



Property Tax Reform: Voter Control Referral

Description

The League’s proposed constitutional referral would allow local voters to consider a temporary property tax outside of statewide tax caps. The referral would not raise anyone’s taxes, but would empower voters to authorize a tax for local operations.

Background

Under Oregon’s current system, statewide limitations can prohibit local voters from raising their own taxes to support services they demand. Measure 5 limitations restrict general governments (cities, counties and special districts) and schools to levying no more than \$10 and \$5 per \$1,000 of real market value respectively. Any taxes levied in excess of those limitations are reduced until the limitations are met, a process known as compression. Temporary taxes that are in addition to the municipality’s permanent rate and are approved by voters to provide funding for services, such as public safety or school services, are compressed first under this system. As a result, voters residing in a municipality in compression are limited in their ability to raise revenue to support services they desire.

Examples

In numerous communities throughout Oregon, statewide tax caps reduce voter approved levies significantly. In the city of Sweet Home, for example, voters have approved local option levies for police and library services dating back to 1986. In 2010, voters approved the levies again with 60 and 55 percent of the vote respectively. Yet statewide tax limits cut 35 percent of what local voters approved, resulting in public safety and library services not being provided at a level local citizens wanted.

Many voter-approved levies throughout the state are being reduced by even larger percentages. In the West Linn/Wilsonville School District, statewide limits will reduce the collections for the voter-approved levy by 71 percent this year. For the Portland Children’s Levy, revenue is reduced by 51 percent (see Table 1 for additional examples).

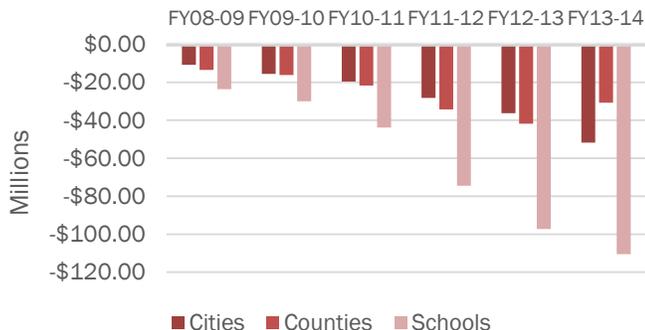
Table 1: Compression on Voter-Approved Levies

	Percentage of revenue lost due to statewide tax caps (2013-14)
Tigard-Tualatin School District	54%
Pendleton School District	42%
Eugene School District	41%
Lake Oswego School District	34%
Beaverton School District	34%
City of Albany public safety levy	34%

Statewide Impacts

Compression is a growing problem for local governments statewide. Since 2008-09, total revenue lost to compression has increased from \$51 million to \$212 million in 2013-14, (see Figure 1). This year 90 percent of school districts, 34 out of 36 counties and more than one-half of all cities have seen property tax revenues reduced due to statewide caps.

Figure 1: Statewide compression losses



Last May (2014), local voters approved 16 of 21 (76 percent) temporary tax measures. While voters may still be concerned about the state of the economy, in many instances they clearly realize the value of local government services and are willing to tax themselves to provide those services. Whether or not any local voters approve temporary taxes outside of compression limitations is irrelevant. What matters is that voters currently do not have the freedom and opportunity to do so.

Description

The League's second proposed constitutional amendment would reset a property's assessed value to its real market value at the time of sale or construction. The amendment would not raise taxes on anyone's current home, but would restore equity by recalibrating taxes based on the market's valuation of a property at the time of sale—a better measure of a property's value and an owner's ability to pay.

Background

Measure 50, passed in 1997, created a new "assessed value" for all properties. Assessed value was initially set at 90 percent of a property's 1995-96 real market value. For newer properties, a county-wide ratio is applied to determine the initial assessed value. Growth in assessed value is limited to 3 percent annually.

By locking in assessed values based on 1995-96 real market values or a ratio at the time of construction, and by capping annual growth, huge disparities in tax bills have emerged as property values have changed at different rates.

Examples and Impacts

Homeowners in inner North and Northeast Portland, for example, often have property tax bills that are one-third or one-fourth of what homeowners with similar real market values pay across town. The reason is simple. In the early and mid-1990s, large swaths of North and Northeast Portland had lower market values, and those values still determine the taxes owed despite the rapid rise in home values (See Table 1).

These significant inequities in property taxes can play a role in the real estate market as well. An analysis conducted by the Northwest Economic Research Center found that property owners selling similar homes in disparate neighborhoods could attribute between \$9,300 and \$45,000 in their property's potential sale price to the quirks of Oregon's property tax system.

The authors wrote that Oregon's property tax system creates a hidden subsidy for those property owners with lower taxes and shifts the burden of local services onto others.

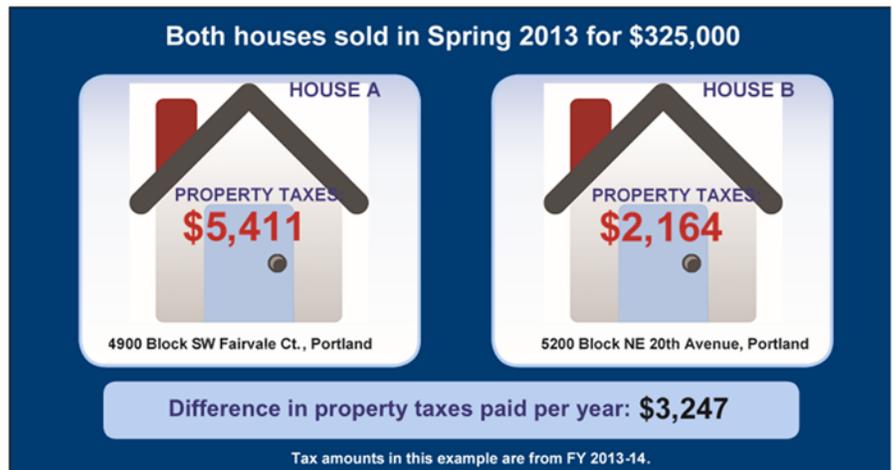
While the analysis focused on Portland, the authors said they would expect to find these results in other Oregon cities in which there has been uneven growth in home values since the 1990s.

Priority

Seventeen other states have property tax limitations similar to Oregon's. Of those, 15 readjust property taxes at the time of sale. Oregon's existing system, according to a Lincoln Institute of Land Policy report, "has gone the farthest of any [in the country] in breaking the link between property taxes and property values."

Resetting assessed value to real market value at the time of sale would reestablish the link between market values and property taxes, and improve the fairness of Oregon's system.

Table 1: Tax inequities between two neighborhoods in Portland





Property Tax Reform: Changed Property Tax Ratio

Description

The League's priority regarding property taxation changes the way new property is added to the tax rolls. This proposal, unlike the other two, would only require a statutory change, meaning the measure would not have to be referred out to voters in order to become law.

Currently, new or improved property is added to the tax rolls by applying an annual county-wide ratio of assessed values (AV) to real market values (RMV) to the new or improved property in an attempt to replicate the property tax discount given to properties via Measure 50. The ratio is calculated and applied to specific property classes (residential, multifamily, commercial, etc.).

However, significant variation between AV and RMV exists within a county, resulting in a discount that is often overly generous when compared to neighboring properties. In addition, the discount is out of line with what was originally offered to properties when Measure 50 passed in 1997.

As a result, similarly situated and valued properties can have significantly different property tax liabilities.

Background

The situation in Multnomah County is illustrative. The county is home to a number of cities, and the property values in each have not grown uniformly since Measure 50's passage in the mid-1990s. Consequently, the ratio of assessed value to real market value in each city varies, but the countywide average is applied to all new properties.

For example, the Multnomah County changed property ratio this year for residential property was roughly 70 percent. This means a home valued at \$200,000 will appear on the tax roll with an assessed value of \$140,000.

However, in Gresham, the average ratio is closer to 90 percent, meaning that the average \$200,000 home within the city limits has an assessed value of \$180,000. Meanwhile in Portland, the average ratio is about 64 percent, so a \$200,000 home has an assessed value of \$128,000. For the city of Gresham, the property tax discount given to new property is overly generous compared to what existing properties are paying in the city. Because of this, current Gresham residents are subsidizing the services for new properties.

Priority

The League will advocate for legislation to provide the option of applying a city-wide changed property ratio to new property.



Transportation Funding

Description

The League seeks passage of a comprehensive transportation funding and policy package to address multimodal needs, with a top priority of maintaining and preserving existing infrastructure.

Background

Oregon's road system is becoming increasingly distressed and transportation funding is not keeping up with basic maintenance and preservation needs. Cities throughout Oregon are facing serious street budget shortfalls, resulting in the deterioration of transportation infrastructure. According to a survey conducted by the League in 2014, cities face an annual funding gap of more than \$300 million per year. Uncertainty about federal funding and the decline in federal and state highway trust fund resources calls into the question the sustainability of the current transportation funding program.

In addition, Oregon's small cities (less than 5,000 population) have lagged behind larger cities in street funding. This is caused by declines in overall transportation revenue and the fact that a statutory program created to provide limited funding for small cities has not been updated since 1991.

Priority

Approval of a comprehensive transportation package containing at least the following:

- An increase in the state gas tax of up to five cents per gallon;
- Indexing of the state gas tax to the consumer price index or another relevant economic index;
- Expansion of the calculation method used for the state's transportation user fee to include vehicle miles traveled (VMT);
- An increase in license plates fees and inclusion of lightweight trailers;
- Maintaining the dedication of the state's Highway Trust Fund dollars to highway, road and street projects;
- Continued allocation of Highway Trust Fund dollars between the state, counties and cities at 50%-30%-20%, respectively;
- An increase in the statutory "Small City Allotment" fund from \$1 million to \$5 million annually, split evenly between the Oregon Department of Transportation and the cities' share of the trust fund;
- No preemption of local government ability to generate their own transportation revenues; and
- Funding for the jurisdictional transfer and maintenance of orphan highways (state highways or county roads that function as city streets).

The transportation package should also address funding and policy initiatives for all modes (streets, bike/pedestrian, transit, rail, aviation and marine) and advance connectivity, safety, jobs and economic development, transportation impact on climate change, active transportation and public health.



Medical Marijuana Dispensaries

Description

The League will advocate for legislative changes that will clarify and enhance public safety and local control related to marijuana.

Background

In 2013, House Bill 3460 established a means for registering the 150-200 medical marijuana dispensaries that had been operating in the state illegally but with the forbearance of most law enforcement agencies. While the legislation successfully created a licensing system and safety regulations, more work is needed to ensure public safety and local control.

Priority

The League will advocate for the following legislative changes:

- **Require employees and agents of dispensaries to pass the same background checks as proprietors.**
Owners of marijuana dispensaries must pass criminal background checks prior to receiving a license to operate. Employees and other parties affiliated with the operation of a dispensary should also be subject to criminal background checks to help keep medical marijuana in the hands of patients and not diverted to criminal activity.
- **Establish licensing and safety regulations for the manufacture of marijuana tinctures utilizing flammable or explosive materials.**
The manufacture of butane hash oil and other value-added extracts has resulted in fires, injuries and deaths in Oregon and other states. A dispensary should be required to acquire these products from a manufacturer that is licensed by the state and uses appropriate safety protocols.
- **Clarify land use regulations to ensure dispensaries are not allowed in areas inappropriate for their use or in close proximity to places where children congregate.**
The intent of HB 3460 was to prohibit dispensary operations in residential zones. However, the bill was phrased in a way that specifies which zones dispensaries are allowed in, as opposed to prohibiting them in residential zones and simply relying on the local development code to determine where a dispensary may be located in cities permitting them to operate. This language should be clarified to align with the bill's original intent to prohibit residential locations. Further, HB 3460 prohibits dispensaries within 1,000 feet of schools, but federal law creates a specific offense for distribution of controlled substances within 1,000 feet of any place children congregate. The conflict between those two requirements should also be resolved.



Right of Way Management

Description

Local authority to manage public rights of way and receive compensation for their use is derived from Oregon's constitutional provisions for home rule, state statute, and court decisions which have consistently upheld the right of cities to manage rights of way. Nevertheless, legislative and judicial efforts are often mounted to thwart local management of this public resource.

Background

Cities have the right to set terms and conditions, including the establishment of a fee structure, when an entity occupies a right of way for transmission of data, energy, water and other resources. While certain statutes and utility regulations define how such fees can be charged, this ability is firmly established.

Cities also determine how this authority is exercised—by ordinance or through negotiation with each entity seeking to occupy the right of way. This applies to private and public sector occupants. In fact, several cities charge *themselves* a franchise fee when a municipally-owned utility is using the right of way.

Municipal authority over the management of rights of way is an essential component of a city's home rule.

Priority

The League will oppose any legislation preempting the ability of cities to manage and receive compensation for the use of a public right of way, including:

- Establishment of a “one-size-fits-all,” statewide franchise fee policy and collection system; and
- Prohibition of a city's authority to levy franchise fees on other government entities.



Mental Health Services

Description

The League will support increased resources across the state for persons with mental health issues, especially in crisis situations.

Background

Oregon's cities do not typically provide mental health services but have increasingly found themselves in the position of sending police officers to respond to individuals in crisis and dealing with the impacts of homelessness and addiction. A 9-1-1 call should not be the first time a person suffering from a mental illness receives public services.

Priority

The League will advocate for the following:

- **Preventative mental health care in the form of “drop-in” services should be available to all Oregonians regardless of where they live.**
The League believes that access to urgent care for mental health will allow those suffering from an illness or condition to be triaged and receive immediate treatment or where appropriate, referrals for treatment. This will avert unnecessary, unhealthful and sometimes tragic interactions with law enforcement personnel.
- **Proactive, mobile crisis intervention should be available statewide.**
The mobile crisis intervention approach has reduced negative encounters between police and the mentally ill. Resources should be provided so such services are available throughout the state.
- **Every police officer in the state of Oregon should have access to training in how to respond to a mental health crisis.**
The state should provide public safety personnel with access to instructions from mental health professionals that would equip officers with skills to respond in a way that de-escalates conflict and helps the affected individual and their family receive appropriate care.
- **The number of regional residential mental health facilities should be expanded.**
Jail should not be the only option to secure an individual experiencing a mental health crisis. Safe and secure mental health care beds will allow those in need to avoid jail, which could worsen their condition.