #	# in Compression	% in Compression	Total Compression
City	241	182	76%	\$ 48.5 M
County	36	35	97%	\$ 20.8M
School	205	185	90%	\$ 71.3M
Other	765	387	51%	\$ 14.2M
Total	1247	789	63%	\$ 154,988,722

Measure 50 has not allowed cities to grow with their needs, the market or inflation since property tax values can only grow 3% every year. Measure 50 locked cities into permanent rates some that were low for the times or in other cases nonexistent like the cities of Depoe Bay and Tangent. Who rely on other revenue sources and many grants to provide services.

Cities want a property tax system that is:

- **Equitable** and based on a market-based property tax valuation system (RMV) rather than the present complex valuation system from Measure 50.
- **Fair and adequate.** A system that returns to RMV will need to be thoughtful and measured and likely need to make small adjustments year after year so that taxpayers of Oregon can adjust the impact of a return to RMV.

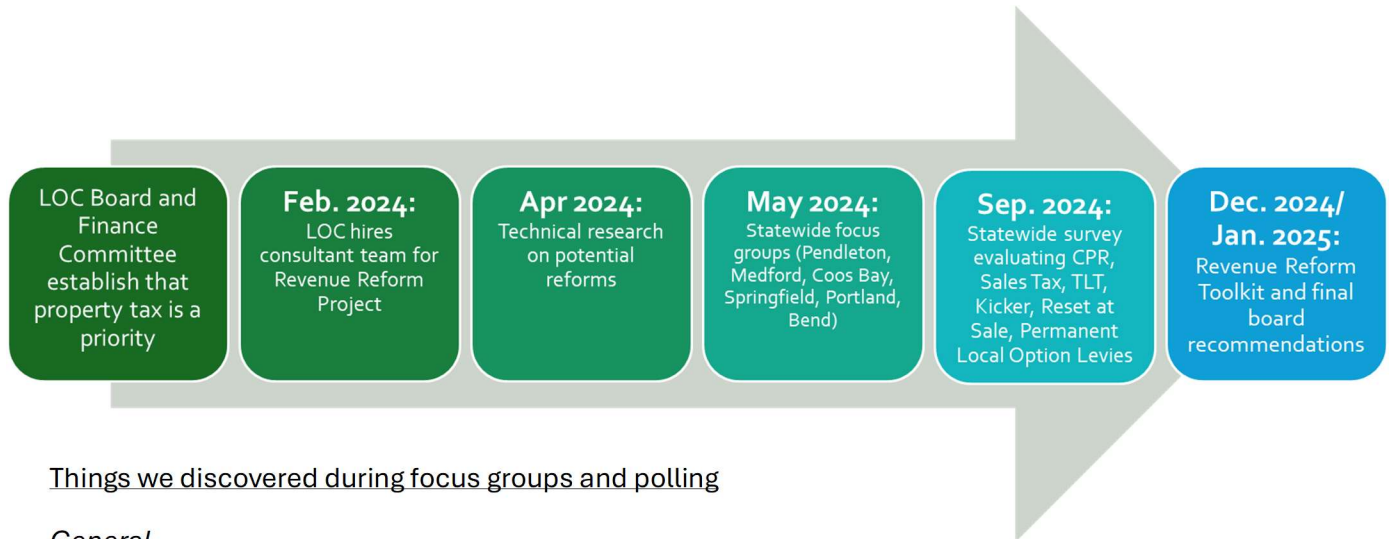
- **Supportive of local choice.** Cities need a system that allows voters to adopt tax levies and establish tax rates that better suit the needs of their communities. Allows cities to be self-reliant and self-sufficient.

The League of Oregon Cities and cities across Oregon support the Legislature diving the impacts of M5 and M50 and stand ready to partner with the state to make meaningful property tax reform. LOC's Board of Directors has funded a revenue reform project (see attached overview of the project) which included some recent polling on property taxes that could be helpful. LOC tracks data related to property taxes. We would love to be a resource.

Respectfully,

Jenna Jones

## LOC Revenue Reform Project



### Things we discovered during focus groups and polling

#### *General*

- There is a funding crisis, but voters don't see it (yet).
- There is a perceived crisis in growth management.
- Voters don't know where to turn for information about city government.
- Voters are relying on sources with high levels of noise.

#### *Policy Related*

- 72% of voters supported changing the law so that instead of being used to drive more tourism, a portion of hotel and motel taxes (local TLT) can be used to help fund vital City services instead, including some of the costs of services tourism uses.
- 77% of voters support taxing investment properties.
- 64% of voters support adjusting the change property ratio upward, which would provide limited –but real –revenue for city services.
- 54% of voters are supportive of better local control over local option levies.
- Reset sale is a revenue game changer but only 44% of voters are supportive of it.
- Voters were not supportive of adjusting the kicker or creating a sales tax.

### Next Steps

The LOC finance committee and Board of Directors is developing a multi-year funding strategy for the next phases of this project.