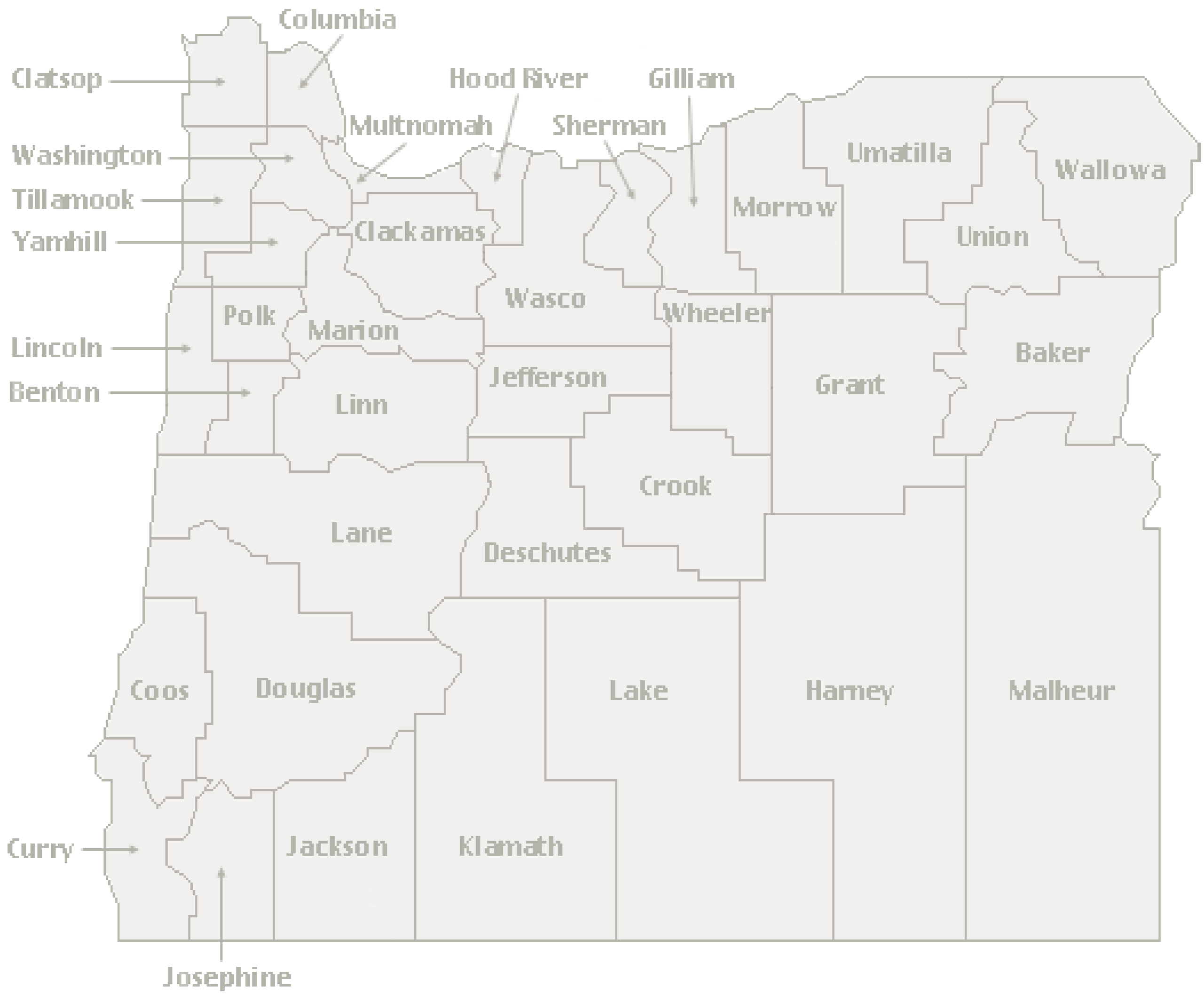

RECENT HISTORY OF OREGON'S PROPERTY TAX SYSTEM

WITH AN EMPHASIS ON ITS IMPACT ON MULTNOMAH COUNTY LOCAL GOVERNMENTS

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TOM LINHARES

Edited by Elizabeth Provost

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Author, Editor, Acknowledgements and Dedication

<u>About the Author</u>: Tom Linhares has been the Executive Director of the Multnomah County Tax Supervising & Conservation Commission since April 2004.

The Commission, or TSCC as it is commonly called, is made up of five county residents who are appointed by the Governor to four-year terms. The Commission oversees the budget process and property tax levy for all taxing districts that are principally located in Multnomah County, currently numbering 39. In addition, the Commission is required to hold public hearings before any district can place a property tax measure on the ballot.

Prior to coming to the Commission, Tom was the elected County Assessor for Columbia County, serving in that position for 17 years. During that time he served as the president of the Oregon State Association of County Assessors (1998-99) and throughout the 1997 Legislative Session he was the Association's Legislative Committee Chair, where he helped craft legislation to implement Ballot Measure 50.

Tom is a graduate of Portland State University with a degree in Political Science. He and his wife, Val, live in Columbia City. They have one daughter, Julie, who is principal of Marshall High School in Bend.

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Since 2007, Libby has consulted with numerous property owners to identify and research historic resources and compose National Historic Registry applications. These include projects working with the City of Forest Grove and the City of Hillsboro, as well as private property owners. She has also consulted with the Oregon Historical Society, the Sisters of the Holy Names, and the US District Court of Oregon Historical Society on a variety of research-based and oral history projects.

Libby graduated from Linfield College with a B.A. in History in 2002 and received her M.A. in History (with a Public History endorsement) from Portland State University in 2009. Her thesis is titled, "The Genesis of Portland's Forest Park: Evolution of an Urban Wilderness."

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Dedication: To the men and women of the Oregon State Association of County Assessors and the Oregon Association of County Tax Collectors who work tirelessly every day to administer Oregon's complex property tax system on behalf of the citizens of Oregon. This history is about them and for them. It has been an honor to share a career with such dedicated professionals.

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Executive Summary

Oregon's property tax system has undergone dramatic changes over the last 21 years, affecting not only the local taxing districts that rely on the revenue to provide essential services to over 3.8 million citizens, but also the property owners who pay for those services. These changes, first initiated by Ballot Measure 5 in 1990, followed by Measure 47 in 1996 and Measure 50 in 1997, have turned the property tax system upside down by altering the levying authority of over 1,200 municipal corporations - counties, cities, education districts and special districts - and dictating how nearly $5 billion in property taxes are assessed and billed for more than 2.8 million distinct pieces of property.

Ballot Measures 5 and 47 were the result of citizen-led initiative petition drives that presented Oregon voters with the chance to amend the state constitution by placing limits on the amount of property taxes that could be collected. Ballot Measure 50 was referred to voters by the Legislature as a replacement of Ballot Measure 47 after legislative leaders determined that Measure 47 was essentially unworkable as written. The Oregon Legislature responded to these constitutional limitations by approving legislation that dealt with a myriad of details, from establishing the assessment date when values are determined to the appeal process.

While both Measure 5 and Measure 50 reduced the amount of property taxes that could be collected from property owners and made numerous major changes to the property tax system, each had essential elements that defined and forever changed the system. Those changes are still in effect today and, quite literally, affect the lives of every single Oregonian.

Measure 5

Approved by voters in November 1990, Measure 5 placed limits on two broad categories of property taxes: 1) taxes used to support the public school system; and 2) taxes used to support government operations other than the public school system. The limits for the first year were $15 per $1,000 of real market value for the public school system and $10 per $1,000 for operations other than the public school system. The maximum amount of taxes for schools was then decreased by $2.50 each year until it reached $5 per $1,000. These limits continue to restrict the amount of property taxes that can be assessed on property, 21 years later.

What distinguished Measure 5 from previous property tax limitation measures, and still stands as its most enduring legacy, was the requirement that the State replace any revenue lost by the public school system due to the application of the property tax limitation. While this constitutional requirement only extended to the 1995-96 fiscal year, the practical and political reactions went well beyond what was strictly required and are, in effect, still in place today.

Essentially, Measure 5 accomplished two policy objectives that had eluded State leaders for decades prior to 1990: 1) shift more of the burden of funding public education to the State to reduce the percentage of funding from local property taxes; and 2) equalize the per student spending by local school districts across the state. By dramatically reducing the amount of property taxes that school districts could collect, the Legislature was forced to allocate more resources to K-12 public education. And if the State was going to be paying the lion's share of school operating costs out of its General Fund, the distribution of those dollars had to be on a more equalized basis. The formula for distributing funds that was adopted shortly after the implementation of Measure 5 is still largely in use today.

Prior to Measure 5, property taxes paid for roughly 70% of each school district's operating costs, with 30% coming from the State. Today, it is the reverse, with State dollars comprising nearly 70% of operating funds. School board members and superintendents now look more to Salem for funding rather than local property owners. Schools are now more reliant on the volatile State personal income tax and corporate excise taxes, which are both more sensitive to changes in the economy than property tax revenue. At the same time, property taxes, which still comprise over one-quarter of school funding, have been seriously limited. This has caused a roller-coaster of funding for public education.

Measure 50

Measure 5 had only limited the amount of property taxes that could be collected from each property as a percentage of the real market value. It did not limit the assessed value of property. Starting in 1990, real estate values began to increase substantially, negating some of the property tax reductions under Measure 5. When legislative leaders made the decision to replace Measure 47, they set about to limit taxes by creating a "split-roll," whereby market value and assessed value used to calculate the tax bill were different. Additionally, assessed value growth was limited to 3% per year, with some exceptions. However, simply reducing values would not limit increases in property tax bills since tax bases would have continued to increase 6% per year and the tax rate per $1,000 of assessed value would simply be increased to raise the full amount of that tax base authority. Measure 50 therefore eliminated all tax bases and almost completely changed the property tax system from a levy-based to a rate-based system.

The fundamental differences between a levy-based system and a rate-based system, and the implications for taxing districts and property owners, cannot be overstated. Under a levy-based system, taxing districts receive the full amount of property tax authority regardless of changes in total assessed value within the district. The tax rate is simply recalculated up or down to raise the same amount of money. Any changes in value from year to year therefore impact property owners. Under a rate-based system, any changes in total assessed value of a district do not change the tax rate since it is fixed. Any variability of total assessed value results in property tax collections increasing or decreasing for the taxing district.

This complete reversal of how changes in assessed value impacts taxing districts versus property owners has altered the dynamic of policy discussions surrounding the effects of property tax exemptions, property value appeals and urban renewal. These changes have played out in years when the economy and real estate market were strong, as well as years when recession gripped the state. The latter is certainly true of the last couple of years and revenues of both state government and local governments have been constrained. At the same time, property owners have seen less volatility in annual property tax statements under the rate-based property tax system. They are now questioning why tax bills continue to increase even as the market value of their property plummets.

Do the positives of a more predictable and stable property tax system for property owners outweigh the negatives of lower revenues for over 1,200 taxing districts? What is the proper amount of property tax increases allowed for taxing districts: 6%, 3%, a variable percentage based on growth? Are the inequities built into the system so egregious that reforms to the system are warranted? If so, what are citizens willing to pay in extra property taxes to correct those inequities? This document, "Recent History of Oregon's Property Tax System," will address these questions.

Section I - Introduction

Property taxes are the most common form of taxation for funding local government services throughout the United States. While some states forego the use of the income tax (including the State of Washington) and some states do not have a sales tax (Oregon), all 50 states utilize the property tax. The property tax system is ideally suited to fund local government for two reasons: 1) it can easily be administered at the local level since property, unlike wage earners or retail shoppers, cannot move to different locations with a lower tax burden; and 2) property values, and thus revenue, are more stable than either incomes or sales.

Property taxes comprise an important component of local governments' total revenue, particularly in Oregon. For some taxing districts in Multnomah County, property taxes account for over 90% of total revenue. Out of a total of 40 taxing districts principally located in Multnomah County, 15 relied on property taxes for more than 30% of total revenues to balance budgets in 2010-11.

For the 2010-11 fiscal year, Oregon's 36 counties assessed a total of $5.052 billion in property taxes statewide.[1] Of that amount, assessment officials billed nearly 24%, or $1,209,519,040, to Multnomah County property owners.[2] If only urban renewal property taxes are considered, Multnomah County's share of statewide collections was over 54% in 2010-11. These percentages compare with Multnomah County's 19% share of total statewide population.

Though property taxes are a central part of local government revenue, they may be the most unpopular type of tax because it assumes that an owner of more valuable property has the ability to pay a higher tax. While this is generally true, it does not factor in fluctuations in income. An executive earning a six figure income may be able to afford a high property tax bill on their expensive home until he or she gets laid off. Even though their income has declined substantially, the property tax bill remains the same. Also, while property itself has value which creates "wealth," it is often difficult to convert that wealth into cash flow at the time the property tax payment is due.

Another reason the property tax can be unpopular is that the amount arrives as a separate billing and in some cases must be paid all at once.[3] This differs from both the income and the sales tax which are paid incrementally during the year. Also, property taxes are typically based on the value of the property, and the value assigned by the county assessor for each piece of property is based on an opinion of what the property would sell for. The more complicated the property – for example, an industrial plant versus a three-bedroom, ranch-style home – the more difficult it is to form an opinion of value. This leads to disputes over the value that can foster resentment on the part of property owners. Again, this differs from both the income tax and sales tax where there is much less room for disagreement as to the calculations used to arrive at the amount of the tax bill.

As a result, property tax reduction efforts spearheaded by legislative leaders, the Governor and citizen initiatives, have been common in the past. When Oregon voters first adopted the state income tax by a vote of the people it was called the Property Tax Relief Act of 1929. Between 1942, when the property tax system underwent a major overhaul, and 1990, 13 property tax relief measures were submitted to voters. In the same period, six proposals to adopt a statewide sales tax were linked to a reduction in property taxes.[4] (See **Appendix D**.) Dislike of the property tax system is not a modern phenomenon.

Over the last 21 years, Oregon's property tax system has been dramatically changed by a series of ballot measures. These are mostly the result of citizens' initiative petitions, including: Ballot Measure 5 in 1990, Ballot Measure 47 in 1996 and Ballot Measure 50 in 1997. These measures affected the assessment and taxation of property in fundamental ways; the measures dramatically altered what property owners were asked to pay for governmental services and how much in revenue those governments received to provide those services.

The current system has been relatively intact since 1997; however its complexities are often misunderstood. Many property owners, public officials and assessment and taxation professionals were not around during earlier periods of Oregon's property tax system and so may not understand or fully appreciate why the current system functions as it does. Few people with a stake in how the system works have first-hand knowledge of the property tax system prior to the passage of Measure 5 in 1990, which started a two-step, 21-year process of completely changing Oregon's property tax system.

The recent economic downturn and real estate market slump, the first since 1990, is having a significant effect on property tax collections and local governments' ability to provide services in ways that are vastly different under the current property tax system than the pre-1990 system. This in turn is causing concern by legislators in Salem, officials in all 36 county courthouses, and in city halls and special district board rooms across Oregon.

There have recently been calls from local government officials, citizens and legislators, to reform the property tax system once again. Advocates of change range from anti-tax activist and Measure 5 author Don McIntire, to former Multnomah County Board of Commission Chair Ted Wheeler (although the motivations of those two individuals, and their respective proposals for change, may be strikingly different). The 2009 Legislature created a task force to pursue how governmental services could be provided more efficiently and the Legislative Revenue Office was instructed to study whether the current property tax system is equitable. These studies were completed during the interim preceding the 2011 session.

To create a brand new property tax system from scratch would be extremely difficult. Revising a system already in place may be even more so. One challenge would be working out the technical aspects of the new system. For example, Measure 5's implementation bill ran 232 pages and the implementation bill for Measure 50 exceeded 250 pages. In addition, there are the political considerations. Any time a change is made to a complex system there invariably will be "winners" and "losers." Property taxes for some groups of property owners will undoubtedly go down while the tax bill for other property groups may increase. Other difficulties include defining why legislators or citizens propose changes to the system, and the goals of moving to a different property tax system.

Before making changes, it is necessary to fully understand and appreciate the complexities of the current property tax system. In order to understand that system and how it works, it would be helpful to go back in time to examine Oregon's earlier property tax systems and why voters at the time felt compelled to make such drastic changes. This document will provide some of that history and will clarify how Oregon came to the current property tax framework. By documenting changes that have occurred, and more importantly why those changes occurred, this document is intended to aid legislators, local government officials, and property owners by making them better prepared to consider proposed changes in Oregon's property tax system in the months and years ahead.

It should be noted what this document does not attempt to cover. Throughout the history of

Oregon's property tax system, changes have been made which dramatically affected how farm and forest land, including standing timber, is taxed. And certainly Measure 5 and Measure 50 affected the tax bills of farmers and timber growers like all other property owners. In rural counties these changes profoundly impacted local government revenues. Indeed, each of these types of properties could easily justify its own property tax history. It was simply not practical to include detailed discussions here.

Another important component of the property tax system that is not within the scope of this report is the discussion of which properties are subject to taxation. Many properties are exempt from taxation, such as government buildings and religious or non-profit, charitable use properties. The Legislature has granted these properties exemption as a matter of public policy. Over the years these exemptions, or tax expenditures, have grown to include 85 laws that fully exempt a property's value, and an additional 24 that exempt a portion of a property's value.[5] While certainly critical to the operation of the property tax system, a detailed history of these tax expenditures is not included.

While statewide details are used throughout this document, and specific examples are given from Jackson County and Columbia County, the emphasis is clearly on Multnomah County. As Multnomah County is Oregon's most populous county and is responsible for nearly one-quarter of all property taxes assessed statewide, a clearer understanding of how changes to the system have affected its property owners, local governments and assessment and taxation administration, will be informative for other counties around the state, as well.

> **"Property tax limitation measures are the peoples' attempt to protect themselves, from themselves."**
>
> - **Bruce Hugo, former State Representative and Columbia County Commissioner**

Section II - Property Tax Mechanics

All 50 states utilize the property tax to fund local and state governments, and there are likely 50 different property tax systems. Yet there are two main aspects of any property tax system: the levying authority of each taxing jurisdiction, and the value that is used in calculating the property tax bill for each property. Before examining Oregon's system it would be helpful to understand the mechanics that form the building blocks of any property tax system.

There are two basic types of levy authority in any property tax system: either "levy-based" or "rate-based." These are displayed in **Figure 1** and **Figure 2** below. The most common type of property tax system is the levy-based system. Each municipal corporation has a dollar amount of levy authority, either through a tax base or a temporary levy.[6] Regardless of the value of the property in the district, the full amount of the levy authority is certified by taxing authorities and collected by the county assessor. If the total value of the district doubles due to a new industrial plant or other new property, or if the total value of the district is cut in half (if that same industrial plant closes), the rate per thousand dollars of value is simply adjusted up or down to arrive at the same amount of tax revenue for the district.

Figure 1 - Levy-Based Property Tax System

Year 1:	$1,000,000 Levy	/	$1,000,000,000 Value
		=	$1.00 per $1,000 Rate
		x	$1,000,000,000 Value
		=	**$1,000,000 Tax**
Year 2:	$1,000,000 Levy	/	$2,000,000,000 Value
		=	$.50 per $1,000 Rate
		x	$2,000,000,000 Value
		=	**$1,000,000 Tax**

Under a rate-based system each taxing district has authority to levy a rate, usually expressed as a rate per one thousand dollars of value. If the total value of the district doubles, the district collects twice as much money. If the total value of the district is cut in half, the district receives only half as much money.

Figure 2 - Rate-Based Property Tax System

Year 1:	$1.00 per $1,000	x	$1,000,000,000 Value
		=	**$1,000,000 Tax**
Year 2:	$1.00 per $1,000	x	$2,000,000,000 Value
		=	**$2,000,000 Tax**

Generally each state's property tax laws are structured such that the system is primarily a levy-based or a rate-based system, though it is not uncommon to see elements of both rate and dollar levies. For example, the levy for operating purposes can be authorized as a rate while the levy to repay bonds for capital projects is authorized as a dollar amount. Whichever system is used has serious implications for both local jurisdictions and property owners because the two systems react very differently to changes in the economy and the real estate market.

The second component of any property tax system is the value to be used in calculating the actual tax bill for all properties within the taxing jurisdiction that are subject to taxation. Generally, this value is the market value or the value the property would sell for in an "arms length transaction." The advantage of using the market value is that it can be determined using standard appraisal techniques and methodologies. While two different appraisers might arrive at a different opinion of a property's market value, and certainly the county assessor and property owner might not agree as to the market value of a property, the goal is the same.

Property values can be influenced by local, regional and even national economic forces, and residential property can be increasing while commercial property values are stagnant. As market values rise or fall, the assessed value for property tax purposes also rises and falls. Whether this is a 20% increase or a 10% decrease, the assessed value always follows the market.

Some property tax systems call for assessed values to be something other than market values. This is typically accomplished by providing that assessed values are to be a ratio of the market value. Set in state statute, the ratio can be the same for all property or more often the ratio is different for various types of property. For example, the assessed value for residential property can be set at 25% of the market value while commercial property's assessed value is 50% of the market value. These differences are policy decisions made by the state over time and are often intended to shift the tax burden from one class of property to another from what would naturally occur using market values.

The two variables of using a levy-based system or a rate-based system, and whether market values are used as assessed values or assessed values are a ratio of market value, create a variety of different property tax systems. And the impacts on taxing jurisdictions and property owners can be vastly different. These differences will become apparent in the examination of each phase of Oregon's property tax system.

Section III - Pre-Ballot Measure 5

In the early part of the 20th century both local governments and the State of Oregon levied property taxes. During the 1920s, 13% of all property taxes imposed were levied by the State, primarily to fund the public school system. In 1930, 13% of every property tax dollar went to the State of Oregon.[7]

When the income tax was finally approved in 1929, after an earlier effort in 1923 was repealed by initiative, the sole purpose was to offset the State's property tax levy. By 1940, the share of property taxes going to the State had declined to 4%. State income tax collections continued to be used to offset property taxes until 1949, when the corporate excise tax was earmarked for the State General Fund, and in 1953, when the personal income tax was shifted to general fund use.[8]

From the early 1950s until the passage of Ballot Measure 5, first implemented for the 1991-92 fiscal year, Oregon's property tax system was purely a levy-based system. Nearly all levies that were certified by local governments to the county assessor were expressed as a dollar amount. All properties were assessed by county assessment officials at 100% of market value (except certain types of properties that the Legislature decided to exempt based on furthering public policies, like churches, or assess at less than market value, such as farm land). The levies were then divided by the total assessed value of the district to arrive at the tax rate for that year. Tax rates varied from year to year as the levy amount and the assessed value changed.

Even after the State stopped levying a property tax, various programs were designed to use State revenue to offset the local property tax burden. In the 1960s, State funds were used to defer the property taxes of low-income senior citizens, to reduce the levies of all local governments and to pay a portion of the taxes assessed against inventory property, such as livestock and personal property used in a business. And in the 1970s, the State made direct payments to low-income homeowners and renters based on the amount of property taxes paid as a percentage of household income.[9]

Efforts by the State Legislature to reduce the local property tax burden with State dollars continued in the 1980s. From 1980 to 1985, the State paid a portion of the property taxes on owner occupied property.[10] Amounts were deducted from individual property tax bills with State payments made directly to the counties to be distributed to taxing districts. The first year, 1980-81, the maximum amount was $800. This was reduced every year until 1985-86, when the maximum amount was just $100. Renters were reimbursed at 50% of the maximum homeowner amount. At the same time, assessed value increases of residential property were limited to no more than 5% per year statewide. The program was cancelled by the Legislature in 1985.

Prior to Measure 5, most districts had a "tax base" which, according to the Oregon Constitution, could increase by up to 6% per year over the highest amount levied during the last three years.[11] The tax base could be increased beyond the 6% if the district annexed additional territory. If a district did not increase its tax base in any given year, the unused increase could not be recouped in a later year and so was lost forever. If a district only increased its tax base by, say, 5% in a given year and the 1% not taken amounted to $20,000, the district would not only forgo the $20,000 that year, and in subsequent years, but also the 6% increase that would have applied in subsequent years on the $20,000. Thus, the forgone amount would be $21,200 (20,000 * 1.06) the following year, $22,472 the year after that, and so on. This was an incentive to increase tax bases the full 6%, even if the additional amount was not needed to balance the current year's budget. The additional revenue could be tucked away as a reserve for future projects or for operating expenses in a later year when the 6% increase was insufficient to balance that year's budget.

Voters could be asked to approve an increase in the tax base at any regular election. Once the tax base was increased, the new base would then be allowed to increase 6% in each subsequent year. In addition, districts could ask voters for additional taxing authority via temporary "serial levies." These were generally for operating purposes and limited to no more than five years. Some districts also had "continuing levies" dating to before 1953, when serial levies were not limited to a maximum number of years. These levies were an ongoing authority to levy a percentage of value (millage), typically for a specific purpose.[12] Even though the levy authority was expressed as a rate, the levy was still typically certified by the taxing district to the county assessor as a dollar amount. In 1996-97, there were 44 such continuing levies, mostly levied by counties or cities, with combined taxes imposed statewide of $96,319,166.

Public Education and the Property Tax System

While property taxes have always supported counties, cities, special districts such as rural fire protection districts, libraries and many others, the primary beneficiary of Oregon's property tax system has been education districts. Over the years, this has included elementary districts, high school districts, unified school districts (elementary and high school), education service districts or ESDs (formerly called Intermediate Education Districts) and community colleges. Indeed, one of the very first general property taxes enacted in 1850 was dedicated to education and distributed from the territorial government based on the number of children between the ages of four and 21. (See **Appendix A**.)

By 1980-81, 62.6% of all property taxes collected statewide were distributed to school districts with an additional 4.7% earmarked for community colleges. In Multnomah County the percentage of property taxes assessed for schools and community colleges in that same year was 55.8%. The lower percentage is undoubtedly due to higher taxes assessed by some of the largest non-school districts in the state, for example, Multnomah County, City of Portland, Metro and Port of Portland. The percentage of property taxes going to education districts, both statewide and in Multnomah County, was essentially the same in 1990-91. And for rural property owners who did not pay taxes to a city, the percentage of property taxes paid that went to education districts statewide was much higher, 70% or 80%.

With such a high percentage of property taxes going to schools, especially elementary and high schools, the history of the property tax system mirrors the changes over time in the way public education was funded. Nearly every statewide measure to provide property tax relief and measures to implement a sales tax in Oregon had a component affecting school funding.

Prior to the passage of Measure 5, property taxes paid for approximately 70% of public education in Oregon. However, the amount of property taxes varied wildly from district to district, leading to unequal funding per student throughout the state. The disparity was the result of voters in different districts being more or less willing to approve increases in property taxes. Often this depended on the total assessed value within the district. A higher value, particularly non-residential value, would spread any increased taxes over a larger base, thereby resulting in a lower tax rate that would be applied to residential property owners. In some school districts the tax rate exceeded $20 per $1,000 of assessed value, while in other districts the tax rate was less than $5.

To make matters worse, often times the districts with the highest rates also had the lowest spending per student, and some districts with low tax rates were able to spend well above the statewide average per student. A research report from Oregon State University in 1989 detailed the problems with Oregon's school funding and explored some of the policy options to correct the inequities. The report pointed out that in 1987-88, spending per student ranged from a low of $2,241 to a high of $19,461, and education tax rates to fund that spending ranged from a low of $3.83 per $1,000 of assessed value to a high of $28.92.[13] A critical variable influencing these numbers was the relative wealth of individual districts as evidenced by the assessed value within the district, which averaged $190,347 per student but varied from just $86,776 per student to more than $1.5 million in the richest district.

Within Washington County, Gaston School District No. 511J was spending $3,603 per student in 1989-90 while taxing property owners at a rate of $16.41 per $1,000. Meanwhile, West Union School District No. 1, also in Washington County, was spending $4,689 per student with a much lower tax rate of $6.37.[14] The matrix in **Figure 3** displays the disparity among four school districts from 1987-88, showing the differences in spending per student and the property tax rate necessary to pay for educational programs.

Figure 3 - School District Spending and Tax Rates, 1987-88

	Low Rate	High Rate
Low Spending	Brookings-Harbor $2,591 / student $6.65 / $1,000	Fern Ridge $3,781 / student $20.61 / $1,000
High Spending	Morrow County Unit $4,802 / student $8.85 / $1,000	Pleasant Hill $4,736 / student $28.25 / $1,000

Source: Oregon State University Extension Service.

The disparity led to numerous efforts to equalize school funding by different means: new tax bases for low spending districts, targeted tax relief for high tax rate districts, sales taxes for schools and higher income taxes for schools. Between 1942 and 1989, a total of ten ballot measures dealing exclusively with school funding were presented to voters. Other ballot measures creating a sales tax and/or limiting property taxes also would have affected how schools were funded.

Governor Tom McCall put his considerable reputation behind Measure 1 in 1973, commonly and simply referred to as "The McCall Plan." In a new system devised by McCall, Measure 1 would have repealed school district tax bases and increased State funding to 90% of operating costs. To pay for it, the measure would have enacted a statewide property tax levy of $10 per

$1,000 of assessed value on non-residential property, as well as increases in personal income taxes and business taxes. In addition to providing property tax relief, primarily for residential property, Measure 1 was designed to equalize school funding by allowing low-spending districts to apply for additional State funds to bring spending up to the current minimum of $900 per student, and requiring the State Board of Education to recommend ways to improve equalization to the next legislative session.[15] Governor McCall succeeded in getting the Legislature to refer it to voters.

In a special election on May 1, 1973, Measure 1 failed by a vote of 58.5% "no" votes to 41.5% "yes" votes. But despite the defeat of the measure, efforts to provide equal funding of schools on a per student basis continued. Additional statewide measures were placed on the ballot in May 1974 (Measure 1 and Measure 3), May 1977 (Measure 1), September 1985 (Measure 1), November 1986 (Measure 7), May 1987 (Measure 2) and May 1989 (Measure 1). All but one failed, primarily because they increased school tax bases, which would have increased property taxes, or the proposals included new or increased taxes.

The one measure that did pass, Measure 2 in May 1987, addressed the serious issue of school closures due to lack of funding. During the 1980s' recession, many districts had inadequate tax bases and therefore relied on annual voter approval of temporary levies. When those levies failed, often after several attempts, districts were forced to close schools early. Measure 2, referred by the Legislature as the "school safety net," allowed school districts' property tax levy to be the higher of: 1) the district's tax base; or 2) the last levy approved by voters in the district. This allowed districts to at least levy the amount that had been levied the previous year. The measure passed with 55.5% voting in favor.

However, Measure 2 was only intended as a stopgap solution to school funding. Allowing districts to levy the same amount of property taxes as the prior year might keep school doors open but it did not address inflation or increasing enrollments. Immediately after passage of the safety net measure a Governor's Commission on School Funding Reform recommended a series of "next steps" that were approved by the 1989 Legislature. This included a constitutional amendment referred to voters as Measure 1 for the May 16, 1989 Special Election. Measure 1 proposed to reset all school districts' tax bases to one of the following: 1) the current tax base; 2) the highest operating levy over the last three years plus 6%; 3) if the district had been in the safety net for two years, the district's 1989 operating levy plus 12.36%; or 4) a voter approved operating levy for 1990.

At the same time, legislation had been passed by the 1989 Legislature to take effect only if Measure 1 passed. This legislation would have provided property tax relief, especially for districts with low spending and high tax rates, require the State to pay more to educate handicapped students, and stabilize the school funding formula. The measure was soundly defeated, with nearly 59% voting "no," possibly due to the property tax relief part of the package being in State statutes, and therefore subject to change by the Legislature, as opposed to being locked into the state constitution.

During the 1970s, lawsuits against states were not uncommon, as groups sought equality in school funding. This included one lawsuit in Oregon filed by parents in a low-spending district which made the argument that unequal funding of schools violated the Oregon Constitution's requirement that the State provide a "uniform system of schools," as well as federal and Oregon constitutional equal protection clauses.[16] California's Supreme Court had found in 1971 that its system of funding schools, which was similar to Oregon's, was unconstitutional:

"We have determined that this funding scheme invidiously discriminates against the poor because it makes the quality of a child's education a function of the wealth of his parents and neighbors. Recognizing as we must that the right to an education in our public schools is a fundamental interest which cannot be conditioned on wealth, we can discern no compelling state purpose necessitating the present method of financing. We have concluded, therefore, that such a system cannot withstand constitutional challenge and must fall before the equal protection clause."[17]

However, the United States Supreme Court ruled in 1973 that the Texas school finance system did not violate the Equal Protection Clause of the Fourteenth Amendment to the U.S. Constitution.[18] Several states, including Wisconsin, Arizona, Idaho, New Jersey and Alaska followed suit, using the federal arguments to rule that school financing in those states did not violate state equal protection clauses. (New Jersey found its system unconstitutional on other grounds and California reaffirmed its 1971 opinion in 1976.)

The different legal interpretations between the two California cases and the U.S. Supreme Court case, and by extension other state cases, were twofold: 1) whether the school financing method creates a "suspect class" based on wealth; and 2) whether education is a "fundamental interest." Answering these two questions in the negative allows for a much stricter test to determine if the Equal Protection Clause has been violated. Answering the questions in the affirmative allows for some infringement of interests but only if other compelling state objectives, such as maintaining local control, are being achieved.

In 1976, the Oregon Supreme Court also stopped short of coming to the conclusion that its school financing method, heavily dependent on local property taxes, violated the Equal Protection Clause of Oregon's constitution.[19] Recognizing that disparities existed between school districts in the amount of money spent per student, the Oregon Supreme Court nonetheless concluded that the objective of local control outweighed any disadvantage of those disparities. (The California Supreme Court had concluded that the "disparities in assessed value between districts was so great that local control was a "myth.")

However, the Oregon Court commented on the undesirable nature of a school funding scheme that allowed the amount spent per student (and by extension the quality of a child's education) to be based on where the child resided in Oregon. In *Olsen v State of Oregon*, Oregon Supreme Court Justice C.J. Denecke stated:

"We hold that the Oregon System of school financing does not violate the Oregon Constitution. Our decision should not be interpreted to mean that we are of the opinion that the Oregon system of school financing is politically or educationally desirable. Our only role is to pass upon its constitutionality."

Lacking a clear-cut mandate from the courts, efforts to equalize per student funding of schools was an ongoing struggle, and statewide measures were routinely defeated. Measure 1 in 1989 had the full support of both the Governor and the Legislature and was offered to the voters as a much needed and reasonable, although partial, fix of the school funding problem. Its defeat was devastating to those who sought to provide all school children with equal resources. Practical and political difficulties made it necessary to secure voter approval for major changes, and voters had made it clear that the status quo, while perhaps not perfect, was preferable to any of the changes that had been offered. As a result, little progress had been made to equalize funding over the previous 40-plus years.

Rising Property Taxes during Recession

In addition to efforts to reform the way public education was funded in Oregon, attempts were ongoing to reduce the property tax burden. The two efforts often coincided, with requirements that the State backfill reductions in property taxes to schools. But this was not always the case as some measures simply called for a reduction in property taxes with no mention of how schools or other jurisdictions would account for that lost revenue. Between 1973, when the McCall Tax Plan was defeated, and 1990, a total of eight measures were presented to voters to reduce property taxes in one way or the other (Measure 6 and Measure 11 in November 1978, Measure 6 in November 1980, Measure 3 in November 1982, Measure 2 in November 1984, and Measures 9, 11, and 12 in 1986). Four of the measures would have limited property taxes to a percentage of assessed value (three set the limit at 1.5% and one measure would have reduced taxes to 1% of value) and set limits on assessed values used to calculate property taxes.

There was good reason for these attempts to limit property taxes, as taxes increased dramatically during the 1980s. Between 1980-81 and 1990-91, property values used to calculate tax rates grew somewhat slowly, actually decreasing between 1984-85 and 1985-86 due to the prolonged recession that hit the Northwest. The total value used to calculate tax rates increased 53.3% statewide, from $62.547 billion in 1980-81 to $95.850 billion in 1990-91.[20] Assessed values within Multnomah County increased 44.9%, from $13.924 billion in 1980-81 to $20.176 billion in 1990-91. Within the City of Portland the value increased from $9.504 billion to $15.933 billion, a 67.6% increase over the same ten-year period.

But under the levy-based system then in effect, changes in value did not affect what taxing districts were to receive. Rather, the rate per thousand was adjusted according to the changes in total district value. At the same time, tax bases were allowed to increase 6% per year. Over a ten-year period, tax bases were allowed to increase 79% automatically.

As a result, tax rates increased and taxes to be collected went up by far greater percentages than values. The effective statewide tax rate (total taxes to be collected divided by the total assessed value) increased from $19.05 per $1,000 of value in 1980-81 to $26.61 in 1990-91, an increase of nearly 40%. The tax rate for Multnomah County went from $3.07 to $4.9655 over the same ten-year period, and the City of Portland's tax rate increased from $6.29 to $8.7983.[21] The total consolidated tax rate for all districts within the area of downtown Portland increased from $20.09 per $1,000 of value in 1980-81 to $33.5048 in 1990-91.

Total taxes to be collected for all taxing districts in Multnomah County increased dramatically during the 1980s by 132%, from $289.9 million to $671.9 million. Property tax collections for the City of Portland alone increased from $59.5 million to $139.7 million, an increase of 135%.

And of course the same thing was happening in the other 35 counties around the state. Statewide, assessed value in the 1980s increased 53.3% while total taxes imposed soared 114% (from $1.191 billion to $2.551 billion).

Section IV - Ballot Measure 5

By 1990, Oregon voters had had enough of increasing property taxes. An initiative petition authored by anti-tax activists Don McIntire and Thomas Dennehy made the ballot for the November General Election as Ballot Measure 5. State leaders, local governments and public employee unions came out strongly opposed to the measure, fearing the reduction in property taxes and the requirement that the State backfill revenue lost to public school districts would devastate not only local governments but the State budget, as well.

Despite a well-financed opposition campaign funded by public employee unions and backed by prominent public officials, Ballot Measure 5 passed with 52% of the vote.[22] Given the failure of at least 12 previous attempts since 1968 to limit property taxes, including seven in the 1980s alone, the passage was somewhat of a surprise.

Perhaps even more surprising was the way it passed: only 14 of Oregon's 36 counties approved the measure, including only 2 of 18 eastern Oregon counties (Hood River and Wasco). However, the state's three largest counties, Multnomah, Washington and Clackamas, provided more than the winning margin of "yes" votes. (See **Appendix B**.) This resulted in complaints from residents of the smaller, rural counties, who felt they were forced to endure Measure 5 at the behest of the large metropolitan counties.

> **"A vote for Measure 5 was like a vote for Iraq's Saddam Hussein."**
>
> **- Bud Clark, Portland Mayor**

Ballot Measure 5 represented a fundamental change in property tax administration and introduced an additional step in calculating each property's share of the local property tax burden. Many of those changes are still in place today. Approved in November 1990 and first effective for the 1991-92 fiscal year, Measure 5 required a 232-page bill, House Bill 2550, to make all of the statutory changes necessary to comply with the new constitutional provisions.[23]

The new system retained the levy-based authority while overlaying that authority with a rate-based limitation on imposed taxes by establishing maximum rates per $1000 of value that could be collected from each property for two broad categories: taxes to support the public school systems (K-12 districts, ESDs and community colleges) and taxes to support local governments other than the public school system. The public school system, or education, limit was phased-in over a five-year period. Starting in 1991-92, the limit was $15 per $1,000 of value, and thereafter reduced $2.50 each year until the rate was $5 in 1995-96. The general government rate was $10.00/$1,000 of value. Taxes for the repayment of general obligation bonds approved by voters for capital projects were exempt from the measure's limitations.

Measure 5 made some significant changes in the administration of the property tax system, including moving the assessment date (the date property is valued) to July 1, the first day of the fiscal year. Previously the assessment date had been January 1, six months prior to the start of the fiscal year. Moving the assessment date altered many long-standing practices by assessment offices, including the timing of property value appeals. Before Measure 5 there was time between January 1 and when the tax roll was completed in October to complete the initial round of appeals at the county level. With a July 1 assessment date this was no longer possible, so appeals were not filed until after tax bills were payable in November.

However, for the most part, county assessors determined property values pretty much the same way as they had before Measure 5. The "real market value" (RMV) of a property was still used as the assessed value (AV) for property tax calculation purposes. The only differences between real market value and assessed value under both the old and new property tax systems were for those properties that qualified for special assessment (farm and forest land) or partial exemption (war veterans, historic property, partial use non-profit, enterprise zone, etc.).

After Measure 5, districts still increased tax bases by 6% per year and submitted those levies to the county assessor. The assessor then calculated a tax rate by dividing the levy by the total district value. Those rates were then multiplied by each individual property's value to arrive at what was referred to as "taxes extended." However, the limitations established by Measure 5 required the assessor to take an additional step which involved comparing the taxes extended amount for each category (education or general government). If the taxes extended amount was higher than the limit, each district's tax amount was proportionally reduced or compressed so that the total category amount was within the limitation. This amount was referred to as "taxes imposed." Any reduction from taxes extended to taxes imposed was called "Measure 5 compression loss."

Once the $5 per $1,000 of value limit for education districts was fully phased-in for 1995-96, almost all areas of the state had tax rates that exceeded the limit. At the same time, almost all areas of the state were under the $10 per $1,000 limit for general government. This created, in effect, a rate-based system for schools while retaining the levy-based system for all non-school districts. And taxes for re-payment of general obligation bonds, being exempt from the new limitations, still operated under the levy system.

Where taxes were over the limit as determined by the tax rates in either category, assessed value was a factor in determining revenue for local taxing districts. If the value did not go up and the tax rate stayed the same ($5 or $10) then revenues stayed the same. If the assessed value went up then revenues went up. The opposite was also true: if the assessed value declined then revenues declined as well. Of course, if assessed values increased enough then at some point the tax rates would fall below the limits and the districts would be back to a levy-based system where they would collect the full amount authorized by the tax base.

However, one provision of Measure 5 negated, somewhat, the impact to K-12 school districts' revenues. The provision required the State of Oregon to replace any revenue lost by school districts due to the limitations of the measure during the first five years, or until the 1995-96 fiscal year. This was a compelling selling point for voters. In fact, a survey of 530 Oregon voters conducted by Oregon State University's 4-H and Extension Service in the fall of 1990, just prior to the November 1990 General Election, concluded that shifting the burden of funding public education from the (local) property tax system to the (state) income tax, or some other replacement tax, was a primary factor for 88% of those intending to vote "yes" on the measure.[24] And a poll conducted by Moore Information, a Portland public opinion research firm, immediately after the passage of Measure 5 found that 71% of the 400 respondents thought local governments and schools should find new sources of revenue to replace property tax cuts, and 50% thought a sales tax was the most appropriate source of new revenue.[25] A research paper published in December 1990 included a detailed examination of school finance issues, including a detailed description of implementing a sales tax to fund schools.[26]

While voters had consistently rejected property tax limitation measures in the past, Measure 5 offered something different: a chance to finally force the State to pay more for public education and to possibly fix the disparity in per student funding. This tension in voter sentiments was perhaps best reflected in the pages of *Willamette Week*, a weekly newspaper published in Portland and, by anyone's account, a liberal voice. In a series of editorials, Editor Mark L. Zusman stated the case passionately:

> "Friends will hate me, progressives will call me a turncoat, educators may label me a Judas – but Oregon's school finance mess leaves no other option. It's time to support Measure 5, the statewide property tax limitation initiative that will be on the ballot in November… Even if the measure does create chaos, it is a necessary sort of chaos that will eventually lead to support for an alternative source of revenue. Moreover, the unique architecture of Measure 5 offers us the best chance we've ever had to overhaul the jalopy on cinder blocks that we call our school finance system" [27]

In a second editorial the following week, Zusman detailed the measure, pointing out that the five-year phase-in of the school limit, and the requirement that the State backfill losses to school districts, were key differences between earlier property tax limitation measures. He opined that passage of the measure was a first step toward reducing property taxes and the adoption of a "broad-based effort to replace that income – most likely with a sales tax, which could be administered and distributed by the state with some degree of equity."

However, the paper highlighted the emotional debate over the measure, as well. When *Willamette Week* endorsed Measure 5 in its October 25 - October 31, 1990 issue it included a "dissenting opinion" from other staff members, stating they were "…shocked that this paper endorses a measure that will weaken Oregon's schools, disembowel local service agencies and perhaps bankrupt the state government." Such arguments were being made in newspapers, offices and coffee shops in every corner of the state.

Education Districts

As noted above, most areas of the state had education tax rates well above the Measure 5 limits. Even in 1991-92, when the limit was $15 per $1,000, there was considerable compression loss. Statewide, this amounted to over $195 million. And since tax bases continued to increase at 6% per year and the limited tax rate was reduced by $2.50 each year, the losses mounted. In 1995-96, when the education tax rate had been reduced to its lowest level of $5 per $1,000, the reduction in taxes caused by Measure 5 had increased to $1.341 billion. This represented over 57% of education taxes extended. Put another way, school districts were collecting less than 43% of what they would have collected without Measure 5. By 1995-96, there was only one K-12 school district in the state that was not affected by Measure 5 – Black Butte No. 41 in Jefferson County. The total education tax rate for properties within the school district was only $4.30, including $2.90 for the school district, $0.44 for Jefferson ESD and $0.96 for Central Oregon Community College. Six other school districts lost minor amounts, less than 10% of taxes extended.[28] These school districts, either due to low levy authority, high assessed values and/or large amounts of timber severance taxes, which offset (reduced) the tax base levy that the assessor used to calculate tax rates, had tax rates that were only slightly greater than the $5 per $1,000 limit.

The losses among education districts in Multnomah County are shown in **Figure 4**. In the first year of Measure 5's limitation, education districts lost a total of $42.3 million due to compression. Of this amount, Portland Public School District No. 1J accounted for nearly 60%, or $25.2 million of the loss. Some school districts did not lose any taxes the first year since the tax rate was under the $15 limit. However, as the limit phased in from $15 down to $5 per $1,000 of value the amount of compression loss increased each year. By 1995-96, when the phase-in of Measure 5 was complete, a total of $327.4 million in Multnomah County property taxes went uncollected to keep within the education limit.

Figure 4 - Measure 5 Education Compression Loss, 1991-92

Multnomah County

District	Tax Rate	Taxes Extended	Compression Loss	Taxes Imposed
Portland Public No.1	15.3490	$252,545,006	$25,197,933	$227,364,368
Parkrose No. 3	11.5393	$14,671,180	$0	$14,671,274
Gresham *	13.5672	$20,711,675	$1,765,989	$18,945,687
Reynolds No. 7	13.4001	$21,149,901	$1,498,848	$19,651,067
Centennial No. 28	18.2432	$13,050,269	$3,755,587	$9,294,685
Corbett No. 39	18.2159	$2,120,329	$609,377	$1,512,376
David Douglas No. 40	15.9286	$19,988,646	$3,741,223	$15,247,535
Riverdale No. 51	8.8949	$2,214,979	$0	$2,214,979
Multnomah ESD *	1.3487	$31,386,454	$3,181,153	$28,216,695
Portland CC	0.8064	$13,581,984	$1,326,198	$12,265,207
Mt. Hood CC	1.4793	$9,589,612	$1,059,243	$8,530,589
Others (joint Districts)		$2,387,574	$121,933	$2,312,680
Totals		**$403,397,609**	**$42,257,483**	**$360,227,141**

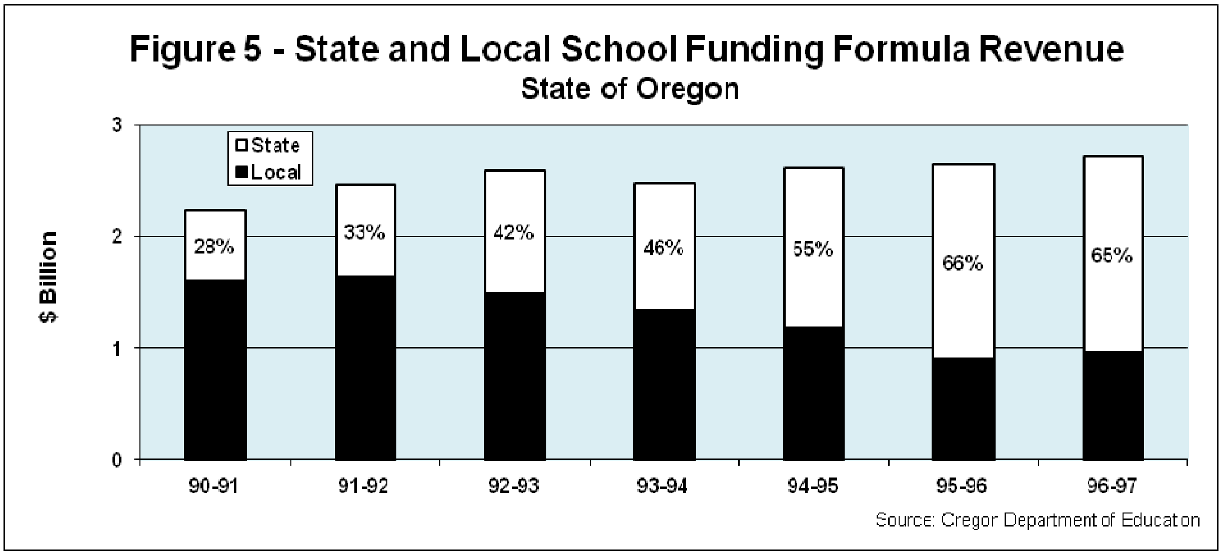
* Includes both high school and elementary districts.

In effect, all education districts – K-12, ESDs and community colleges – were under a rate-based system. The combined taxes had to be compressed within the $5 per $1,000 of value limit. As noted above, this made the revenue these districts would receive from property taxes heavily dependent on the change in values within the district. For property owners, the impacts of this new rate-based system were significant, as will become evident below.

Requiring lost revenue to be replaced by the State would increase the percentage of school funding that came from State sources as opposed to local property taxes. This gave the Legislature the perfect opportunity to take a more active role in education issues, not just funding but also education policy. In short order, legislation was passed requiring consolidation of all elementary and high school districts into unified districts (1991).[29] The goal was to reduce the number of school districts from 297 to 199 by September 1, 1996. The number of education service districts was also reduced, from 29 to 18 (1993).[30] The Legislature also adopted the Educational Act for the 21st Century (1991) which made major changes in school programs and graduation requirements.[31]

The 1991 Legislature, as part of its deliberations on the State budget, increased funding for K-12 schools in response to Measure 5. At the same time, it adopted an equalization formula to be phased in over a number of years. The goal was to provide equity for school districts by setting a per-student amount and combining both State sources and local sources to fund the equalization amount for each district. The result was that some districts started receiving less per student and some districts received more than had previously been the case.

The equalization formula included both State sources, primarily income taxes, and local sources, primarily property taxes. In 1990-91, prior to Measure 5, the State portion of overall public school funding was approximately 28%. Over the next six years under Measure 5, local sources declined steadily. At the same time, revenue from State sources increased dramatically until 1995-96, when the percentage of education funding coming from State sources had increased to 66%. Funding sources from 1990-91 to 1996-97 are displayed in **Figure 5**.



The dynamic of equalized school funding was a significant byproduct of Measure 5 that dramatically impacted K-12 districts and ESDs. Under the equalization formula, the State would determine the total pot of money available statewide, which included both State money and local property taxes. The Department of Education would then calculate a per student amount (total amount available divided by the total number of students). Every school district would receive that amount per student for every student that attended local schools.

Whatever a school district received from property taxes simply reduced the amount the district was to receive from the State to arrive at the same amount per student. It all came down to how much per student was allocated, regardless of the source. The large amounts of Measure 5 compression loss for individual school districts essentially didn't matter since losses from local property taxes were made up by the State from its General Fund. (Although the substantial reductions in property tax revenue certainly affected the total amount available to distribute statewide and, therefore, the per student amount that the State was able to afford.)

Measure 5 provided the Legislature with the practical and political "muscle" to equalize school funding – a goal that had eluded governors, legislators, schools districts, citizens and the courts for decades. Essentially the policy decision was made that if the State was going to be paying the lion's share of public education costs, upwards of 70%, then that funding would have to be made on an equalized basis. School districts that in the past could not come to an agreement on how an equalization formula would treat high spending districts as well as low spending districts were forced to go along with the plan in exchange for hundreds of millions of dollars in extra State funding.

General Government Districts

In the general government category, the impacts of Measure 5 were significantly different. While nearly all areas of the state had education tax rates that exceeded the limits, just the opposite was true of general government tax rates. Nearly every area of the state, especially after the first couple of years of double digit percentage increases in assessed values, had tax rates that were well under the $10 limit for general government taxing districts. Thus there was very little Measure 5 compression in the general government category. Districts such as Columbia County, the City of Ashland and Tualatin Valley Fire and Rescue were still able to increase the district's tax base the same 6% per year and collect the entire amount without any Measure 5 compression. The first year under Measure 5, 1991-92, general government taxing districts lost $51.5 million due to compression statewide, slightly less than 6% of taxes extended. This compared with a $195 million loss for education districts, a 10.6% reduction from taxes extended.

Most of the general government compression occurred within the City of Portland. With tax rates that exceeded the $10 per $1,000 of assessed value general government limit, there was substantial compression. The City of Portland lost $22,273,541, Multnomah County lost $13,104,152, the Port of Portland lost $252,236 and Metro lost $343,878. In total, general governments in Multnomah County lost $36,311,040, or over 70% of the statewide total. The remaining 30% occurred primarily in small, rural cities that also had tax rates that exceeded the $10 per $1,000 of value limit.

Areas of Multnomah County outside the City of Portland were under the $10 limit and therefore did not lose revenue due to Measure 5 compression, as shown in **Figure 6**. The only exceptions were the City of Fairview and the City of Troutdale. The tax rates inside these small, east county cities were over the limit with a total tax rate for all general governments of $10.0602 and $11.8510 per $1,000 of value, respectively. Fairview lost $5,121 and Troutdale lost $158,608 due to Measure 5 compression in 1991-92.

Figure 6 - Multnomah County General Government Tax Rates, 1991-92

City / TCA	City Rate	County Rate *	Other Rates **	Total Rate
City of Portland / 001	$7.3888	$4.2753	$0.1945	$11.8586
City of Fairview / 240	$1.7540	$4.4907	$3.8155	$10.0602
City of Gresham / 026	$4.3968	$4.4907	$0.2035	$9.0910
City of Troutdale / 242	$3.5448	$4.4907	$3.8155	$11.8510
City of Wood Village / 241	$1.4650	$4.4907	$3.8155	$9.7712
Corbett / 358	N.A.	$4.4907	$2.7786	$7.2693
Dunthorpe / 304	N.A.	$4.4907	$1.7134	$6.2041
Sauvie Island / 049	N.A.	$4.4907	$1.1059	$5.5966

* County rate varies by TCA due to urban renewal division of tax calculations.

** Other rates may include Port of Portland, Metro, RFPD and/or water district.

Unlike the limit on education districts, the limit of $10 per $1,000 of value for general governments was not phased-in over a five-year period. It started (and continues to this day) at the $10 limit. However, the property tax system was still primarily a levy-based system. Districts increased the tax base amount each year by 6% and certified those dollar amounts to the county assessor. The county assessor would then calculate rates by dividing the dollar amount of the levy by the total assessed value within the district. Thus, tax rates fluctuated from year to year depending on the value of the district.

Fortunately or unfortunately, depending on your point of view, real estate values began to increase, driving tax rates down. This had the effect of negating the tax reductions that most people had expected. (Some citizens suggested that county assessors were simply inflating values to offset the tax breaks promised by the measure.) Total assessed value within Multnomah County increased 72% from 1990-91 to 1995-95 and 75% within the City of Portland. Remember, values countywide had increased only 44.9% (67.6% within the City of Portland) over the previous decade, 1980-81 to 1990-91.

As district values increased more than 6% per year and tax bases were limited to 6% per year, tax rates began to drop. As tax rates dropped, so did Measure 5 compression losses. In 1995-96, after five years under Measure 5, only $3.5 million in compression loss was reported in the general government category statewide, down from $51.5 million in 1991-92 as detailed in **Figure 7**. This was less than 1% of general government levies.

Nowhere in the state was this truer than within the City of Portland. Losses due to Measure 5 compression within Multnomah County declined substantially, from $36.3 million in 1991-92 to only $182,022 in 1995-96, less than 1% of taxes extended. Of this amount, $69,895 was reduced from Multnomah County's taxes extended and the City of Portland's loss was $103,230. The decline was due to a reduction in the total general government tax rate within the City of Portland from $12.2397 in 1991-92 to $10.0910 per $1,000 in 1995-96, only slightly above the $10 limit. Multnomah County's share of statewide Measure 5 compression had dropped from over 70% in 1991-92 to only 5.1% in 1995-96.

Figure 7 - General Government Compression Losses, 1991-92 to 1995-96

(Statewide and within Multnomah County)

Fiscal Year	Statewide Totals	Countywide Totals	Multnomah County	City of Portland
1991-92	$51,494,278	$36,311,241	$13,104,152	$22,273,541
1992-93	$32,501,271	$22,782,724	$8,409,527	$13,569,601
1993-94	$29,082,365	$21,612,043	$7,977,419	$13,212,332
1994-95	$10,292,106	$5,651,041	$2,141,504	$3,403,776
1995-96	$3,538,875	$182,022	$69,895	$103,230

Still, some cities around the state, primarily smaller jurisdictions in rural areas, continued to suffer significant Measure 5 compression losses. The lower rates of assessed value growth in these areas meant that tax rates for general government districts remained at levels above the $10 per $1,000 limit. In 1991-92, the City of Lakeview (Lake County) suffered $244,766 in Measure 5 compression losses, nearly 41% of its $602,872 levy. By 1995-96, the amount of compression loss had actually increased to $335,046, which represented more than 44% of its levy. Similarly, compression losses for the City of Reedsport (Douglas County) increased from

$177,668 in 1991-92 to $208,986 (16.2% of its levy) in 1995-96, and Klamath Falls (Klamath County) saw its compression losses go from $263,062 to $334,597 (10.7% of its levy). In 1995-96, a total of six cities lost more than 20% of their net levy to compression, including both cities in Gilliam County: Arlington lost $53,984, or 36.7% of its levy, and Condon saw its net levy reduced by $80,531, or 38%. The other three cities were Powers (Coos County), Heppner (Morrow County) and Moro (Sherman County).

Serial Levies and Urban Renewal

Measure 5 introduced a new dynamic to public finance in Oregon; for the first time, an increase in the levy authority of one taxing district, including urban renewal agencies, could restrict the property tax collections of one or more other taxing districts. This would occur if the total category tax rate, either for education districts or general government districts, exceeded the Measure 5 limits. Since any reductions necessary to keep a property's taxes within the limit were prorated among all of the taxing districts in that category, all levies would be reduced, not just the levy for the district that had increased a property tax levy from the year before. In effect, there would be competition for a fixed amount of property taxes available under the limit. A district could, by increasing its levy over the prior year, earn a greater piece of the $5 or $10 pie.

Legislators dealing with implementing Measure 5 were so concerned about this issue that separate legislation was passed requiring all taxing districts in each county to participate in a tax coordination plan for the 1992-93 tax year which was to be coordinated by the County or a public agency designated by the County.[32] Only general governments were required to participate and only levies subject to the Measure 5 limits were considered. Education districts were undoubtedly excluded from the requirement due to the fact that the State was required to backfill any losses from Measure 5, and therefore there would not be the same incentive for taxing districts to compete for the amount of taxes available under the Measure 5 limit. Coordination plans were, essentially, only information sharing vehicles, since the County was not granted authority to limit the amount of property taxes a district could levy. Taxing districts would simply know what all other districts were proposing to levy in the upcoming year so that estimates could be made of how much, if any, property taxes would be lost due to Measure 5 compression.

However, new taxing districts asking for property tax authority, or existing districts seeking to increase authority, were required by ORS 310.186 to hold a public hearing for "citizens and representatives of other units of local governments to communicate the effect of the proposed increase in current tax levy authority on other units of local government." The governing body was required to certify to the county election officer that it had complied with the tax coordination rules as detailed in the statutes. If not, the election officer was not allowed to place the property tax measure on the ballot.

Multnomah County officials looked to the Tax Supervising and Conservation Commission to carry out the tax coordination functions. The Commission surveyed tax districts as to each districts' intent to levy property taxes in the upcoming year and compiled that information in a report dated November 25, 1991. Legislation passed by the 1993 Legislative Session mandated a similar report for the 1994-95 fiscal year.[33] The Commission again gathered information, and issued a report dated December 16, 1993. Informal tax coordination efforts in other years.

Statewide, as the general government tax rates fell below the $10 limit due to increased assessed value, the need for tax coordination subsided. Legislation in 1997 to implement Ballot

Measure 50 repealed all statutes dealing with tax coordination plans.

It could be argued that tax coordination plans did have an effect on taxing districts' plans to seek voter approval for new property tax authority despite the advisory-only nature of the plans. In 1991-92, taxing districts statewide certified $183 million in serial levies. The following year, 1992-93, the amount of serial levies being certified to county assessors for collections had dropped to $121.4 million, a 33.6% decrease. And urban renewal property tax levies decreased even more from one year to the next, decreasing 39.2%, from $41.9 million in 1991-92 to $25.5 million in 1992-93. Without the limits of Measure 5 and the prospect of reducing other taxing districts' property tax collection, both of these amounts would undoubtedly have been higher.

This was certainly true for the City of Portland's property tax collections, and to a lesser extent Multnomah County's collections. The impact of Measure 5 extended beyond the compression loss numbers cited above. Since the general government tax rate inside the City of Portland did exceed the $10 limit ($12.2397 in 1991-92 and $10.0910 as late as 1995-96) both the City and the County applied self-imposed limits. Serial levies were essentially unavailable, dropping from $31.9 million in 1991-92 to $23.9 million in 1992-93, since any increase in the tax rate would simply mean more compression loss, not just for the jurisdiction that imposed the serial levy but for all general government taxing districts that levied inside the City of Portland.

In addition, Portland's urban renewal tax increment financing revenue was, for all intents and purposes, non-existent. When voters passed Measure 5, urban renewal administrators and consultants interpreted the measure so that tax revenues to repay bonds issued for urban renewal projects were outside the limitations, similar to general obligation bonds. This interpretation was based on the fact that urban renewal backed bonds were allowed by the Oregon Constitution.

To clarify the issue the City of Portland asked the courts for a declaratory ruling. In August 1992, the Oregon Supreme Court, in a 5-2 ruling, opined that all revenue from urban renewal tax increment financing was subject to the Measure 5 limit on general government property taxes of $10 per $1, 000 of assessed value.[34]

The ruling that urban renewal taxes derived from tax increment financing were subject to Measure 5 limits was devastating, not just for Portland's urban renewal agency, the Portland Development Commission (PDC), but to all urban renewal agencies in the state. By continuing to certify and collect urban renewal taxes, compression losses would be greater for the County, City and other general government taxing districts. Taxes collected in 1991-92 were not refunded since no suit had been filed challenging the City's certification that a portion of the urban renewal taxes were outside the Measure 5 limits.

To avoid causing even more compression in the general government category, the City of Portland, on behalf of PDC, levied no urban renewal tax increment financing taxes for the next three years. PDC Chairman Doug McGregor stated the position clearly: "I've taken a personal stand that no, we should not compete against fire or police services to fund PDC activities. I think that is a no-win situation for the community."[35]

For three years, starting in 1992-93, the City certified no urban renewal taxes for collection. In 1995-96, with ever-increasing assessed values dropping the tax rates closer to the $10 limit, the City of Portland resumed levying at least a portion of its authority, as shown in **Figure 8**.

Figure 8 - PDC Authority v. Taxes Imposed, 1990-91 to 1995-96

Fiscal Year	TIF Authority	Certified Levy	Taxes Imposed	TIF Lost
1990-91	$22,337,683	$22,337,687	$22,337,683	$0
1991-92 *	$28,006,208	$17,637,160	$17,637,160	$10,369,048
1992-93	$31,005,653	$0	$0	$31,005,653
1993-94	$30,888,951	$0	$0	$30,888,951
1994-95	$31,488,845	$0	$0	$31,488,845
1995-96	$34,723,884	$2,500,000	$2,492,394	$32,231,490
Totals	**$178,451,224**	**$42,474,847**	**$42,467,237**	**$135,983,987**

* Prior to Supreme Court Declaratory Ruling, so considered exempt from Measure 5.

Over a five-year period, 1991-92 through 1995-96, PDC collected a total of $20,137,160 in tax increment financing taxes, less than 13% of its pre-Measure 5 authority. A total of nearly $136 million went uncollected due to the impacts of Measure 5.

Inequities Caused by Measure 5

Measure 5 did produce some inequities in that certain properties paid more for the same service than other properties within the same taxing district. This came about due to the various overlapping taxing districts resulting in different total consolidated rates, some that were above the Measure 5 limits and some that were under. Provisions of the new constitutional scheme called for a reduction in taxes of all taxing districts within the category if a property's tax bill exceeded either the $10 general government limit or the phased-in education limit. If, for example, the taxes for education districts exceeded the limit then taxes for the K-12 district, the ESD and the community college, were reduced proportionally until the total taxes for all three no longer exceed the limit.

Within Portland Public Schools, the tax rate for education districts in 1991-92 was $17.5041 per $1,000 of assessed value. This consisted of $15.3490 for Portland Public School, $1.3487 for Multnomah ESD (both elementary and high school) and $0.8064 for Portland Community College (PCC). When these rates were applied to properties inside the Portland School District, taxes on each property were reduced proportionally so that the effective rate was reduced to $15 per $1,000 of assessed value, the education rate limit in effect for that year. This lowered the effective rates for the three districts to $13.1533 for Portland Public School, $1.1557 for Multnomah ESD and $0.6910 for PCC.

However, PCC's territory extends into portions of five counties: Clackamas, Columbia, Multnomah, Washington and Yamhill. This includes literally dozens of school districts, each with its own tax rate, creating different total education tax rates. As a result of Measure 5, property owners within PCC were paying different effective rates for the community college's operations. Rather than paying $0.6910 per $1,000 of assessed value like the owners of property were paying inside the Portland School District, property owners within Riverdale School District were paying the full $0.8064 since the education tax rate in that area of Multnomah County was under the $15 limit. On the other hand, property owners within the Scappoose School District in

Columbia County were paying less than Portland property owners, $0.6145 per $1,000, since the total education tax rate in Scappoose was even higher than in Portland, $19.6850 per $1,000.

The same thing was happening to general government tax rates where only a portion of a jurisdiction was included in an area that had a tax rate exceeding the $10 per $1,000 limit. For example, Multnomah County's operating tax rate in 1991-92 was $4.4907 per $1,000 of assessed value. However, within the City of Portland, with a total general government tax rate of $11.8586, property owners paid only $3.6052 per $1,000 for county services after the Measure 5 limits had been applied. Property owners in the City of Fairview paid $4.4638 and within the City of Troutdale the county tax rate was only $3.7893. All other areas of the county, including properties inside the cities of Gresham and Wood Village, paid the full $4.4907.

Before Measure 5, it was a hard and fast principal of Oregon's property tax system that all properties within the same taxing district were to be assessed the same tax rate per $1,000 of assessed value for that taxing district. This was certainly in keeping with the Oregon Constitution's requirement that taxation be uniform.[36] Where taxing district boundaries extended into more than one county, procedures were in place to ensure that the county assessors in each county arrived at the same rate.[37] Measure 5 upset that principal.

The constitutional language of Measure 5, as approved by voters, allowed for property taxes under the measure to be something less than uniform by including wording that said "…notwithstanding any other provision of this Constitution…."[38] This allowed for the disparate rates of taxation created by Measure 5 detailed above.

Still, property owners in Gilliam County immediately appealed their 1991-92 property tax bills. Within the City of Condon, the total general government tax rate was $21.93 per $1,000 of assessed value, including $4.7194 for County services, more than double the allowed $10. After Measure 5 compression, property owners in Condon paid only $2.1520 per $1,000 of assessed value to the County. Other county property owners paid the entire $4.7194 county tax rate. Since there was no claim that the new tax system violated the Oregon Constitution's uniformity of taxation clause, an appeal was filed in the Oregon Tax Court asserting that such a disparity in tax burdens for the same government service violated the Equal Protection Clause of the Fourteenth Amendment to the U.S. Constitution. The appeal named Richard Munn, Director of the Oregon Department of Revenue, as Respondent. Don McIntire and Thomas Dennehy, authors of Measure 5, intervened by filing a brief with the Tax Court.

In deciding the case, Tax Court Judge Carl N. Byers opined that the proration method for reducing property taxes that exceed Measure 5's limits did not violate the federal Equal Protection Clause. He wrote:

> "Plaintiff's claim is without merit. The legislative power of the state in matters of taxation is entitled to great deference by the courts. If there is a rational relationship between the classification made and a legitimate state objective, the court must uphold the legislation. Limiting property taxes is unquestionably an appropriate state objective. Compressing the tax rates to achieve that limitation is a reasonable means of accomplishing the law's objective. The law does not discriminate against those who pay less than the maximum allowable amount of taxes. Those taxpayers may pay a greater proportionate share to a particular taxing unit but overall they are not treated unequally."[39]

A year and a half later, the Oregon Supreme Court agreed and upheld the Tax Court's finding. Citing extensively from *Nordlinger v. Hahn*, the U.S, Supreme Court case which had just been decided in 1992 that upheld the constitutionality of California's Proposition 13, the court found that the U.S. Equal Protection Clause does not require absolute uniformity of tax burdens on the same class of taxpayers.[40] The Court stated that:

> "Unless a classification warrants some form of heightened review, the federal Equal Protection Clause requires only that the classification 'rationally further' a legitimate state interest. Measure 5 meets this test."[41]

To the extent that a total category tax rate, either education or general government, exceeds the Measure 5 limits, these inequities still exist.

<u>Measure 5's Success</u>

Was Measure 5 a success? From a political perspective it was. McIntire and Dennehy had obviously studied previous, failed property tax limitation measures and learned from those mistakes. Measure 5 differed from those measures in a number of significant ways. For one, it only required a reduction in taxes not values. This made it easier for voters to understand because there was only one variable that was being changed rather than two. And the reduction in property taxes was phased-in over a five-year period, limiting the immediate impact on revenues for schools and allowing time for a replacement source of revenue to be put into place (although it is doubtful that the authors were advocating for a sales tax).

Perhaps the biggest difference between Measure 5 and earlier limitation measures was the constitutional requirement that the State replace revenue lost to K-12 school districts. Tax limitation measures in the 1980s had simply cut taxes and left the question entirely open as to how, or if, those lost property taxes would be made up. As noted earlier, shifting more responsibility for funding public education from the local level to the State had been an issue for over two decades. Finally a mechanism had been devised to force that to happen and voters, even vocal advocates of public education, could support the measure for that reason alone.

Administratively, Measure 5 was problematic for assessment personnel. Moving the assessment date from January 1 to July 1 upset processes that had been in place for decades. In addition, a provision in Measure 5 requiring market value used to calculate property taxes to be the "minimum amount…during the period for which the property is taxed" meant that the assessed value was a moving target.[42] While tax bills were calculated in October and the first payment was due in November, the value could decline during the next seven months. This could necessitate the recalculation of a property's tax bill after the taxes had been collected, distributed to taxing districts and spent on provided services. This was counter to the most basic property appraisal theory and methodology of value as of a specific date. This provision continued to cause problems and controversy until it was changed in 1997.

In terms of public policy the success of Measure 5 depends on your perspective. Certainly the effort to shift more of the responsibility for funding public education from local property tax payers to the State's income tax was remarkably successful. In 1990-91, the year before Measure 5 became effective, K-12 school districts and ESDs imposed $1.550 billion in property taxes statewide. In 1995-96, when the measure was fully phased-in, property taxes for those same districts amounted to $927.2 million, a 40% reduction. Over that same period of time State funding for school districts increased from $0.63 billion to $1.74 billion.

Also, equalizing the funding of the public school system was a direct result of Measure 5. The basic per student formula devised to meet the requirements of Measure 5, wherein lost property tax revenues had to be made up by the State, is largely still in use today. While painful for those high-spending districts that saw a reduction in per student revenue, some school districts actually received more funding under the new formula than they had been receiving. And the equalization of per student funding made court challenges less likely to be successful. (Additional court challenges followed seeking a quicker timeframe for completing the phase-in of equalization.)

However, citizens who voted for Measure 5 as a precursor to finally adopting an alternative funding source for public education were disappointed. In 1993, the Legislature referred Measure 1 to a statewide vote to impose a 5% sales tax with all proceeds going toward public education (K-12 through community college). Education property taxes on residential property would have been eliminated. The measure was defeated by nearly a 3 to 1 margin.

Figure 9 - Taxes Imposed, 1990-91 to 1995-96 *

(Statewide and within Multnomah County)

In $ millions

Fiscal Year	Statewide			Multnomah County		
	Gen. Gov.	Education	Total	Gen. Gov.	Education	Total
1990-91	$885.6	$1,665.4	$2,551.0	$292.5	$379.4	$671.9
1991-92	$899.7	$1,650.3	$2,550.0	$263.7	$364.3	$628.0
1992-93	$955.5	$1,573.5	$2,529.0	$272.6	$340.2	$612.7
1993-94	$1,022.3	$1,444.0	$2,466.3	$293.0	$295.5	$588.4
1994-95	$1,104.2	$1,265.7	$2,369.9	$321.1	$248.9	$570.0
1995-96	$1,242.4	$1,005.8	$2,248.2	$362.8	$193.0	$555.8
$ Change	**$356.8**	**($659.6)**	**($302.8)**	**$70.3**	**($186.4)**	**($116.1)**
% Change	**40.29%**	**-39.61%**	**-11.87%**	**24.03%**	**-49.12%**	**-17.28%**

* Includes bond levies and urban renewal division of tax.

Clearly, Measure 5 reduced the amount of property taxes imposed statewide. Between 1990-91 and 1995-96, statewide collections dropped by more than $300 million, or 11.9%. In Multnomah County, property taxes imposed declined by $116 million or 17.3% from 1990-91 to 1995-96, as shown in **Figure 9**.

However, for taxing districts the effects of Measure 5 depended on whether the district was a general government district or an education district. Breaking out taxes imposed by the type of district indicates that education districts lost considerable amounts of property taxes while collections for counties, cities and special districts, actually increased over that five-year period.

Education districts, subject to the new equalization formula, were, for the most part, held harmless from the effects of Measure 5, from an overall funding standpoint. There were certainly individual school districts that had previously been spending above average amounts per student where Measure 5 was devastating. For education service districts and community colleges the impacts were more severe, since funding for these districts was not immediately equalized. The Legislature did appropriate money for ESDs starting in 1991 to compensate for reductions in property tax collections due to Measure 5. However, the amount of funding on a per student basis was not equalized and by 1999 the amounts per student varied considerable, with some ESDs receiving four times more than other ESDs.[43] Finally, the 2001 Legislature passed legislation that established ESD funding as a percentage of the State School Fund, ramping that funding up from 4.66% of State and local revenues used for K-12 per student funding in 2001-02 to 5% in 2005-06. The legislation also mandated an equalization formula based on the per student equalization of each ESD's component school districts starting in 2005-06 and phased in over a four year period.[44]

Community Colleges are governed by the Department of Community Colleges and Workforce Development (CCWD), which is administered by the Commissioner for Community College Services, an appointee of the State Board of Education. Funding policy is left up to the Board of Education, and by administrative rule the board implemented an equalization formula starting with the 2005-06 fiscal year. The rule stated as one of its main purposes that it was expected to take six years to fully implement the new formula.[45]

And what about the property owner who the measure was designed to help by reducing the burden of property taxation? Certainly, property tax bills were less than what they would have been without Measure 5, but increasing property values offset some of the reductions that voters had expected. Also, many districts, especially counties and cities, increased fees to make up for a portion of anticipated revenue shortfalls.

Since all education districts were over the $5 per $1,000 of assessed value limit by 1995-96, Measure 5 essentially created a hybrid property tax system, with education districts under a rate-based system and general governments under a levy-based system. From a property owner's standpoint, the rate-based system was problematic in that when assessed values increased, taxes were automatically increased. If a property's value went up 20% and the rate stayed the same, then taxes went up 20%, often with no improvements being made to the property.

The rapid increase in real estate values starting in 1990 meant more money for school districts than what would otherwise have been collected. But with the limited tax rate declining by $2.50 each year, property taxes collections did go down. General government property tax rates also declined due to ever increasing property values. This led to less compression due to Measure 5 for general government districts, including Multnomah County and City of Portland. However, lower tax rates did not necessarily mean lower property taxes for all property owners. If a property's assessed value increased by a greater percentage than the reduction in the tax rate, then taxes would actually increase. This was especially true in the general government category.

The net effect was that most properties did see reductions in property taxes between 1990-91 and 1995-96. However, most of the increases in assessed value during this period were due to residential properties, rather than commercial or industrial properties. In its 1996-97 Annual Report, the Multnomah County Tax Supervising and Conservation Commission reported that between 1990-91 and 1996-97 the average assessed value of residential property in the county had more than doubled, from $58,322 to $133,066. These large increases in residential property value offset the reductions in the education tax rate.

At the same time, industrial and utility property owners saw significant reductions in their tax bills. This type of property, especially personal property and machinery and equipment, which comprises a large portion of the value, is subject to depreciation, so the value declines over time. Under the new partial rate-based system, property values that stayed the same or even went down meant taxes for education districts stayed the same or went down, and since the general government tax rates were declining, those taxes also went down.

In 1990-91, residential property values accounted for 44% of all taxable value in the state. In 1996-97, this percentage had increased to 50.5%. It should be noted that during the 1980s, residential property values had actually declined as a percentage of total assessed value. Due to the shift in values back from non-residential to residential property, more and more of the property taxes imposed were being paid by homeowners as opposed to businesses. Measure 5's partial rate-based property tax system exacerbated that shift.

The net result for homeowners was that in 1995-96, the final year of the phase-in of Measure 5, property taxes had declined modestly or stayed the same in comparison to what they had been in 1990-91, prior to the measure.[46] There was a perception among some property owners, particularly residential property owners, that they had not received the reductions in property taxes that they expected. Many property owners accused the assessor of increasing values simply to offset the limits of Measure 5 and to bring in more revenue for local governments.

The first year of the full impact of this new hybrid rate-based system was in 1996-97, the year following the full phase-in of the education tax rate limit. The education rate had stabilized at $5 per $1,000 of assessed value and now operated like a true rate-based system. Property values increased 11.4% in Multnomah County, and 11.6% within the City of Portland. This meant that property taxes for education districts would increase by those same percentages.

Adding to Multnomah County property tax bills in 1996-97 were nine new property tax measures approved by voters the year before – six for general obligation bonds, one increase in the permanent tax base, and two serial levies. Of the nine, four were Multnomah County measures (library serial, jail serial, library bonds and public safety bonds) which meant that all property tax bills in the county were affected. Also contributing to higher tax bills was the City of Portland's urban renewal levy. As higher assessed values/lower rates for general government districts allowed for more collections, the City had increased its request for division of tax revenue from $2,500,000 in 1995-96 to $18,093,968 in 1996-97. The result of this "perfect storm" was that total taxes imposed in Multnomah County increased $94.5 million, or 17%, in 1996-97 compared with the prior year.

Similar increases in property taxes occurred across the state as statewide property taxes went up 12.45%. The Measure 5 education rate had stabilized at $5 per $1,000 of assessed value and these districts were effectively under a rate-based property tax system. The fact that the district's tax base increased by 6% as allowed by the Oregon Constitution was virtually meaningless since Measure 5 only allowed collection of approximately one-half of the tax base amount. What mattered most was how much the total assessed value had increased and in 1996-97 the total statewide assessed value increased 11.2%. This drove up the amount of property taxes that could be collected under the Measure 5 limitation. Property taxes for School districts (K-12 and ESDs) increased by 12.8% and community colleges' property taxes imposed were up 13.3%. Property taxes for urban renewal agencies, which had been constrained under Measure 5's limitations, increased 52.5% statewide, from $42.5 million to $64.8 million.

Property tax statements with these higher amounts hit mailboxes across the state in October 1996. Less than a month later, on November 6, voters approved Ballot Measure 47.

Section V - Ballot Measure 47

Ballot Measure 47 was called the "Cut and Cap Property Tax Reduction Act." This constitutional measure, proposed by initiative petition writer Bill Sizemore, went straight to the bottom line of property tax bills and limited the total amount of property taxes each property's owner would pay. It kept all of the old system, kept all of the Measure 5 limits, and added a new layer of calculations for county assessors to make.[47] Now, after performing all of the previously required steps (value property, calculate rates for each district, calculate taxes for each property, and apply the Measure 5 limits), county assessors had to compare each property's total tax bill to the new limits imposed by Measure 47.

For 1997-98, the maximum amount of taxes that any given property owner could pay would be the 1997-98 amount calculated under Measure 5, <u>or</u> the amount of taxes that the property's owner paid in 1994-95, <u>or</u> the amount of taxes that the property owner paid in 1995-96 less 10%. The lowest of the three amounts would be the maximum amount that could be imposed. Following the name of the act, this "cut" taxes. Beyond 1997-98, the total tax bill could only increase by 3% per year. This was the "cap" portion of the measure.

The system under Measure 47 was neither levy-based nor rate-based. By removing any direct connection between a property's value and the property's tax amount, it would be even more difficult for property owners to understand how the tax bill was calculated.

One complication for assessors was trying to calculate the tax bill for a new property. The owner of a house or commercial building built in 1996 would have only paid property taxes on the land in both 1994-95 and 1995-96. Language in the measure explaining how the assessor was to calculate a tax bill for these new buildings and other new properties was vague in that it required a comparison to "similar properties similarly valued."[48]

Another complication was that Measure 47 did not provide a specific mechanism to determine how much of the lower total tax amount each district would receive. Rather, the measure stated the "redistribution of revenues shall be in a manner so as to i) prioritize public safety and public education, and ii) minimize any loss of local control of cities and counties to state government."[49] No one, not even Mr. Sizemore, knew precisely what that meant.

The measure included two other provisions: 1) local measures that would increase property taxes required a "double majority" standard of "approval by not less than fifty percent (50%) of voters voting in a general election in an even numbered year, or other election in which not less than fifty percent (50%) of the registered voters eligible to vote on the question cast a ballot;"; and 2) a limitation on increasing fees to offset the loss of property tax revenue.[50]

> **"Implementing Ballot Measure 47 is like working on a car with the motor still running: you have to be careful where you put the wrench."**
>
> **- Jerry Hanson, Director, Washington County Assessment & Taxation, December 1996**

Measure 47 also required the Legislature to establish a mechanism for property owners to voluntarily make an "annual, voluntary contribution in conjunction with property tax payments, and designate the school or other entity to which the additional revenue shall be disbursed as a voluntary contribution."[51]

Assessment officials, local government representatives and legislators began meeting immediately after the November election to interpret Measure 47 and determine how it affected the property tax system and property tax collections. When the Legislature convened in January 1997, one of its top priorities was to pass legislation to implement the measure's constitutional provisions.[52]

In early March, after several months of wrestling with Measure 47, legislative leaders such as Senate Revenue Committee Chair Ken Baker, House Revenue Committee Chair Tom Brian and Legislative Revenue Officer Jim Scherzinger, decided that it would be best if they just scrapped the whole thing and started from scratch. They did so for three main reasons: 1) there were constitutional questions about the measure that could have resulted in lengthy court challenges; 2) there were dozens of administrative complexities that simply became overwhelming for both assessment officials as well as local governments relying on the property tax system; and 3) there were a number of districts around the state that might have suffered such severe revenue loss under the new system that the very survival of the jurisdiction was threatened.

On March 5, 1997, the revenue committees of both the Oregon Senate and House of Representative unveiled their plan to re-write Measure 47. A mere 18 days later it passed both the House and Senate and went to the ballot as Ballot Measure 50. On May 20, it was approved by the state's voters. The details developed to replace Measure 47 are largely still intact today as Oregon's property tax system.

Section VI - Ballot Measure 50

Measure 50 was a monumental legislative process, involving hundreds of individuals from across Oregon representing state government, local government, citizens and the private sector. County assessors, tax collectors and Department of Revenue assessment professionals, not often seen in the halls of the State Capitol, spent virtually every day from March until July of 1997 working on different aspects of the measure to ensure that the problems encountered by Measure 47 would not be repeated.

Rather than just fix Measure 47, those involved in trying to make the measure work decided to take the opportunity to completely revamp the property tax system. In just over four months, they conceived the basic structure, wrote the constitutional language (in six days), convinced voters that legislators weren't pulling a fast one on them, secured passage of the measure, and passed a 250+ page implementation bill.[53] (For comparison, non-controversial, "house-keeping" bills often take longer than that to navigate the legislative process.)

The constitutional amendment was referred to voters by House Joint Resolution 85. The election was not scheduled until May 20, and so from mid-March until the election legislators did not know if they needed to implement Measure 47 or the new Measure 50. To cover all bases, legislation proceeded on both measures. To streamline the process even more, Measure 50 implementation bills were introduced and worked on in committee in both the Senate (Senate Bill 1215) and the House (House Bill 2048). After the election and the successful passage of Measure 50, Measure 47 legislation was abandoned and work proceeded in earnest on SB 1215.[54]

Because of the urgency and short time frame, legislators and stakeholders were forced to come together to agree on literally thousands of compromises. While very little ultimately remains of Measure 47, there is no doubt that without its passage in 1996 there would not have been the incentive or political will to devise an entirely new property tax system.

Legislative leaders had three overriding goals in crafting Measure 50: 1) Replicate, as much as possible, Measure 47 (to assure voters that the effect on them would be the same); 2) Make the system more predictable for property owners; and 3) Simplify the property tax system and make it less expensive to administer.

As the constitutional measure and the implementation bill went through the legislative process legislators and stakeholders negotiated changes to the original concepts to address concerns and solve complex administrative issues. Some changes did not necessarily meet the above goals. However, for the most part, the three overriding goals were adhered to in the final product – a new property tax system.

So, what did Ballot Measure 50 do?

Measure 50 changed the property tax system in two fundamental ways: 1) it created a "split roll" by separating assessed values from real market values with limitations on those assessed values; and 2) it converted nearly all operating levies from a dollar amount of authority to a rate per $1,000 of assessed value authority, thereby creating a mostly rate-based property tax system. It didn't simply "rewrite" Measure 47. Instead, it eliminated all of 47, as well as most other constitutional provisions dealing with property taxes, including district tax bases and the 6% annual increase of tax bases.[55]

Measure 50 did keep the Measure 5 limitations of $10 per $1,000 of value for non-education districts and $5 for education districts. At the same time, however, it substantially changed the way Measure 5 worked. Administratively, it rescinded some of the more unworkable provisions of Measure 5, including a significant change that allowed the assessment date to be returned to January 1 from July 1.

Generally, the new property tax system accomplished the goals that legislative leaders had established when they abandoned Measure 47. In very broad terms the changes were as follows:

Primary Goals of Measure 50	
Goal	**Results**
Replicate, as much as possible, Measure 47 (to assure voters that the effect on them would be the same).	• Retained double majority voting standards. • Incorporated 3% annual increases. • Cut values (as opposed to taxes) by 10% from 1995-96. • Reduced tax collections in 1997-98 statewide by 17%.
Make the system more predictable for property owners.	• Maximum 3% increase in assessed value coupled with fixed tax rates (protection against both levy-based and rate-based “down side risks”). • “Minor construction” could not be added to assessed value and therefore would not be taxed. • Permanent tax rates could not be increased by voters.
Simplify the property tax system and make it less expensive to administer.	• Reduced importance of market value so less time spent reappraising property. • Eliminated requirement of six-year reappraisal cycle. • Value limits would reduce the number of appeals. • Increase threshold for canceling business personal property assessment from $3,000 to $10,000.[56]

Assessed Value Limitation

One of the long-standing complaints against the property tax system among property owners prior to the implementation of Measure 50 was that people did not know from year to year what their tax bill was going to be. If the assessor re-appraised their property, and the value went up a large percentage, the tax bill could be 50% higher than the year before. People wanted predictability and one of the Legislature's overriding goals with Measure 50 was to bring some semblance of predictability to the property tax system.

While Measure 47 cut and capped taxes, Measure 50 cut and capped values. Measure 50 created a new value called maximum assessed value (MAV). Each year the county assessor is determines the RMV for every single property in the county, much the same way as in prior years, based on appraisal methods and techniques to arrive at an estimate of what the property would sell for. Since the implementation of Measure 50, the assessor is also required to calculate the MAV for each property. The assessed value (AV), which would be used to actually calculate that property's tax bill, is the lower of those two values. Thus every property has at least three values: RMV, MAV and AV. [57]

For the 1997-98 tax year, each property's MAV could not exceed the RMV for 1995-96, less 10%. (The measure did not go back to the 1994-95 tax year as Measure 47 had required.) In subsequent years, MAV could only increase by 3% each year. If RMV fell below the MAV, then for that year the tax bill would be calculated on the RMV since that would be used as the assessed value (lower of the RMV or MAV).

Like other aspects of Measure 50, the statutory language regulating MAV included in SB 1215 was vastly different than the language contained in the constitutional provisions approved by voters. The Constitution, specifically subsection (1)(b), section 11, Article XI, allowed for MAV to continue to increase by 3% per year even after the property's RMV fell below MAV. When legislators were debating this particular aspect of the new property tax system, some of the more conservative members of the revenue committees felt that allowing MAV to increase in value indefinitely was not good public policy since it could mean that a property would continue to be assessed at its RMV even after large increases in the market value. Lobbyists for taxing districts argued strenuously that this would allow for increased property tax collections and was, in fact, what was called for in the constitutional language.

The solution was to "freeze" MAV once the RMV fell below that level and became the assessed value. In SB 1215, the calculation of MAV, after the initial year of implementation of Measure 50, would be the prior year's AV x 1.03 or the prior year's MAV, whichever was greater.[58] Even this approach was cause for some concern on the part of legislators since it would be possible for a property's assessed value to increase more than 3% under certain circumstances. For example, if a property's RMV fell to 10% below the MAV in one year, and was therefore used as the assessed value, and then four years later the RMV increased 20%, the assessed value would be allowed to increase 10% (back up to the MAV). Still, under the constitutional provisions the assessed value would have increased the full 20%, since the MAV would have continued to increase 3% per year each of those intervening four years.

This system created a split roll whereby each property would have two values; one would represent market value and the other would be used to calculate the annual property tax burden. However, unlike spilt rolls in use in other states around the country, Measure 50 did not determine assessed values as a percentage of the market value. Thus, assessed value would move independently from market value after 1997-98. This is an important difference that will become evident later on.

One critical piece had to do with new property added to the roll. It would not make sense for a bare lot in 1995-96 that had a house built on it in 1996 (after the 1995-96 assessment roll was finalized) to simply carry the lower 1995-96 land RMV less 10% as the MAV forever. The measure allowed for the assessed value to be increased more than 3% when certain changes to a property occurred. These came to be known as "exceptions." They were:

- New property or new improvements to property.
- Property partitioned or subdivided.
- Property that is rezoned and used consistent with that new zoning.
- Property added to the assessment rolls as omitted property.
- Property first disqualified from exemption or special assessment.
- Two properties adjusted by a lot line adjustment.

When one of these exceptions takes place, the county assessor calculates the RMV. However, for assessed value purposes, the property is afforded the same relative tax break that existing property is receiving. This is done by adjusting the real market value downward by the ratio between maximum assessed value and market value of all existing property of the same type countywide. This is referred to as the "changed property ratio," or CPR. Each county establishes its own set of CPRs and these can vary considerably from county to county, depending on the increases in market value over time. These calculations are shown in **Figure 10**.

Figure 10 - Changed Property Ratio (CPR) Examples

Step One: Calculate CPR		
Average AV Countywide (by property type)		$ 172,618
Divided by Average RMV of same properties		$ 343,689
Equals CPR	=	0.5023
Step Two: Calculate New Property AV, Example 1		
RMV		$ 400,000
Times CPR	x	0.5023
Equals AV	=	$ 200,900
Step Two: Calculate New Property AV, Example 2		
RMV		$ 200,000
Times CPR	x	0.5023
Equals AV	=	$ 100,450

It is significant to note one thing that Measure 50 did not do. The Oregon Legislature made a conscious decision not to follow California's example with Proposition 13, a property tax limitation measure passed in 1978. Whereas California's law stated that assessed value could only increase 1% per year, it also allowed for an adjustment to assessed value upon the sale or transfer of a property. Oregon's legislative leaders made it clear that MAV would not be adjusted based simply on a change in ownership. Rather, the MAV could be increased above the 3% limit only for the limited reasons noted above.

Legislative leaders were also adamant that minor changes to a property should not increase property taxes. The example most often given in revenue committee hearings was an owner building a new deck and having his or her property reappraised for a much higher value, thereby substantially increasing their property tax bill the following year. Legislators and stakeholders spent a considerable amount of time debating a definition of "minor construction" which could increase a property's market value but would not be considered exception value. As such the assessed value would not be increased. What they finally decided was that minor construction would be defined as changes to a property worth less than $10,000 or $25,000 over a five-year period. (Original version corrected, January 2012.)

The valuation system envisioned by Measure 50 was ideally suited to residential property, which generally increases in value every year. In crafting SB 1215, complications with other types of property surfaced. For example, industrial and utility properties contain large amounts of machinery and equipment that depreciates in value. How would these properties fare under Measure 50? One specific change that had to be made in the bill addressed the CPR of utility properties since these properties are valued by the Oregon Department of Revenue based on each company's total, system-wide value. As such, it would not be practical to have a different CPR applied in each county where the company owned property. The solution was to calculate CPR for all utility property on a statewide basis, rather than a county-by-county basis. Specially assessed farm and forest land, and war veteran's exemption programs, also required special attention.

For the most part, however, assessed values under Measure 50 are more stable. Assuming no exceptions apply, for the vast majority of properties the assessed value only increases 3% per year, regardless of changes in the market value. If the market value goes up 20%, as it did in many areas after 1997, the assessed value is limited by the MAV and only goes up 3%. Of course the opposite is true. If the market value goes down 20%, like it did in some areas in 2009 and 2010, the MAV and therefore the assessed value still increases 3%. This continues until the MAV is equal to market value. In no case can the assessed value in any given year exceed the property's market value.

Rate-based Property Tax System

Reducing assessed values and limiting future growth was only the first step in the process of changing Oregon's property tax system. Under a levy-based system, if the assessed value goes down, the rate per thousand is simply increased to raise the same amount of money. So, simply cutting and capping property values would not achieve a reduction in property taxes. And reducing property taxes, not just in 1997-98 but into the future, as well, was essential in achieving the goal of replicating the provisions of Measure 47.

To achieve this, the Legislature decided to convert Oregon's property tax system almost entirely to a rate-based system. Essentially, all existing levies, other than levies to repay voter approved general obligation bonds, would no longer be certified as a dollar amount. Existing operating levies would be converted to a rate per thousand dollars of value in 1997-98 and that would become the taxing district's permanent tax rate limit. Temporary levies, called "local option levies," would be allowed either as a rate or a dollar amount of authority. These were limited to up to five years for general operating purposes, or up to 10 years for financing capital projects.

Levies for repayment of general obligation bonds would still be certified to the county assessor as a dollar amount and act much the same as under the old levy-based system. Other levies could also be certified as a dollar amount for a variety of reasons:

- A district needs less than the permanent rate limit will provide and so budgets and certifies a lesser dollar amount.
- A district has a gap bond or fire and police pension levy that qualifies as an "other qualified obligation," which is expressed as a dollar amount.
- A district receives voter approval for a Local Option Levy that was approved as a dollar amount of authority.
- A district receives voter approval for a Local Option Levy that was approved as a rate per thousand of assessed value, but the district needs less than the rate will provide so budgets and certifies a lesser dollar amount.

The combination of limiting each property's assessed value and establishing most property tax authority as a fixed tax rate for each district would provide a much more stable property tax system. Property owners could reasonably estimate the property tax bill from year to year and there would no longer be large, unexpected increases in the tax bill.

<u>Cutting Operating Taxes</u>

The initial proposal called for a statewide reduction in operating taxes of 17% to simulate the reductions that would have occurred under Measure 47. During the debate on how to implement Measure 47, legislators and others involved in the process used an estimate developed by the Legislative Revenue Office that Measure 47 would reduce operating property taxes in the first year by 17%.[59] The estimate took into consideration the assumption that property values would grow by 4% due to new property added to the tax rolls since 1995-96, since Measure 47 would have allowed for more property taxes to be collected from new property.

As a result of the Measure 47 estimate, the constitutional language proposed in Measure 50 explicitly required "…the total of all ad valorem property taxes imposed in this state for the tax year beginning July 1 1997, is reduced by 17% from the total of all ad valorem property taxes…."[60] The 17% reduction assumed new property growth at 4%, and statewide growth above 4% would have allowed more property taxes to be collected under Measure 47. To replicate this effect, language was added to Measure 50 to allow for more taxes to be collected if the value of exceptions exceeded 4% of the base 1997-98 assessed value, without the exception value added.[61]

The original proposal presented by the revenue committee chairs required that all levies other than those to repay general obligation bonds would be subject to the 17% reduction. However, from the beginning of the legislative debate local government groups came forward to argue that reductions should not be made to specific levies, for a variety of reasons. These included rural hospital districts that feared that steep reductions might force them to close their doors, and urban renewal agencies that argued that some agencies could default on debt payments if reduced values led to less division of tax revenue.

The Legislature heard those arguments and exempted certain levies from the 17% statewide reduction. Of course, if some levies were not reduced at all, then all of the other levies would have to be reduced even more in order to reach the required statewide reduction target.

Levies that were not required to be reduced according to the constitutional provisions of Measure 50 included:

- New tax bases or serial levies approved in 1996 or 1997 at an election that met the new double majority standard, referred to as "100 percent levies."
- The portion of a district's operating tax levy that was being used to repay bonds or other borrowings, referred to as "gap bonds."
- Tax levies used to fulfill pension and disability plan obligations, referred to as "other qualified obligations."
- Special district tax levies for rural hospital facilities.

Levies to repay voter approved general obligation bonds were specifically exempt from Measure 47 and were therefore not subject to any reduction under Measure 50. However, the value used to calculate the tax rates from year to year would be the new, lower assessed values mandated by Measure 50. As a result, these tax rates would be higher in order to raise the required revenue to make bond principal and interest payments.

The Legislature also provided a benefit for individual districts if the value from exceptions between 1995-96 and 1997-98 exceeded 10% of the district's value. For every 1%, or fraction of 1%, of exception value that exceeded 10%, the amount of operating taxes the district could receive after reductions would be increased by 1%. For example, if a district had 11% of exception value, the percentage reduction under Measure 50 would be 16% rather than 17%. However, any district that had a new tax base approved since 1995, or a temporary serial levy that was being levied in 1997-98 (and that would be included in the calculation of the district's permanent tax rate), would not be allowed to take advantage of this "growth factor." Also, education districts were not allowed to take advantage of this provision of the measure, primarily since the State would make up any losses school districts experienced from the Measure 50 reductions.

When county assessors reported exception value, primarily from new construction, the amount came to $15.9 billion, or 10.5% of existing property value, far exceeding the 4% increase that had been used to estimate the 17% cut. As a result, the statewide cut in operating levies was reduced to 13.2%. Initially, the constitutional language was written so that only those levies subject to reduction had to be cut 13.2%. Once the levies not subject to the cut were added in, total statewide operating taxes would have been reduced less than 13.2%.

At the insistence of several conservative members of the revenue committees, especially Representative Leslie Lewis, the implementation bill fixed the problem of allowing more taxes to be collected than would have been allowed under Measure 47 by requiring that the total of all operating taxes be reduced by 13.2%. To accomplish the statewide reduction, each taxing district was subject to a constitutional cut, which varied for each district, and an additional across the board statutory cut. After the first round of reductions to levies subject to the 13.2% cut, a second, supplemental cut of -1.11114% was made to all levies except gap bond levies, levies for rural hospital districts, and general obligation bond levies. The Legislature thought these levies were so important that they should not be subject to any reduction at all under Measure 50.

This created seven categories of levies that had to be dealt with differently as the 1997-98 tax roll was completed to implement Measure 50. In all there were 17 different levies that had to be identified according to one of these seven categories. These were:

1) Regular levies.
    a) Tax base levies.
    b) New tax bases approved at the May 1996 election and not meeting double majority standard.
    c) Continuing levies.[62]
    d) School safety net levies.
    e) Replacement serial or one-year levies.
    f) Serial levies approved prior to December 5, 1996, and first imposed prior to 1996-97.
    g) New serial levies approved prior to December 5, 1996, and first imposed for 1996-97 or 1997-98 and not meeting double majority standard.
    h) New one-year levy approved prior to December 5, 1996 and not meeting double majority standard.

2) 100 percent Levies.
    a) New tax base levies approved at the May 1996 election and meeting double majority standard.
    b) New tax base levies approved at the November 1996 election.
    c) New serial levies approved prior to December 5, 1996 and meeting the double majority standard.
    d) New one-year levies approved prior to December 5, 1996 and meeting the double majority standard.

3) Rural hospital levies.

4) Gap bond levies (tax base or continuing levies).

5) Qualified pension and disability levies.

6) Local option levies approved at May 1997election.

7) Exempt bonded debt levies.

Each of these levies was treated somewhat differently. Their treatment was determined by the two reductions under Measure 50 (constitutional and supplemental), whether they were subject to the Measure 5 limitations, and whether they were incorporated into the newly created permanent tax rate limit for each taxing district.

One levy of particular interest to the City of Portland, Multnomah County, and other general government taxing districts that levy within the City of Portland, was the exemption of pension and disability plans. This provision was written into the constitutional measure by the revenue committees specifically for the City of Portland. Senator Randy Leonard, a Portland firefighter and union chief, was a member of the Senate Revenue Committee. Since the revenue committees were charged with crafting both the constitutional language and the implementation bill, members had added influence over how the measure was structured. Senator Leonard, who would go on to become a Portland City Commissioner, stated that he would only support the measure if it protected Portland's Fire and Police Disability and Retirement System (FPD&R) levy, which was funded from a "continuing levy," a taxing authority separate and in addition to the city's tax base. He was successful, and that provision of Measure 50 has dramatically altered property tax collections in Multnomah County, as can be seen in Section VI – Today's Property Tax System, *Treatment of Temporary, Continuing and Gap Bond Levies in 1997-98.*

<u>Running Three Tax Rolls in 1997-98</u>

Perhaps the most difficult aspect of Measure 50 was implementing it the first year, 1997-98, as the property tax system transitioned from a levy-based system to a rate-based system. Legislation to implement Measure 50 did not pass the Legislature until early July 1997. That gave county assessors and the Department of Revenue only four months to implement the new system before property tax statements were due in late October. It was a huge task and virtually every assessment and taxation employee in the state was directly involved in the process.

There were essentially three processes that had to be completed by county and Department of Revenue personnel to make the new system work: 1) new maximum assessed values had to be assigned to each property and a determination made as to the what the assessed value would be (lower of RMV or MAV); 2) taxes for each property had to be calculated; and 3) each taxing district's operating taxes had to be converted into a new permanent tax rate.

Calculating the new maximum assessed values and arriving at assessed values would be challenging. For properties that had not changed between 1995-96 and 1997-98, it was a simple matter of reducing each property's 1995-96 real market value by 10% and then comparing that number to the 1997-98 real market value. Whichever number was lower became the assessed value. However, for properties that had changed during that period, an experienced property appraiser had to determine if the change constituted one of the "exceptions" to the Measure 50 limits, and if so, calculate the real market value of the exception. This value was then multiplied by the CPR to arrive at the MAV of the exception. In Multnomah County there were approximately 231,400 real property accounts. Of those, over 29,000 had some form of exception value that required manual processing. The value of those exceptions amounted to nearly $3.6 billion and represented 8% of the county's total market value for that year.

Assessment staff had to perform an additional task for counties that had urban renewal agencies that were collecting tax increment financing property taxes, such as Multnomah County. The "frozen base value" that had previously been certified for each plan area was expressed in real market values. These all had to be converted to new lower assessed value amounts. The new frozen assessed values were calculated by multiplying the frozen market value by the ratio of total assessed value to total real market value for each tax code area (TCA) that contained an urban renewal area (URA). As such, the new frozen assessed value could not be calculated until all other values had been finalized.

Once values in all 36 counties were established by assessment personnel and the Department of Revenue, the process of calculating taxes could begin. Each taxing district was required to fill out a new certification form detailing all of its property tax levies, broken down by the 17 different levies identified above.

County assessors had to calculate three separate tax rolls that first year: 1) under the old Measure 5 system; 2) what Measure 47 would have required; and 3) under the new Measure 50 system. However, since the measure required a statewide reduction in taxes to replicate what would have happened under Measure 47, assessors had to send all of the information from the first two tax rolls to the Oregon Department of Revenue before the third roll could be completed. The Department fed information from all 36 counties into a computer database which became known affectionately as the "black box." The black box adjusted the taxes for every single district in the state to ensure the correct amount of reduction occurred. It also calculated what each district's permanent tax rate limit would be, given the reduced taxes and the lower assessed values. This information was then sent back to the counties for completion of the third and final tax roll. Not unexpectedly, property tax statements were sent out a month late that year.

In 1997-98, statewide real market values increased by 10.4% over 1996-97 market values. Up to this time, market value and assessed value were one and the same. However, now there were two sets of values, market and assessed. The new assessed values came in at 20.7% less than market values.

Statewide, property tax collections in 1997-98 were reduced by $51.4 million from the prior year. This represented a 2% reduction. Looking at just operating taxes, excluding urban renewal taxes and levies for bonds that were not subject to Measure 50's reductions, total operating taxes declined by 6% statewide on a year over year comparison. These numbers are displayed in **Figure 11**.

Figure 11 - Change in Property Taxes, 1996-97 and 1997-98

Statewide (In $ millions)

Type of District	Operating Taxes 96-97	Operating Taxes 97-98	Operating Taxes Change	Bond Taxes 96-97	Bond Taxes 97-98	Bond Taxes Change	Total Imposed 96-97	Total Imposed 97-98	Total Imposed Change
County	440.6	424.7	-3.6%	34.7	44.9	29.4%	475.3	469.6	-1.2%
Cities	518.9	501.4	-3.4%	49.9	47.7	-4.4%	568.8	549.1	-3.5%
Schools	950.1	882.3	-7.1%	184.9	211.8	14.5%	1,135.0	1,094.1	-3.6%
Special Districts	234.7	207.9	-11.4%	49.4	54.5	10.3%	284.1	262.4	-7.6%
Urban Renew al							64.8	101.3	56.3%
Total Taxes	**2,144.3**	**2,016.3**	**-6.0%**	**318.9**	**358.9**	**12.5%**	**2,528.0**	**2,476.5**	**-2.0%**

Of the $2,016.3 million in operating taxes in 1997-98, over 90% came from regular levies. There were sixty 100 percent levies totaling $98.3 million in taxes imposed, or 4.9% of total operating taxes. Thirteen rural hospital districts imposed $6.2 million in taxes, and other qualified obligations (22 gap bond levies and Portland's pension levy) accounted for another $68.3 million, or 3.5% of operating taxes in 1997-98. Local option levies, authorized by Measure 50 and passed by local voters in May 1997, were not subject to any Measure 50 cuts. There were 19 such levies statewide, totaling $22.6 million and accounting for 1.1% of total operating taxes imposed.

However, the 6% reduction in operating property taxes from 1996-97 to 1997-98 understates the reductions from what taxing districts statewide would have received in 1997-98 without

Measure 50. The Measure 50 cuts and the subsequent application of the Measure 5 limitations amounted to $337.6 million or 14.3% less than what taxes imposed would have been under the provisions of Measure 5. Local option levies and urban renewal taxes, both division of tax amounts and any authorized special levies, were not subject to Measure 50 cuts. The total of all these operating taxes came to $2.118 billion, 12.7% less than the $2.426 billion that was estimated would have been collected without Measure 47 or Measure 50. Total taxes imposed, including exempt bond levies, were reduced by 11.1% to a total of $2.477 billion.

Taxes to re-pay general obligation bonds increased statewide by $40 million, or 12.5%. And urban renewal taxes that had been severely limited under Measure 5 saw a comeback under Measure 50. In 1997-98 urban renewal taxes increased statewide by 56.3%, from $64.8 million to $101.3 million. (See more on urban renewal taxes below.)

Measure 50's impact on taxing districts within Multnomah County was similar in terms of the reduction in operating taxes, as shown in **Figure 12**. For 1997-98, these property taxes were reduced 5.6%, from $559,993,921 in 1996-97 to $528,805,868. Special districts (rural fire protection and water distribution districts) were impacted to an even greater degree, with property taxes for operations reduced 13.8%.

Figure 12 - Change in Property Taxes, 1996-97 and 1997-98

Multnomah County (in $ millions)

Type of District	Operating Taxes 96-97	Operating Taxes 97-98	Operating Taxes Change	Bond Taxes 96-97	Bond Taxes 97-98	Bond Taxes Change	Total Imposed 96-97	Total Imposed 97-98	Total Imposed Change
County	150.0	140.5	-6.4%	12.4	17.6	41.9%	162.4	158.1	-2.7%
Cities	199.8	189.4	-5.2%	10.5	7.0	-33.6%	210.3	196.3	-6.6%
Schools	201.2	191.2	-5.0%	36.2	45.4	25.4%	237.4	236.6	-0.3%
Special Districts	9.0	7.8	-13.8%	13.1	14.7	12.3%	22.1	22.5	1.7%
Urban Renew al							18.0	35.3	96.2%
Total Taxes	**560.0**	**528.8**	**-5.6%**	**72.3**	**84.8**	**17.3%**	**650.3**	**648.9**	**-0.2%**

Taxes for bonds and urban renewal fared better in Multnomah County than in other counties statewide. Taxes imposed to repay bonds increased $12,472,215, or 17.3%, due to six new measures passed in 1996. Urban renewal taxes that had been practically non-existent since 1991-92 under Measure 5 increased dramatically in 1997-98 under Measure 50, nearly doubling, from $18,019,817 in 1996-97 to $35,347,419 in 1997-98.

There are large variations in how Measure 50 and the revised Measure 5 limitations affected individual taxing districts and the taxes imposed for each one, as detailed in **Figure 13**. The percent of operating taxes lost ranges from 7.5% for the City of Troutdale to a 29.5% reduction in operating revenue for Riverdale School District No. 51J. The differences are attributable to one of two causes: 1) the amount of "exception value" identified; and 2) changes in operating levies between 1995-96 and 1997-98.

Districts which had new property or other exception value added to the assessment roll between 1995-96 and 1997-98 of more than 10% were reduced less than districts with exception value that did not exceed 10%. Districts that were allowed to collect additional amounts due to exception value exceeding 10% were: Port of Portland, which experienced exception value of +10.2%, Metro (+10.5%), City of Troutdale (+19.9%) and Burlington Water District (+18.7%).

The City of Fairview was not allowed to take advantage of this provision, even though it had exception value that exceeded 10%, because it had increased its tax base at an election in May 1996. Unfortunately for the City, the election did not meet the new double majority standard (50% voter turnout). If it had met the double majority standard, Fairview's tax base levy in 1997-98 would have been considered a 100 percent levy and the city's operating taxes would have been cut by only slightly more than 1.1% to account for the statutory reduction.

Figure 13 - Multnomah County Taxing Districts - Reduction in Operating Taxes, 1997-98

District	M-5 Authority *	M-50 Loss	M-50 % Loss	M-5 Loss	Taxes Imposed	Percent Loss	Chg from 1996-97
Multnomah County	$164,824,209	$22,826,303	13.85%	$1,495,521	$140,468,425	-14.78%	-6.35%
Metro	$7,667,320	$1,212,366	15.81%	$33,227	$6,424,485	-16.21%	-11.20%
Port of Portland	$6,187,626	$1,013,705	16.38%	$24,123	$5,140,388	-16.92%	-11.83%
City of Fairview	$817,182	$188,582	23.08%	$1,712	$624,541	-23.57%	-18.80%
City of Gresham	$15,299,886	$1,721,117	11.25%	$30,920	$13,547,743	-11.45%	-6.13%
City of Portland **	$194,725,499	$19,442,836	9.98%	$2,175,838	$172,482,441	-11.42%	-5.13%
City of Troutdale	$2,311,068	$167,811	7.26%	$5,520	$2,137,687	-7.50%	-1.93%
City of Wood Village	$393,171	$60,334	15.35%	$2,338	$330,494	-15.94%	-10.90%
Portland No. 1J **	$137,565,981	$16,711,340	12.15%	$3,669,087	$117,117,259	-14.86%	-6.08%
Parkrose No. 3	$10,190,243	$1,616,216	15.86%	$196,966	$8,377,000	-17.79%	-6.12%
Reynolds No. 7	$13,760,005	$1,899,826	13.81%	$139,515	$11,720,443	-14.82%	-4.80%
Gresham-Barlow No. 10J	$14,992,043	$2,252,559	15.03%	$92,720	$12,651,076	-15.61%	-14.41%
Centennial No. 28J	$6,805,101	$1,022,744	15.03%	$19,995	$5,760,230	-15.35%	-6.53%
Corbett No. 39	$1,087,136	$197,540	18.17%	$4,982	$884,614	-18.63%	-11.02%
David Douglas No. 40	$9,646,794	$1,601,612	16.60%	$45,581	$7,999,450	-17.08%	-8.57%
Riverdale No. 51J	$1,631,805	$478,359	29.31%	$2,414	$1,151,047	-29.46%	-22.86%
Multnomah ESD	$17,791,413	$2,513,151	14.13%	$362,882	$14,907,289	-16.21%	-7.30%
Portland CC	$15,873,097	$2,919,576	18.39%	$228,832	$14,465,368	-8.87%	-8.94%
Mt.Hood CC **	$6,760,076	$966,069	14.29%	$57,327	$5,795,749	-14.27%	-5.90%
RFPD No. 10	$1,191,016	$241,071	20.24%	$2,209	$946,390	-20.54%	-15.67%
RFPD No. 11J	$580,739	$162,339	27.95%	$261	$417,881	-28.04%	-23.69%
RFPD No. 14	$278,286	$52,399	18.83%	$726	$221,486	-20.41%	-13.89%
RFPD No. 30J	$77,416	$10,673	13.79%	$128	$66,518	-14.08%	-8.82%
Alto Park Water	$23,554	$3,274	13.90%	$0	$20,278	-13.91%	-3.05%
Burlington Water	$77,041	$6,598	8.56%	$386	$69,928	-9.23%	-2.57%
Corbett Water	$103,182	$19,560	18.96%	$93	$83,205	-19.36%	-14.12%
Totals	**$630,660,889**	**$79,307,960**	12.58%	**$8,593,303**	**$543,811,413**	**-13.77%**	**-6.23%**

* Operating taxes estimated under Measure 5, prior to reductions under Measure 47 and Measure 50.
** Includes gap bonds or other qualified obligations.

The two districts that were reduced the most were Riverdale School District No. 51J and Riverdale RFPD No. 11J. These districts' 1997-98 operating taxes were reduced 29.46% and 28.04% respectively. Only a handful of taxing districts statewide had constitutional reductions of more than 20%, although the percentage reduction for approximately 1,200 taxing districts ranged from no reduction to more than 35%.

It is difficult to identify the exact reason why these two taxing districts suffered such severe reductions due to the complex nature of the black box calculations and the length of time it has been since the Department of Revenue made the calculations. However, it is likely that the reason has to do with Dunthorpe-Riverdale Service District No. 1, a county service district that provides sewage treatment services to several unincorporated areas of Multnomah County. The service district assesses a per property fee for its services and these "special assessments" are subject to the Measure 5 limits. The special assessments were not subject to the Measure 50 reductions in 1997-98. At the same time, the total code area taxes that needed to be reduced by the 13.2% may have included these special assessments in the base amounts. Since the special assessments were not subject to reduction, taxes from other taxing districts that levied in the same code area, Riverdale School and Riverdale RFPD, may have been reduced even more to arrive at the 13.2% statewide cut.

These large variations between districts and the unique considerations surrounding the reductions for City of Fairview, Riverdale School District and Riverdale RFPD, clearly indicate the complexities of the black box calculations, both locally and statewide. Despite these complications and the short time frame, county assessors and the Department of Revenue completed the tasks assigned. Property tax bills were mailed to every property owner, albeit a month late, and taxing districts received property tax revenue to continue providing services.

Permanent Tax Rates

One of the last calculations the Department of Revenue completed as part of the black box process was to calculate the new permanent property tax rate limit for each taxing district in the state. After the Department determined the Measure 50 reductions from operating taxes, both constitutional and supplemental, the lower levy authority was divided by the new lower assessed values to arrive at a tax rate.

However, like most aspects of Measure 50, it was more complicated than that. The rates to be calculated would be permanent, so a great deal of discussion took place during the legislative process to determine exactly how those rates would be calculated. Some levies would be included in the permanent tax rate limit and others would not. Other levies would be kept separate, but only temporarily, and would eventually be folded into the permanent rate.

Generally the legislation to implement Measure 50 called for operating levies to be converted to permanent tax rates without reductions to account for any "offsets" such as timber severance tax payments, in lieu of tax payments and/or large value appeal settlements. These offsets were annual reductions to taxing districts' property tax levies that varied considerably from year to year. Also, the assessed value to be used would be the frozen base value of any urban renewal plan area. By using higher levy amounts and lower assessed value the rate calculation process would result in the tax rate for each taxing district being slightly higher.

The Department of Revenue also had to calculate a rate for districts that had operating tax authority but chose not to levy a tax in 1997-98, or levied less than its full authority. To ensure that it determined the maximum rate, the Department used the full amount of authority when calculating the district's permanent tax rate. Three taxing districts in Multnomah County fell under that category: Lusted Water, Palatine Hill Water, and Valley View Water.

As part of the black box calculations, all operating taxes were folded into the permanent tax rate. This included not only districts' tax base levy, but also temporary serial levies, ongoing continuing levies and school safety net levies.[63] Any district with one of these levies in 1997-98 would have a higher permanent tax rate. In 1996-97, districts had levied $206.9 million in serial levies, $96.3 million of continuing levies and $192.9 million in school safety net levies.[64]

Why would temporary levies be made permanent? The short answer is because that is the way Measure 47 would have worked. As noted above, one of the overriding goals of Measure 50 was to replicate as closely as possible the system that Measure 47 would have created. Measure 47 limited the total tax bill of a property without regard to individual taxing districts. Trying to allocate this lower tax amount to the different taxing districts, including temporary levies, had been one of the biggest challenges of implementing Measure 47.

There were hundreds of temporary levies that were in effect in 1997-98, including sixty 100 percent levies that had been approved by the new double majority standard. This meant that the levy was only subject to the 1.1% statutory cut under Measure 50.

Many smaller districts did not have tax base authority and had been relying on a series of one-year or multiple year serial levies. For example, the Morrow County Park and Recreation District was providing services with revenue from a $450,000 serial levy since it had no tax base authority. Many other taxing districts had tax bases that were woefully inadequate and so also had to rely on temporary levies. Clackamas County had a tax base of $12,240,176 and three serial levies (one for general operations and two for law enforcement) totaling $38,505,470.

Jackson County perhaps benefited the most from the inclusion of continuing levies and serial levies with the new permanent tax rate limit. In 1997-98, the county's tax base was $1,737,141, relatively low given its size and population. At the same time, the County had authority for a $2,233,798 continuing levy dedicated to the Jackson County Historical Society. The County had also received voter approval of two serial levies: a $3,857,000 levy for libraries and a $9,700,000 levy for law enforcement. The law enforcement levy had been approved by Jackson County voters with a double majority, making it exempt from the constitutional reduction.

All of these levies were processed through the black box to reduce the levies and to calculate Jackson County's permanent tax rate limit. The total of $17,527,938 was reduced in accordance with Measure 50, less 14.85% for the regular levies and 1.11% for the 100 percent law enforcement levy. This resulted in $16,170,432 of Measure 50 taxes for 1997-98. The permanent tax rate limit was calculated at $2.0110 per $1,000 of assessed value. This was later reduced to $2.0099 as part of an effort by the Department of Revenue to correct data errors from several counties. (See below for an explanation of the Department of Revenue's corrections.) If only the tax base levy had been used to calculate Jackson County's permanent tax rate limit the rate would have been $0.1816 per $1,000 of assessed value.

Of the taxing districts in Multnomah County, there was only one that had a temporary levy that was included in the permanent tax rate, the County itself. In fact, the County had two serial levies in 1997-98, one for public safety ($32,951,969) and another for library operations ($17,050,826). Neither levy was approved at an election that met the double majority standard, so both were subject to the constitutional and the supplemental cuts as part of the black box calculations.

A portion of Multnomah County's public safety serial levy was dedicated to operating the new Wapato Jail to be built with general obligation bonds approved at the same election in 1996. The jail was completed in July 2004, however it has never opened due to a lack of operating money since the temporary levy had expired. Ironically, the County's permanent tax rate contains a small portion of the vestige of that temporary serial levy.[65]

Another complication in calculating permanent tax rates for each district was the consideration of what the tax rate would have been for those districts that levied for gap bonds and pension and disability obligations. These were levies that, prior to Measure 50, had been part of the district's tax base or a separate continuing levy. As such, they were considered part of the district's operating levy.

The Legislature granted these levies special status after substantial input from stakeholders who argued that reductions to these levies would be poor public policy. Gap bond levies were not subject to either the constitutional or statutory reductions, and Portland's police and firefighter pension levy was only subject to the statutory reduction. Further, these levies would continue to be separate beyond 1997-98 until the district paid off the bonds or satisfied the other obligation. However, in order to calculate what the permanent tax rate limit would be when the gap bonds or other obligation was paid off, the levies had to be subjected to the same statewide reduction as the districts' regular levies. Essentially, this required separate "shadow" black box calculations, adding these levies in with all other regular levies subject to both the constitutional and supplemental reductions. Once the gap bonds are paid off, the Department of Revenue would certify an increase to the district's permanent rate. The process to be used and a summary of the black box calculations, including the new, higher permanent tax rate limit to be used once the gap bonds were paid off were promulgated in an Oregon Administrative Rule.[66]

A total of 23 taxing districts submitted gap bond or other qualified obligation levies in 1997-98. This included three in Multnomah County: City of Portland's pension and disability levy, Mt. Hood Community College, and Portland Public School District No. 1J.[67]

Unfortunately, there were problems with the data used in the black box calculations. After the tax rolls had been completed in 1997-98, a number of counties discovered errors in the data, primarily with assessed values, that had been submitted to the Department of Revenue as part of the black box calculations. This significantly affected certain districts' tax rates. The Department also discovered a minor error in the model used.

The legislation implementing Measure 50 anticipated that a process so complicated might not be error free and made provisions for the Department to re-run the black box calculations. Essentially every taxing district in the state had its permanent rate recalculated in the spring of 1998. Most changes were minor, less than a penny per $1,000 of assessed value ($0.01). Fifty-four taxing districts across the state ended up with a permanent tax rate that changed by more than a penny. These were nearly evenly split between rates that were increased and rates that were reduced.

Within Multnomah County, all permanent tax rates declined slightly. The permanent tax rate for Riverdale School District No. 51J was reduced the most, from $3.8256 per thousand to $3.8149. All other tax rates declined by less than a penny. The county's tax rate went from $4.3481 to $4.3434, and the tax rate for City of Portland was modified from $4.5819 to $4.5770.

The second problem with the black box calculations involved three taxing districts in the state. Deschutes County, Linn County and the City of Sweet Home, passed new local option levies at the May 1997 election that replaced (and increased) serial levies that had been levied in 1995-96. These new levies were not subject to reduction under Measure 50 and were not to be included in the districts' permanent tax rate limit. At the same time, the expired levies were not part of the total taxes that had to be reduced in 1997-98. Since the expired levies were in effect in 1995-96, the total operating taxes that would have been allocated under Measure 47 in 1997-98 (the 1995-96 taxes less 10%), which were the starting point for determining reduced revenue under Measure 50, were higher in total. However, allocating these higher taxes was based on the levies in effect in 1997-98. Since the temporary levies had expired and the new local option levies were not included in the calculations, allocations to the three taxing districts were less (resulting in lower permanent tax rates) and the operating taxes for all of the other taxing districts that levied in the same tax code areas were more (resulting in higher permanent tax rates). In effect, the expired levies of the three districts were reallocated to other taxing districts.
Property taxes from the new local option levies were not included in the black box calculations and were not subject to Measure 50 reductions. The taxes were added to tax bills by county assessors after all Measure 50 calculations had been made. This meant that property owners actually saw property taxes increase in 1997-98 rather than decrease.

The three taxing districts benefited from the local option levies by increasing property tax revenues. However, these levies were only temporary, and the permanent tax rates were lower than if the temporary levies had been included in the permanent tax rate limit, like all other temporary levies. The property owners suffered with higher taxes, temporarily, and the taxing districts suffered from lower permanent tax rates, both because voters had approved local option levies.

This unintended result was partially fixed when the Legislature reduced the permanent tax rates for the overlapping districts. However, the Legislature only had the power to decrease taxes below what the Oregon Constitution allowed under Measure 50. It did not have the power to increase property taxes beyond Measure 50's limits. So, increasing the permanent tax rates for the three taxing districts required a change to the Oregon Constitution which could only be authorized by a vote of the people. The Legislature referred Ballot Measure No. 77 to the May 2000 Primary Election. The measure was rejected by voters and the permanent tax rates for Deschutes County, Linn County and the City of Sweet Home were left unchanged.[68]

One of the fundamental changes in Oregon's property tax system brought about by Measure 50 was the establishment of a permanent tax rate limit for operating purposes for each taxing district in the state. This rate cannot be changed, either increased or decreased, by the district's voters. This was significantly different from the prior system, where voters had the authority to approve increases in tax bases. This was a conscious decision on the part of the Legislature to not allow the reduced taxes that had been so carefully crafted under Measure 50 to be subsequently increased, even by district voters. Other than temporary levies and general obligation bonds, property taxes would be limited to the increase in a district's assessed value. This limitation helped satisfy two of the Legislature's stated goals in replacing Measure 47 with Measure 50: replication of Measure 47, and making the property tax system more predictable for property owners.

Measure 5 Limits Under Measure 50

Measure 50 repealed nearly all of the existing constitutional provisions relating to Oregon's property tax system.[69] The one exception was the decision by legislative leaders to retain the limits imposed by Measure 5. However, the debate and final decisions about how to integrate the $5 per $1,000 for education and $10 per $1,000 for general government limits from Measure 5 into the new system envisioned by Measure 50 were contentious. Like the discussion of which levies to include in calculating the 13.2% statewide reduction in operating taxes, there was a difference between what the constitutional measure required and what ultimately was included in the implementation bill, SB 1215.

From a purely technical standpoint, the limits were not needed to effect the changes in the property tax system contemplated by legislative leaders. However, the Legislature retained the limits in the constitutional amendments referred to the voters in Measure 50 to gain the support of Measure 5's author Don McIntire. Despite this olive branch, McIntire was one of the most vocal opponents of Measure 50 during the campaign leading up to the May 1997 vote.

What might not be well known is that the constitutional provisions for Measure 5's limits, and the ultimate statutory limits within the implementation bill, are vastly different. The Constitution requires the limits to be calculated on "property taxes imposed in each geographic area taxed by the same local taxing districts," or each tax code area (TCA).[70] Some properties would be allowed to pay more than $5 or $10 per $1,000 of real market value for education or general government services if other properties in the same TCA were paying less than the limited amounts. This would have drastically reduced the amount of compression loss and effectively nullified the limitations.

When SB 1215 was being considered by the Legislature, this provision sparked perhaps the most heated debate of the literally hundreds of issues that arose. Representatives of local government, which stood to gain millions of dollars in extra property taxes, argued that the constitutional language should prevail since that was what voters had approved. Conservative legislators and business lobbyists argued that voters could not have understood the finer points of how the new measure affected the existing Measure 5 limits, and that it would be almost fraudulent to allow taxes above the limits by changing how the Measure 5 limits were applied, from a property by property basis to a code area basis.

In the end a compromise of sorts was reached. Statutory language was added which went back to testing the limits on a property-by-property basis. This protected individual property owners from paying more than the $5 or $10 per thousand limits. At the same time, SB 1215 retained the provision from the constitution that required the limits be tested on each property's real market value.

Testing the Measure 5 limits on real market value, while at the same time using the new, lower assessed values in the calculation of property taxes, is a significant difference in how Measure 5 works under Measure 50. Prior to Measure 50, the market value and assessed value were the same, and so the different calculations used the same value. As a result of using a higher value to test the Measure 5 limits, tax rates can exceed the limits of $5 and $10 per $1,000 of assessed value without causing compression for some properties.

This significant change complicates the property tax system tremendously even now, 14 years later. It is much more difficult to estimate how much compression loss there might be for new levies, or even existing levies, and therefore how much districts can expect to actually receive.

Under the old Measure 5 system, the limits applied to every property the same. When estimating how compression would affect individual properties or an entire district, it was easier to simply reduce tax rates proportionally down to the limited tax rates. Under Measure 50, the Measure 5 limits can theoretically be applied differently for each and every property, given each property's unique difference between real market value and assessed value.

Measure 50 did solve one anachronism of the old Measure 5 system – it did away with education district tax bases, and resulting tax rates, that were so far above the Measure 5 limits as to be virtually meaningless. Before Measure 50, school districts would certify taxes to the county assessor knowing that they would receive less than half that amount after the assessor applied the Measure 5 limits.

Education Districts' permanent tax rates were calculated using only those taxes that were to be collected in 1997-98, after applying the initial Measure 5 compression reductions as well as the reductions required by Measure 50. These calculations resulted in more realistic tax rates, in the range of $5 to $6, versus previous rates calculated from the districts' tax bases that had been in the $15 to $20 range, even though the Measure 5 limit was $5, resulting in districts collecting less than half of their tax base authority. Thus, Measure 50 brought some sense back to the system for education districts.

Education tax rates are now much lower under Measure 50, as shown in **Figure 14**. Compression losses for these districts are substantially less than in prior years due to Measure 50's new permanent tax rates and testing the Measure 5 limits on higher real market values. Statewide compression loss from education district levies came to just $12.4 million in 1997-98 compared to $1.383 billion the year before.

Figure 14 - Operating Tax Rates
Multnomah County TCA 001

Taxing District	1996-97	1997-98
Portland Public Schools	$12.6825	$5.3618
Multnomah ESD	$1.0836	$0.4581
Portland Community College	$0.6497	$0.2830
Sub-Total, Education Districts	**$14.4158**	**$6.1029**
Multnomah County	$3.6774	$4.3471
Metro	$0.0779	$0.0968
Port of Portland	$0.0635	$0.0700
City of Portland	$5.4660	$6.5848
Portland Urban Renewal*	$0.5817	$0.0138
Sub-Total, General Government Districts	**$9.8665**	**$11.1125**

* 1996-97 urban renewal rate is DOT. The rate for 1997-98 is special levy only.

At the same time, Measure 5 compression losses from general government levies actually increased. At first this might seem counter intuitive, given the changes in the way Measure 5 limits are applied discussed above. But tax rates actually increased for many general government districts under Measure 50 in 1997-98. In addition, there were 19 new local option levies. As a result of these higher tax rates, general government compression losses statewide increased from $3.2 million in 1996-97 to $4.8 million in 1997-98.

In Multnomah County, education compression losses amounted to $336 million in 1996-97. Under Measure 50 in 1997-98, compression for those same districts resulted in just $4.8 million of losses. For General Government districts within Multnomah County, compression losses increased from $500,000 to $3.8 million between the two years. Nearly all of the higher losses were a result of higher tax rates levied in the City of Portland. The total of all general government rates within TCA 001 increased from $9.8665 per $1,000 of assessed value in 1996-97 to $11.1125 in 1997-98, as shown in **Figure 14**.

The changes brought about by Measure 50 in the way Measure 5 limits are applied have produced conflicting results. The amount of compression loss for general government taxing districts has increased while, at the same time, there is more capacity within the $10 general government limit. How can that be?

The answer is that by creating new assessed values, lower than RMV, and using AV to calculate taxes and RMV to test the Measure 5 limits, each property is compressed differently. As noted above, this has generally meant that residential and commercial property, with large differences between AV and RMV, can pay taxes at effective rates significantly higher than $10 per $1,000 of AV. (Property A in **Figure 15**.) This increases capacity. At the same time, properties such as industrial and utility, where the AV and RMV are the same, are compressed even more than before due to the higher tax rates. (Property C in **Figure 15**.) A more detailed illustration of how Measure 5 compression works can be found in **Appendix C**.

Figure 15 - Measure 5 Compression Examples

Total General Gov. Tax Rate = $14.2223 per $1,000 of RMV

Property A			
AV = $150,000	Tax Extended =	$	2,133.35
RMV = $300,000	Measure 5 Limit =	$	3,000.00
Taxes Imposed		$	2,133.35
M-5 Loss			0
Property B			
AV = $216,000	Tax Extended =	$	3,072.02
RMV = $300,000	Measure 5 Limit =	$	3,000.00
Taxes Imposed		$	3,000.00
M-5 Loss		$	(72.02)
Property C			
AV = $300,000	Tax Extended =	$	4,266.69
RMV = $300,000	Measure 5 Limit =	$	3,000.00
Taxes Imposed		$	3,000.00
M-5 Loss		$	(1,266.69)

Note: Taxes imposed equals lesser of tax extended or Measure 5 limit.

Measure 50 also corrected a problem under Measure 5 dealing with the impact of new levies on tax collections for overlapping districts. Prior to Measure 50, whenever a taxing district received voter approval for a temporary serial levy the tax for that levy was added to the taxes for all other taxing districts in that same category, either education or general government. If compression occurred, because the taxes extended exceeded the Measure 5 limit, then taxes for all districts were reduced proportionally to fit within the limit.

So a new levy for one district could seriously affect the tax collections of all other districts. This "competition" was a concern and affected districts' decision to seek temporary levies. (That is why Multnomah County and the City of Portland were reluctant to impose temporary levies early on under Measure 5 and why Portland dramatically reduced collections for urban renewal.)

When legislative leaders were crafting Measure 50 they decided to fix this problem. Legislation to implement Measure 50 provided that if taxes in either category exceed the Measure 5 limits, and if those taxes included taxes from a local option levy, then the taxes for the local option levy would be reduced (compressed) first before any other levy. Only after the local option taxes were reduced to zero would the taxes from other levies, such as from permanent tax rates, gap bonds or pension levies, be compressed at all. Even taxes divided for an urban renewal agency from a local option levy are reduced first, along with other local option levies.

This new methodology eliminates the competition between existing levies and new levies, although there could be competition among multiple local option levies. Other levies, such as new permanent tax rate limits, increasing gap bonds and other qualified obligations, and higher urban renewal taxes, still have the potential of affecting other taxing districts in the same category. Treating local option levies differently does complicate the calculations and, therefore, the ability to estimate how much compression loss there might be for a new levy. It also makes it difficult to explain to a property owner how the amount on his or her tax bill was calculated.

Urban Renewal Under Measure 50

Measure 50's assessed value cut and cap provisions, as originally envisioned by legislative leaders, were anathema to urban renewal agencies. Tax increment financing to fund urban renewal projects is predicated on assessed values increasing over the frozen base that was established when an urban renewal area (URA) is first formed. If these values are restricted, agencies would collect less in property taxes used to repay debt issued to complete those projects. Urban renewal advocates argued that restricting value could potentially cause agencies to default on that debt.

Measure 47 did not include language defining how urban renewal taxes should be treated. As such, legislative leaders were inclined to design Measure 50 to lessen the impact on urban renewal agencies. However, urban renewal is arguably the most complex aspect of the property tax system, with only a handful of people in the state fully understanding its intricacies. In fact, much of the crafting of the constitutional and statutory language was left up to these experts, as few legislators grasped how the changes being proposed in Measure 50 might impact urban renewal around the state.

New urban renewal plans, adopted after the effective dates of Measure 47 and, subsequently, Measure 50, were not too difficult to deal with. The lower assessed values calculated in 1997-98, and the slower growth in assessed value allowed in subsequent years, would be known by urban renewal practitioners, and projections for tax increment financing revenue would take these limitations into consideration. Projects to be financed, and the debt incurred to pay for those projects, would simply be made to fit within the limited tax increment revenue available. Urban renewal agencies would only collect whatever revenue the increased value over the frozen base would provide.

The difficulty was in crafting tax collection methods for existing plan areas that had already started projects and incurred debt. Provisions had to be written into the constitutional measure, as well as SB 1215, to allow agencies to collect enough property taxes to meet those obligations.

Special rules in the implementation bill provided different methods of collecting urban renewal property taxes for existing plans – those in effect on December 6, 1996, the effective date of Measure 47. Those methods allowed existing plans to certify a “special levy.” If the division of tax revenue was less than what the agency would have collected under the old Measure 5 system, the agency could certify and impose a dollar amount in the form of a separate levy to make up the difference. This levy would be applied against all of the property within the agency, not just within the plan area.

The first year under Measure 50, 1997-98, the Department of Revenue made urban renewal calculations through the black box. These calculations determined how much in division of tax revenue each plan area could collect and how much of a special levy needed to be imposed in order for the urban renewal agency to collect the amount that would have been collected under the previous Measure 5 system. Of the 56 existing plan areas, 44 needed a special levy to increase collections to the maximum amount allowed. Statewide, county assessors imposed a total of $20,217,974 in special levies in addition to $81,050,251 in tax increment revenue from plan areas’ excess value.

This statewide total of $101.3 million was 56.3% more than urban renewal collections in 1996-97. At the same time, operating taxes for counties, cities, schools and special districts, declined 6%. How did that happen? The special levies allowed by Measure 50 certainly contributed to the dramatic increase in urban renewal taxes, but that alone doesn’t explain all of the increase. Even if only the division of tax collections were allowed, urban renewal taxes would still have increased by 25.1% over the 1996-97 urban renewal property taxes imposed of $64.8 million.

Urban renewal revenues had been constrained by Measure 5’s limitations since 1991-92. Most agencies were unable to collect all of the property taxes off the excess value in plan areas due to the $10 per thousand limit for general governments. And since compression affected all taxing districts that levied within the plan area, most agencies had self-imposed limits to reduce this impact. This was certainly true in Multnomah County, where the City of Portland had certified only a fraction of its authority. (See **Figure 8**.)

For 1997-98, the City of Portland certified $20,615,502 to be collected from excess value calculations for Portland’s five urban renewal plan areas. Yet the black box calculations from the Department of Revenue allocated $34,922,075 in division of tax amounts for those same plan areas. Essentially, the black box calculated the maximum amount that could be collected, despite what the City had requested. In addition, the Department calculated that the Central Eastside plan area was due a special levy of $393,016.

Another reason for the surprisingly large increase in urban renewal collections was the fact that the Department of Revenue instructed county assessors to divide urban renewal taxes from the various taxing districts after the Measure 5 limits had been applied. In other words, the amount the urban renewal agency was to receive was simply the total of all the overlapping taxing districts' tax rates, times the excess assessed value, irrespective of any Measure 5 compression that might occur to taxing districts' levies. As a result, there was almost no Measure 5 compression loss due exclusively to urban renewal division of taxes.

No wonder total collections increased statewide by such a large amount. Urban renewal collections undoubtedly would have increased under the old Measure 5 system as increasing property values continued to drive tax rates lower and therefore cause less compression losses. The City of Portland had certified $18,093,968 in urban renewal taxes in 1996-97, compared to $20,615,502 in 1997-98. But Measure 50 turned out to be more of a positive than a negative for urban renewal in Oregon.

SB 1215 required urban renewal agencies to decide how they planned to collect urban renewal revenues for each existing plan area starting in 1998-99. The bill provided for three options, each collecting urban renewal revenues in slightly different ways.[71]

- Option One: All division of tax amounts are collected. If this raises less than pre-Measure 5 authority, a special levy can be certified to make up the difference.
- Option Two: No division of tax amounts are collected. The entire pre-Measure 50 authority is collected via a special levy.
- Option Three: The agency, at the time the option was selected, establishes a maximum amount to be collected by division of tax calculations. The balance of the authority can be certified as a special levy.

Choosing Option Two or Option Three would limit the amount of division of tax revenue and rely more on a special levy. In these cases only enough excess value to generate the amount of division of tax would be used. So for Option Two plan areas, where there was to be no division of tax revenue, the excess value would be zero. The balance of the excess value was not used, and essentially increased the frozen base value. These two options would tend to favor the overlapping taxing districts by allowing some of the excess value within a plan area to be "released" and allow taxing districts to collect revenue from that additional value. The special levy would be an additional tax borne by property owners within the activating agency. Another consideration was the impact of Measure 5 compression. Where an area was over the $10 general government tax rate, and therefore subject to compression, choosing Option One to collect 100% of the division of tax might increase the tax rate, resulting in even more compression. The special levy is certified each year and can be reduced if need be to lessen the impact of compression on all overlapping taxing districts.

Two existing plan areas expired after the 1997-98 year. Of the 54 remaining existing plan areas, 46 chose Option One, seven chose Option Three and only one chose Option Two. Plan areas adopted after December 6, 1996, are not existing plans and the Department of Revenue commonly refers to them to as "other" plans in literature explaining urban renewal. The City of Portland elected to have the Central Eastside URA designated as an Option One plan and the other four plan areas (Downtown Waterfront, South Park Blocks, Airport Way and Oregon Convention Center) as Option Three plans.

The old system for arriving at urban renewal division of tax amounts was to calculate taxing district rates using the lower, frozen base value (resulting in a higher tax rate) and dividing the amounts collected between the taxing district and the urban renewal agency (since more revenue would be collected by the higher rates than the taxing district was entitled to). Under

Measure 50, the assessor no longer calculated rates for most taxing district levies, so this division of tax method no longer worked.

Detailed instructions for dividing urban renewal taxes were not included in SB 1215. Instead the statutes gave the Department of Revenue authority to provide specific details of how the process would work by administrative rule.[72] The Department's rule designed a system whereby total taxes imposed in each TCA were prorated between the taxing districts in each of the Measure 5 categories and the urban renewal agency. The rule provided that urban renewal amounts were divided only after taxes had been calculated for individual properties and before amounts were distributed by the tax collector to the taxing districts.[73] The urban renewal amounts were therefore not shown on individual tax statements.

Under this system, urban renewal amounts were compressed along with other tax amounts in the same Measure 5 category. This meant that some were compressed as education taxes, some were compressed as general government taxes and some were exempt from the Measure 5 limits (divided from general obligation bond levies).

Measure 50's Success

Was Measure 50 a success? The basic purpose of Measure 50 was to replace Measure 47, which legislative leaders and stakeholders had determined was unworkable. So from that very limited perspective, given the fact that Measure 50 was approved by voters and was successfully implemented, Measure 50 was in fact a success.

Looking at the broader goals which legislative leaders had in mind when deciding to replace Measure 47 with essentially a brand new property tax system, it could also be said that Measure 50 met those goals and has therefore been successful. Those goals were:

1. Replicate Measure 47.
2. Make the system more predictable for property owners.
3. Simplify the property tax system.

Goal 1: Replicate Measure 47

Some technical aspects of Measure 47 were fairly easy to include in the new system, such as requiring a double majority to pass new property tax measures and a limitation on new fees and charges (although Measure 50 limited new fees only for the first year). Judging the new system's comparability with Measure 47 in terms of property tax collections, both in the first year, 1997-98, and beyond, is harder to measure. The Legislature had not completed its work on implementing language for Measure 47, so it is uncertain exactly how the limitation would have affected property tax collections.

During the debate on how to implement Measure 47, and later in crafting Measure 50, legislators and others involved in the process used an estimate from the Legislative Revenue Office that Measure 47 would have reduced operating property taxes in the first year by 17%, adjusted for an estimated 4% increase in assessed value due to new construction since 1995-96. After county assessors reported new construction and other exceptions under Measure 50 amounting to 10.5%, provisions in the constitution and SB 1215 reduced the actual percentage reduction in levies subject to Measure 50 cuts to 13.2%. Exception value higher than what had been estimated during the Legislative debate allowed for the collection of approximately $85 million more than what had been estimated by the Legislative Revenue Office in the first year of Measure 50.[74] Application of Measure 5 limits reduced operating taxes even further, and both local option levies and urban renewal were not subject to Measure 50 cuts, so total operating taxes imposed were 12.7% less than would have been collected without Measure 50.

Property taxes for each taxing district in the state were reduced by slightly different percentages based on the complex formulas designed to produce the desired statewide result. As seen in **Figure 10,** reductions in Multnomah County ranged from a low of 7.5% for the City of Troutdale to a high of 29.46% for Riverdale School District No. 51J. Multnomah County saw its taxes reduced by 14.78% and City of Portland's taxes were 11.42% lower than what would have been collected without Measure 50. The combined Multnomah County taxing districts' operating property taxes computed by the black box calculations were reduced a total of 12.58%. This is slightly lower than the 13.2% target, due primarily to the favorable treatment of Portland's FPD&R levy and exception value growth exceeding 10% in several districts.

Legislators achieved the goal of replicating the reduction in property taxes that would have occurred under Measure 47, at least for the first year, in 1997-98. But what about subsequent years? Was Measure 50 successful in limiting future property tax increases to 3% plus provisions for certain increases in value? Again the answer is yes. The exceptions to assessed value increases above the 3% limitation in Measure 50 closely mirror exceptions to the 3% increases in taxes provided for in Measure 47. The implementation bill for Measure 47 had not been finalized when Measure 50 was adopted so it is not known exactly how exceptions under Measure 47 would have been treated. However, one of the problems with Measure 47 was how the exception language was written, so legislative leaders took pains to ensure that the language in Measure 50 was much more precise.

Property taxes imposed from districts' permanent tax rate limit under Measure 50 are substantially less than what the districts could have received under the old tax base authority of the Measure 5 system. Under that system, tax bases were allowed to increase 6% automatically each year. Excluding temporary levies that require voter approval, a comparison of taxes imposed in 2010-11 with what the taxing districts' tax base levy would have been (assuming the district took the full 6% increase each year since 1997-98) reveals that, in fact, most taxing districts are receiving far less than they would have without Measure 50.

The results for Multnomah County general government taxing districts are shown in **Figure 16**. Clearly property tax collections compared to pre-Measure 50 levels are much lower for some districts than others. Special districts, such as fire protection and water distribution districts, which are generally located in rural areas where there is less new construction, have experienced collections that have been constrained the most. City of Portland's property tax collections may be lower, as a percentage of pre-Measure 50 tax base authority, due to the proliferation of urban renewal plan areas activated by the city. A considerable amount of the new construction that has occurred within Portland has been within urban renewal plan areas and therefore is not available to overlapping taxing districts, including the city. At the same time, it should be noted that in addition to the city's tax base collections, as displayed in **Figure 16**, the city's FPD&R levy is allowed to increase to whatever level is needed to pay benefits.

At the same time, some districts have fared well under Measure 50 and may actually be receiving more in property taxes now than under the old tax base system (even factoring in a 6% increase each year since 1997-98). This is generally the case if a district had a temporary levy in 1997-98 that was folded into the permanent tax rate and/or there has been a great deal of new construction or other exception value added to the district's value since 1997-98.

The City of Fairview is far better off under Measure 50. This is due to a tremendous amount of new construction which has increased the assessed value by more than 222% between 1997-98 and 2010-11 from $179,072,458 to $577,673,035. That new value equals an estimated $270,422 in additional property tax dollars for the City over what it would have received from its old tax base under the system in place before Measure 50.

Figure 16 - Comparison of Operating Taxes, with and w/o Measure 50

District	97-98 Operating Tax Base	2010-11 * Tax Base	2010-11 ** Permanent Rate	Difference $	Difference %
Multnomah County	$114,904,198	$245,082,411	$236,083,404	-$8,999,007	-3.67%
Metro	$7,668,510	$16,356,382	$11,882,057	-$4,474,325	-27.36%
Port of Portland	$6,188,135	$13,198,848	$9,590,837	-$3,608,011	-27.34%
City of Fairview	$818,403	$1,745,595	$2,016,017	$270,422	15.49%
City of Gresham	$15,300,356	$32,634,562	$23,903,460	-$8,731,102	-26.75%
City of Portland	$141,057,066	$300,864,602	$198,407,041	-$102,457,561	-34.05%
City of Troutdale	$2,311,766	$4,930,831	$4,171,373	-$759,458	-15.40%
City of Wood Village	$393,184	$838,633	$765,822	-$72,811	-8.68%
RFPD No. 10 ***	$1,191,016	$2,540,352	$1,452,992	-$1,087,359	-42.80%
RFPD No. 11J	$580,739	$1,238,675	$737,056	-$501,619	-40.50%
RFPD No. 14	$278,286	$593,564	$384,688	-$208,877	-35.19%
RFPD No. 30J	$77,416	$165,123	$113,225	-$51,898	-31.43%
Alto Park Water	$23,554	$50,239	$34,153	-$16,086	-32.02%
Burlington Water	$77,041	$164,323	$107,625	-$56,698	-34.50%
Corbett Water	$103,182	$220,080	$140,812	-$79,268	-36.02%
Lusted Water	$17,722	$37,800	$24,668	-$13,132	-34.74%

* 1997-98 tax base increased 6% each year since 1997-98.
** Taxes imposed from permanent rate limit.
*** Full permanent rate used. District levied less than full permanent rate in 2010-11.

Multnomah County was one of many districts around the state that had temporary levies in 1997-98 that were included in its permanent tax rate limit. That unique feature of Measure 50 has meant that the County has not been severely impacted by the new system. In fact, if it were not for additional Measure 5 compression losses caused by a variety of factors, the County's property tax collections under Measure 50 would be essentially the same as without the limitation measure.

Education districts were not shown in **Figure 16** since the 1997-98 tax bases were essentially meaningless given that the Measure 5 limits allowed for collecting less than 50% of the tax base authority in 1997-98. At the same time, nearly all education districts were under a rate-based system under Measure 5 with real market values being used as assessed values. Given the rapid increase in real market values after 1997-98, it can be surmised that operating revenue would have increased by the same percentages as values increased up until 2008-09. For the last two years market values have declined and would have reduced education district operating taxes accordingly. In addition, the City of Maywood Park is not shown since it did not have tax base authority in 1997-98. Voters for the city approved a permanent tax rate limit of $1.9500 at the November 1998 General Election.

Goal 2: Make the System More Predictable for Property Owners

The property tax system under Measure 50 is more stable and predictable for the vast majority of property owners. Prior to Measure 5 in 1990, under the previous levy-based property tax system, a property's tax bill could increase dramatically from one year to the next without any advance warning from the county assessor. And during the years when Measure 5 was being phased in, homeowners' property tax bills did not go down as much as expected due to the rapid increase in residential market values between 1990-91 and 1996-97. The first year under Measure 5, in 1991-92, total statewide assessed values increased 17% and the following year values went up another 10.4%.

Under Measure 50, most properties have an assessed value that is much lower than market value, therefore the maximum assessed value can increase only 3% per year. With fixed tax rates for most levies, property taxes are limited to increases of 3%, regardless of changes in the real market value. However, property taxes can still increase by more than 3% from one year to the next. One cause is if major improvements have been made to the property or some other exception has affected the property. More often than not, exceptions are the result of actions taken by the property owner. A second way for property taxes to increase more than 3% is if a taxing jurisdiction has won approval of a new local option levy or a general obligation bond measure. But again, property owners should know ahead of time, by virtue of having voted on the new property tax measures, that property taxes will be increasing more than 3%.

Citizens cannot vote to approve an increase in the permanent tax rates (nor can they vote to approve a decrease), and temporary levies for operations or repayment of general obligation bonds were required by the constitution to meet the double majority standard. This made it that much harder for districts to secure voter approval for new property tax authority, and therefore more predictable for property owners.

Of course the last two years have been frustrating for property owners, as market values have declined while assessed values, and therefore property taxes, have continued to increase. When Measure 50 was crafted, the real estate market had been expanding and values rose dramatically in the intervening years until 2007. It has been challenging for county assessors to explain how Measure 50 works and why there is a disconnect between market values and assessed values. This situation will continue until either market values bottom out and again begin to increase, or market values fall so low as to be the same as assessed value.

From the perspective of this objective, Measure 50 has been successful. Property value appeals declined to a fraction of pre-Measure 50 levels; in 1996-97 there were 27,585 local appeals, compared to only 4,149 in 2007-08. This indicates, perhaps, satisfaction of property owners.[75]

Goal 3: Simplify the Property Tax System

With some exceptions, the property tax system is easier to administer now, under Measure 50, than it used to be prior to 1997-98. However, the oversimplified version that the drafters of Measure 50 envisioned was not realistic given the complexities of identifying, mapping,

appraising, assessing and taxing several hundred thousand accounts across the state, from high rise office buildings in downtown Portland to 1,000 acre wheat fields in Sherman County.
While assessors still track real market value for all properties, the fact that property taxes are calculated using the new assessed values means that market value is less important, and therefore assessors spend less time on reappraising existing property. The emphasis now is on adding new construction to the assessment and tax rolls. However, if the current real estate slump continues and real market values decline to the point that there is very little gap between market and assessed values, there may be renewed interest in making sure all properties' market value is as accurate as possible.

Legislators did simplify the property tax system with Measure 50 by removing the requirement to physically reappraise each piece of property once every six years. This allowed county assessors to decide which areas needed reappraising, rather than simply appraising an area that had last been appraised six years prior. For example, some fast-changing areas might need to be reappraised every three years, while stable neighborhoods might only need to be looked at every 10 years.

At one point during the debate over the Measure 50 implementation bill, the Legislative Revenue Office (LRO) suggested that county assessors would no longer track real market values. Since assessed values would be used to calculate taxes, LRO thought that discontinuing the practice of tracking real market values would simplify things ever further and require less staff to administer the system statewide. However, assessors and the Department of Revenue argued that this would be a mistake for several reasons: 1) real market value would still be used to test the Measure 5 limits (which were retained under the new system) and would therefore have a direct bearing on revenues, especially rate-based local option levies; 2) the changed property ratio was based on real market values; 3) many properties go down in value and will therefore use the market value as the assessed value (under Measure 50 the assessed value cannot exceed the property's real market value); 4) at some future time Measure 50 might be replaced and the property tax system would once again use market values to calculate each property's tax bill; and 5) market values would still be used in many cases to set the upper limit, as a percentage of market value, of how much debt districts can incur.

These arguments were persuasive and the statutes that require county assessors to appraise each property's market value and track that value on the assessment and tax rolls are still in place. As the current economy continues to wreak havoc on properties' market values around the state, real market values will play an increasingly important role in determining how much each property is billed in property taxes. For example, according to the Deschutes County Assessor, 20% of all residential properties in 2010-11 were assessed at the property's real market value, and inside the City of Redmond the percentage was 50%.[76]
Another change that simplified the property tax system through Measure 50 was the cancellation of assessment of business personal property tax accounts under $10,000, up from the $3,000 threshold that was in place at the time.[77] This type of property is difficult to assess since it is so easily moved out of the assessing jurisdiction. Collecting delinquent property taxes on business personal property is likewise a challenge for assessment personnel.

At the same time, some aspects of administering the property tax system are more complex today than before Measure 50, prompting the Department of Revenue to promulgate a number of Oregon Administrative Rules (OAR) to provide guidance to county assessment staff.[78] The vast majority of properties do not change from year to year so it is easy for the county assessor to simply update the real market value and increase the maximum assessed value by the allowed 3% and determine the assessed value as the lower of those first two numbers.

However, when a property has undergone some change that allows for an exception to the 3% increase in MAV, the calculations can be complex. And in many cases the calculation has to be done by hand rather than the more efficient system of letting a computer do the calculations. As noted above, exceptions include:

- New property or new improvements to property.
- Property partitioned or subdivided.
- Property that is rezoned and used consistent with that new zoning.
- Property added to the assessment rolls as omitted property.
- Property first disqualified from exemption or special assessment.
- Two properties that are adjusted by a lot line adjustment.

There is a fine line between what is an "improvement to property," which allows for an exception to the 3% per year value increase limit, and what is "minor construction," which is not allowed to increase the assessed value more than 3%. There can be a fair amount of judgment involved and it can be a time consuming process to make a determination in many cases.

Often times there are multiple exceptions affecting the value of a property. For example, if a property is removed from special assessment as farm or forest land and a new house is constructed on the property. In other cases, the exception affects only a portion of the property, such as when a zone change only applies to the front half of the property. Statutes dictate in what order the calculations should be accomplished but it can still be confusing for assessment personnel to determine what the correct assessed value should be.[79]

One aspect of the property tax system that is more complicated than prior to Measure 50 is urban renewal. The changes brought about by Measure 50, as well as additional legislative and court mandated changes, make it difficult for urban renewal agencies to estimate how much in division of tax property taxes they will receive, and the calculations county assessment staff have to make to complete the assessment and tax roll are extremely complicated. And efforts to explain how urban renewal works and how it may or may not impact a property owner's property tax bill are difficult at best. These issues are discussed in greater detail below.

The Measure 50 Ballot Title gave an estimate that county assessment costs would be reduced by $5.1 million, which was fairly close to reality. Combined budgeted expenditures counties provided to the Department of Revenue as part of the County Assessment Function Funding Assistance (CAFFA) grant process showed counties expected to spend $59,311,182 in 1997-98.[80] This compared with budgeted expenditures of $63,816,470 the previous year, a reduction of $4,505,288. While expenditures have increased each year since 1997-98, the total number of budgeted positions (FTE) for county assessment and taxation functions was actually less in 2010-11 (908.67 FTE) than in 1997-98 (934.83 FTE). Some of this reduction is undoubtedly due to updated computer capabilities and other efficiencies, but the simplification of the property tax system also has played a part.

It is generally agreed that Measure 50 has been partially successful in simplifying the property tax system and therefore making it less expensive for counties and the Department of Revenue to administer. Also, there have been no citizen initiatives to change the system for 15 years. Given the recent history of the property tax system, that is a relatively long time.

Section VII - Today's Property Tax System

The property tax system in use today has changed little over the past 14 years since the passage and implementation of Measure 50, and is primarily a rate-based property tax system with a limitation on assessed value increases. While the system may be more predictable for property owners, the relationship between the two values that appear on every property tax statement is not readily explained, as market valued have increased/decreased based on the market, and assessed values have generally increased the allowed 3% per year. Perhaps even harder to explain is the fact that many tax statements display an amount for urban renewal even if the property is not located within a URA. And Measure 5 compression is difficult for even veteran assessment and taxation officials to understand, let alone try to explain to citizens.

Judging by the dramatic drop in property value appeals to local boards of equalization, a conclusion could be made that property owners are satisfied with the new system. Annual increases are more stable and predictable, and with notable exceptions the tax bill is limited to 3% increases per year, regardless of changes in the real market value. Gone are the days when the county assessor could reappraise a property to increase the market value by 50% or more, leading to an increase in property taxes of 20% or more, even if no improvements had been made to the property.

However, local governments that rely on property taxes are not as satisfied as individual property owners. Property tax collections are not keeping up with expenses, officials claim, and they blame Measure 50.

Figure 17 below details property tax collections for 1997-98 and 2010-11.

Figure 17 - Change in Property Taxes, 1997-98 and 2010-11

Statewide (in $ millions)

Type of District	Permanent Rate & Gap Bond Taxes 97-98	10-11	Change	Local Option Taxes 97-98	10-11	Change	Bond Taxes 97-98	10-11	Change	Total Taxes Imposed 97-98	10-11	Change
County	408.3	756.6	85.3%	16.3	101.2	520.0%	44.9	42.4	-5.5%	469.6	900.2	91.7%
Cities	495.6	964.5	94.6%	5.8	53.2	811.4%	47.7	71.5	49.9%	549.1	1,089.1	98.3%
Schools	882.3	1,651.2	87.2%	0.0	85.2	100.0%	211.8	499.7	135.9%	1,094.1	2,236.2	104.4%
Special Districts	207.4	496.3	139.3%	0.5	40.9	8395%	54.5	79.6	46.1%	262.4	616.8	135.1%
Urban Renew al										101.3	209.6	106.9%
Total Taxes	**1,993.7**	**3,868.6**	**94.0%**	**22.6**	**280.5**	**1139.2%**	**358.9**	**693.2**	**93.1%**	**2,476.5**	**5,051.9**	**104.0%**

Total property taxes imposed since 1997-98 have increased by nearly $2.6 billion, or slightly more than doubled. This includes operating taxes from districts' permanent tax rate limit, gap bonds, local option levies, taxes to repay general obligation bonds and taxes dedicated to repayment of urban renewal indebtedness. Operating property taxes imposed (total taxes less levies to pay general obligation bonds and urban renewal) have increased for all taxing districts by 105.8%, from $2,016.3 million to $4,149.1 million. The increase is primarily the result of increases in assessed values and new local option levies.

Each year assessed values can increase up to 3% due to the automatic increases in the existing property's MAV allowed by Measure 50, although not all properties increase 3% every year and some properties' assessed value can actually decline from year to year. The assessed value also increases from new construction and other exceptions to the 3% limitation. (Assessed value growth in a particular area could be 4.5%, with 2.8% coming from existing property and 1.7% due to exceptions.)

Statewide, assessed values increased 89.6% between 1997-98 and 2010-11, averaging 5.05% each year. Annual increases ranged from a low of 2.6% in 2010-11 to a high of 6.6% in 2000-01. Of course the base year values in 1997-98 had been reduced 12.5% from the previous year's real market value.

Under a rate-based system, operating revenue from property taxes mirrors these increases. However, actual property tax collections for operations and urban renewal, excluding taxes from general obligation bond levies, have increased more than assessed values due to new taxing districts, local option levies, expanded use of urban renewal, and City of Portland's FPD&R levy. These property taxes have increased 105.8% since 1997-98. Annual increases in operating taxes averaged 5.53%, ranging from 2.06% in 2010-11 to 8.47% in 2007-08.

Under the pre-Measure 5 system, tax bases were allowed to increase 6% automatically for most taxing districts, regardless of how many new buildings were being built or how many new citizens were moving into the district. So the 5.53% average is not much less than the previous system allowed.

But of course the variation between districts is vast, as discussed in more detail below. Some districts with considerable new construction have seen operating taxes increase by double digit percentages. Other districts have actually seen property tax revenue decline due to large drops in assessed value, typically on large industrial or utility property. And more recently, with the real estate slump now in its third year, assessed value growth has slowed considerably due to less new construction. This has lead to lower rates of increase in property tax revenue for many taxing districts.

Local option taxes have increased the most, on a percentage basis. This is not surprising since most temporary levies in 1997-98 were incorporated into each district's permanent tax rate limit. As a result, there were only 19 local option levies in 1997-98, with total taxes imposed of $22,638,343. By 2010-11, 142 districts had received voter approval for local option levies, with total taxes imposed of $280,589,804. These levies are the main source of additional revenues for general operations. Some districts have become heavily reliant on local option levies and have received voter approval multiple times since 1997.

Operating taxes imposed by special districts, including fire protection, library, park and recreation, and others, have increased the most on a percentage basis between 1997-98 and 2010-11. This is due in part to a proliferation of these types of districts since 1997. More and more special districts are being created to fill the funding gap as districts, primarily counties and cities, have come under financial pressures and have cut back on all but core services. These new districts often receive voter approval for a separate permanent tax rate limit, which is in addition to the property taxes imposed by the county or city that previously provided the service.

In 1998-99, there were 664 special districts that levied a property tax. By 2010-11, that number had increased to 711. An additional 92 special districts levied no property taxes in 2010-11. Counties had traditionally provided funding for soil and water conservation districts (SWCD) but had begun to cut back on this funding starting in 1997. Soil and water conservation districts were created in the 1940s and 1950s under the auspices of the Oregon Department of Agriculture. Nearly every county has a functioning district. However, in 1998-99 only one had the authority to levy a property tax. With voter approval, 10 now have a permanent tax rate limit, imposing a total of $7,923,533 in property taxes statewide in 2010-11.[81]

The percentage changes in taxes imposed from 1997-98 to 2010-11 are generally lower in Multnomah County than statewide, as seen in **Figure 18**. Total taxes imposed increased statewide by 104.0%, while taxes imposed in Multnomah County increased 86.3%.

Figure 18 - Change in Property Taxes, 1997-98 and 2010-11

Multnomah County (in $ millions)

Type of District	Permanent Rate & Gap Bond Taxes 97-98	Permanent Rate & Gap Bond Taxes 10-11	Permanent Rate & Gap Bond Taxes Change	Local Option Taxes 97-98	Local Option Taxes 09-10	Local Option Taxes Change	Bond Taxes 97-98	Bond Taxes 09-10	Bond Taxes Change	Total Taxes Imposed 97-98	Total Taxes Imposed 09-10	Total Taxes Imposed Change
County	140.5	236.1	68.1%	0.0	39.5	100.0%	17.6	8.5	-51.8%	158.1	284.1	79.7%
Cities	189.4	343.7	81.5%	0.0	13.3	0.0%	7.0	9.6	38.0%	196.3	366.7	86.7%
Schools	191.2	324.8	69.9%	0.0	39.9	100.0%	45.4	39.7	-12.7%	236.6	404.4	70.9%
Special Districts	7.8	17.8	128.9%	0.0	0.4	100.0%	14.7	22.5	52.6%	22.5	40.7	80.7%
Urban Renew al										35.3	113.1	220.0%
Total Taxes	**528.8**	**922.4**	**74.4%**	**0.0**	**93.1**	**100.0%**	**84.8**	**80.2**	**-5.3%**	**648.9**	**1,208.9**	**86.3%**

Taxes from permanent tax rates and gap bonds have increased less in Multnomah County than statewide (74.4% versus 94.4%) and local option levies have increased 100% in Multnomah County compared to over 1100% statewide. And while taxes imposed to repay general obligation bonds have increased 93.1% statewide, these taxes are actually less in 2010-11 than in 1997-98 in Multnomah County, declining by 5.3%.

Total assessed value in Multnomah County increased 77.3% between 1997-98 and 2010-11, compared with an 89.5% increase statewide. This partially explains why taxes imposed from permanent rates have increased less than statewide.

In Multnomah County, two taxing districts saw total assessed value decrease between 2008-09 and 2009-10. The City of Wood Village's assessed value decreased by more than $7.5 million, or 3.0% due to the closure of a computer chip manufacturer. The value of the Parkrose School District went down by 0.1%, or just under $2 million, in response to lower valuations of airline property at Portland International Airport. Reductions in property taxes imposed from each district's permanent tax rate limit amounted to $23,536 and $9,421 respectively. This is not significant, perhaps, but it was still a reduction. When a 6% increase was virtually automatic in the past, any reduction is problematic for taxing districts.

In 1997-98, no district in Multnomah County imposed local option taxes. By 2010-11, six taxing districts levied local option taxes: Multnomah County, City of Portland, Portland Public Schools, Riverdale School District, Riverdale RFPD and Sauvie Island RFPD.

Multnomah County also has two SWCDs, both of which asked for and received voter approval for taxing authority via a permanent property tax rate limit. East Multnomah SWCD won a

$0.1000 per $1,000 rate in 2004, followed by West Multnomah SWCD's voter approval of a $0.0750 rate in 2006. Once each district received property tax authority of its own, the meager allocation that it had been receiving from Multnomah County stopped altogether.

There is one notable difference between the statewide numbers and the numbers for Multnomah County: urban renewal taxes have increased far more in Multnomah County (220.0% versus 106.9%). Actually, the lower percentage increase in permanent tax rate taxes imposed and the higher percentage increase in urban renewal taxes are closely related. Increases in urban renewal revenue results in less revenue for all other taxing districts and nowhere else in the state is this more pronounced than Multnomah County, and specifically City of Portland.

The impacts of urban renewal on tax collections and revenue for other taxing jurisdictions is so prominent that a further discussion is warranted.

<u>Urban Renewal in Today's Property Tax System.</u>

In 1997-98, there were 38 urban renewal agencies that had established 56 urban renewal plan areas. Total urban renewal property taxes imposed from both division of tax calculations and special levies came to $101,268,225. This represented 4.09% of total taxes imposed statewide.

By 2010-11, the number of agencies increased to 72, with a combined total of 106 plan areas. Urban renewal taxes imposed for these plan areas increased to $209,609,667, an increase of 106.9% since 1997-98. More importantly, urban renewal taxes now account for 4.15% of all property taxes imposed in Oregon.

Much of this increase is due to the City of Portland's use of urban renewal. Perhaps more than any other city or county in Oregon, Portland has aggressively adopted urban renewal plan areas to further the city's economic development, redevelopment and housing strategies. Urban renewal taxes imposed within Multnomah County now represent 54.1% of all urban renewal taxes imposed statewide, up from 34.9% in 1997-98. Urban renewal taxes in Multnomah County, including new plan areas adopted by the City of Gresham and the City of Troutdale, have increased 220.0% since 1997-98, from $35.3 million, to $113.1 million and urban renewal's share of total taxes imposed countywide has increased from 5.45% in 1997-98 to 9.36% in 2010-11.

Prior to Measure 50, urban renewal agencies only received property tax revenue if market values in the plan areas increased over the frozen base. Values in blighted areas typically only increased due to activity attributable to the urban renewal agency. Under Measure 50, since market values and assessed values are separated, the assessed value could increase 3% even if market values are declining. There is, therefore, an almost automatic income stream of property taxes of at least 3% every year, even if the urban renewal agency completes no projects.

Since Measure 50's implementation in 1997-98, there have been a number of significant changes in how urban renewal taxes are collected. In 1998-99, the Department of Revenue instructed county assessors to allocate urban renewal taxes on a pro-rated basis in each code area and in each of the three Measure 5 categories (education, general government and exempt bonded debt). This allowed for some urban renewal taxes to be imposed without limitation under Measure 5, and the urban renewal amounts pro-rated were not shown on individual property tax statements.

It took only one year for this system to be challenged in court. The owner of Shilo Inns objected to his total 1998-99 tax bill, asserting that $6,123 (out of a total tax bill of $234,005) that had been divided for urban renewal from education district tax rates should have been categorized as general government taxes. In a 2001 decision in *Shilo Inn v. Multnomah County*, the Oregon Supreme Court ruled in his favor, opining that all division of tax revenue was required to be compressed under the general government category and the $10 per thousand limitation.[82]

The Department of Revenue was forced to come up with a different method to allocate property taxes between the taxing districts and urban renewal agencies that categorized all urban renewal taxes as general government taxes for purposes of testing the Measure 5 limits. That system was again primarily advanced by administrative rule as allowed by statute.[83] That new system is still in place today.

Instead of dividing the taxes, the new system requires assessors to divide the tax rates. The amount that should be allocated to the urban renewal agency is calculated by multiplying each taxing district's rate by the excess value (the value over the frozen base). This amount is then divided by the total value of "shared property," which is property that is within both the taxing district and the agency (city or county), to arrive at an urban renewal rate. The rate is then subtracted from the taxing district's rate. This calculation is completed for each urban renewal plan area and for each district, and if the district has more than one levy, separate calculations are completed for each levy.

The totals of all the urban renewal rates are added together to arrive at a rate to be charged for the urban renewal plan area. This rate, multiplied times each property's assessed value, is then used to arrive at taxes extended. These taxes are placed in the general government category to be tested against the Measure 5 limit of $10 per thousand and, if necessary, compressed along with the other general government tax amounts.

It is also necessary under this new system to show the urban renewal amount on individual tax statements. Since the urban renewal tax rate is calculated using the value of shared property, which in many cases is the urban renewal agency's total assessed value, all of the tax statements within the city or county that activated the agency now have this urban renewal amount displayed. If the agency is a county, the urban renewal amount could be displayed on every tax statement in the county. This naturally causes confusion for property owners whose property is not within the plan area, especially if the property is located in a completely different part of the city or the county.

Since all urban renewal taxes are now categorized under the general government category under the system necessitated by the *Shilo* case and as crafted by the Department of Revenue, total Measure 5 compression losses increased. In part this is due to the fact that urban renewal taxes divided from bonded debt levies that were previously exempt from Measure 5's limitations are now subject to compression. Between 2001-02 and 2002-03, when the new urban renewal calculations first went into effect, statewide Measure 5 compression losses increased by $2,883,992, or 4.9%.

Perhaps more significantly, *Shilo* shifted compression losses from the education category to the general government category. Since most areas of the state have education tax rates that exceed the $5 education limit, moving all urban renewal taxes into the general government category resulted in less Measure 5 compression in the education category and more compression in the general government category. Between 2001-02 and 2002-03, education compression loss declined by 10.5%, from $41.7 million to $37.4 million. At the same time, compression losses for general government taxing districts increased in 2002-03 by 41%, from $17.7 million in 2001-02 to $25.0 million.

The changes in urban renewal collections were dramatic in the City of Portland. Currently the city has 11 plan areas covering 14.2% of the geographic area of the city. Six of those URAs have been created since 1997-98. These plan areas cover the Pearl District (River District URA) and the South Waterfront neighborhood (North Macadam URA), which, in terms of increases in assessed value and the high profile nature of the private investments that have been made, can be considered hugely successful.

Property tax revenue from all of Portland's urban renewal areas has risen dramatically since 1997-98, increasing from $34,922,075 to $107,586,159 in 2010-11, a 217% increase. Some of this increase ($14,545,975) is attributable to the special levies allowed by Measure 50 in four of the existing URAs. However, most is derived from division of tax calculations based on the increase in value within the URAs since the plans were adopted.

Between 1997-98 and 2010-11, the excess value over the frozen base in all URAs has increased more than 175%, from $1.764 billion to $4.854 billion. The excess value would have been even higher if the City had not chosen Option 3 for four of its existing plan areas, which limits how much can be generated in division of tax revenue. As a result of this decision, a total of $22.4 billion in excess value was not used in calculating division of tax revenue for those four URAs since 1998-99, including $2.609 billion in 2010-11 alone. This averages out to $1.723 billion per year. Otherwise, urban renewal property tax collections for the City of Portland would have been even higher.

In Multnomah County, total losses due to Measure 5 compression for all taxing districts in 2001-02 came to $27 million. In 2002-03, losses increased to $30.3 million, a 12.4% increase. Changes in the distribution between education districts and general government districts were even more dramatic than those statewide. The losses in the education category declined from 2001-02 to 2002-03 by $2.7 million (-22.6%) while general government category losses were higher in 2002-03 by $6.1 million (41.1%). Clearly, the *Shilo* case was working the way the property owner who filed the suit had intended.

But if the changes to urban renewal calculations have caused more Measure 5 compression, why have property taxes imposed for urban renewal gone up so much, both statewide and particularly in Multnomah County? And more importantly, why does increased urban renewal revenue result in less revenue for overlapping taxing districts such as the county, city, school district and special districts?

There are three reasons. The first reason, as noted above, is simply that there are more urban renewal agencies and more plan areas than ever before. More and more of the increases in assessed value are within plan areas and not available to any of the overlapping jurisdictions.

The second is simply that a good share of new construction, at least in Portland, has been occurring within the URAs and therefore is not available to the other taxing districts. This is a classic result of urban renewal. Between 1997-98 and 2010-11, the total assessed value in Portland increased 76.2%. However, the net assessed value, after deducting urban renewal excess value that is not available for taxing districts other than urban renewal, increased only

69.6% over that same time. Taxing districts were unable to generate property tax revenue from 6.6% of the increase in value. Countywide, the increases were 77.3% with urban renewal excess value and 71.4% without excess value.

The third reason urban renewal has meant less revenue for other taxing districts is the extremely high tax rate for general government taxing districts. Within the City of Portland in 2010-11, the general government tax rate was $14.2223 per $1,000 of assessed value. The city with the next highest tax rate in the state that also has an urban renewal plan area is the City of Lebanon in Linn County with a tax rate of $12.1372 per thousand in 2010-11.[84] The only areas of the state with higher general government tax rates are small cities in rural counties: Spray ($16.1822) and Fossil ($14.9476) in Wheeler County, and Heppner ($17.6362) in Morrow County. However, these cities have not activated urban renewal agencies.

The high general government tax rate inside the City of Portland results in substantial Measure 5 compression for all general government taxing districts that levy inside Portland. This includes Multnomah County, Metro, Port of Portland and both SWCDs. A major component of Portland's high rate is urban renewal. Both the urban renewal special levy and all division of tax revenue are converted to a tax rate, and the taxes are categorized as general government for purpose of the Measure 5 limit of $10 per $1,000 of real market value.

With the success of the various plan areas resulting in ever higher urban renewal property tax collections, the tax rate for City of Portland's urban renewal collections has ballooned from $1.5970 in 2002-03, the first year division of tax amounts were converted to a rate, to $2.4237 in 2010-11, as shown in **Figure 19.** (Also contributing to the higher tax rate are local option levies and Portland's FPD&R levy.)

The tax rate for Portland urban renewal, which is divided from education district levies, general government levies and all bonded debt levies, was 12.5% of the total general government rate in 2002-03. By 2010-11, that percentage had increased to 17%. In effect, Portland's urban renewal is taking a larger and larger share of the total taxes allowed under the Measure 5 limit for general government taxing districts. This trend should only continue as the excess value within URAs continues to increase faster than outside the URAs, and as other taxing districts, notably Metro, City of Portland and Portland Community College, increase debt service levies to pay for recently approved general obligation bond measures. These new levies will increase the urban renewal division of tax revenue and therefore the general government tax rate.

Higher general government tax rates result in more Measure 5 compression, which affects all taxing districts, not just the urban renewal agency. In 1998-99, general government compression losses in Multnomah County came to $11.03 million. By 2010-11, compression losses had risen to $41.91 million, a 280% increase.

Figure 19 - General Government Tax Rates

Multnomah County TCA 001

District	2002-03 Rate	% of Total	2010-11 Rate	% of Total
Multnomah County	4.1032	32.0%	3.9193	27.6%
Multnomah County LOL	0.5618	4.4%	0.8104	5.7%
Sub-Total	**4.665**	**36.4%**	**4.7297**	**33.3%**
City of Portland	4.3247	33.8%	4.1318	29.1%
City of Portland FPD&R	2.0662	16.1%	2.3788	16.7%
City of Portland LOL		0.0%	0.3670	2.6%
Portland Urban Renewal (TIF)	1.1819	9.2%	2.1228	14.9%
Portland Urban Renewal (special levy)	0.4151	3.2%	0.3009	2.1%
Sub-total	**7.9879**	**62.3%**	**9.3013**	**65.4%**
Metro	**0.0919**	**0.7%**	**0.0877**	**0.6%**
Port of Portland	**0.0666**	**0.5%**	**0.0639**	**0.4%**
West Multnomah SWCD		**0.0%**	**0.0397**	**0.3%**
Total, All Rates	**12.8114**	**100%**	**14.2223**	**100%**

Note: All rates are net of urban renewal adjustment.

By comparison, in 2010-11, the other 35 counties combined reported only $7,922,235 in Measure 5 compression losses to general government taxing districts (not including compression losses for urban renewal and special assessments). Multnomah County taxing districts' compression loss amounted to nearly 82% of the statewide total. Linn County, also with high general government rates and urban renewal areas, accounted for $3,233,132 of the remaining general government compression losses.

So not only are taxing districts that overlap with urban renewal plan areas not allowed to collect taxes on the 3% increases in value for existing property and a large portion of the new construction within its boundaries due to urban renewal, but those taxes they can collect (from the urban renewal frozen base value) are reduced even more by extremely high tax rates caused, in large part, by urban renewal. This occurs in areas where the general government tax rate exceeds the $10 per thousand limit and that have an urban renewal plan area that divides taxes. In addition to Portland, the cities of Albany and Lebanon in Linn County, Salem in Marion County, and others are affected.

Within the last several years, taxing districts have become more involved in discussions concerning adopting new plan areas and even amending existing plan areas. Examples include:

- Multnomah County negotiated changes to a proposed amendment to the City of Portland's River District URA to help the County purchase an office building in downtown Portland.
- A group of current and former urban renewal experts filed a land-use challenge to that amendment to Portland's River District URA, prompting even more changes to settle the challenge.

- During the 2009 Legislative Session, legislators amended the urban renewal statutes, largely driven by taxing districts such as Multnomah County and special districts (RFPDs, cemeteries). The bill set a limit on the amount of indebtedness for new plan areas and allowed, or in some cases required, urban renewal agencies to give back some of the excess value to taxing districts if assessed values within the plan area increased faster than anticipated.[85] The legislation required urban renewal agencies to get concurrence from overlapping districts in order to override the limitations for new plans or amendments to existing plans. Prior to these changes, agencies essentially had complete control over activities relating to urban renewal plan areas.
- The City of Tualatin announced plans in early 2010 to amend the Central Urban Renewal Plan Area by increasing the maximum indebtedness from $27.5 million to $147.5 million and extending the repayment period by 35 years, for a total of 55 years. Washington County was lukewarm on the idea and the Tualatin Valley Fire and Rescue District was outright opposed. In early April the City announced plans to withdraw the amendment from consideration and the plan area has since expired.

These actions were unprecedented. Amending urban renewal plans, processes that had once been routine, are now closely scrutinized. A decision the City of Tualatin would have made quite easily before with little input from overlapping taxing districts now required them to justify to taxing districts that giving up property taxes for an additional 35 years was in everyone's best interest. Administrators for those taxing districts realized that under Measure 50's rate-based property tax system, increasing taxing authority for urban renewal agencies was money out of their pockets and they meant to protect that revenue stream in order to provide the services for which they were responsible.

Very few people may understand the complexities of how urban renewal works, but more and more are coming to realize that unlike prior to Measure 50 urban renewal now affects the property tax collections for other taxing districts.

Treatment of Temporary, Continuing and Gap Bond Levies in 1997-98

In order to replicate Measure 47 as much as possible, the Measure 50 black box calculations detailed in SB 1215 required that all temporary levies and continuing levies in 1997-98 be included in each district's permanent tax rate limit. There were literally hundreds of these levies around the state for a wide variety of purposes, from law enforcement, to roads, to libraries. Not only would these levies become part of the permanent tax rate, but if the levy had been dedicated for a specific purpose, that dedication was lost. As part of the permanent rate, the district could use those funds for any purpose that tax base funds had been used for.

This was cause for controversy. In 1997-98, Jackson County had authority to certify a continuing levy of $2,233,798 dedicated to the Southern Oregon Historical Society. The taxes imposed by the continuing levy were reduced along with Jackson County's tax base levy and two serial levies. Taxes imposed from all four sources were included in the permanent tax rate limit that the Department of Revenue calculated and certified to the County from the black box.

For the 1998-99 fiscal year, Jackson County had one levy authority – its permanent tax rate limit of $2.0099 per $1,000 of assessed value. The County began to cut back on distributions to the Historical Society from its permanent tax rate collections. The society argued that the County was obligated to continue its support at the same level as before Measure 50, albeit at a proportionally reduced level. The County, under duress to fund other essential county services, continued to reduce the amount of money it provided to the society.

The society sued in Circuit Court on behalf of itself, 12 other historical organizations around the state and "the taxpayers of Jackson County." In 2002, Senior Judge Mitchell Karman opined that, "levies that were used in calculating the Permanent Rate Limit lost their separate identities." He further stated that the Historical Society levy "does not have an existence outside the Permanent Rate Limit and the levy is unidentifiable in the Permanent Rate Limit."[86]

The Jackson County case provided assurance to all of the other taxing districts that had use restricted temporary or continuing levies included in its permanent tax rate limit that they were free to spend the money on anything they liked. For example, Metro's only operating property taxes prior to Measure 50 came from a tax base approved by voters in 1990 that was expressly dedicated to the Oregon Zoo. After 1997, when the tax base was converted to a permanent tax rate limit under Measure 50, Metro continued to allocate all operating property taxes to the Zoo. However, in 2008-09, property taxes were re-directed to general Metro operations, based in part on the Jackson County court decision.[87]

The City of Portland's Fire and Police Disability and Retirement System (FPD&R) levy is unique. As a continuing levy it should have been subjected to Measure 50 reduction in 1997-98 at the same percentage as Portland's tax base and then rolled into the permanent tax rate limit. Instead, at the insistence of the City of Portland and Senator Randy Leonard, it was given special treatment as a "gap bond or other qualified obligation" and was only cut by the 1.1% supplemental reduction in the Measure 50 black box calculations. Unlike the other gap bond levies, the FPD&R levy will continue to be a separate levy indefinitely, as police officers and firefighters under the system continue to receive benefits.[88] Of the 22 other gap bonds levies certified in 1997-98, Union County's was the last remaining levy and it was paid off in 2010-11. For 2011-12, its permanent tax rate limit was increased from $2.8515 per $1,000 of assessed value to $2.9668.[89]

If the FPD&R levy had been rolled into the city's permanent tax rate limit in 1997-98, like other continuing levies around the state, increases in the levy since then would have been limited to the growth in net assessed value, or an increase of 69.6% between 1997-98 and 2010-11. As it is, taxes imposed for the FPD&R levy increased 118% over that same time frame, from $52,464,018 to $114,228,849. The tax rate for the FPD&R levy in 2010-11 was $2.6348 per $1,000 of assessed value, compared to a rate of $1.7426 per $1,000 that would have been added to the city's permanent tax rate limit if the FPD&R levy had been rolled into the permanent rate like all other continuing levies.[90] This difference for the FPD&R levy, from adding the amount to the city's permanent rate under a rate-based system to a separate dollar amount under a levy-based system, resulted in the city collecting over $38 million additional property tax dollars in 2010-11. Since the city is obligated by its charter to fund the FPD&R system's costs, the city would have been required to cut other functions to stay within the reduced property tax revenues.

The FPD&R authority is determined annually to pay pensions and disability payments for retired police officers and firefighters in the upcoming year. The more police officers and firefighters retire or get injured, the more expenses are paid out and the higher the tax levy. The City Charter limits the levy to $2.80 per $1,000 of real market value, but if expenses were ever to exceed that amount, the remaining expenses would have to be paid from the city's general fund. The levy is certified to the county assessor as a dollar amount. The county assessor then computes a tax rate to raise that amount of money. In effect, this one operating levy, unlike any other from 1997-98, will continue indefinitely under a levy-based system. The levy is subject to the Measure 5 limits in the general government category. As such, the higher rates impact property tax collections for taxing districts that overlap with the boundaries of the City. This includes Multnomah County, Metro, the Port of Portland and both soil and water conservation districts (East Multnomah and West Multnomah).

Inequities Built Into the System

When Measure 50 was going through the legislative process it was generally understood by those involved in crafting the measure that there were some inherent features that would create inequities among and between property owners. In fact, the constitutional measure included a specific exemption from other constitutional provisions requiring "uniformity of taxation."[91] What was mentioned in legislative hearings time and time again was that yes, the measure would create certain inequities, but that was the price to be paid for accomplishing all of the other goals of Measure 50, especially predictability and stability for property owners.

Measure 50 creates inequities in four ways:

1. Base Year (1995-96) Inequity
2. Neighborhood to Neighborhood Inequity
3. Existing Versus New Construction Inequity
4. Commercial Versus Industrial Property Inequity

1. Base Year

By establishing the new, lower assessed value limits as the 1995-96 real market value, less 10% (to mimic Measure 47), and then setting strict limits on how that assessed value can change going forward, Measure 50 basically locked in inequities that existed in that base year. If a specific property's market value from 1995-96 was too low or too high, the 1997-98 maximum assessed value was too low or too high and would retain that relative position until an exception allowed for a recalculation of the entire assessed value or the market value fell enough that it was required to be used as the assessed value.

Prior to Measure 50, county assessors were required to reappraise property once every six years, what was referred to as the six-year reappraisal cycle. Generally, the more recently an assessor reappraises an area, the more accurate the market values. So in 1995-96, those areas that had just been reappraised would have market values that were closer to actual values than properties in areas that had not been reappraised for four or five years. These discrepancies (inequities) were then transferred into the calculations of Measure 50 assessed values in 1997-98. Those discrepancies continue indefinitely for most properties.

2. Neighborhood to Neighborhood

Measure 50 limits increases in each property's maximum assessed value of existing property to a maximum of 3% each year. This is regardless of what is happening to the market value. That was the whole point of the limitation, to protect property owners from having to pay higher property taxes simply because, through no action of their own, the value of their property had increased. Of course no one in 1997 predicted the “irrational exuberance” of the real estate market that Oregon experienced from 1997 to 2008.

So if one neighborhood has seen market values increased by 10% per year since 1997, and another neighborhood in the same county has only appreciated 5% per year, the ratio between market value and assessed value (which has only grown by 3% per year in both neighborhoods) is going to be vastly different. There can be large differences in real estate appreciation rates within a county, such as West Salem versus Stayton in Marion County, or Roseburg versus Florence in Douglas County.

3. Existing Versus New Construction

Property that did not exist in 1995-96 is brought on to the assessment roll at “the ratio of average maximum assessed value to average real market value of property located in the area in which the property is located that is within the same property class,” or the market value times the changed property ratio.[92] Because the CPR is calculated on a countywide basis, rather than neighborhood by neighborhood, it can result in inequities.

In the example above, where one neighborhood’s values were increasing 10% and another neighborhood’s values were increasing 5%, the county assessor would use the average increases, or 7.5%, to calculate the CPR for new property in both neighborhoods. So a new property in the faster growing neighborhood would have an assessed value that was higher than the assessed value of an existing house. And in the neighborhood that was growing more slowly, the new property’s assessed value would be lower.

This tends to hurt taxing districts that primarily levy in the slower growing (rural) areas of the county since new properties generally have lower market values to start with and the CPR is lower thanks to the faster growing (urban) areas of the county. The result of this dynamic is lower assessed values for new property than if the CPR were calculated and applied separately by neighborhood.

There was discussion among assessment professionals assisting with the drafting of SB 1215 about calculating CPRs neighborhood by neighborhood, which would have lessened inequities between existing and newly constructed properties. However, a countywide CPR calculation was much simpler than calculating different CPRs for hundreds of different neighborhoods that shifted boundaries over time. Since simplifying the property tax system was one of the main objectives of Measure 50, the final language in SB 1215 specified that CPR calculations were to be made on a countywide basis, except for utility (centrally assessed) CPRs which were to be calculated on a statewide basis.[93]

4. Commercial Versus Industrial

The CPR is calculated for different types of property so that there is a separate CPR for residential, commercial or industrial property. In many areas of the state the market value of commercial property has increased rapidly since 1995-96, so the CPR can be quite low, in some counties lower than residential property. Industrial property on the other hand, since it includes machinery and equipment that depreciates in value over time, generally has a CPR of 100 (market value and assessed value are the same).

When a new property is brought on to the assessment roll, county assessment staff assign a property class designating what type of property it is. Some properties are part commercial and part industrial. A building can be suitable for either commercial or industrial use. What property class the assessor assigns can have a dramatic difference in the assessed value given the vast difference in the CPR. A $1 million building can have an assessed value of $500,000 as commercial ($1,000,000 RMV * 0.50 CPR) or $1 million as industrial ($1,000,000 RMV * 1.00 CPR).

This dynamic attracted a considerable amount of interest among industrial property owners. In response to concerns from both property owners and county assessors, the Department of Revenue promulgated an Oregon Administrative Rule (OAR) to clarify the difference between commercial and industrial property for purposes of assigning a property class.[94] As a result, more mixed used property was assigned an industrial property class as opposed to a commercial property class.

In 2007-08, the CPR in Multnomah County for industrial property was 1.0000. After implementing the new rules for classification, the industrial CPR dropped to 0.7649 in 2008-09. So that $1 million building would have an assessed value of $764,900 as opposed to $1 million. Of course, this in itself creates an inequity between the $1 million building first assessed in 2007-08 at $1 million (based on the CPR in effect for that year) and the $1 million building that was not assessed for the first time until 2008-09, since its assessed value would be much lower.

"One of the core principals of tax policy is what economists call 'horizontal equity,' which is that similarly situated taxpayers should pay similar amounts. Obviously this (Measure 50) violates that."

- Nick Johnson, Center on Budget and Policy Priorities, Washington D.C.

Generally, as real market values across the state increased by annual percentages well in excess of the 3% increases allowed for assessed value, inequities became more apparent and attracted more and more attention. A 2007 article in *Willamette Week* newspaper detailed the differing assessed values and property tax burdens of residential properties in several different Multnomah County neighborhoods.[95] The newspaper found that assessed value in some neighborhoods was 25% of market value and in other neighborhoods the ratio was 70%. And in looking at two houses purchased for roughly the same amount, one had a 2007-08 tax bill that was 3.5 times higher than the other ($6,356 versus $1,734).

In 2008, the State Comprehensive Revenue Restructuring Task Force spent a considerable amount of time looking at Oregon's property tax system and its negative impact on local government and education district revenues.[96] Partly as a result of the Task Force's findings, the 2009 Legislative Session considered several measures to reform Measure 50.[97] Representatives of both Multnomah County and the City of Gresham testified that the property tax system needed to be changed. Both mentioned not only the constraints the system placed on revenues and the impact lower revenue has on the delivery of services, but also the unfairness of Measure 50's inequities to property owners.

While none of those measures passed, the chair of the Senate Revenue Committee instructed the Legislative Revenue Office (LRO) to study the inherent inequities of Measure 50 and to recommend ways to reverse those inequities. In September 2010, LRO released its report.[98] The report analyzed detailed assessment data from four counties (Deschutes, Jackson, Multnomah and Sherman) and found that horizontal inequities did in fact exist in all four counties and within all price ranges. Multnomah County was found to suffer the most acute inequities, which LRO speculated was due to the diverse housing markets. The LRO report defined horizontal equity as: “equals are treated equally under the tax system or those with the same ability to pay, pay the same amount of taxes.” For property taxes, real market value determines ability to pay. Thus, to the extent that real market value is not used and the assessed value to real market value ratios are variable, horizontal inequity can occur.

After analyzing the data and determining that horizontal inequity exists, at least in the four counties studied, LRO offered the Legislature four policy options to consider in the 2011 Legislative Session which would, to varying degrees, counteract the inequities. The options were:

- Eliminate maximum assessed value calculation and return to market based assessments.
- Rebase residential property to market value at time of transaction.
- Establish assessed value to market value range; adjust 3% annual growth factor according to where property ratios are with respect to range.
- Repeal Measure 50’s exemption from constitutional requirements of uniformity in taxation and direct the Legislature to design adjustments to the property tax system that are consistent with uniformity in taxation principal.

All of these changes would have required a constitutional amendment to be approved by voters at a statewide election. None of the suggestions were seriously considered during the 2011 Legislative Session.

In addition to the inequities brought about specifically by Measure 50, the inequities from Measure 5 still exist and are, in part, exacerbated by the changes made in how compression works. Local option levies are now compressed first, before other levies are compressed. This can result in vast differences between what properties within a taxing district pay in local option taxes. For example, in 2006 Multnomah County voters approved a five-year, $0.8900 per $1,000 of assessed value local option levy for operating the county library system. In areas outside the City of Portland, including those within the east county cities of Fairview, Gresham, Troutdale and Wood Village, where the general government tax rate is under the $10 Measure 5 limit, property owners pay the entire $0.8900 rate. However, inside the City of Portland, where the general government tax rate was $14.2223 in 2010-11, many property owners do not pay anything for the county local option levy, and other owners pay less than the full $0.8900 rate, depending on each property’s ratio of assessed value to market value.

At least one legislator attempted a partial fix to these inequities. Representative Matt Wand, a freshman Republican from east Multnomah County, introduced House Bill 3253 for consideration by the 2011 Legislature. The bill would have required the county assessor to calculate the average effective tax rate of county local option levies, based on taxes imposed after the Measure 5 limits have been applied. The following year the county would be prohibited from levying any more than this average tax rate. While this method would not completely eliminate the differences in taxes paid, it would certainly bring the amounts closer together. If this provision had been in place in 2010-11, Multnomah County would have been limited to a library local option rate of only $0.6986 in 2011-12, a 21.5% reduction from the $0.8900 rate approved by voters. The bill failed to attract attention after a single public hearing in front of the House Revenue Committee.

Rate-based Property Tax System Versus Levy-based System

Oregon's property tax system has been converted almost entirely from a levy-based system to a rate-based system. In 1990, Measure 5 effectively converted education districts, and in 1997 Measure 50 took the final step by converting nearly all of Oregon's municipal corporations' taxing authority to a rate per $1,000 of assessed value.

This change will continue to impact taxing districts and property owners throughout Oregon. In a levy-based system, any volatility and/or unpredictability is born by the property owner. Changes in values, either up or down, will affect the tax rates to raise the same amount of revenue for the taxing jurisdiction. Under a rate-based system it is just the opposite. Any change in assessed value directly affects the revenue that taxing districts will receive. Changes in the total value of the district do not affect individual property owners (assuming their property is not the one being changed).

There are many factors that can influence a taxing district's total assessed value, such as:

- Legislative and/or local jurisdiction action creating new exemptions or special assessments, for example, enterprise zone or strategic investment exemptions.
- Property value appeals, especially for large industrial or centrally assessed (utility) properties.
- Activation or extension of urban renewal plans to cure "blight," which freezes the assessed value of the area for 20 or more years.
- General changes in property value, either up or down, due to economic conditions that affect real estate value, especially from the construction of new property.

Under the previous levy-based system, changes in total assessed value due to any of the above causes were of little concern to administrators of taxing districts. The levy authority was expressed as a dollar amount and the tax rate would simply be reduced or increased mathematically to raise that full amount of authority. The downside risk of falling property values was on the property owner whose tax rate would go up. How this impacted individual property owners depended on how their property's value had changed relative to the total taxing district value. If the total district value dropped 10%, increasing the tax rate by 10%, and an individual property's value had decreased only 5%, then that property's taxes would go up.

On the other hand, if values went up, taxing districts received no benefit. The benefit accrued to the property owner in the form of lower tax rates, again depending on how an individual property's value changed compared to the district's total value.

Under a levy-based system, activities in the City of Portland that resulted in lower assessed value, or value not increasing as fast, would affect property owners in the cities of Fairview, Gresham, Troutdale and Wood Village, since the tax rates of those districts that levied taxes overlapping all of the cities would increase to compensate for the lower values. These districts include Multnomah County, Metro, Port of Portland, TriMet and Multnomah ESD.

It is just the opposite with a rate-based system. Reductions in a taxing district's total assessed value have very little effect on individual property owners. With tax rates (or at least the vast majority of tax rates) fixed, the downside risk is all borne by the taxing districts that stand to lose revenue. The tax rates in Fairview, Gresham, Troutdale and Wood Village would stay essentially the same if, for some hypothetical reason, the value of the City of Portland went to zero.[99]

At the same time, a loss of billions of dollars in assessed value within Portland would be devastating to the operating budgets of overlapping taxing districts. In 2009-10, Multnomah County's property tax revenue would have declined nearly $214.9 million under this scenario, including $31.6 million from the county's library Local Option Levy. Metro, Port of Portland and East Multnomah SWCD combined would have lost an additional $7.1 million.

Education districts are, for the most part, held harmless from changes in assessed value due to the State School Fund Formula. If property taxes from either a levy-based system or a rate-based system decrease, then the amount from State General Fund dollars is simply increased to arrive at the same amount per student. However, districts such as Portland Public School District No. 1J do receive extra property taxes from local option levies, and these revenues are affected directly by changes in assessed value under a rate-based property tax system.

Of course the State's ability to fund education is heavily dependent on property tax collections from all of the 197 K-12 districts and 20 ESDs in the state. These property taxes are figured into the calculations of how much each school district is to receive on a per student basis. So, if the assessed value within the City of Portland were to suddenly go away, there would be nearly $187 million less to allocate as part of the statewide school funding formula. Every school district in the state would see its State School Fund Formula distribution reduced by approximately $350 per student.[100]

Perhaps the best way to illustrate how a rate-based property tax system impacts taxing districts, as opposed to a levy-based system, is to look at two similar districts whose fortunes under Measure 50 since 1997-98 could not be more different.

Tale of Two Fire Districts

Legislative leaders and stakeholders envisioned the Measure 50 property tax system as a relatively simple system. Each taxing district would have a fixed tax rate (to replace most operating levies in 1997-98) and assessed value would be limited to annual increases of 3%, plus increases due to new construction and other exceptions. Thus taxing districts would see revenue increase a steady, predictable 4% to 6% per year.

Sound simple? Well, for most taxing districts that was true. But for a few taxing districts the effect of this new system was dramatically different. As seen in **Figure 16**, changes in revenue since 1997-98 vary dramatically between districts, and a few districts are actually better off under Measure 50 than they would have been under the old tax base system.

The Mist-Birkenfeld RFPD and the Rainer RFPD are both located in Columbia County in Northwest Oregon. Their stories of how property tax revenues have changed under Measure 50 speak volumes about the change from a levy-based to a rate-based property tax system, and how that affects taxing district revenue.

Mist-Birkenfeld RFPD:

Covering the very western edge of Columbia County and straddling the boundary with Clatsop County, Mist-Birkenfeld RFPD's boundaries include mostly steep timber land and two small, unincorporated cities, Mist and Birkenfeld. The district also includes Fishhawk Lake, a recreational area half in Columbia County and half in Clatsop County, with a smattering of houses. The district covers 135 square miles with a population of just under 1,400 residents. The district is very similar to many other RFPDs scattered up and down Western Oregon.

However, Mist-Birkenfeld RFPD is unlike any other place in Oregon because the state's only producing natural gas wells are located right in the middle of the fire district's territory. Discovered in the 1970s, production began in 1979 and by 1995 various companies, primarily NW Natural Gas Company, drilled a total of 54 wells in and around Mist. In addition, NW Natural utilizes the unique geologic formations left behind once the available gas has been pumped out as huge, underground storage vaults. In the summer the company buys natural gas when it is cheaper and pumps it into non-producing wells. The company then extracts the gas during the winter to sell when prices are higher.

In 1997-98, the tiny Mist-Birkenfeld RFPD had a tax base of $127,214. Measure 50 black box calculations reduced taxes that would have been imposed by 13.86% and the permanent tax rate was calculated at $2.0877 per $1,000 of assessed value. This was later recalculated by the Department of Revenue to $2.0875 when correcting data errors.

Most of the district is forest-land that is protected from fire by the Oregon Department of Forestry and, as such, is not subject to taxation by the RFPD. Typically, rural areas such as this do not increase in value much since there is little new construction, and many of the homes are manufactured dwellings which do not appreciate in value as much as conventional, "stick-built" homes do. But Mist-Birkenfeld is anything but typical. NW Natural continued to invest in the Mist gas well facilities and these new investments were considered exceptions to the Measure 50 assessed value limits.

Between 1997-98 and 2009-10, the assessed value of the district increased 288%, rising from $53,250,160 to $206,751,718. Annual increases fluctuated year to year, from a high of 41.5% in 1998-98 to a low of less than 1% in 2007-08. On average, assessed values increased 12.46% per year.

Revenues from the district's permanent tax rate increased each year by the same percentages. The District's property taxes imposed in 1997-98 came to $111,170 after the Measure 50 reductions. By 2009-10, property taxes imposed had ballooned to $431,594. By comparison, under the pre-Measure 50 tax base system the district would have been entitled to only $260,004 in property taxes. As a direct result of Measure 50, Mist-Birkenfeld RFPD was collecting two-thirds more in property taxes than it would have without the measure.

At the same time, property owners within the district continued to see their property taxes increase a steady 3% per year, since the tax rate stayed the same. Under the former levy-based system, the additional value of NW Natural Gas property would have reduced the tax rate and, for most properties, meant a lower property tax bill. Tax revenue for Mist-Birkenfeld RFPD would have been limited to the 6% increase allowed each year in its tax base.

Property tax revenues have been a great benefit to Mist-Birkenfeld. The additional property taxes under Measure 50 have enabled the district to operate five stations, including a brand new main station, and employ a full-time Fire Chief and a full-time Assistant Chief, as well as a part time administrative assistant and a part-time mechanic to service the 16 pieces of fire apparatus.

Rather than being a limitation, the rate-based property tax system under Measure 50 dramatically increased revenue for Mist-Birkenfeld RFPD and allowed it to expand and offer services that it might not have been able to provide under the old levy-based system.

Rainier RFPD:

On the other side of Columbia County sits the Rainier RFPD. The City of Rainier lies across the river from the industrial city of Longview, Washington, and the area has long been dominated by two man-made landmarks: The Longview-Kelso Bridge at the north end, and the Trojan Nuclear Power Plant on the south end.

With hundreds of millions of dollars in assessed value from the Trojan plant, tax rates for the Rainier School District and Rainier RFPD had been kept low since the plant was completed and went on line in 1976. Voters were generous in approving new tax bases and temporary levies since most of those new taxes would be paid by Trojan's owners: Portland General Electric (PGE), PacifiCorp, and others.[101]

In 1996-97, the tax base for Rainier RFPD was $699,139, much higher than the $545,641 tax base authority for Scappoose RFPD, another Columbia County fire district with a much higher population and more buildings to protect. Yet due to the higher assessed value, Rainier's tax rate was only slightly higher than the rate for Scappoose RFPD: $1.3183 versus $1.0424.

Measure 50 reduced property taxes for Rainer RFPD by 9.1% to $664,459, resulting in a permanent tax rate of $1.4967 per $1,000 of assessed value. The recalculation of all permanent tax rates in the state by the Department of Revenue in the spring of 1998 produced a new permanent tax rate limit for Rainier RFPD of $1.5350. The large increase was due to errors in the frozen base value for the City of Rainier's urban renewal agency, part of what prompted the Department to recalculate tax rates.

Trojan, like the Mist gas wells, was a complex, highly regulated facility requiring constant maintenance and improvements. Investments in the plant to keep it running added to the value year after year. However, faulty steam generators began to plague the plant and likely would have had to be replaced, an extremely complicated and expensive operation. In addition, citizen initiatives continued to be filed calling for the immediate closure of the plant, and PGE and PacifiCorp spent time and money campaigning to defeat the measures.[102]

These factors led the plant's owners to conclude that closing the plant was more cost effective for rate-payers than keeping the plant open. In 1992, PGE and the other owners decided to permanently close the plant and by 1997 decommissioning had already begun. However, since the investment in building the plant was still being reimbursed by ratepayers, the value had not declined significantly.

In 1997-98, the total assessed value of Rainier RFPD was $443,949,416. Of that total, $243,808,600 was attributable to the Trojan Plant.[103] Trojan's value then represented nearly 55% of the district's total assessed value and property tax collections. By 2000-01, the district's total value and Trojan's value were $460,654,226 and $231,371,700, respectively. Property taxes imposed for the district had increased from $664,459 to $707,104, a 6.42% increase over a three-year period. The fact that Trojan's owners were no longer investing in the plant meant the value was not increasing year after year as it had when the plant was operating. Still, the total value of the district was increasing, albeit slowly, though that was about to change.

Setting the rates that public utilities are allowed to charge their customers is a highly complex, often times politically charged, process. PGE understood when it made the decision to close Trojan that its investment in building the plant would continue to be included in the "rate base," or what expenses are used in setting customer rates. But not everyone agreed that inclusion of costs of a closed nuclear plant should continue to be included in rates. Citizen utility review groups filed law suits and the Legislature got involved.

In 2000, PGE decided to end the controversy and the expense of defending itself in lawsuits. The company wrote down its remaining investment in Trojan, in effect shifting the burden from ratepayers to the company's stockholders. Decommissioning costs would continue to be included in the rate base.

Without Trojan in the rate base, and therefore representing an income stream, there was virtually no value to assess. In 2001-02, the assessed value of Trojan plummeted to a mere $6,687,400. As a result, Rainier RFPD's total assessed value sank to $247,093,150 and property taxes likewise declined to $379,288. In one year the district had lost nearly one-half of its value and tax revenue. In response, the district immediately began negotiations with its neighbor, St. Helens RFPD, to merge the two districts. Rainier simply could not continue operations on its own, and by the next fiscal year, 2002-03, it had ceased to exist as a separate entity.

Those involved in writing Measure 50 had anticipated mergers such as this and had set up a methodology for merging the separate permanent tax rates. The Columbia County Assessor calculated what each district would have received in 2002-03 based on its permanent tax rate and the assessed value prior to the merger. The total taxes were then divided by the total assessed value of the new, larger district to arrive at the new permanent tax rate for the merged district, renamed Columbia River Fire and Rescue.

Prior to the merger, the tax rate for St. Helens RFPD had been $3.2845 per $1,000 of value. Rainier's rate was $1.5350. The new permanent tax rate limit for Columbia River Fire and Rescue is $2.9731. This was a good deal for property owners in St. Helens since the tax rate was reduced by over 31 cents. For Rainier residents, losing their own fire district and paying $1.44 more per thousand in property taxes was perhaps a final injustice.

However, without Measure 50 the situation might have been worse for property owners within Rainier RFPD. Under the levy-based system in place prior to Measure 50, a steep drop in a taxing district's total assessed value simply meant that the tax rate would be increased by the county assessor to raise the same amount of taxes. Based on Rainier RFPD's tax base in 1997-98, before the reductions caused by Measure 50 and increasing the tax base 6% per year as allowed, the district's tax base in 2000-01 would have been $882,646 and would have increased to $935,604 in 2001-02. The real market value of $535,640,008 in 2000-01 with Trojan's value would have declined to just $320,738,304 in 2001-02 once the value of Trojan had been removed from the tax rolls. The tax rate charged to all Rainier RFPD property owners would have increased from $1.6386 per $1,000 of market value to $2.9170. The fire district would have received all of its property taxes but property owners would have paid the price, with a tax rate nearly as high as the rate as part of Columbia River Fire and Rescue. But the rate would have applied to market value as opposed to the lower Measure 50 assessed value. Property tax bills to maintain Rainier RFPD would have been considerably higher.

But the story does not end quite yet. Under a rate-based property tax system, districts receive more property taxes when values go up. It also means property taxes go down when values are reduced for any reason. While Mist-Birkenfeld RFPD certainly benefited from the former since 1997, it also experienced the later in 2010-11, and from the exact same source.

In 2003-04, NW Natural appealed its statewide assessed values. One of its main arguments was that the valuation of the Mist natural gas facility was too high. The case was finally settled by the Oregon Supreme Court in February 2010 when the justices ordered a substantial reduction of the company's assessed values. Columbia County issued refunds of property taxes paid by NW Natural Gas from 2003-04 to 2009-10, with interest. However, due to the way property taxes are collected and distributed, the refunds reduced property tax collections for all of the taxing districts in the county, not just Mist-Birkenfeld RFPD and others that levied taxes in Mist, thus spreading the burden over a wider group of districts.

The reductions in assessed values were reflected on the 2010-11 fiscal year assessment and tax roll. The value of the Mist gas well facility was based on the lower value ordered by the Court the year before. Mist-Birkenfeld's total assessed value declined by nearly $16 million and taxes imposed were reduced by $32,975, or 7.6%. However, the total taxes imposed in 2010-11 of $398,619 is still well above what the fire district would have collected under its old tax base.

Administration of the Property Tax System

The assessment and taxation of property, while complex, is fairly straightforward.[104] Property tax administration in the other 49 states is not radically different than in Oregon. The ratio of assessed value to market value can be substantially different and the taxing authority (levy-based or rated-based) can be substantially different state to state. But the mapping and appraisal of property is pretty much the same. County property appraisers working for one of the 36 counties or the Oregon Department of Revenue rely on the same appraisal methodologies and approaches to value as independent, fee appraisers throughout the country to arrive at market values.

Oregon's system may be unique, however, in that assessed value is not necessarily tied to market value. In many states, assessed value, if there is a difference from market value, is calculated as a percentage of the market value. This percentage can be different for different classes of property. For example, residential property may be assessed at 25% of market value while commercial property is assessed at 50%.

This is easier for assessment personnel to calculate and for property owners to understand than the method in use in Oregon under Measure 50. Assessed values here operate independently of market value, at least after the first year the property is assigned an assessed value due to an exception to the Measure 50 limits. Assessed value for exceptions is calculated as the market value times the CPR. But even the CPR changes every year.

The complex rules for what is and is not an exception, and how the assessed value is calculated if multiple exceptions occur at the same time, can be difficult for assessment personnel to keep straight. And in cases where property owners ask how the assessed value was calculated, the answer cannot be explained simply.

But still, for the vast majority of properties, the assessed value is allowed to increase 3% per year and assessment personnel have created computer routines to make these relatively easy calculations. If a property's market value increases 20%, the assessed value can only increase 3%. However, if market value goes down 20%, the assessed value still goes up 3%. Once market value falls enough and the assessed value increases enough to meet, then the property's market value is used as the assessed value.

This has led to many questions by property owners who have seen the market value of their property decline over the last two years only to have assessed value and property taxes continue to increase. It is the other side of the Measure 50 coin. One of the main goals of Measure 50 was to instill more predictability into the property tax system. Separating market value from assessed value (combined with fixed, permanent tax rates) achieved that goal. Allowing assessed values to increase when market values are falling goes hand in hand with that approach. This is the price that property owners have been asked to accept in exchange for predictable, 3% increases in assessed value during years when market values are escalating.

The complexities cause concern in another area: uniformity across the 36 counties. The Oregon Department of Revenue is responsible for overall supervision of the property tax system in Oregon. The rules of Measure 50 can be extremely complex and as such it can be difficult for the Department to write rules that can be applied uniformly in Marion County as well as Morrow County. While the Department works closely with all of the counties, the property tax system is administered at the local level by mostly elected county assessors who may choose to interpret the statutes as they see fit. Even within a county, personnel might apply the rules differently.

During the hectic months in 1997 between the passage of SB 1215 and the mailing of tax statements five months later (a month later than normal, in November), there were literally thousands of questions that assessment personnel from both the counties and the Department had in making Measure 50 work. The fall-back answer if a definitive technical answer could not be determined became "just do the right thing."

Another issue concerning the administration of the property tax system is the built-in inequities that Measure 50's complexities have caused. These intensified as market values increased dramatically from 2002 to 2007. But while the reductions in market value since 2007 may dampen some of the inequities, it won't cure all of them. Inequities were inevitable, even predictable, given the nature of Measure 50 and its changes to the property tax system. Like many other issues it was simply the price that legislators, stakeholders and ultimately the citizens that voted for Measure 50, were willing to accept to achieve the larger goals being sought.

While these inequities are problematic, any fix to the inequities brought about by Measure 50 would require fundamental changes to the current system. Since calls for curing these inequities typically come from taxing districts that also are concerned with restrictions on property taxes that can be collected under the present system, any solution would almost certainly mean more property owners would pay more in property taxes than those who would pay less. The question for policy makers and citizens is: have the inequities gotten so bad that citizens would be willing to pay more in property taxes to correct them?

Assessment personnel work diligently on behalf of citizens in each county to comply with the changes brought about over the last 21 years. Appraisals are made to determine both real market value and assessed value. Calculations are made to distribute the tax burden fairly and in compliance with the law and Oregon's Constitution. Property tax bills still go out every year. Taxes collected are distributed to the local governments that imposed the taxes. And the appeals process allows property owners who have a grievance to be heard at the local level and on up to the Oregon Tax Court and Oregon Supreme Court.

In 2005, 2009 and again in 2011, the Oregon Department of Revenue issued reports on the health of the property tax system.[105] As part of the 2011 report, the Department analyzed six performance measures to determine if County and State assessment personnel were maintaining the assessment and taxation system efficiently with the resources available. Of the six performance measures, four were trending toward more efficiencies and two were tracking slightly toward less efficiency. Included in the two "negative" measures was the percentage of property taxes collected in the first year, which has more to do with the economy than the work of assessment and taxation officials. Overall, the Department found that despite a growing population and an increasing number of property tax accounts to be assessed, the cost of administering the property tax system statewide steadily declined on an inflation-adjusted basis.

While the Department was able to report that increasing efficiencies are maintaining a healthy property tax system, revenue shortfalls from local, state and federal sources may jeopardize the ability of counties to adequately fund assessment and taxation functions in the future. And as the report's Summary and Conclusion section points out, "[i]nsufficient funding of A&T operations runs the risk of creating fundamental issues within the system that will likely take years to correct and result in an amount of revenue loss that exceeds in cost savings."

Combined Effect of Measure 5 and Measure 50

Between 1990-91 and 2010-11, total taxes imposed statewide increased from $2.551 billion to $5.052 billion, a 98.0% increase as displayed in **Figure 20**. It is impossible to say what the total amount of property taxes would have been without Measure 5 and Measure 50, given the changes that have been made to the system and the fact that higher taxes from tax bases undoubtedly would have limited the number and amount of temporary levies for operations and capital projects that have been passed in recent years. Still, it can be assumed that property taxes would have been substantially higher without those voter imposed limitations.

Figure 20 - Change in Property Taxes, 1990-91 and 2010-11

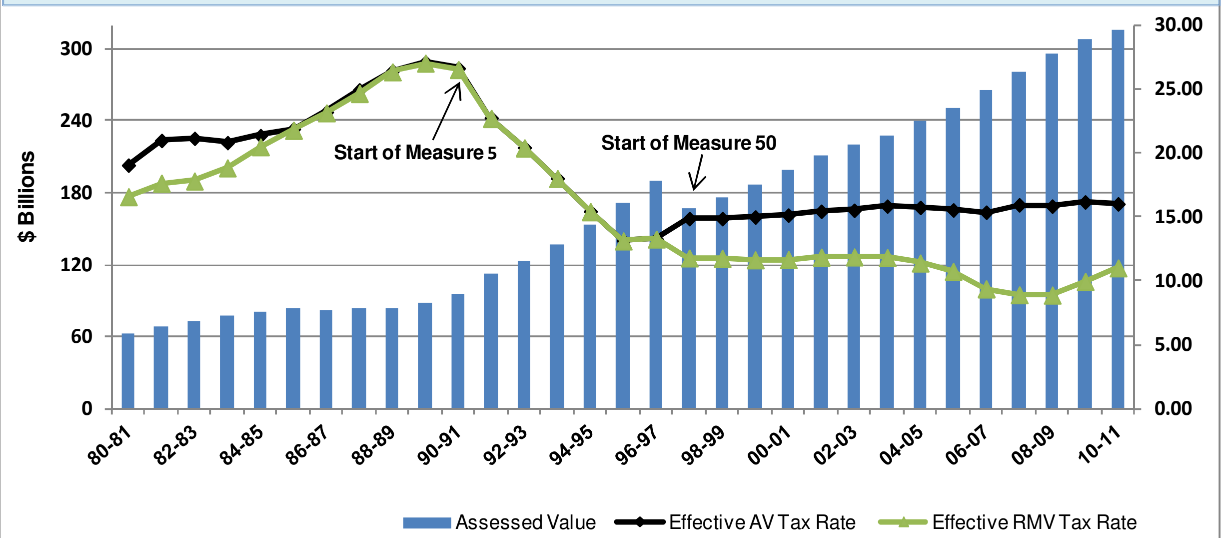
Statewide (In $ millions)

Type of District	Operating Taxes 90-91	Operating Taxes 10-11	Operating Taxes Change	Bond Taxes 90-91	Bond Taxes 10-11	Bond Taxes Change	Total Imposed 90-91	Total Imposed 10-11	Total Imposed Change
County	255.4	857.8	235.9%	11.6	42.4	266.0%	267.0	900.2	237.2%
Cities	357.9	1017.6	184.3%	32.4	71.5	120.3%	390.4	1,089.1	179.0%
Schools	1,603.0	1736.5	8.3%	62.3	499.7	701.4%	1,665.4	2,236.2	34.3%
Special Districts	145.6	537.2	268.9%	36.4	79.6	118.8%	182.0	616.8	238.9%
Urban Renew al							46.2	209.6	353.7%
Total Taxes	**2,361.9**	**4,149.1**	**75.7%**	**142.8**	**693.2**	**385.5%**	**2,550.9**	**5,051.9**	**98.0%**

One way to evaluate a property tax system is through two data points: assessed value and effective tax rate (total taxes imposed, including urban renewal taxes, divided by the total value). The relationship of these two sets of statewide numbers, and particularly how those have changed over time, says a great deal about what has happened since before the passage of Measure 5 in 1990. The total assessed value and effective tax rate for each year since 1980-81 are displayed in **Figure 21**. Also displayed is the effective tax rate based on real market value. Between 1886-87 and 1996-97 assessed value and real market value were the same.

From 1980-81 to 1989-90, assessed values grew very slowly. With tax bases allowed to increase 6% per year, taxes increased, resulting in a sharp increase in the tax rate. The effective tax rate reached a high of $27.09 in 1989-90, two years before the implementation of Measure 5.

Figure 21 - Total AV and Effective Tax Rates
1980-81 to 2010-11



Measure 5, phased in over a five-year period between 1991-92 and 1995-96, dramatically reduced the effective tax rate, as the maximum rate for education districts was ratcheted down from $15 per thousand to $5. By the final year of the phase-in, the effective tax rate had declined to $13.15.

At the same time, assessed values began a sharp incline, increasing an average of 12.3% per year during the five-year phase-in period. The increases in assessed values offset the reductions in the education district tax rates and drove most general government tax rates below the maximum $10 per thousand limit. Taxes imposed were in fact reduced, declining by nearly 12%, an average of 2.5% per year.

In 1996-97, the first year after the full phase-in of Measure 5's limits, assessed values increased 11.2% and the effective tax rate increased to $13.29 per thousand, after falling for each of the previous five years. Total taxes imposed jumped 12.5%.

The next year, 1997-98, Measure 50 was implemented, cutting both assessed values and taxes. Separating assessed values from real market values and reducing assessed values to 90% of the 1995-96 real market values resulted in a dramatic, 12.5% reduction in statewide assessed value. However, taxes imposed were only reduced by 2%. As a result, the effective tax rate actually increased to $14.88 per thousand of the new, lower assessed values. Measured by real market value, the effective tax rate actually declined to $11.79.

Since then, assessed values, limited by Measure 50, have increased a fairly steady 5.05% per year and total property tax collections have increased each year, averaging 5.7%. This has resulted in a stable effective tax rate since 1997-98. From 1998-99 to 2008-09, the effective assessed value tax rate fluctuated between $14.87 and $15.84 per $1,000. With market values having increased dramatically, especially between 2003-04 and 2007-08, the effective real market value tax rate declined dramatically, from $11.79 to a low of $8.90 in 2008-09.

However, the recession and severe real estate market collapse since 2007 are starting to influence the data. For the latest year that complete data is available, 2010-11, assessed values grew by only 2.6%. Total property taxes imposed statewide increased by 1.67%. The smaller increase is due to lower taxes for local option levies (-2.2%), taxes to repay general obligation bonds (-0.7%) and less taxes for urban renewal agencies (-1.2%). In 2010-11, the effective tax rate stood at $16.02 per thousand of assessed value. With market values actually declining in each of the last two years, the effective tax has increased back to $11.02 per $1,000 of RMV.

While data is not yet available for 2011-12, preliminary indications are that assessed value growth will be even slower, possibly less than 2%. Lower assessed value growth impacts taxes imposed directly, as the fixed rates are applied against the assessed value. At the same time, real market values have been declining statewide since 2008-09: -5.1% in 2009-10 and -8.1% in 2010-11. In 2010-11, 29 of Oregon's 36 counties reported declines in real market value, including a 29.1% reduction in Deschutes County. And indications are that these reductions will continue in 2011-12. This could impact actual property tax collections as both education districts and general government districts lose more to Measure 5 compression. This occurs when real market values decline and assessed values continue to increase the allowed 3% per year. As the gap between RMV and AV narrows, those areas where the tax rates exceed the $5 or $10 Measure 5 limits experience more compression to stay within the limits. Referring to **Figure 15** and **Appendix C,** more properties will be taxed similar to Property B or Property C, as opposed to Property A.

Section VIII - Conclusions

It has been 14 years since the passage of Ballot Measure 50 in 1997 and 21 years since Ballot Measure 5. The changes to the property tax system that were so dramatic back then are now largely taken for granted, if not fully understood by citizens, local government officials or even legislators. Over this 21-year period, Oregon's property tax system has undergone fundamental structural changes which dramatically affect the levy authority of the approximately 1,200 municipal corporations that impose a property tax, and the determination of how that tax burden is distributed amongst the hundreds of thousands of property owners in each of the 36 counties.

Have the changes brought about by Measure 5 and Measure 50 been positive or negative for Oregon? Is the property tax system that has been in place since 1997 serving its purpose and providing the intended benefits that citizens believed would occur when voting for these dramatic changes?

As one who has spent more than 30 years in the assessment and taxation field, and was directly involved in implementing both Measure 5 in 1990 and Measure 50 in 1997, I would answer "yes." Oregon's property tax system is operating as voters intended by shifting more of the burden of financing public education to the State (Measure 5) and creating a more stable, predictable system for property owners (Measure 50). All in all, the changes are generally more positive for the state than negative.

But this opinion comes from the perspective of property owners. The fact is, revenue from property taxes has been reduced since 1990-91 from what would have been collected without Measure 5 and Measure 50, and that can be seen as a positive or a negative depending on the point of view.

The limited growth in property tax collections is borne out by comparing Oregon's tax burden in comparison with other states. Up until the passage of Measure 5, Oregon consistently ranked in the top ten of all 50 states in terms of property taxes as a percentage of personal income and on a per capita basis.[106] By the time Measure 5 was fully implemented, Oregon's ranking had fallen to 24th and 26th, respectively. In 2007-08, the last year data is available, Oregon ranked 25th in terms of property taxes as a percentage of personal income and 30th with respect to property taxes collected per capita.

Perhaps more importantly, state rankings also show a decline in Oregon's total State and local tax collections. In 1990-91, Oregon ranked 12th in the country in total taxes collected (personal income taxes, corporate income taxes, sales taxes, and property taxes) as a percentage of personal income. That same year, Oregon ranked 20th in total State and local taxes per capita. By 2007-08, those rankings had fallen to 44th and 42nd, respectively.

While the property tax system may be a positive for property owners, it is not adequately serving all stakeholders, especially taxing districts that are having difficulty providing services with reduced property tax revenues. Perhaps it is not possible to serve the interests of all parts of such a complex system. And of course, there are disagreements on exactly what those interests are.

There are at least four distinct stakeholders with an interest in the property tax system. It would be helpful to examine how the current system in Oregon is treating each one. Those stakeholders are:

1. Property owners, including homeowners as well as corporations.
2. Citizens, distinct from property owners, who rely on public services that the property tax system pays for.
3. Local governments, which provide public services and rely on property taxes as a principal revenue source.
4. The State of Oregon and education districts, which rely on property taxes to shoulder a large portion of the costs to operate K-12, ESD and community college districts.

Stakeholder No. 1: Property owners, including homeowners as well as corporations.

For the most part, the current property tax system is serving property owners well. The rate-based system, coupled with a limitation on assessed values installed by Measure 50, makes for a stable and predictable system for all property owners. Gone are the days when property owners received the annual property tax bill to find the county assessor had reappraised their property and increased the value by 50%, with the tax bill 20% more than the previous year. This could occur even if no changes had been made to the property during the prior year. This was a common occurrence prior to Measure 50, and to an even greater extent prior to Measure 5. This made it difficult to predict from year to year what the property tax bill would be. Property owners who paid property taxes as part of their mortgage payment could see the monthly payments increase significantly from one year to the next.

These wild swings in value and taxes were not healthy for the system. Anger on the part of property owners would be reflected in swamped assessment and taxation offices and a flood of property value appeals. Ultimately, negative feelings toward the property tax system would lead to rejection of local property tax measures to raise necessary revenues for public services. Under the current system, most property tax bills increase a predictable 3% per year. If major changes have been made to the property, or new property tax levies have been approved, then taxes might increase more than the typical 3%. But the property owner would at least have some advance warning that the tax bill would be significantly different than it was the previous year.

Besides making the system more stable and predictable, both Measure 5 and Measure 50 reduced the amount of property taxes that could be imposed on property owners. From a purely parochial standpoint, that is a positive, especially in these times of high unemployment and declining real estate values.

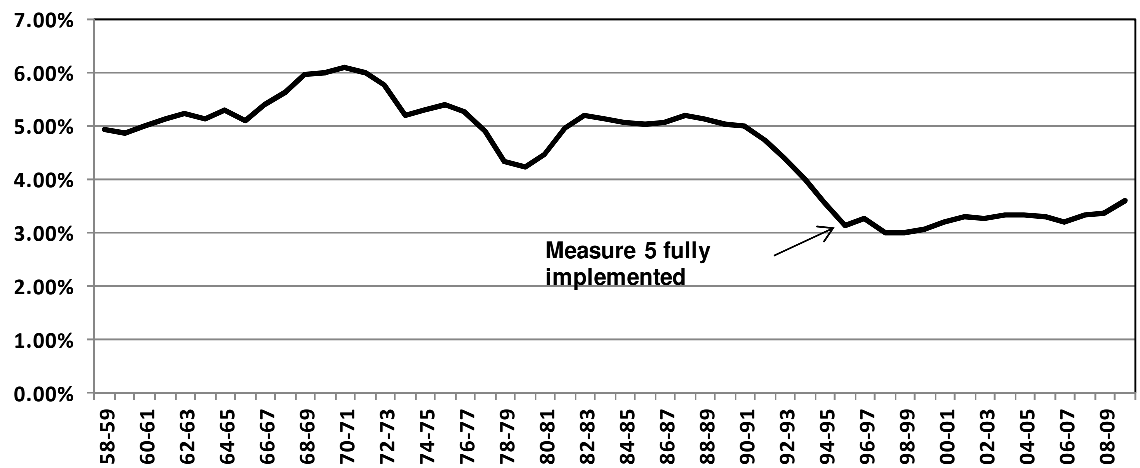
A common way of evaluating the property tax burden is to look at the total amount imposed as a percentage of personal income, which is a broad measure of economic activity. Like **Figure 21** tracking total assessed value and effective tax rates, the percentage of property taxes to personal income mirror the changes in the tax system that have been discussed above. **Figure 22** details property taxes as a percentage of personal income from 1958-59 to 2009-10.

From 1958-59 to 1977-78, property taxes ranged from 5-6% of personal income, reaching a high of 6.11% in 1970-71. During the 1970s, a period of strong economic growth, personal incomes rose dramatically, outpacing the increases in property taxes. The percentage of property taxes to personal income started a steady decline to 4.23% in 1979-80.

The recession that hit the northwest in the 1980s reversed this trend, with the percentage increases in property taxes often surpassing the percentage increases in personal income.

From 1980-81 to 1989-90, property taxes as a percentage of personal income increased from 4.46% to 5.01%.

Figure 22 - Property Taxes as Percentage of Personal Income, 1958-59 to 2008-09



The passage of Measure 5 in 1990 began a five-year period where property taxes declined every year in response to the phase-in of the $5 per thousand education rate. At the same time, personal income was increasing an average of 7% per year. As a result, taxes as a percent of personal income fell, from 4.71% in 1991-92 to 3.13% in 1995-96. In 1996-97, the percentage increased to 3.28.

With the reduction in total property tax collections caused by Measure 50, property taxes as a percentage of personal income hit an all time low of 3% in 1998-99. From then until 2007-08, the percentage hovered around 3.3%. However, over the last three years, with personal income growing more slowly than property taxes due to the “great recession,” the percentage has increased. In 2007-08, the percentage increased to 3.34% and increased again in 2008-09 to 3.4%. Personal income in 2009 actually declined by 0.6% and as a result the property taxes imposed as a percentage of Oregonians’ personal income jumped to 3.59%. As Oregon struggles through a “jobless recovery” and consequent low increases in personal income, the percentage of property taxes to personal income is likely to continue to increase.

There are problems with inequities that were built into the Measure 50 system and exacerbated by the rapid and uneven increases in market values from 1997 to 2007. These issues have received a considerable amount of attention recently. Not to make light of them, but weighed against the stability and predictability of the system, the inequities seem acceptable. And I firmly believe that the inequities are of far greater concern to policy makers and the media than to the average property owner.

Stakeholder No. 2: Citizens, distinct from property owners, who rely on public services that the property tax system pays for.

Not all citizens are property owners and not all property owners are citizens. While property owners' chief concern may be to keep property taxes as low as possible, citizens are more concerned that the public services on which they depend are adequately funded. The history of the property tax system illustrates the continuous strain between these two legitimate goals.

The current system operates to restrain the growth in property taxes, favoring the property owner over the citizen. Depending on the growth of assessed value, a taxing districts' revenue may grow slowly, or even decline, from one year to the next. This was a fundamental component of Measure 50, allowing higher property tax collections for districts with large amounts of new construction than for those districts with little or no new construction. No longer would all districts receive an automatic 6% increase in property tax authority.

But citizens, who depend on police, fire, library, public health and education services, continue to depend on those services even when the assessed values within the district decline. In one year, between 2000-01 and 2001-02, the property taxes of the Rainier RFPD declined by nearly 50% due to the loss of the Trojan Nuclear Power Plant's value. Yet the district had the same number of buildings to protect and the same number of citizens to serve. The result was the merger of Rainier's fire district into the larger St. Helens RFPD. Taxing districts across the state with low rates of assessed value growth are caught in the middle, expected to provide the same services as before, even when property taxes are flat or declining.

An alternative for citizens who want to augment certain services is to approve temporary property tax authority via local option levies or bond measures. By voting with their wallets, citizens can improve existing services or even pay for new services. In special cases, permanent authority can be granted by forming a separate district with a permanent tax rate limit. At the same time, there are limitations as to how much certain districts can receive from local option levies. By statute, ESDs cannot ask for local option levies, and the amount community colleges can ask for is limited to the amount of reduction in operating taxes that occurred in 1997-98 as part of implementing Measure 50.[107] School districts also have limitations due to the State school funding formula.[108] And Measure 5 limits are still in place and often limit how much a district can collect from a local option levy. The alternative is reduced services: fewer sheriff deputies on patrol, reduced hours for city parks and recreation facilities, and higher class sizes and fewer sections of classes at community colleges.

Existing permanent tax rate limits cannot be increased (nor can they be decreased). That was a conscious decision by the drafters of Measure 50 as a means of constraining the long term increase in property tax collections to keep the system stable and predictable for property owners. Citizens who might want to permanently increase an existing district's taxing authority are not given that option.

From the perspective of citizens who rely on public services, the current property tax system is not as generous as the pre-Measure 5 system, prior to 1990-91. Districts have responded by implementing more and more user fees, transferring responsibility for paying for certain services from the general property tax system (property owners) to those who use a particular service (citizens). One only has to look at the cost of community college tuition today compared to 1990-91. Mt. Hood Community College's tuition has increased from $28 to $82 per credit hour between 1990-91 and 2010-11, a 193% increase. Portland Community College has increased tuition by over 200%, from $25 to $76. Fees have also been added or increased so that the increase for full-time, resident students over that 21-year period is more than double the rate of inflation.[109] And school districts now charge more fees for participation in athletics, music and drama. In the Centennial School District No. 28J, the maximum family athletic fee has increased from $57 in 1990-91 to $670 in the 2011-12 school year, a nearly 1,100% increase.[110]

And the City of Portland recently imposed a “leaf pick-up fee” that ranged from $15 to $65. Really, a fee to pick up leaves? That alone speaks volumes about the consequences of limited property tax resources and efforts to continue providing the same services. Users, perhaps rightfully so, have borne the brunt of those efforts.

Stakeholder No. 3: Local governments which provide public services and rely on property taxes as a principal revenue source.

It may be difficult to draw conclusions concerning such a wide range of stakeholders. Education districts receive a large portion of revenues from state and federal sources and are thus impacted differently than general government districts. In addition, property taxes these districts receive are equalized with State funding, making them more reliant on the State General Fund than the property tax system. Community colleges also rely heavily on State revenue, as well as tuition revenue. As such, these districts will be addressed in the sub-section on how the state is impacted by the current property tax system.

General government taxing districts range from counties and cities to special districts, with a great deal of difference in size, revenue sources and reliance on property taxes. Within Multnomah County, districts include the City of Portland, for which property taxes made up 24% of its total budgeted revenue of $1.763 billion in 2011-12, as well as Alto Park Water District which annually relies on property taxes for 100% of its revenues ($34,120 in 2011-12). Each taxing districts’ unique reliance on property tax revenue results in vastly different impacts caused by changes in the property tax system.

General government districts, with a few notable exceptions, escaped unharmed from the effects of Measure 5 in 1990. In part due to increasing market values, most areas of the state had general government tax rates that were well below the $10 per thousand limit set by the measure, and therefore districts collected all of the property taxes allowed under the tax base or temporary levy authority that voters had approved. The City of Portland and several small rural counties, cities and special districts, did suffer losses, some significant, due to compression as detailed earlier. And in areas where the rate was over $10 or was just barely under $10, new levies or expanded urban renewal tax collections may have been unavailable.

Measure 50, on the other hand, impacted virtually every taxing district in the state, first by the 13.2% statewide reduction in operating levies required in 1997-98, and continuing each year since under the new rate-based property tax system. Growth in property tax revenue from year to year is now a function of how much the assessed value in the district has increased, which in turn is affected by how much new construction there has been within the district. New construction allows assessed value to increase more than the 3% increase in assessed value for existing property. Measure 50 created instability in property tax collections and made districts’ revenues subject to boom and bust economic cycles, especially when the cycles affect the amount of new construction.

Like the period just after the passage of Measure 5, a robust real estate market and increasing market values starting in 1999 helped to offset some of the impacts of Measure 50. Assessed value grew at an average annual rate of 5.4% between 1998-99 and 2007-08. Total taxes collected statewide over that same period increased an average of 6.1% per year.

However, the recession and wide-spread real estate slump of the last three years has seriously impacted revenues from property tax collections. Statewide assessed value growth was 5.3% in 2008-09 and just over 4% in 2009-10. For 2010-11, assessed values increased by only 2.6%. Total assessed value growth in Multnomah County was just 2.9% in 2010-11. Perhaps more telling is the fact that market values have actually declined two years in a row: down 5.1% in 2009-10 and another 8.1% in 2010-11. Since 2008-09, real market values statewide have fallen from $525.329 billion to $458.497 billion. Trends reveal that when 2011-12 values are reported by the 36 county assessors, the real market value will have declined for a third year.

During the last two years, total property tax collections statewide have increased an average of 3.5%. Collections from just the permanent tax rate limit authority and gap bonds increased 4.6% in 2009-10 and 2.6% in 2010-11. Operating property taxes statewide, including local option levies and urban renewal taxes but excluding exempt bond levies, increased just 2.06% in 2010-11. These increases are certainly less than the average 5.9% increases between 1997-98 and 2008-09, as well as less than the automatic 6% increase in tax base authority allowed prior to Measure 50.

Under the rate-based property tax system imposed by Measure 50, changes in assessed value directly impact revenue for taxing districts. This is the opposite of the previous levy-based system where taxing districts' levy authority was based on a dollar amount and the tax rate was adjusted to raise the full amount of the authority. This change in the way the property tax system directly affects taxing districts' operating revenue may explain why taxing districts are being proactive with regard to proposals to change assessed values within their boundaries and other changes to the property tax system.

Clearly, taxing districts are taking the initiative to maximize revenues. Nowhere is this more evident than in the area of urban renewal. Would the recent events discussed above, where taxing districts challenged amendments to urban renewal plan areas and led a charge to change the statutes regulating urban renewal, have happened under a levy-based system? Perhaps not.

The implications of Oregon's new rate-based property tax system may also be why recent calls for reforming the system are coming, not from citizen activists who led the charge on Measure 5 and Measure 47, but from local government leaders. State Treasurer Ted Wheeler was a vocal critic of Oregon's property tax system while he was chair of the Multnomah County Board of Commissioners. Others have since picked up the mantle of "reform." And during the 2011 Legislative Session the League of Oregon Cities proposed a change to the Oregon Constitution that would have exempted new local option levies from the limitations of Measure 5.[111] While this proposal was not seriously considered by the Legislature, it indicates the level of frustration on the part of local governments that the property tax system is no longer providing sufficient revenues to maintain service levels.

However, under the current system, the amount of taxes being collected has at least outpaced inflation, on average. If the amount of property taxes collected in 1990-91 had simply increased by the All Urban Households Consumer Price Index (CPI) a total of $4.341.6 billion would have been collected in 2010-11. This compares with $5,051.9 billion actually collected, $710.3 million more than allowed by inflation.[112]

It is fair to say that some, perhaps most, taxing districts do not have all of the revenue needed to provide the public services that citizens have come to expect. **Figure 16** clearly indicates that most districts in Multnomah County were collecting at least 20% less in property tax revenue in

2010-11 than what they would have received without Measure 50's changes. The reduction in property taxes for special districts, which tend to be located in rural areas with less exception value, is typically more than 30%. The situation is similar across the state. And some areas of the state have total general government tax rates that exceed the Measure 5 limit of $10 per $1,000 of real market value and are therefore impacted by its limitation, as well.

The 6% tax base increases allowed prior to Measure 5 were not tied to an increase in the demand for services created by new property or new citizens within the district. That is no longer the case under Measure 50. Time and time again during the debate over Measure 50, legislators and other stakeholders pointed out that under the rate-based system being designed, operating taxes would go up more for those areas that are growing (more exception value) than those areas that are not growing (less exception value). Did it make sense before Measure 50 that property taxes for both Wheeler County and Washington County were going up the same 6% per year? Under Measure 50, Wheeler County's property taxes have gone up 59.6% since 1998-99, while its population actually declined by nearly 1% over that same period.[113] From 1998-99 to 2009-10, Washington County's population has increased 36.9%. To provide services for that ever-increasing population, the County's taxes imposed from the permanent rate have seen an 82.7% increase. That is a result that was intended when legislators, local government officials and other stakeholders, crafted Measure 50 fourteen years ago.

But constraints on the growth of property tax collections are not the only cause of districts' budget distress. The recession has resulted in reductions in many of the other revenue sources districts rely on: fees, service charges, and other types of taxes, such as TriMet's payroll tax and transient lodging taxes that many cities charge. For Multnomah County taxing districts alone, these sources of revenue were down over $131 million or 6.9% in 2010-11 compared with the prior year.

The property tax system under Measure 50 is certainly more sensitive to economic downturns and especially the unusual and steep decline in market values that we have seen the last couple of years. But the prior system also had limitations: for example, the 6% limit on annual increases in tax base authority. With the recent declines in other revenues, taxing districts would probably still be having budget problems under the old property tax system. The question is how much should property taxes for a district's operations be allowed to increase every year? And shouldn't districts that are growing, with new buildings and people to serve, be allowed to increase property taxes more than areas that are stagnant?

The biggest change in property tax collections that occurred with the Measure 50 property tax system came in the very first year, 1997-98. As part of the implementation of the new system, property taxes were reduced by 2% from the prior year, including a 6% reduction in operating taxes. Operating taxes imposed for that year, including urban renewal taxes, were 12.7% less than what they would have been without Measure 47 or Measure 50 (Measure 50 reduction of 13.2%, as well as Measure 5 compression losses, plus new local option levies and urban renewal taxes).

Offsetting these reductions in operating taxes, districts still have opportunities to ask citizens for additional property tax authority. Both local option levies and general obligation bond measures are available to virtually all districts. (ESDs are not allowed local option levy authority.) And districts have been very active in seeking such authority. In 2000, a total of 182 property tax measures appeared on local ballots: 26 requests for permanent tax rate limit authority, 75 local option levies and 81 general obligation bond measures. Of those, 75 passed, including 13 permanent tax rate limit requests, 19 local option levies and 43 general obligation bond measures.[114] And at the May 2011 election, nearly one-half of the 43 property tax measures on local ballots passed, including one of two requests for a new permanent tax rate limit, 11 out of 25 local option levies (one of nine requested by school districts), and eight of the 16 requests to issue new general obligation bonds.[115]

Two recent changes, supported primarily by public sector organizations, will make it even easier for districts to increase property tax collections via temporary authority.[116] At the November 2008 General Election, voters approved Ballot Measure 56 which substantially altered the double majority standard by adding section 11K, Article XI to the Oregon Constitution. Rather than suspending the double majority standard only at November elections in even numbered years, as established by Measure 50, Measure 56 exempts any election in May or November from the double majority standard. So, instead of one election every two years in which districts can place property tax measures before voters without the requirement of having 50% of eligible voters cast a ballot, there are now two elections every year. This should avoid overly crowded ballots for the general election in even numbered years.

The second change was Ballot Measure 68, adopted by voters in May 2010, which redefines the uses of general obligation bonds incurred after January 1, 2011. New section 11L, Article XI defines capital costs as “costs of land and of other assets having a useful life of more than one year, including costs associated with acquisition, construction, improvement, remodeling, furnishing, equipping, maintenance or repair.” It also states that capital costs do not include “costs of routine maintenance and repair.” This is a substantially broader definition of what general obligation bonds can be used for than what was allowed under Measure 50.

Rural counties have been uniquely impacted by Measure 50 and mention of that is appropriate here. Permanent tax rate limits established by Measure 50 were based on taxing districts’ operating levy authority in 1997-98. For some districts with temporary levy authority that was a positive since temporary levies were rolled into the permanent tax rate limits. However, for many other districts this frozen-in-time calculation has been problematic. For decades, rural Oregon counties received a considerable amount of revenue from timber harvests off federal lands. As a result, many of these rural counties had limited tax bases, relying instead on those timber revenues to pay for county services, including roads, law enforcement, jails, libraries and all of the mandated county functions such as elections, assessment and taxation, and district attorney offices.

Based on calculations in 1997-98, many of these rural counties have permanent tax rate limits of less than $2.0000 per $1,000 of assessed value, and two counties have rates under $1.0000 (Curry County at $0.5996 and Josephine County at $0.5867). These rates are fixed with no provision for increasing them even with voter approval. And many of these same rural counties have relatively low rates of new construction, so property taxes have increased little more than the annual 3% allowed for existing property.

Since the amount of timber harvested from federal lands declined dramatically in the 1980s, Congress provided funding to replace the revenue, including the 2008 Secure Rural Schools and Community Self-Determination Act. However, this funding is temporary and is phased-out over a four-year period. The main source of revenue from the Act, Title I, decreases from $203.8 million in 2007-08 to $81.5 million in 2012-13.[117] Thereafter, only $24.5 million will be available for distribution to Oregon counties unless Congress approves a reauthorization. Given the current deficit reduction rhetoric coming out of Washington D.C., the prospect of reauthorizing federal payments to counties seems unlikely.

Faced with low permanent property tax rates coupled with declining, and possibly expiring, federal payments, many rural counties are struggling to balance annual budgets. In 2008-09, 24 counties faced a shortfall of more than 20%.[118] If some level of federal payment is not reauthorized, the prospects for these counties are dire.

While it is true that taxing districts around the state are hurting for funds, and the lack of resources is impacting the services those districts can provide to citizens, the property tax system is not all to blame. Counties that rely on federal timber payments would be in serious financial straits even without Measure 50. And there have been years when inflation exceeded even the 6% that tax bases had previously been allowed to increase.

Certainly the 12.7% reduction in operating taxes that occurred in 1997-98 was a huge loss. But districts have had 14 years to adjust to that one-time reduction. At some point districts will have to adjust spending to the new realities of the property tax system. That could mean permanently eliminating programs or curbing employee compensation (salaries, insurance and retirement) costs that are increasing at rates higher than inflation and, more importantly, higher than increases in available revenues. As late as 2008-09, K-12 districts and ESDs were spending nearly $52.4 million on retiree benefits in addition to PERS benefits.[119] Taxing districts and public employee unions must come to recognize that compensation packages need to be scaled back to more closely match those in the private sector.

Stakeholder No. 4: The State of Oregon and education districts, which rely on property taxes to shoulder a large portion of the costs to operate K-12, ESD and community college districts.

The State relies heavily on personal and corporate income taxes to pay for State services including the obligation to fund public education (K-12 districts, ESDs and community colleges) via equalization formulas which rely on local property taxes collected by districts to allocate money from both sources on a per student allocation. As such, property tax collections have a direct bearing on how much the State can afford to provide each Oregon student for kindergarten through 12th grade education as well as community college. This goes back to Measure 5 and the provision to shift the burden of funding public education from the local property tax system to a replacement revenue source. As noted above, many of those who voted for Measure 5 did so to force the adoption of a new revenue source dedicated exclusively to schools.

The Legislature attempted to provide just such a dedicated source of revenue when it referred Ballot Measure 1 to the ballot in November 1993. Measure 1 would have implemented a 5% state sales tax, eliminated school property taxes on residential property and dedicated 50% of lottery proceeds to schools. The measure failed by a three-to-one margin. As a consequence, funding for public education since then has come primarily from the State General Fund. And the K-12 budget is taking a larger and larger share of the State's budget. In the 1989-91 biennium budget, K-12 expenditures took up 25.8% of discretionary State spending. In the 2009-11 biennium, the percentage was up to 43%. However, with the economy taking its toll on State revenues, the 2011-13 biennial budget adopted by the Legislature allocates only 39.1% of General Fund and lottery proceeds to the State School Support Fund.[120] Not including federal stimulus money, the amount of State discretionary funds for K-12 education has fallen from $6.013 billion in the 2007-09 biennium to $5.712 in the current two-year budget period.

Ironically, one of the areas of the State budget that has suffered the most as the State shifted more resources to K-12 public education has been the system of higher education. Almost from the beginning of implementing Measure 5, State funding for universities and colleges was reduced. This resulted in dramatic tuition increases and reduction or elimination of programs. While the percentage of the State General Fund and lottery proceeds devoted to K-12 has increased since the implementation of Measure 5, the percentage of those same dollars allocated to community colleges and higher education has fallen from 17% in 1989-91 to only 8% in 2011-13.

When State revenues do not keep up with the cost of providing current services, it becomes increasingly more difficult to maintain funding for K-12 schools and community colleges because the Legislature must also pay for other State services, such as public safety, higher education and human services. The situation is exacerbated by the fact that as the economy weakens the need for public services actually increases, as more citizens apply for unemployment benefits and other social services. And there are still the same number of students in classrooms and the same number of miles of highways to maintain. As a result, schools have experienced a roller coaster of funding, with some years' funding being less than the prior year. For 2009-10, the total funding for schools, from both property taxes and State General Fund dollars, was $4.277 billion.[121] This was $18.7 million less than the amount received in 2007-08. More importantly, the amount per student (ADMr) fell those same years from $8,042 in 2007-08 to $8,008 in 2009-10. And these figures have not been adjusted for inflation, making the reductions even more dramatic.

Prior to Measure 5, the State provided approximately 28% of the total cost of providing K-12 education in Oregon. After Measure 5, that percentage increased to 70%. However, for several years that percentage has been declining. In 2009-10, 64.6% of State School Fund revenue allocated to school districts and ESDs came from State sources with the remainder provided by local sources, primarily property taxes, according to estimates provided by the Oregon Department of Education. For the 2010-11 fiscal year, projections are that only 61.06% of formula revenue will come from the State. Given the serious nature of the State budget, the percentage is likely to continue to decrease.

Clearly, the State budget has been negatively impacted by changes to the property tax system, particularly Measure 5, which required the State to take over the lion's share of funding public education in Oregon. As property tax collections have been restricted, both by Measure 50 and by the prolonged real estate slump we are currently experiencing, not only do local governments feel the pinch, but the State does as well, since reduced property taxes for school districts requires a larger infusion of State General Fund dollars to make up the difference.

Former Oregon Governor Ted Kulungoski, faced with unknown budget shortfalls in the State General Fund budget, created the Governor's Reset Cabinet in 2010. The cabinet issued its report late that year.[122] The report identified a $2.671 billion shortfall between available resources and current service levels for the 2011-13 biennium, with similar shortfalls continuing into at least the next two biennia. The report pointed out the State's responsibility of funding public education as one of the factors driving the shortfalls.

It may be fair to say that Oregon is approaching a crisis in public education funding. Even with nearly $500 million stimulus money from the federal government for general operations between 2008-09 and 2010-11, class sizes have increased, thousands of teachers, administrators and support staff have been laid off, and remaining staff are asked to take more and more furlough days off without pay. Even with that federal support, the number of jobs at K-12 employers dropped 6,500 since 2008 according to economists with the Oregon Employment Department and they are estimating that an additional 4,000 positions may be lost by the end of 2011-12.[123]

This is truly the legacy of Measure 5 and the voters' unwillingness to adopt a replacement source of revenue dedicated to public education.

Final Thoughts

The property tax system is a tool that citizens created to facilitate the funding of services for which they have chosen to pay. Each citizen is a patron of several different, overlapping local governments: a county, a school district, an ESD, possibly a city and community college and even one or more special districts. Each one provides unique services on which citizens have come to depend, from providing fire protection to educating the neighborhood children.

The complexities of the property tax system are all designed to accomplish two overriding goals: 1) the timely, fair and accurate assessment of property taxes so that the amount of property taxes each local government is authorized by citizens to collect is paid appropriately; and 2) that the determination of how much each and every property owner should pay is reflective of policy decisions that citizens have made.

The sluggish economy of the last three years and the severe real estate slump are certainly playing havoc with local revenues as well as State revenues. Prior to Measure 5, this would not have been particularly troublesome for local governments, including schools, which relied on tax bases that automatically increased 6% per year. Under the current rate-based property tax system the real estate market, particularly new construction which allows for collections above the 3% Measure 50 limit, directly affects property tax revenues. And the weak economy means less personal and corporate income taxes for the State, affecting its ability to fund schools.

In some ways, the current recession is worse than the recession of the 1980s. In the '80s, real market values increased only 53.3% statewide and actually declined between 1984-85 and 1985-86 by 0.1%. In the current recession, real market values have already declined two years in a row, 2009-10 and 2010-11, and all indications are that 2011-12 values will be lower yet again. Since the real estate peak in 2008-09, market values have declined by 12.7%, from $525.3 billion to $$458.5 billion.

From taxing districts' standpoint, the fact that property taxes are based on assessed value and not market values has meant property tax revenue continued to increase, at least modestly, rather than decline along with the drop in the market. Still, the shortage of revenue generated by the property tax system is more a result of the economy than the structure of the property tax system itself.

From property owners' standpoint, the property tax system is serving them well. The system is more stable and predictable and owners have some control over increasing the amounts they pay. And by every criteria discussed above – number of property value appeals, Oregon's ranking of property tax burden among all 50 states, the effective tax rate and total property taxes as a percentage of personal income – property taxes are less onerous than prior to Measure 5 in 1990.

It has been 14 years since the passage of Measure 50. Given the history of the property tax system over the last 60 years, that is a relatively long time without any major changes to the system. I can only conclude that the voters are fairly satisfied with the current system. It is, after all, their system.

APPENDIX A

Chronological Summary of Oregon's Property Tax System History

The following is a brief chronological summary of some of the actions and events that have had an effect on Oregon's property tax systems.

1845	First involuntary property tax not to exceed one-fourth of 1% established by territorial legislature to establish a county or district.
1850	A two "mill" tax imposed on property to be distributed to schools based on number of children between the ages of 4 and 21. A mill is one-tenth of one cent, so two mills would be two tenths of a cent per every $1 of value or $20.00 per $1,000. (Original version corrected, January 2012.)
1854	Oregon tax code updated to make "all property, real and personal, not expressly exempt" subject to taxation, and county commissioners given responsibility for levying property taxes. This marks the beginning of today's property tax system.
1859	Congress admits Oregon as a state on February 14, 1859. State and local government funded by property tax.
1909	State Tax Commission was created.
1921	First Multnomah County Tax Supervising and Conservation Commission formed.
1929	State Tax Commission given power and staff to secure statewide property tax equity.
	Personal income tax adopted by referendum through Measure 9, the Property Tax Relief Act of 1929.
1932-35	Depression era resulted in thousands of properties foreclosed statewide.
1940	Final year State levied a property tax.
1953	Legislature increased powers of the tax commission by giving it supervisory power over administration of assessment and taxation laws, and authority to provide uniform methods of assessment. State personnel were hired and the task of re-inventorying and reevaluating all real property in the state, county by county, began.
1955	Six-year appraisal cycle came into effect to assure maintenance and quality of inventory database.
1960	Urban renewal program first authorized by amendment to Oregon Constitution via Measure 3 (November 8 General Election) by a vote of 335,792 yes votes and 312,187 no votes.
1963	Legislature enacts Senior Citizens Property Tax Deferral program.
1971	Legislature enacts Homeowners Property Tax Relief (HOPTR), an expansion of senior citizen deferral program available to all low-income property taxpayers.
1973	Legislature enacts Homeowners and Renters Refund Program (HARRP) and companion Elderly Rental Assistance (ERA) program to provide tax relief for low-income residents, replacing HOPTR program. HARRP was discontinued in 1990. The ERA program still exists.
1973	The McCall Tax Plan, promoted by Governor Tom McCall, to reduce property taxes and shift burden of paying up to 95% of cost for K-12 public education to the State by repealing school tax bases, providing $10 per $1,000 statewide property tax levy and increasing income taxes is defeated at a special election on May 1, 1973.
1973-79	Oregon's ad valorem tax program was the recognized leader nationwide.
1979	Legislative enactment of HB 2540, a property tax relief measure. Owner occupied property owners were given rebates in property taxes paid of up to $800 in 1980-81 and smaller amounts in subsequent years. This legislation also abolished the 100% of true cash value standard and created a variable true cash value/assessed value rate. Simply stated, whatever the increase in true cash value, total assessed value statewide could increase by no more than 5% annually. The law was repealed in 1985.

1987	Voters approve constitutional amendment to allow school districts to levy property taxes outside of 6% limitation, up to amount levied previous year. This "safety net" levy was intended to prevent school closures.
1989	Legislature establishes a funding assistance mechanism for statewide property tax administration to offset a severe decline in county budgets caused by recession and lower payments from timber harvest. Funding is provided by a four percentage point increase in the interest rate charged on delinquent property taxes and a real property recording fee.
1990	Passage of Ballot Measure 5, an initiative petition which limited property taxes by categories: $10 per $1,000 of true cash value for general governments and a five-year phase-in of $5 per $1,000 of true cash value for education districts. The measure made other changes in the administration of the property tax system, including changing the assessment date from January 1, prior to the fiscal year, to July 1, and changing true cash value to "real market value."
1995	Full implementation of Ballot Measure 5.
1996	Passage of Ballot Measure 47, an initiative petition which "cut and capped" property taxes for individual properties and then limited increases in each individual property's tax bill to 3% per year.
1997	Passage of Ballot Measure 50, a legislative referral to replace Measure 47. Rather than cutting and capping property taxes, the measure cut and capped assessed value. For 1997-98, it cut assessed values to 90% of the 1995-96 real market value and then capped increases in assessed value to no more than 3% per year. Converted the levy-based system to primarily a rate-based system by converting districts' existing tax base authority to permanent tax authority. Legislation to implement the measure made changes in the administration of the property tax system, including changing the assessment date back to January 1 and eliminating the six-year reappraisal cycle.
2001	Oregon Supreme Court rules in *Shilo Inn v. Multnomah County*, 333 Or 101, 36 P3d 954, that all urban renewal division of tax amounts were required to be categorized as "general government" taxes subject to the limitations imposed by section 11b, Article XI, of the Oregon Constitution.
2008	Passage of Ballot Measure 56, a legislative referral to scale back the double majority standard for approving new property tax measures. Elections that are exempt from double majority standard changed from only November elections in even-numbered years to any election in either May or November.
2010	Passage of Ballot Measure 68, a legislative referral to allow the state to issue bonds to match local school districts' voter approved bonds. Also expanded the uses of proceeds from voter approved general obligation bonds with a new definition of "capital costs" to include "…land and other assets having a useful life of more than one year…" except "routine maintenance."

APPENDIX B

Property Tax Limitation Measures - Election Results

County	Measure 5 November 1990		Measure 47 November 1996		Measure 50 May 1997	
	Yes	No	Yes	No	Yes	No
Baker	2,358	**3,537**	**3,942**	3,627	**2,586**	2,003
Benton	12,180	**16,946**	12,353	**21,667**	**10,998**	7,900
Clackamas	**68,976**	48,122	**80,132**	61,578	**43,658**	35,686
Clatsop	**6,380**	6,311	**7,758**	7,413	**5,462**	4,398
Columbia	**7,775**	7,473	**11,132**	6,962	5,478	**5,689**
Coos	10,636	**11,616**	**15,494**	11,749	**8,982**	8,483
Crook	2,341	**2,897**	**3,918**	3,002	**2,773**	2,045
Curry	3,691	**4,154**	**5,822**	4,819	**3,304**	3,286
Deschutes	14,222	**14,750**	**22,897**	21,698	**19,538**	11,451
Douglas	15,946	**17,903**	**26,237**	16,086	11,834	**14,587**
Gilliam	354	**498**	388	**626**	**384**	279
Grant	1,183	**1,938**	1,757	**2,074**	**1,280**	1,011
Harney	1,171	**1,710**	1,623	**1,833**	**963**	948
Hood River	**3,268**	2,747	**3,966**	3,468	**2,418**	1,779
Jackson	**28,164**	26,959	**38,904**	32,788	**23,262**	17,070
Jefferson	1,927	**2,362**	**3,172**	2,943	**2,189**	1,691
Josephine	10,900	**12,595**	**17,326**	14,200	**12,517**	8,020
Klamath	8,969	**11,062**	**14,141**	10,138	**7,605**	5,754
Lake	1,236	**1,813**	**1,860**	1,727	**1,015**	951
Lane	51,441	**56,809**	61,950	**73,285**	**40,647**	36,247
Lincoln	**8,493**	7,449	**11,098**	9,064	**6,506**	6,170
Linn	**18,143**	15,648	**23,450**	16,488	**19,047**	11,853
Malheur	3,709	**4,351**	4,717	**4,974**	**3,521**	2,338
Marion	**46,590**	37,398	**57,531**	48,199	**34,288**	26,699
Morrow	832	**1,718**	1,467	**1,812**	**1,087**	874
Multnomah	**130,020**	106,041	131,066	**133,041**	**76,188**	62,449
Polk	**10,479**	9,646	**13,100**	11,640	**7,720**	5,367
Sherman	343	**684**	436	**598**	**406**	270
Tillamook	**4,846**	4,514	**6,033**	5,122	**3,817**	3,580
Umatilla	6,938	**9,094**	**10,615**	9,896	**6,586**	4,801
Union	3,908	**4,908**	**5,737**	5,319	**4,044**	2,593
Wallowa	1,257	**1,973**	2,063	**2,124**	**1,650**	945
Wasco	**5,385**	3,417	**5,086**	4,733	**3,280**	3,168
Washington	**67,756**	52,014	**79,662**	74,075	**45,045**	32,764
Wheeler	242	**402**	386	**457**	**329**	274
Yamhill	**12,774**	10,563	**17,335**	13,388	**9,536**	8,358
Total	**574,833**	**522,022**	**704,554**	**642,613**	**429,943**	**341,781**
Percentage	**52.4%**	**47.6%**	**52.3%**	**52.3%**	**55.7%**	**55.7%**

*** Bold indicates majority vote in each county.**

APPENDIX C

Illustration of Measure 5 Compression

Ballot Measure 5, passed by voters in November 1990, amended the Oregon Constitution to establish strict limits on the amount of property taxes each property in the state would pay for two categories of taxing districts: public education (K-12 districts, ESDs and community colleges) and all non-education or "general government" districts (counties, cities, and special districts). Taxes to repay general obligation bonds were exempt. Taxes for education districts are limited to $5 per $1,000 of real market value (RMV) while the taxes for general government districts are limited to $10.

For each property, the tax rates of each taxing district are multiplied times the assessed value (AV) to arrive at "taxes extended." The taxes for each taxing district in each category are added together to arrive at taxes extended for the category. If taxes extended in the category do not exceed the limitation, then taxes extended become the "taxes imposed" on the property.

If property taxes extended in either category exceed the limits, then all taxes are reduced proportionally so that the total in that category no longer exceed the limits. Taxes extended in one category can exceed the limit while the taxes extended in the other category do not exceed the limit. And taxes to repay general obligation bonds are never limited so taxes extended always become taxes imposed.

If taxes extended are reduced to stay within the limits, that is referred to as "compression" and the difference between taxes extended and taxes imposed is referred to as "compression loss."

Measure 5 is simply a comparison of two amounts, with the lower amount being used as the tax amount billed to the property owner.

(RMV * Category Tax Rate) $150,000 * $8.0000 / 1,000 = (Taxes Extended) $1,200
(RMV * Category Limit Rate) $150,000 * $10.0000 / 1,000 = (Tax Limit) $1,500
(Lesser of two amounts) $1,200 or $1,500 = (Taxes Imposed) $1,200

In this example there is no Measure 5 compression loss because taxes extended ($1,200) do not exceed the Measure 5 limit ($1,500). However, this only looks at the general government category limit. Every property has two limits: one for general government ($10 per $1,000) and education ($5 per $1,000).

(RMV * Category Tax Rate) $150,000 * $6.0000 / 1,000 = (Taxes Extended) $900
(RMV * Category Limit Rate) $150,000 * $5.0000 / 1,000 = (Tax Limit) $750
(Lesser of two amounts) $900 or $750 = (Taxes Imposed) $750

In this example taxes extended ($900) are more than the limit ($750). The taxes extended for each taxing district in the category are reduced proportionally so that the total taxes in this category are reduced to no more than the limit.

How the limits worked before 1997-98 was fairly straightforward for two reasons: 1) the value used to calculate taxes extended and the value used to calculate the limit in each category was the same value; and 2) if taxes extended exceeded either category limit, taxes extended for all taxing districts in that category were reduced proportionally. Every property was treated the same and every levy was treated the same.

An easier way of understanding how the limitations worked was to look at tax rates. If the total tax rate in either category exceeded the limits then the tax rate for each taxing district was reduced proportionally so that the total tax rate was the same as the limit ($5 or $10). These (compressed) tax rates could then be applied to the value of each property to arrive at taxes imposed.

Ballot Measure 50, referred to the voters by the Oregon Legislature and passed in May 1997, amended the Constitution and changed how the Measure 5 limits work. There are two important differences to how the limits are applied under Measure 50.

First, the measure separated real market values (RMV) from assessed values (AV). Assessed values were reduced in 1997-98 and limited to 3% increases each year after that. More importantly, it provided that taxes extended are calculated on the new, lower AV while the Measure 5 limits would be based on the RMV of each property. The second change was that if taxes extended exceed the limitation in either category, then temporary levies, called local option levies, are reduced first. Only after taxes extended for all local option levies are reduced to zero will taxes extended for other levies be reduced.

Since the Measure 5 limits are applied on a property-by-property basis and are dependent on the difference, if any, between RMV and AV, how much compression occurs will vary between properties. Some properties with a large difference between RMV and AV will have less compression and therefore pay more in property taxes than a similar property with less of a difference between RMV and AV. This is particularly pronounced with local option levies since they are compressed first before other levies. Some properties will pay the full amount of the local option levy (because there is no compression) and other properties will pay zero for the local option levy.

This makes it much harder to predict how the Measure 5 limits will work on individual properties, and therefore more difficult to predict how much taxing districts will lose to Measure 5 compression.

Examples

(See examples on the following three pages.)

Property No. 1 below has a large difference between RMV and AV. Taxes extended do not exceed the limits in either category, even though both category rates are over the limits. There is no Measure 5 compression.

Property No. 2 has less of a difference between RMV and AV. Taxes extended do not exceed the limits in the education category but taxes extended do exceed the limits in the general government category. However, reducing taxes extended for the three local option levies brings the category total down to the limit. No other levies are compressed.

Property No. 3 has no difference between RMV and AV. Taxes extended in both categories exceed the limits. Even after reducing local option levies to zero, taxes extended for the other levies are still higher than the limit. So all other levies are reduced proportionally so that taxes imposed in both categories are the same as the limit. There is substantial compression loss.

Property No. 1 **Real Market Value: $300,000**
Assessed Value: $150,000

District/ Levy Type	Tax Rate	UR Adj. Rate	Taxes Extended	Local Option Ratio	Prelim. Taxes Imposed	M-5 Comp. Ration	Taxes Imposed	M-5 Loss
Education Districts:								
Multnomah ESD	0.4576	0.4144	62.16	N.A.	62.16	1.00000	62.16	0
PCC	0.2828	0.2538	38.07	N.A.	38.07	1.00000	38.07	0
Portland Public Schools	5.2781	4.7264	708.96	N.A.	708.96	1.00000	708.96	0
Local Option Rates:								
PPS Local Option	1.2500	1.1311	169.67	1.00000	169.67	1.00000	169.67	0
Education Districts Sub-Totals		**6.5257**	**978.86**		**978.86**		**978.86**	**0.00**
	M - 5 limit	**5.0000**	**1500.00**					
	Over Limit		**0.00**					
General Government:								
Multnomah County	4.3434	3.9301	589.52	N.A.	589.52	1.00000	589.52	0
Metro	0.0966	0.0879	13.19	N.A.	13.19	1.00000	13.19	0
Port of Portland	0.0701	0.0641	9.62	N.A.	9.62	1.00000	9.62	0
City of Portland:								
Permanent Rate	4.5770	4.1432	621.48	N.A.	621.48	1.00000	621.48	0
FPD&R Levy	2.6259	2.3773	356.60	N.A.	356.60	1.00000	356.60	0
Urban Renewal Div. of Tax	N.A.	1.8475	277.13	N.A.	277.13	1.00000	277.13	0
Urban Renewal Special Levy	0.3100	0.3100	46.50	N.A.	46.50	1.00000	46.50	0
West Multnomah SWCD	0.0391	0.0332	4.98	N.A.	4.98	1.00000	4.98	0
Local Option Rates:								
Multnomah Co. Library LO	0.8900	0.8125	121.88	1.00000	121.88	1.00000	121.88	0
City of Portland Children's LO	0.4026	0.3679	55.19	1.00000	55.19	1.00000	55.19	0
Urban Renewal LO	N.A.	0.2311	34.67	1.00000	34.67	1.00000	34.67	0
General Government Sub-Total		**14.2048**	**2,130.72**		**2,130.72**		**2,130.72**	**0.00**
	M - 5 limit	**10.0000**	**3,000.00**					
	Over Limit		**0.00**					
Exempt:								
Multnomah Co. Bonds	0.1692	0.1535	23.03	N.A	23.03	N.A	23.03	0
Metro Bonds	0.3402	0.3104	46.56	N.A	46.56	N.A	46.56	0
TriMet Bonds	0.0863	0.0787	11.81	N.A	11.81	N.A	11.81	0
City of Portland Bonds	0.2180	0.1978	29.67	N.A	29.67	N.A	29.67	0
PCC Bonds	0.3497	0.3157	47.36	N.A	47.36	N.A	47.36	0
Exempt Sub-Total		**1.0561**	**158.42**		**158.42**		**158.42**	**0.00**
Total Taxes Imposed and Measure 5 Compression Loss:							**3,267.99**	**0**

Step 1. Divide tax rates, execpt the UR special levy rate, for urban renewal.
Step 2. Multiply UR Adj. tax tate times assessed value.
Step 3. Calculate Measure 5 limits by multiplying limit (0.005 per $1,000 or 0.010 per $1,000) by real market value.
Step 4. Calculate extended to limit ratio by dividing limit amount by taxes extended, but not more than 1.00000.
Step 5. If taxes extended to limit ratio is 1.00000 in either category, taxes extended becomes taxes imposed.

Property No. 2 **Real Market Value: $300,000**
Assessed Value: $216,000

District / Levy Type	Tax Rate	UR Adj. Rate	Taxes Extended	Local Option Ratio	Prelim. Taxes Imposed	M-5 Comp. Ratio	Taxes Imposed	M-5 Loss
Education Districts:								
Multnomah ESD	0.4576	0.4144	89.51	N.A.	89.51	1.00000	89.51	0
PCC	0.2828	0.2538	54.82	N.A.	54.82	1.00000	54.82	0
Portland Public Schools	5.2781	4.7264	1,020.90	N.A.	1020.90	1.00000	1020.90	0
Local Option Rates:								
PPS Local Option	1.2500	1.1311	244.32	1.00000	244.32	1.00000	244.32	0
Education Districts Sub-Total		**6.5257**	**1,409.55**		**1,409.55**		**1,409.55**	**0.00**
	M - 5 limit	**5.0000**	**1,500.00**					
	Over Limit		**0.00**					
General Government:								
Mulnomah County	4.3434	3.9301	848.90	N.A.	848.90	1.00000	848.90	0
Metro	0.0966	0.0879	18.99	N.A.	18.99	1.00000	18.99	0
Port of Portland	0.0701	0.0641	13.85	N.A.	13.85	1.00000	13.85	0
City of Portland:								
Permanent Rate	4.5770	4.1432	894.93	N.A.	894.93	1.00000	894.93	0
FPD&R Levy	2.6259	2.3773	513.50	N.A.	513.50	1.00000	513.50	0
Urban Renewal Div. of Tax	N.A.	1.8475	399.06	N.A.	399.06	1.00000	399.06	0
Urban Renewal Special Levy	0.3100	0.3100	66.96	N.A.	66.96	1.00000	66.96	0
West Multnomah SWCD	0.0391	0.0332	7.17	N.A.	7.17	1.00000	7.17	0
Local Option Rates:								
Multnomah Co. Library LO	0.8900	0.8125	175.50	0.77619	136.22	1.00000	136.22	(39.28)
City of Portland Childrens LO	0.4026	0.3679	79.47	0.77619	61.68	1.00000	61.68	(17.79)
Urban Renewal LO	N.A.	0.2311	49.92	0.77619	38.75	1.00000	38.75	(11.17)
General Government Sub-Total		**14.2048**	**3,068.24**		**3,000.00**		**3,000.00**	**(68.24)**
	M - 5 limit	**10.0000**	**3,000.00**					
	Over Limit		**68.24**					
Exempt:								
Multnomah Co. Bonds	0.1692	0.1535	33.16	N.A	33.16	N.A	33.16	0.00
Metro Bonds	0.3402	0.3104	67.05	N.A	67.05	N.A	67.05	0.00
TriMet Bonds	0.0863	0.0787	17.00	N.A	17.00	N.A	17.00	0.00
City of Portland Bonds	0.2180	0.1978	42.72	N.A	42.72	N.A	42.72	0.00
PCC Bonds	0.3497	0.3157	68.19	N.A	68.19	N.A	68.19	0.00
Exempt Sub-Total		**1.0561**	**228.12**		**228.12**		**228.12**	**0.00**
Total Taxes Imposed and Measure 5 Compression Loss:							**4,637.67**	**(68.24)**

Complete Steps 1 through 5 as above.
Step 6. If taxes extended to limit ratio is under 1.00000, cacluate dollar amount over the limit.
Step 7. Compare dollar amount over limit with taxes extended for all local option levies.
Step 8. If dollar amount over limit is less than taxes extended for all local option levies, calculate ratio to reduce all local option levies by amount over limit (LO levy totals minus amount over limit / LO levy totals).
Step 9. Multipy local option levies extended taxes by local option ratio to arrive at taxes imposed.
Step 10. Calculate preliminary taxes imposed to limit ratio by dividing limit amount by preliminary taxes imposed, but not more than 1.00000.
Step 11. If preliminary taxes imposed to limit ratio is 1.00000, preliminary taxes imposed become taxes imposed.

Property No. 3 **Real Market Value: $300,000**
Assessed Value: $300,000

District / Levy Type	Tax Rate	UR Adj. Rate	Taxes Extended	Local Option Ratio	Prelim. Taxes Imposed	M-5 Comp. Ratio	Taxes Imposed	M-5 Loss
Education Districts:								
Multnomah ESD	0.4576	0.4144	124.32	N.A.	124.32	0.92685	115.23	(9.09)
PCC	0.2828	0.2538	76.14	N.A.	76.14	0.92685	70.57	(5.57)
Portland Public Schools	5.2781	4.7264	1,417.92	N.A.	1417.92	0.92685	1,314.20	(103.72)
Local Option Rates:								
PPS Local Option	1.2500	1.1311	339.33	0.00000	0.00	0.92685	0	(339.33)
Education Districts Sub-Total		**6.5257**	**1,957.71**		**1,618.38**		**1,500.00**	**(457.71)**
	M - 5 limit	**5.0000**	**1,500.00**					
	Over Limit		**457.71**					
General Government:								
Mulnomah County	4.3434	3.9301	1179.03	N.A.	1179.03	0.78166	921.60	(257.43)
Metro	0.0966	0.0879	26.37	N.A.	26.37	0.78166	20.61	(5.76)
Port of Portland	0.0701	0.0641	19.23	N.A.	19.23	0.78166	15.03	(4.20)
City of Portland:								
Permanent Rate	4.5770	4.1432	1242.96	N.A.	1242.96	0.78166	971.57	(271.39)
FPD&R Levy	2.6259	2.3773	713.19	N.A.	713.19	0.78166	557.47	(155.72)
Urban Renewal Div. of Tax	N.A.	1.8475	554.25	N.A.	554.25	0.78166	433.23	(121.02)
Urban Renewal Special Levy	0.3100	0.3100	93.00	N.A.	93.00	0.78166	72.69	(20.31)
West Multnomah SWCD	0.0391	0.0332	9.96	N.A.	9.96	0.78166	7.79	(2.17)
Local Option Rates:								
Multnomah Co. Library LO	0.8900	0.8125	243.75	0.00000	0.00	0.78166	0.00	(243.75)
City of Portland Childrens LO	0.4026	0.3679	110.37	0.00000	0.00	0.78166	0.00	(110.37)
Urban Renewal LO	N.A.	0.2311	69.33	0.00000	0.00	0.78166	0.00	(69.33)
General Government Sub-Total		**14.2048**	**4,261.44**		**3,837.99**		**3,000.00**	**(1,261.44)**
	M - 5 limit	**10.0000**	**3,000.00**					
	Over Limit		**1,261.44**					
Exempt:								
Multnomah Co. Bonds	0.1692	0.1535	46.05	N.A	46.05	N.A	46.05	0.00
Metro Bonds	0.3402	0.3104	93.12	N.A	93.12	N.A	93.12	0.00
TriMet Bonds	0.0863	0.0787	23.61	N.A	23.61	N.A	23.61	0.00
City of Portland Bonds	0.2180	0.1978	59.34	N.A	59.34	N.A	59.34	0.00
PCC Bonds	0.3497	0.3157	94.71	N.A	94.71	N.A	94.71	0.00
Exempt Sub-Total		**1.0561**	**316.83**		**316.83**		**316.83**	**0.00**
Total Taxes Imposed and Measure 5 Compression Loss:							**4,816.83**	**(1,719.15)**

Complete Steps 1 through 7 as above.

Step 8. If dollar amount over limit is more than taxes extended for all local option levies, reduce all LOs to zero.

Step 9. All other levies extended taxes become preliminary taxes imposed.

Step 10. Calculate preliminary taxes imposed to limit ratio by dividing limit amount by preliminary taxes imposed, but not more than 1.00000.

Step 11. If preliminary taxes imposed to limit ratio is 1.00000, preliminary taxes imposed become taxes imposed.

Step 12. Multiply preliminary tax imposed by limit ratio to arrive at taxes imposed.

APPENDIX D

Summary of Statewide Ballot Measure

1942 – Present

Source: I = Initiative Petition; R = Legislative Referral

Type: E = Education Funding; P = Property Tax Limitation; S = Sales Tax; T = Tax Base; O = Other

Language in Bold is Ballot Title heading, as shown in Oregon Blue Book.

Date of Election	Measure Number	Brief Description	Source / Type	Yes / No Votes
Nov. 3, 1942 General	7	**Bill distributing Surplus Funds to School Districts, Reducing Taxes Therein.** Requires all state income taxes in excess of $7,750,000 in any year be distributed to public school districts to be used to reduce taxes to be levied by the district.	I / E & P	**136,321** / 92,632
Nov 7, 1944 General	6	**Bill Imposing Tax on Retail Sales of Tangible Personal Property.** Enacts a 3% tax on the gross receipts from all retail sales of tangible personal property in the state. Proceeds, after expenses to be distributed: 20% to public assistance, 60% toward property tax relief, and 20% the school support fund.	R / S & E	96,697 / **269,279**
Nov, 5, 1946 General	9	**To Create Basic School Support Fund by Annual Tax Levy**. Statutorily authorizes state to levy an annual state tax outside the 6% limitation, either income tax or property tax, sufficient to distribute $50 per capita for each child between the ages of four and 20. New levy would be in lieu of the 2 mill property tax previously authorized. If personal and corporate income taxes are not sufficient to raise the amount needed, a statewide property tax may be levied to make up the difference.	I / E	**157,904** / 151,765
Oct. 7, 1947 Special	1	**Bill Taxing Retail Sales for School, Welfare and Government Purposes**. Enacts a 3% tax of gross receipts from all retail sales of tangible personal property sold at retail in the state. Proceeds in excess of $10,000 to be distributed: one-sixth to counties, one-sixth to cities, one-sixth to school districts, one-sixth to state public assistance reserve account, and two-sixths to State General Fund. Funds to counties, cities and school districts to be used for property tax relief.	R / S	67,514 / **180,333**
Nov. 7, 1950 General	4	**Increasing Basic School Support Fund by Annual Tax Levy**. Enacts a state property tax levy sufficient to raise $30 per capita, in addition to current $50 per capita approved in 1946. Proceeds to be placed in State School Support Fund.	R / E	**234,394** / 231,856
Nov. 4, 1952 General	4	**Amendment, Legal Voters of Taxing Unit Establish Tax Base**. Allows state, county, city or special district voters to approve an increase in tax base. Approval must be at a General or Primary election. Once approved, new tax base allowed to increase 6% over the highest of the last three years tax base levy immediately preceding. Upon annexation of new territory, tax base allowed to increase by the amount of taxes the newly annexed property would have paid the prior year.	R / T	**355,136** / 210,373
	9	**Act Limiting State Property Tax**. Limits State property tax collections to six mills ($0.006 per $1,000) of equalized value. Exempts property tax for bonded indebtedness.	R / O	**318,948** / 272,145
Nov. 2, 1954 General	5	**State Property Tax**. Constitutionally limits State property tax collections to six mills of equalized value, unless higher amount approved by voters. Exempts property tax for bonded indebtedness.	R / O	208,419 / **264,569**

Nov. 4, 1958 General	5	**Financing Urban Redevelopment Projects.** Adds Section 1c to Article IX of the Oregon Constitution. Allows Legislature to adopt law to allow property included in an urban redevelopment or renewal project to be divided so that taxes levied against any increase in value of such property shall be used to pay any indebtedness incurred in carrying out the project.	R / O	221,330 / **268,716**
Nov. 8, 1960 General	3	**Financing Urban Renewal Redevelopment Projects.** Permits the Legislature to enact statutes authorizing cities to set aside the property taxes resulting from the increase in value created by an urban renewal redevelopment projects to pay the indebtedness incurred in undertaking the project.	R / O	**335,792** / 312,187
May 18, 1962 Primary	1	**Six Percent Limitation Amendment.** Changes six percent increases in tax base calculations to be 1.06 times the highest tax base levy of the last three years a tax base was levied, rather than the levy of the last three years immediately preceding. Allows new taxing unit to make its first levy without voter approval and the levy would establish its base upon which the 6% limitation would apply in subsequent years. Allows vote to increase a tax base at an election other than a Primary of General election.	R / T	141,728 / **262,140**
Nov. 6, 1962 General	7	**Constitutional Six Percent Limitation Amendment**. Changes 6% increase in tax base calculations to be 1.06 times the highest tax base levy of the last three years a tax base was levied, rather than the levy of the last three years immediately preceding.	R / T	**270,637** / 219,509
Nov. 5, 1968 General	7	**Constitutional Amendment Changing Property Tax Limitation**. Repeals tax bases and 6% limitation on tax bases. Restricts property taxes to 1½% of true cash (market) value. Authorizes voters to approve, in certain cases, property taxes in excess of 1½% of true cash value. Exempts existing bonded debt from 1½ limitation.	I / P	276,451 / **503,443**
June 3, 1969 Special	1	**Property Tax Relief and Sales Tax**. Enacts 3% sales tax exempting food and prescription medicine. Rate fixed in Constitution. Proceeds dedicated to reducing property taxes. Schools to get new tax bases equivalent to amount available for operation in 1969-70. Increase corporations tax from 8% to 9%. Rebates property taxes up to $300 when family income is $3,500 or less. Freezes property taxes for homes valued at $20,000 or less once owner reaches age 65.	R / E, P & S	65,077 / **504,274**
May 26, 1970 Primary	6	**Local School Property Tax Equalization Measure.** Constitutional amendment to allow Legislature to transfer tax base of Intermediate Education District (IED) to county for purposes of levying taxes to equalize funding of county school districts. Allows for IEDs to expand beyond county boundaries.	R / O	180,602 / **323,189**
Nov.3, 1970 General	10	**New Property Tax Bases for Schools.** Tax bases would be reestablished based on operating expenditures from 1970-71, plus 6%. In subsequent years, amount from State school support required to offset tax base. Grants Legislature authority to increase or decrease school tax bases upon changes in student enrollment.	I / S	223,735 / **405,437**
Nov. 7, 1972 General	9	**Prohibits Property Tax for School Operations**. Constitutionally prohibits local and state property taxes for elementary and high school districts as well as community colleges. Provides no alternate source of revenue.	I / P	342,885 / **558,136**
May 1, 1973 Special	1	**Property Tax Limitation; School Tax Revisions**. Commonly referred to as "Gov. Tom McCall School Finance Plan." Constitutionally eliminates property taxes for schools on residential property, with the exception of bonded debt. Imposes statewide $7.50 per $1,000 of value upon non-residential property to pay for schools. Increases individual and corporate income taxes, creates business profits tax with revenue dedicated to schools. Eliminates the personal property tax on inventory. Creates new school revenue distribution formula.	R / P & E	253,682 / **358,219**
May 28, 1974 Primary	1	**Income, Corporate Tax, School Support Increase.** Increases State support for public education from 28% of operating expenditures to 43%. Provides equalization grants to level the contribution from property taxes for each school district. Eliminates equalization function of Intermediate Education Districts. Increase personal income tax rates by one percentage point and revises corporate excise tax rates from flat 6% to graduated 4% to	R / E	136,851 / **410,733**

		9% to fund State School Support Fund.		
	3	**New School District Tax Base Limitation.** Constitutional amendment to provide new tax bases for school districts. For 1975, tax base would be equal to 1974 budget, including State revenue but excluding expenditures from federal funds, serial levies and bond levies. Beyond 1975 tax base could increase 5.5% per year. Allow voters to approve new tax base.	R / T	166,363 / **371,897**
May 17, 1977 Special	1	**School Operating Levy Measure.** Commonly referred to as "Safety Net". School districts provided two opportunities to ask voters for additional, temporary tax authority above district's tax base. If unsuccessful in both elections, district may levy last year's total property tax levy plus 6%, provided the amount is less than what the total levy would have been if one of the temporary levies had been approved.	R / E	112,570 / **252,061**
Nov. 7, 1978 General	6	**Limitations on Ad Valorem Property Taxes.** Constitutionally limits real property taxes to 1½% of "full cash value," which is defined as 1975 assessed value, as reappraised. Limits increase in value to no more than 2% annually.	I / P	424,029 / **453,741**
	11	**Reduces Property Tax Payable by Homeowners**. Constitutionally requires State to pay one-half of the property taxes on each owner occupied principal residence, up to $1,500. Provides equivalent relief to renters. Limits growth of State spending to the rate of growth of personal income. Requires total excess State revenue be returned to personal income taxpayers when end of the year balance exceeds 2% of expenditures.	R / P	383,532 / **467,765**
May 20, 1980 Primary	5	**Continues Tax Reduction Program.** Allows continuation of property tax relief program adopted by the 1979 Legislature (HB 2540) under which the State reimburses property owner of owner-occupied residence up to $800 and equivalent relief up to $400 for renter. Also limits increases in statewide assessed values to no more than 5% per year, by class of property. Increased relief under the Homeowner and Renter Relief Program (HARRP). Reduces personal income taxes. Requires excess State revenues in prior biennium to be refunded, if the revenues collected are more than 2% greater than the official revenue estimate.	R / O	**636,565** / 64,979
Nov. 4, 1980 General	3	**Dedicates Oil, Natural Gas Taxes to Common School Fund.** Amends Constitution so that net proceeds of any future tax on the producers of oil or natural gas are dedicated to Common School Fund. Limits tax to 6% of the market value of the oil or gas.	R / O	**594,520** / 500,586
	6	**Constitutional Real Property Tax Limit Preserving 85% Districts' 1977 Revenue.** Constitutionally limits real property taxes to 1% of true cash value, which is defined as July 1, 1977 assessed value. Allows values to increase a maximum of 2% or by the Consumer Price Index, whichever is less after July 1, 1982. Property taxes after 1981-82 may be more than 1% if total revenue of the district increases by more than 2% of 1977-78 total revenue. Excludes payments for bonded indebtedness. Imposes limitations on other fees and charges. Requires Legislature to continue homeowner and renter's relief programs.	I / P	416,029 / **711,617**
Nov. 2, 1982 General	1	**Increases Tax Base When New Property Construction Increases District's Value.** Value of new construction from prior year multiplied by the district's tax rate, plus 6% would be added to that district's tax base.	R / T	219,034 / **768,150**
	3	**Constitutional Real Property Tax Limit preserving 85% Districts' 1979 Revenue.** Limits real property taxes to 1½% of true cash value, which is defined as July 1, 1979 assessed value. Allows values to increase a maximum of 2% or percentage increase in Consumer Price Index, whichever is less after July 1, 1984. Property taxes after 1983-84 may be more than 1½% if total revenue of the district increases by more than 2% of 1979-80 total revenue. Excludes payments for bonded indebtedness. Imposes limitations on other fees and charges. Requires Legislature to continue homeowner and renters' relief programs.	I / P	504,836 / **515,626**
Nov. 6, 1984 General	2	**Constitutional Real Property Tax Limit.** Constitutionally limits real property taxes to 1½% of true cash value or taxes levied in 1983 tax year, whichever is less. True cash value is defined as July 1, 1981 assessed value. Allows values to increase a maximum of 2% per year thereafter. Excludes payments for bonded indebtedness approved on or before effective date of measure. Taxes, including for repayment of bonds, may be levied above 1½%	I / P	599,424 / **616,252**

		limitation if approved by 50% of voters with at least a 50% voter turnout. Imposes limitations on other fees and charges. Requires Legislature to continue homeowner and renter's relief programs.		
Sept. 17, 1985 Special	1	**Amends Constitution. Approves Limited 5% Sales Tax for Local Education.** Limits sales tax to 5%, exempts home consumed food, medical services, drugs, utilities, real estate transactions, animals, and certain farm supplies. Dedicates 85% of net revenue to reducing local property taxes used for schools and community colleges. Dedicates 15% of net revenue to reducing income taxes. Reduces school tax bases by amount of relief and then limits future increases in tax bases to 3% per year.	R / S	189,733 / **664,365**
May 20, 1986 Primary	2	**Constitutional Amendment: Effect on Merger of Taxing Units on Tax Base.** Amends Section 11, Article XI of the Oregon Constitution to provide that when a taxing district merges with one or more other taxing districts the tax base of the new district the year following the merger is the sum of all former districts' tax bases, plus 6%. Current constitutional language is the new tax base is only the highest of the former districts' tax base.	R / T	**333,277** / 230,886
Nov. 4, 1986 General	7	**Constitutional 5% Sales Tax, Funds Schools, Reduces Property Taxes.** Constitutional amendment to require a 5% sales, use tax on tangible personal property, with rebates to persons with low income. Provides exemptions. Dedicates 70% of net proceeds to support schools and community colleges. In addition, State to continue level of support given schools and community colleges in 1985-87. Dedicates 30% of net revenue to reducing property taxes on owner occupied principal residences. Limits schools' revenue to tax base plus proceeds from sales tax to no more than 6% annual increases after the first year. After the first full year of sales tax distributions, limits property tax on property, other than for bonded debt to $15 per $1,000 of true cash value.	I / S & E	234,804 / **816,369**
	9	**Amends Constitution. Limits Property Tax Rates and Assessed Value Increases.** Repeals tax bases for all units of government. For 1987 tax year property tax rate is limited to the lesser of 2% of assessed value or the 1985 rate. For years after 1987 tax rate is limited to lesser of 1½% of assessed value or the 1985 rate. Exempts levies to pay bonded debt and existing non-operating serial levies. Assessed value limited to increases of 2% per year. Newly constructed property or property removed from farm or forest deferral shall be given the value it would have had on July 1, 1985, plus 2% annual increases each year thereafter. Provides ability for voters to approve levies above the limitation.	I / P	449,548 / **584,396**
	11	**Homeowner's, Renter's Property tax Relief Program; Sales Tax Limitation Measure.** Constitutional amendment. After 1987, one-half of owner occupied property value, up to $25,000, is exempt from property taxes. Requires similar relief to renters. The $25,000 limit is increased after 1987 by percentage increase in residential assessed value statewide. Requires that at least 80% of lost taxes to be paid by State, but no more than 75% from any one source. Amounts provided to units of government must be used to offset property tax levy. Allows a sales tax only by initiative petition.	I / P	381,727 / **639,034**
	12	**State Income Tax Changes, Increased Revenues to Property Tax Relief.** Generally, reduces tax brackets for low income persons and corporations and increases tax brackets for high incomes. Personal income tax brackets changed from 4% - 10% to 2% - 15%. Corporate excise tax rate from flat 7.5% to range from 5.5% to 10.5%. Makes other changes. Increased revenue to be used to provide homeowner and renter property tax relief.	I / P & O	299,551 / **720,034**
May 19, 1987 Special	2	**Continues Existing Levies to Prevent School Closures: Tax Base Elections.** Commonly referred to as "School Safety Net" measure. Amends constitution to allow school districts, if unsuccessful in passing a levy above its current tax base, to levy the same amount it levied in previous year. Limits school tax base elections to one per year, on third Tuesday in May. Measure does not affect bonded debt levies.	R / E	**223,417** / 178,839
May 16, 1989 Special	1	**Establishes New Tax Base Limits on Schools.** Constitutional amendment to establish tax bases for all school districts as one of the following: 1) the district's current tax base; 2) the district's 1987, 1988, or 1989 operating levy plus 6%; 3) for districts that have been in the safety net for two years, the district's 1989 operating levy plus 12.36%, or; 4) the operating levy approved by the district's local voters for 1990, if approved by July 1, 1989. Allows	R / E & P	183,818 / **263,283**

		school districts that merge to combine their tax bases. If adopted, legislation already passed by the Legislature will be activated to provide property tax relief in school districts that have high tax rates but spend less than average per student, provide grants to low spending school districts, require State to assume greater share of the cost of educating severely handicapped students, stabilize the school support formula, and provide property tax relief by paying education property taxes that exceed 5% of household income.		
May 15, 1990 Primary	5A	**Advisory Vote: Changing the School Finance System.** Advises the Legislature to work on major changes to Oregon's school finance system for K-12 grade.	R / E	**462,090** / 140,747
	5B	**Advisory Vote: Income Tax Increases Reducing Homeowner School Property Taxes.** Should personal income tax rates be increased from a range of 5% to 9% to a range of 5.5% to 10.4% to reduce school operating property taxes for homeowners by an average to 50% by exempting first $70,000 in value of owner occupied homes and to provide similar relief to renters?	R / E	177,964 / **408,842**
	5C	**Advisory Vote: Income Tax Increase Eliminating Homeowner School Property Taxes.** Should top personal income tax rate be increased from 9% to 14% to eliminate school operating property taxes for owner occupied homes and to provide similar relief to renters?	R / E	128,642 / **449,725**
	5D	**Advisory Vote: Sales Tax Reducing School Property Taxes.** Should a 4% sales tax on most goods except services, prescriptions, food for home consumption, utilities and housing be implemented to reduce school operating taxes for all property owners by an average of 50% and to provide renter relief and low income credit?	R / E	202,367 / **385,820**
	5E	**Advisory Vote: Sales Tax Eliminating School Property Taxes.** Should a 5% sales tax on most goods except services, prescriptions, food for home consumption, utilities and housing be implemented to eliminate school operating taxes for all property owners and to provide renter relief and low income credit?	R / E	222,611 / **374,466**
Nov. 6, 1990 General	2	**Constitutional Amendment Allows Merged School Districts to Combine Tax Bases.** Simplifies process of merging one or more school districts. Provides that tax base of new school district is the sum of merged districts' tax base from year prior to merger, plus 6%.	R / T	**680,463** / 354,288
	5	**State Constitutional Limit on Property Taxes for Schools, Government Operations.** Limits property taxes for schools to $15 and non-school government operations to $10 per $1,000 of real market value starting in 1991-92. School rate decreases $2.50 per year until it reaches $5 in 1995-96. Exempts taxes to pay bonded indebtedness, with limitations. Requires State to replace school funds lost until 1996. Defines real market value as "minimum amount" during the period the property is taxed.	I / P	**574,833** / 522,022
Nov. 3, 1992 General	7	**Raises Tax Limit on Certain Property: Residential Renters' Tax Relief.** Increases tax limit on non-residential, owner occupied principal residences for schools to $20 per 1,000 of real market value. Requires Legislature to provide relief to renters comparable to relief granted homeowners under Measure 5.	I / E	362,621 / **1,077,206**
June 29, 1993 Special	1	**Allows Voter Approval of Urban Renewal Bond Repayment Outside Limit.** Allows voters of city or county to authorize existing or future urban renewal bond payments to be excluded from Measure 5 limits.	R / O	180,070 / **482,714**
Nov 9, 1993 Special	1	**Should We Pass A 5% Sales Tax for Public Schools with these Restrictions?** Constitutional amendment to allow Legislature to adopt a 5% sales tax on goods only, not services. Exempts food for home consumption, shelter, prescription medicines, and utilities. Rate and exemptions set in Constitution. Refund of sales tax to low income individuals. Proceeds must be used for public education operations, including kindergarten and community colleges. School taxes eliminated for owner occupied principal residences. Accelerates $5 limit for all other property to 1994. Increase corporate income tax rate to 7.9%. Imposes State spending limit to increase in inflation plus population growth.	R / S	240,991 / **721,930**
Nov. 8, 1994 General	15	**Amends Constitution: State Must Maintain Funding for Schools, Community Colleges.** Requires Legislature to fund kindergarten thru	I /	438,018 /

		community colleges at no less than the 1993-95 base funding amount, adjusted for inflation, deflation and changes in enrollment.	E	**760,853**
May 16, 1995 Special	21	**Dedication of Lottery Funds to Education.** Constitutional amendment to allow Legislature to allocate a portion of lottery proceeds to public education, rather than only for economic development. Requires 15% of lottery proceeds to be placed in Education Endowment Fund. Only interest earnings from the Fund may be used by the Legislature to fund public education.	I / E	**671,027** / 99,728
Nov.5, 1996 General	47	**Amends Constitution: Reduces and Limits Property Taxes; Limits Local Revenues, Replacement Fees.** Reduces property taxes in 1997-98 on each property to lesser of: 1) 1994-95 taxes, 2) 1995-96 taxes less 10% or 1997-98 taxes. Exempts levies for bonded debt. Reduced operating taxes to be prorated to each district, with priority given to public safety. After 1997-98, property tax restricted to 3% increase per year. Exceptions for new construction and other increases in market value. Requires votes to approve taxes above the limit to be approved at an election where at least 50% of eligible voters cast a ballot, except election in November in even numbered year, commonly referred to as the "double majority standard".	I / P	**704,554** / 642,613
May 20, 1997 Special	50	**Amends Constitution: Limits Assessed Value of Property for Property Tax Purposes; Limits Property Tax Rates.** Repeals Measure 47 and most other constitutional provisions relating to the property tax system, including tax bases. Retains limits of Measure 5. Generally limits property taxes through restrictions on assessed value of property and property tax rates. Establishes maximum assessed value as the property's real market value in the 1995-96 tax year less 10% and then limits increase in future years to 3%, with exceptions. For the 1997-98 tax year, generally reduces the total of all taxing district levies in the state by 17%. Based on 1997-98 reduced levies, fixes each taxing district's permanent tax rate limit for years after 1997-98. Retains "double majority" standard for approving local property tax measures adopted by Measure 47.	R / P	**429,943** / 341,781
Nov. 4, 1997 Special	52	**Authorizes State Lottery Bond Program to Finance Public School Projects.** Statutorily implements legislation to establish a state education lottery bond program to provide as much as $150 million in bond proceeds for state education projects. Funds to repay bonds to come from lottery proceeds, earnings from Education Endowment Fund and other moneys appropriated by Legislature.	R / E	**805,742** / 293,425
May 19,1998 Primary	53	**Amends Constitution: Eliminates Voter Turnout Requirement for Passing Certain Property Tax Measures.** Repeals "double majority" standard adopted by Measure 47 and retained by Measure 50 for approving local property tax measures.	R / O	303,539 / **319,871**
Nov. 3, 1998 General	54	**Amends Constitution: Authorizes State To Guarantee Bonded Indebtedness Of Certain Education Districts.** Allows State to guarantee school districts, education service districts and community colleges' general obligation bonds. Does not change local voter approval or other requirements. Using higher bond rating of State could result in lower interest rate and therefore interest costs for local districts. State to access available funds, including a property tax levy, to repay the bonds, if necessary. State to be reimbursed by district for any such payment.	R / O	**569,982** / 474,727
May 16, 2000 Primary	77	**Amends Constitution: Makes Certain Local Taxing Districts' Temporary Property Tax Authority Permanent.** Designed to fix an unanticipated result of Measure 50 whereby three taxing districts, Deschutes County, Linn County and the City of Sweet Home, levied local option levies in 1997-98 to replace serial levies that expired the previous year. Transfers a portion of the levy authority from each district's local option levy to its permanent tax rate limit by the amount of the expired serial levy.	R / O	336,253 / **432,541**
Nov. 7, 2000 General	93	**Amends Constitution: Voters Must Approve Most Taxes, Fees; Requires Certain Approval Percentages.** Requires voter approval of most new taxes, increased taxes and fees. Applies to state and local governments. Approval must be by same percentage of voters as approve this measure. Approval may only be voted on at General Election in even numbered year or other election where initiative petitions are voted on. Governments must refund voter approved levies or fees imposed since December 6, 1998 unless approved by voters by simple majority.	I / O	581,186 / **865,091**

	1	**Amends Constitution: Legislature Must Fund School Quality Goals Adequately; Report; Establish Grants.** Requires the Legislature to fund a sufficient amount of money to meet public education quality goals as established by the Legislature. Requires the Legislature to issue a report that demonstrates that funding is adequate to meet the goals or must state the reasons for any insufficiency, the extent and impact of the insufficiency. Requires Legislature to establish Equalization Grants to districts that have received voter approval for a local option levy.	I / E	**940,223** / 477,461
Sept. 17, 2002 Special	19	**Amends Constitution: Authorizes Using Education Stability Fund Principal in Specified Circumstances; Transfers $150 Million to State School Fund; Creates School Capital Matching Subaccount in Stability Fund.** Converts the Education Endowment Fund into an education stability fund. Specifies conditions under which moneys may be appropriated from the principal of the fund. Starting July 1, 2003, 18% of net proceeds from the lottery will be placed in the education stability fund, up to a limit of 5% of the State's General Fund. Expenditures of principal may only be made in an economic downturn or the Governor declares an emergency and in either case the expenditures are approved by a three-fifths vote of both houses of the Legislature. Provides that on May 1, 2003, $150 million is transferred from education stability fund to the State School fund to be used for K-12 public education.	R / E	450,444 / **704,116**
Nov. 5, 2002 General	18	**Amends Constitution: Allows Certain Tax Districts to Establish Permanent Property Tax Rates and Divide into Tax Zones.** Allows, upon voter approval, a taxing district to establish a permanent tax rate limit if district has not levied property taxes for operations after July 1, 1990. Current Constitutional langue prohibits districts from seeking a permanent tax rate limit if district had, at any time in the past, levied property taxes for operating purposes. Also allows districts to break into up to 20 zones, each with its own permanent tax rate limit, upon voter approval within each zone.	R / O	450,444 / **704,116**
Nov. 4, 2008 General	56	**Amends Constitution: Provides that May and November Property Tax Elections are Decided by Majority of Voters Voting.** Revises "double majority" standard. Elections that do not need to have 50% of eligible voters voting to approve an increase in property taxes is expanded from November in even-numbered year to any election in May or November.	R / O	**959,118** / 735,500
May 18, 2010 Primary	68	**Revises Constitution: Allows State to Issue Bonds to Match Voter Approved School District Bonds For School Capital Costs.** Allows the State to issue bonds and use the proceeds to help school districts by providing matching funds for funds approved by school district voters for capital costs. Defines "capital costs" as costs for acquisition, construction, improvement, remodeling, maintenance and repair. Capital costs do not include routine maintenance or supplies. Replaces limitations on use of general obligation bonds approved by voters as part of Measure 5 (1990) and Measure 50 (1997).	R / O	**498,073** / 267,052

ENDNOTES

[1] Source of statewide data is Oregon Department of Revenue, Property Tax Statistics and Property Tax Statistics Supplement.

[2] All Multnomah County data (values and/or property taxes) is derived from county assessor reports, Summary of Assessments and Taxes and SAL Reports. For taxing districts that extend beyond Multnomah County, assessment data source is from those other counties.

[3] In Oregon, the tax bill is sent out by the tax collector in late October. Property owners are allowed to make three payments: the first third by November 15, the second third by February 15, and the last third by May 15. However, if the entire amount is paid by November 15 a 3% discount is allowed, and if two-thirds is paid by November 15 a 2% discount is allowed. Payment schedules differ state to state.

[4] A complete listing of statewide measures by year, dating back to 1902, including voting results, is available in the Elections and Records section of the 2003-2004 *Oregon Blue Book*. State of Oregon, Office of the Secretary of State, Bill Bradbury, *Oregon Blue Book 2003-2004□: Almanac & Fact Book* (Partners/West Book Distributing Inc., 2003).

[5] State of Oregon, Department of Administrative Services, Budget and Management Division and Department of Revenue, Research Section, *2005-07 Tax Expenditure Report*, 2005.

[6] “Municipal Corporation” is defined in ORS 294.311(25) as “any county, city, port, school district, union high school district, community college district and all other public and quasi-public corporations.” Throughout this report the terms municipal corporation, taxing district and district are used interchangeably.

[7] Multnomah County Tax Supervising and Conservation Commission, 2010-11 Annual Report, Property Tax Section, page 33, January 2011

[8] Oregon Department of Revenue, Research and Special Services Division, “53 Years of Property Tax Relief in Oregon: a report on relief programs from 1921 to 1974, including 1971 homeowners property tax relief (HOPTR) and 1973 homeowners and renters refund program (HARRP),” 1975.

[9] Programs included the 1971 Homeowners Property Tax Relief (HOPTR), which was replaced in 1973 by Homeowners and Renters Property Tax Relief (HARRP). Ibid.

[10] Chapter 241, Oregon Laws 1979 (HB 2540).

[11] Tax bases had been created in 1914 via Section 11, Article XI of the Oregon Constitution. Measure 3, adopted by voters at the November 8, 1932 General Election, amended Section 11 to base the 6% increase on the greater of the last three-year’s levy rather than simply on the previous year’s levy. Measure 4, adopted by voters at the November 4, 1952 General Election amended Section 11 by allowing municipal corporations to seek voter approval of new, higher tax bases and to increase tax bases when property was annexed into the municipal corporation. Measure 50, adopted by voters at the May 20, 1997 Special Election, Repealed Section 11, Article XI, Oregon Constitution and created a new Section 11.

[12] A “mill” is one-tenth of one cent. Thus 15 mills would be the equivalent of $0.015 per $1 of value. A “millage rate” is the same amount expressed as a rate per $1,000 of value, or $15.00 per $1,000 of value. (Original version corrected, January 2012.)

[13] Bruce A. Weber, *Oregon School Funding: Assessing the Options* (Extension Service, Oregon State University, 1989).

[14] 1989 School Finance Reform, H.B. 2137, H.B. 2658 & S.B. 5559, Oregon State Legislature,1989; State of Oregon, Legislative Revenue Office, *Research Report 5-89*, October 10, 1989.

[15] Oregon Secretary of State, Clay Myers, *State of Oregon Voters' Pamphlet, Special Election, May 1, 1973* (Salem: State of Oregon, 1973), 9.

[16] Oregon Constitution, Art. VIII.

[17] *Serrano v. Priest*, 5 Cal.3d 584 (California Supreme Court, 1971); *Serrano v. Priest*, 18 Cal.3d 728 (California Supreme Court, 1976).

[18] *San Antonio School District v. Rodriquez*, 411 US 1 (United States Supreme Court, 1973).

[19] *Olsen v. State of Oregon*, 2776 Or 9, 554, P2d 139 (Oregon Supreme Court ,1976).

[20] Between 1980-81 and 1985-86, a legislative property tax relief program was in effect. Statewide increases in assessed value were limited to five percent in two broad categories: owner occupied and all other. Thus assessed value, or value used to calculate rates, was less than real market value or "true cash value," as it was referred to during those years. The percentage change in real market value between 1980-81 and 1990-91 was only 34.0%, having increased from $71.827 billion to $95.850 billion.

[21] Prior to 1988-89 property tax rates were calculated and rounded up to the nearest penny. A retired Reed College math professor, Tom Dennehy, appealed this practice all the way to the Oregon Supreme Court arguing that it violated the prohibition against increasing tax base levies more than 6% per year. The court agreed in *Dennehy v. Department of Revenue,* 305 Or 595, 609, 756 P2d 13 (Oregon Supreme Court 1988). The Legislative fix was to extend tax rates out an additional two places to the right of the decimal and truncate the rate at that point. This resulted in a minor "truncation loss" versus a larger "rounding up increase."

[22] Of the 13 *Voters' Pamphlet* statements in opposition to Ballot Measure 5, seven were submitted by public employee unions or organizations representing government agencies, including one signed by Governor Neil Goldschmidt, Secretary of State Barbara Roberts, Attorney General Dave Frohnmayer and Superintendent of Public Instruction Norma Paulus.

[23] Chapter 459, Oregon Laws 1991 (HB 2550).

[24] Bruce Weber, Brent S. Steel, and Robert Mason, *Measure 5: What Did Oregon Voters Really Want?*, Oregon Legislative Discussion Paper Series (Rural Policy Research Group, 1991).

[25] "Find Other Sources of Revenue, Poll Says," *The Oregonian*, November 28, 1990.

[26] T.K. Olson, *A Dollars & Sense Look at Oregon School Finance* (Portland, OR: Oregon Tax Research, 1990).

[27] Mark L. Zusman, Editorial, *Willamette Week*, August 23 - 29, 1990.

[28] Jewell No. 8 (Clatsop County), Sisters No. 6J (Deschutes County and Jefferson County), Ashwood No. 8 (Jefferson County), McDermitt No. 51 (Malheur County), North Marion No. 15 (Marion County), and Neah-Kah-Nie No. 56 (Tillamook County).

[29] Chapter 393 Oregon Laws 1991 (SB 917).

[30] Chapter 785, Oregon Laws 1993 (SB 26).

[31] Chapter 693, Oregon Laws 1991 (HB 356).

[32] Chapter 396, Oregon Laws 1991 (SB 1185), later codified as ORS 310.180 to 310.188.

[33] Chapter 424, Oregon Laws 1993 (SB 59).

[34] *City of Portland v. Smith*, 314 Or 178, 838 P2d 568 (Oregon Supreme Court, 1992).

[35] "PDC Chairman weighs options in light of financing crisis," *The Business Journal*, December 21, 1992.

[36] Oregon Constitution, Art. I, Sec. 32.

[37] Oregon Revised Statutes, ORS 310.110.

[38] Oregon Constitution, Art. XI, Sec. 11b, Sub. 4, Ballot Measure 5, 1990.

[39] *Savage v. Munn*, 12 OTR 145 (Oregon Tax Court, 1992).

[40] *Nordlinger v. Hahn*, 505 US, 112 S Ct 2326, 120 L Ed 2d 1 (United States Supreme Court, 1992).

[41] Savage v. Munn, 317 Or 283 (Oregon Supreme Court, 1993).

[42] Oregon Constitution, Art. XI, Sec. 11b, Sub. (2)(a), Ballot Measure 5, 1990.

[43] K-12 and ESD School Finance, State School Fund Distribution, Research Report # 8-01, Legislative Revenue Office, November 2001.

[44] Chapter 695, Oregon Laws 2001 (SB 260).

[45] Oregon Administrative Rules, 589-002-0100.

[46] The Oregon Department of Revenue conducted a study in 1998 looking at 23 typical residential properties located in 10 different counties and found that the average reduction in property taxes between 1990-91 and 1995-96 was 10.3%, as reported in the 1998-99 Property Tax Statistics.

[47] Ballot Measure 47 created new sections 11g, 11h, 11i, and 11j, Article XI of the Oregon Constitution.

[48] Oregon Constitution, Art. XI, Sec. 11g, Sub. (4)(a), (Repealed Ballot Measure 47).

[49] Oregon Constitution, Art. XI, Sec. 11g, Sub. (7), (Repealed Ballot Measure 47).

[50] Sub-sections (3) and (8) respectively. Oregon Constitution, Art. XI, Sec. 11g, (Repealed Ballot Measure 47).

[51] Oregon Constitution, Art. XI, Sec. 11h, (Repealed Ballot Measure 47).

[52] H.B. 2047, Oregon State Legislature, 1997.

[53] Constitutional provisions and referral to the people of Oregon for approval were accomplished in Conference Committee Amendments to B-Engrossed House Joint Resolution 85; Statutory changes to implement the measure were approved. SB 1215, Oregon State Legislature, 1997.

[54] Chapter 541, Oregon Laws 1997 (SB 1215).

[55] Specifically, sections 11, 11a, 11f, 11g, 11h, 11i, and 11j, Article XI were repealed and new sections 11 and 11a, Article XI were adopted in lieu of those repealed sections. Measure 5 limitations are contained in sections 11b, 11c, 11d, and 11e, Article XI which were retained.

[56] This change was made in legislation separate from the main implementation bill (HB 2510). The legislation had been introduced earlier in the session by the Oregon State Association of County Assessors as a technical "cleanup" bill and was used for several Measure 50 issues. The bill, HB 2066, was passed as Chapter 819, Oregon Laws 1997.

[57] For some properties that are being specially assessed as farm land, forest land, historic property or under partial exemption such as strategic investment (SIP), each property has four values: 1) real market value (RMV), 2) specially assessed value (SAV) 3) maximum specially assessed value (SMAV); and 4) assessed value (AV). The assessed value is the lowest of RMV, SAV or MSAV.

[58] Section 6, Chapter 541, Oregon Laws 1997 (SB 1215).

[59] State of Oregon, Legislative Revenue Office, *The Effect of Measure 47, Cuts and Caps Property Taxes*, Research Report #3-96, September 5, 1996.

[60] Oregon Constitution, Art. XI, Sec. 11, Sub. (3)(a)(A), (Ballot Measure 50).

[61] Oregon Constitution, Art. XI, Sec. 11, Sub. (3)(a)(E), (Ballot Measure 50).

[62] Continuing levies were on-going levies, usually for a specific purpose, which had been approved by voters prior to July 21, 1953 when temporary levies were limited to a certain number of years. Most often the levy authority was expressed as a percentage of value, or millage, as the upper limit of authority even though the levy was certified to the county assessor as a dollar amount. The assessor would then calculate a tax rate by dividing the dollar amount by the total assessed value of the district.

[63] Separate levies for school districts beyond the maximum tax base authority were allowed in order to bring the total levy up to the prior year's levy authority.

[64] Because these levies were not calculated separately as part of the final Measure 50 tax calculations they are not reported separately in the Department of Revenue's 1997-98 Property Tax Statistics Supplement.

[65] Memorandum from Dave Boyer, Chief Financial Officer to Multnomah County Commissioners, November 29, 2004, Subject: History of Public Safety & G.O. Bond Levies and SB 1145 Capital.

[66] Oregon Administrative Rules, OAR 150-310.055. Filed 10/15/99, Effective 12/31/99.

[67] Portland Public Schools permanent rate has seesawed between its original rate of $4.7743 without the gap bond levy, and $5.2781 with the gap bond levy. Legislation in several different sessions treated the additional rate of $0.5038 differently. The main issue was whether the additional amount should be included in the State School Fund Formula. If it was included, the School District would essentially lose money since the amount of State dollars would simply be reduced to keep the per student amount the same. The School District wanted to continue to levy the amount as part of its permanent rate, but only if it was excluded from the formula. After a temporary, three-year authorization the 2009 Legislature made the change permanent. In addition, separate legislation made the additional rate not subject to urban renewal division of tax calculations within "reduced rate plan areas." This will have the effect of increasing revenues from this portion of the School District's permanent tax rate limit.

[68] For a more complete description of the Deschutes County, Linn County, and City of Sweet Home permanent rate limit calculation problem, see Letter from Legislative Counsel Thomas G. Clifford, by Dexter A. Johnson, Deputy Legislative Counsel, to Hon. Neil Bryant; Hon. Dennis Luke; and Hon. Ben Westlund, January 12, 1998.

[69] "Find Other Sources of Revenue, Poll Says," *The Oregonian*, November 28, 1990.

[70] Oregon Constitution, Art. XI, Sec. 11, Sub (11)(b), (Ballot Measure 50).

[71] S.B. 1215, Section 454, Oregon State Legislature, 1997. Later codified as Oregon Constitution, ORS 457.435.

[72] S.B. 1215, Sec. 449, Sub (9), Oregon State Legislature, 1997, later codified as ORS 457.440.

[73] Oregon Administrative Rules, OAR 150-457.440(9). Filed 10/15/99, Effective 12/31/99.

[74] See Attachment C, "Exception Value in 1997-98" in State of Oregon, Legislative Revenue Office, *Measure 50 Tax Cuts, New Estimates*, January 14, 1998.

[75] The number of appeals did jump back up to 8,514 in 2008-09, and 10,312 in 2009-10, most likely due to the reduction in market values across the state.

[76] Phone conversation with county assessor Scott Langton, October 15, 2010.

[77] Subsequent to 1997, the Legislature increased the cancellation threshold to $12,500 and, starting in 2003-04, indexed the amount by the U.S. City Average CPI. Chapter 479, Oregon Laws 2001 (HB 2111).

[78] Oregon Administrative Rules, 150-308.149-(A), 150-308.149(6), 150-308.156, 150-308.156(5), 150-308.156(5)-(A), 150-308.156(5)(B), 150-308.156(5)(C), 150-308.156(5)(D), and 150-308.159.

[79] Oregon Revised Statutes 308.166

[80] The County Assessment Function Funding Assistance (CAFFA) program was established in 1989 by Chapter 796, Oregon Laws 1989 (HB 2338). The purpose was to provide reimbursement grants to counties as an incentive to adequately budget and staff county offices that administer the assessment and taxation program. Funding for the grants is provided by document recording fees and a portion of the interest collected on delinquent property taxes. For a more comprehensive discussion of this program and its history, see State of Oregon, Department of Revenue, Property Tax Division, *2004 Assessment and Taxation Funding Study*, November 2004.

[81] In 1998-99, the Yamhill County SWCD imposed taxes in the amount of $122,212. In 2010-11, the following SWCDs imposed property taxes: Benton County, Columbia County, Jackson County, Marion County, East Multnomah County, West Multnomah County, Polk County, Sherman County, Wasco County, and Yamhill County.

[82] *Shilo Inn v. Multnomah County*, 333 Or 101, 36 P3d 954 (Oregon Supreme Court 2001).

[83] Oregon Administrative Rules, OAR 150-457.440(9), amended May 23, 2002.

[84] Phone conversation with Mark Noakes, Linn County Assessor, July 25, 2011.

[85] Chapter 700, Oregon Laws 2009 (HB 3056).

[86] *Case No. 01-0508-L-1* (Circuit Court of Oregon for Jackson County 2002).

[87] Legal opinion, Daniel B. Cooper, Metro Attorney, March 6, 2008.

[88] City of Portland Measure 26-86, approved by voters at the November 2006 General Election, amended Chapter 5 of the City Charter. Among the many changes to the FPD&R system was the creation of a third tier of members, placing all sworn members of the Bureau of Fire & Rescue and the Bureau of Police hired after January 1, 2007 into the PERS system for retirement benefits.

[89] Letter from Linda Blacklock, Property Tax Division, Oregon Department of Revenue to Shelly Burgess, Administrative Officer, Union County, April 1, 2011.

[90] Oregon Administrative Rules 150-310.055. Filed 10/15/99, Effective 12/31/99.

[91] Oregon Constitution, Art. XI, Sec. 11, Sub. (18), (Ballot Measure 50).

[92] Oregon Constitution, Art. XI, Sec. 11, Sub. (1)(c), (Ballot Measure 50).

[93] Section 9, subsection (2), SB 1215, codified as ORS 308.149, subsection (2).

[94] Oregon Administrative Rules, OAR 150-308.215(1)-(A). Revised 2006, effective 7-31-2006.

[95] James Pitkin, "Spot the Differences," *Willamette Week*, October 17, 2007.

[96] The State Comprehensive Revenue Restructuring Task Force was established by H.B. 2530 (2007 Regular Session) and staffed by the Legislative Revenue Office. Final Report dated January 2009.

[97] Three companion measures, SJR 35, SJR 36, and SJR 37 were introduced by the Oregon Senate Committee on Finance and Revenue. Each would have submitted a ballot measure to the voters to amend Oregon's Constitution to either replace or revise Measure 50. The measures had one public hearing in front of the Senate Revenue Committee on April 22, 2009.

[98] State of Oregon, Legislative Revenue Office, *Oregon's Property Tax System: Horizontal Inequities under Measure 50*, Research Report # 4-10, September 2010.

[99] Due to bond levies for the county, Metro and TriMet, the tax rate for east county cities would increase, but only by approximately $1.0000 per $1,000 of assessed value based on 2009-10 bond levy amounts and assessed values if all of the assessed value, over $43.575 billion, within City of Portland suddenly vanished.

[100] Based on 533,732 average daily membership, raw (ADMR) from State of Oregon, Department of Education, *2009-10 State School Fund Estimates*, May 11, 2010.

[101] Eugene Water and Electric Board (EWEB), a municipal corporation, was a minority owner of Trojan with less than a 3% interest. As a municipal corporation, EWEB was exempt from paying property taxes on its share of the Trojan plant.

[102] Measure 9, November 1976; Measure 7, November 1980; Measure 14, November 1986; Measure 4, November 1990 and; Measure 5, November 1992.

[103] Breakdowns of centrally assessed properties, like electric utilities, are confidential. The values for Trojan quoted here are the sum of PGE's and PacifiCorp's assessed value in tax code areas 03-05 and 03-12.

[104] An excellent description of this process, albeit prior to both Measure 5 and Measure 50, is found in Section 4, Background on the Elements of an Assessment Program in State of Oregon, Department of Revenue, *Disintegration of Oregon's Property Tax System*, March 1987.

[105] 2011 Report on the Health of the Oregon Property Tax System, Oregon Department of Revenue, Property Tax Division, 150-338-400 (Rev. 03-11)

[106] See Table 7 in State of Oregon, Legislative Revenue Office, *2011 Oregon Public Finance: Basic Facts*, Research Report # 1-11, 2011.

[107] Section 11 (4), Article XI of the Oregon Constitution (Ballot Measure 50) allowed local option levies for general government taxing districts and gave the Legislative Assembly authority to enact laws permitting education districts to impose local option taxes.

[108] School districts are limited by the amount that can be raised from local sources outside (excluded from) the school funding formula to the lesser of: $1,000 per ADMw, increased by 3% per year after 2009-10; 20% of State school distribution formula revenue; or the amount available within the Measure 5 limit. ORS 327.011(2). Districts are allowed to levy more than the limit but every dollar collected above the limited amount results in a direct, dollar-for-dollar loss in revenue received from the State.

[109] United States Department of Labor, "Inflation Calculator: Bureau of Labor Statistics," n.d., http://www.bls.gov/data/inflation_calculator.htm.

[110] Telephone conversation with Rick Larson, Director of Business and Operations, Centennial School District No. 28J, September 9, 2011.

[111] House Joint Resolution 26 (2011 Legislative Session)

[112] U.S. Dept. of Labor, "Inflation Calculator," http://www.bls.gov/data/inflation_calculator.htm.

[113] "Portland State Population Research Center, Population Estimates," n.d., http://www.pdx.edu/prc/population-estimates-0.

[114] According to unofficial data compiled by Government Relations Strategies for the Special Districts Association of Oregon.

[115] According to preliminary and unofficial data compiled by Seattle Northwest Securities, Portland Office.

[116] Of the 23 arguments in favor of Measure 56, thirteen were submitted by public sector organizations or individuals. For Measure 68, five of the seven arguments in favor were submitted by public sector organizations or individuals.

[117] Task Force on Comprehensive Revenue Restructuring, Final Report, January 2009 (House Bill 2530, 2007 Legislative Session).

[118] State of Oregon, Final Report. Governor's Task Force on Federal Forest Payments and County Services, January 2009.

[119] Oregon Department of Education, All Funds, Function 2700, Objects 116, 240 and 270.

[120] Budget Highlights, 2011-13 Legislatively Adopted Budget, Legislative Fiscal Office, August 2011.

[121] Based on State School Fund Estimates provided by Oregon Department of Education. "State School Fund (SSF) - Oregon Department of Education," n.d., http://www.ode.state.or.us/search/results/?id=168. Accessed May 2011.

[122] State of Oregon, *Final Report: Governor's Reset Cabinet*, June 2010.

[123] "State's teachers walk job tightrope," *The Oregonian*, September 6, 2011.

GLOSSARY

100 Percent Levies. Property taxes certified for collection for the first time in 1996-97 or 1997-98 that had been approved by voters prior to December 6, 1996 and the election met the double majority standard. Included new tax base authority, serial levies and one year levies. These taxes were not subject to reduction under Measure 50 and were included in the calculation of the district's permanent tax rate limit.

Assessed Value (AV). Value of property subject to taxation. Prior to Measure 50, assessed value and real market value (RMV) were the same except for properties granted partial exemption or specially assessed as farm, forest or open space land. Under the provisions of Measure 50 starting in 1997-98, assessed value is the lesser of RMV or maximum assessed value (MAV).

Assessment. The process of identifying mapping, assigning a value and calculating a correct tax amount for all property, real and personal, in the county.

Assessment Date. The date (and time) established by statute used to determine the values to be used for the upcoming assessment and tax roll. Since 1998-99 the date has been January 1, and more specifically, 1:00 am on January 1. ORS 308.210. Between 1992-93 and 1997-98 the assessment date was July 1 to comply with the provisions of Measure 5.

Assessment Roll. A listing of all property in a county as of the assessment date, including ownership, legal description, tax code area, account number, RMV (broken down by land and building, structures and other improvements), total MAV and total AV. Personal property and manufactured structures are to be listed separately.

Bond Levy. An amount necessary to pay the ensuing year's principal and interest payments on bonded indebtedness approved by voters. The amount is increased to account for amounts not to be collected due to early payment discounts and amounts not paid during the year. Also may include an amount to cover payments due during the first six months of the following year to provide sufficient cash flow before property tax collections are available.

Centrally Assessed Property. Taxable property assessed by the Department of Revenue under the provisions of ORS 308.505 to 308.665, including electric and communication utilities, rail transportation, air transportation, water transportation, gas pipelines, private railcars, and others.

Changed Property Ratio (CPR). The county-wide ratio of average MAV to average RMV for unchanged properties, by property class. This ratio is used in calculating the MAV of new properties, improvements and other exceptions. For centrally assessed (utility) property, the CPR is calculated statewide.

Compression. Reduction in taxes required by the Measure 5's property tax rate limits, expressed at $5 per $1,000 of RMV for taxes to support public education and $10 per $1,000 of RMV to support local government other than public education. Compression is computed on a property-by-property basis.

Compression Loss. Amount of reduction in taxes due to compression, either for taxes to support public education or taxes to support local government other than public education. Computed by subtracting taxes imposed from taxes extended.

Continuing Levy. Levy authority, separate from tax base authority, authorized by district voters prior to July 21, 1953, after which such levies were limited as to the number of years. With no time limit, these levies continued indefinitely. Typically continuing levies were restricted for a specific use and were expressed as a rate (mill) which established the upper limit of the levy. However, districts most often certified the levy as a dollar amount. All continuing levies except City of Portland's FPD&R levy were rolled into taxing districts' permanent tax rate limit in 1997-98 as part of the implementation of Measure 50.

District. Synonymous with Municipal Corporation.

District Tax Rate. Computed by adding together the permanent rate, the local option rate, the gap bond rate, and the bond levy rate for the district. Tax rate is expressed in dollars and cents per $1,000 of property value, carried out to four places to the right of the decimal.

Division of Tax. Synonymous with tax increment revenue. The process of, and revenue from, apportioning tax to urban renewal agencies based on the relationship between the frozen base value and the growth of value ("excess value" or "increment") of properties in a particular geographic area (urban renewal plan area). The tax is split between the taxing district and the urban renewal agency by multiplying each levy rate times the excess value. That value is then divided by the shared value to arrive at the rate attributable to the urban renewal agency. The urban renewal tax rate is then deducted from the levy rate to determine the tax rate attributable to the taxing district.

Double Majority Standard. First introduced by Ballot Measure 46 in 1996 and retained in Ballot Measure 50, requires measure to increase property tax authority be approved by not only a majority voting yes on the measure but also that at 50 percent of eligible voters cast votes. Originally, if the election was a general election in an even numbered year the double majority did not apply. Ballot Measure 56, passed at the November 4, 2008 general election, allowed approval without the double majority standard at any May or November election. Now, only elections held in March or September must meet the double majority standard. Applies to election to: 1) establish a new permanent tax rate limit, 2) local option levy, 3) general obligation bond measure, and 4) charter amendment to increase the maximum rate for local government pension and disability plan obligations.

Effective Tax Rate. Average rate computed for an area by dividing the taxes imposed in that area by the real market value or the net assessed value of taxable property.

Equalization. The process of maintaining uniformity of values among property owners and among various classes of property. Measure 50 made equalization unnecessary because it mandated the calculation of assessed value from a base year value with a 3 percent annual growth limit.

Exceptions. Actions or events that allow a property's MAV to increase more than 3% from one year to the next under the limitation imposed by Measure 50. This includes: new property or new improvements to property, property portioned or subdivided, property that is rezoned and used consistent with the new zoning, property added to the assessment roll as omitted property, property first disqualified from exemption or special assessment, and two properties adjusted by a lot line adjustment.

Excess Value. See urban renewal excess value.

Exempt Property. Properties that are not taxed under the property tax system according to specific Oregon law.

Existing Urban Renewal Plan Area. Urban renewal plan areas that were in effect on December 6, 1996 (the effective date of Ballot Measure 47). To continue collecting division of taxes, the urban renewal agency was required, no later than July 1, 1998, to: 1) chose an option (see Urban renewal options), and 2) establish a maximum amount of indebtedness.

Farm Use Special Assessment. Special assessment at less than full assessed value for land (ORS 308A.062–308A.068).

Forestland Special Assessment. Special assessment at less than full assessed value of land used for growing timber.

Frozen Base Value. The assessed value of all taxable property within an urban renewal plan area at the time that the plan was created based on the most recent assessment and tax roll certified.

Gap Bonds. Principal and interest obligations of districts that were being paid for with operating revenues rather than with the proceeds of a bond levy in 1997-98. The amount levied to repay the obligation in 1997-98 was not subject to reduction under Ballot Measure 50 and was allowed to continue as a separate levy until the obligation was fully repaid. For the fiscal year following repayment, the gap bond no longer exists and the district's permanent tax rate limit is increased based on what the rate would have been in 1997-98 if not for the gap bond and in accordance with Oregon Administrative Rule 150-310.055. The last gap bond was fully repaid in 2010-11. No new gap bonds are possible.

Joint Taxing District. A taxing district that crosses county lines.

Levy-Based Property Tax System. Property Tax system in which levy authority is expressed as a dollar amount. Tax rates are calculated by dividing the dollar levy by the total assessed value of taxable property in the district. The alternative is rate-based tax system.

Local Option Levies. Temporary property tax levies in addition to any permanent tax rate limit levy. First allowed by Measure 50 in 1997 and intended to replace serial levies. Local option levies must be approved by voters at a May or November election or an election that meets the double majority standard (at least 50 percent voter participation).

Locally Assessed Property. Taxable property assessed by county assessors, including real property, personal property, and manufactured structures carried on a separate roll.

Market Value. See real market value.

Maximum Assessed Value (MAV). First established in 1997-98 as part of the implementation of Measure 50. For that year, 1997-98, MAV was determined at the 1995-96 RMV less 10%. In subsequent years MAV is calculated as the greater of: 1) the prior year's AV multiplied by 1.03, or 2) the prior year's MAV. For new property or other exceptions to the Measure 50 assessed value limit, the MAV is calculated by multiplying the RMV of the property considered an exception times the CPR for that property type. The MAV of the existing portion of the property, if any, is then added to the MAV of the exception portion to arrive at the total MAV.

Measure 5. Constitutional tax rate limitations passed by voters in November 1990, which can be found at Article XI, Section 11b of the Oregon Constitution. Measure 5 limited school taxes to $15 per $1,000 of assessed value and non-school taxes to $10 per $1,000 of assessed value starting in 1991–92. The school limit fell by $2.50 per $1,000 each year until it reached $5 per $1,000 in 1995–96. The non-school limit remains at $10 per $1,000. Levies to pay bond principal and interest for capital construction projects are outside the limitation. The Measure 5 rate limits still apply under the provisions of Measure 50, passed in 1997, but now apply to real market value.

Measure 5 Value. Value to which Measure 5 rate limits are applied. For properties that are not partially exempt or specially assessed, Measure 5 value will be equal to real market value. See ORS 310.165 for more information.

Measure 47. Constitution amendment placed on the November 1996 ballot by initiative petition. Replaced entirely by Measure 50, a legislatively referred constitutional amendment passed in May 1997. For 1997-98, Measure 47 limits each property's taxes, excluding taxes to repay bonded indebtedness, to the lesser of: 1) the property taxes from 1994-95, or 2) the property taxes from 1995-96 reduced by 10 percent. Property taxes on existing property after 1997-98 limited to 3% increase per year. Reductions in total taxes to be prorated to different taxing districts with priority given to public safety. Established double majority voting standard and set limits on increasing fees to offset reduction in property taxes.

Measure 50. Measure 50 is a legislatively referred measure drafted to correct technical problems with Measure 47, a tax cutting citizens' initiative passed in 1996. For 1997-98, Measure 50 reduced the assessed value of every property to 90 percent of its 1995-96 assessed value. Measure 50 then limited the annual growth in assessed value of existing property to 3 percent. In addition, Measure 50 led to the replacement of most levies with permanent tax rates.

Minor Construction. Improvements to property that are not considered exceptions to the Measure 50 limits. Defined as property with a value of less than $10,000 constructed in any one year or less than $25,000 constructed over a five year period.

(Original version corrected, January 2012.)

Municipal Corporation. Synonymous with District and Taxing District. As defined in ORS 294.311(25), includes any county, city, port, school district, community college district and special districts established under ORS Chapter 198. Also includes “an intergovernmental entity or council of governments that proposes or imposes ad valorem property taxes”. Urban renewal agencies activated under ORS Chapter 457 are also considered municipal corporations.

Net assessed value. Computed for each taxing district, net assessed value is the total assessed value of all taxable property plus nonprofit housing value and state fish and wildlife value minus urban renewal excess value used. Value used to calculate district tax rates for levies certified as a dollar amount.

Operating Taxes. Taxes from the permanent, local option, and gap bond rates that are used to fund the general operating budgets of the taxing districts.

Outside the Limit. Taxes imposed outside of the constitutionally prescribed Measure 5 rate limits.

Other Qualified Obligations. Generally includes both gap bonds and local government pension and disability plan obligations that commit property taxes to meet those obligations. Also referred to as “qualified taxing district obligations”. ORS 310.202(9).

Permanent Tax Rate Limit. Permanent taxing rate for each taxing district, expressed in dollars per $1,000 of assessed value. This rate is the maximum rate a district may use without approval by voters; districts may use any rate below this maximum.

Personal Property Value. Total assessed value of personal property, including machinery, equipment, and office furniture. In 2010-11, personal property accounts of less than $15,000 in value, excluding personal property manufactured structures, were not required to pay property tax and were not included in assessed value. The limit is indexed for inflation.

Plan Area. See urban renewal plan area.

Property Class. Designation of type or use of property, such as residential, commercial, industrial. Determined by county assessment staff based on rules by Oregon Department of Revenue. Each property class will have a separate CPR for calculating a new property’s MAV.

Public Exemptions. Property owned by federal, state, or local governments (including counties, cities and towns, and school districts) is generally exempt from property taxation. This includes all public or corporate property used or intended for use for corporate purposes of local governments and all public or municipal corporations in the state. When such property is leased to a private party, the leased portion generally becomes taxable.

Public Utility. Property described in ORS 308.515. See centrally assessed property.

Rate-Based Property Tax System. Tax system in which tax rates are set by law or by voters, and levies are calculated as rates times assessed value. Under Measure 50, Oregon's tax system is predominately a rate-based system.

Real Market Value (RMV). Real market value of all property, real and personal, as defined in ORS 308.205 is the amount in cash that could reasonably be expected to be paid by an informed buyer to an informed seller, both acting without compulsion in an arm's length transaction occurring as of the assessment date for the tax year.

Safety Net Levies. Levies for school districts, separate from tax base authority, required to bring total levy up the amount of the levy from the prior year if district voters fail to approve an increase in tax base. Did not require voter approval. All safety net levies were rolled into school districts' permanent tax rate limit in 1997-98 as part of the implementation of Measure 50.

Serial Levy. Levy authority, separate from tax base authority, authorized by district voters, expressed as either a rate per $1,000 of value or a fixed dollar amount. Limited to no more than three years is approved as a rate or five years if approved as a dollar amount and to be for operations or ten years if for capital projects. All serial levies were rolled into taxing districts' permanent tax rate limit in 1997-98 as part of the implementation of Measure 50.

Special Levy. See urban renewal special levy.

Specially Assessed Property. Property that is assessed at less than its full value. See farm use special assessment and forestland special assessment.

Special Assessments. Amounts certified for collection on the assessment and tax roll that are not ad valorem type taxes, such as service district charges and delinquent sewer charges.

Split Roll. A property tax system whereby different types of property are taxed differently. This can be accomplished either by establishing different ratios of assessed value to market value or by using different tax rates for different types of property. The intention is usually to lessen the property tax burden on residential properties.

State School Fund Formula. Allocation of both state and local revenues dedicated to K-12 public school, including education service districts. Amounts are allocated to each school district based on enrollment, weighted for certain students that it has been determined are more expensive to educate. This equalizes funding across districts on a per student basis.

Tax Base. Levy authority expressed as a dollar amount, as authorized by taxing districts' electors. Could be increased by 6% per year or by a vote of electors or when district annexed new territory. All tax bases were eliminated by Measure 50 starting with the 1998-99 fiscal year. Often used, incorrectly, to refer to a taxing district's total assessed value.

Tax Code Area (TCA). Geographic unit established by a county assessor, and identified by a code number representing a unique combination of taxing districts. All properties in a code area pay taxes to the same taxing districts.

Tax Coordination Plan. An effort to avoid one taxing district's increased property tax levy from reducing another taxing district's levy by causing more Measure 5 compression. Districts were required to share information regarding intentions to seek voter approval for new property tax authority. With changes in how compression works under Measure 50, tax coordination plan were eliminated in the Measure 50 implementation bill, SB 1215.

Taxes Extended. Amount of tax before the Measure 5 rate limits are applied. If, for an individual property, taxes exceed Measure 5 limits, then the taxes for that property are reduced to the limits.

Taxes Imposed. Taxes to be paid by taxpayers after the Measure 5 rate limits have been applied. For individual properties, the tax imposed always will be less than or equal to the tax extended.

Tax Increment Financing. A financial tool designed to tax the increases in property value that occur over time in a specific geographic area. Given the frozen base value of the property at the time such a plan area is established, any growth in value ("excess value") is taxed to raise revenue.

Tax Increment Revenue. Revenue raised from taxing the growth in value ("excess value" or "increment") of properties in a given geographic area established as an urban renewal plan area.

Taxing District. Synonymous with Municipal Corporation.

Tax Limit Category. Under Measure 5's tax limitation, taxes are divided into three categories: 1) inside the general government limits, 2) inside the education limit, and 3) outside the limit. All taxes, other than bond levies, used for non-school purposes fall inside the general government limit of $10 per $1,000 of assessed value. All taxes, other than bond levies, used for education purposes fall inside the education limit of $5 per $1,000 of assessed value. All bond levies used for capital construction are exempt from the limit. Of the current types of levies, permanent rate, local option, gap bond, and pension levy taxes are subject to the limitations as well as urban renewal taxes, both those divided from other levies and any special levy.

Total Assessed Value. Sum of assessed values of all taxable properties on the roll.

Total Levy. Total levy submitted by the district, including the local option levy and the levy for bonded indebtedness.

Total Taxes Collected. Taxes collected by the tax collector during the fiscal year ending June 30. Tax collections are reported separately from interest and penalty collections.

Urban Renewal. A state-sanctioned program designed to help communities improve and redevelop areas that are physically deteriorated, unsafe, or poorly planned.

Urban Renewal Agency. Entity responsible for administering urban renewal programs. Urban renewal agencies can be activated by city governments or county governments. They oversee activities in urban renewal plan areas. An urban renewal agency can administer multiple plan areas.

Urban Renewal Excess Value. Total assessed value of property in urban renewal plan areas in excess of the base assessed values when the plan areas were established. This is also called the "increment."

Urban Renewal Option. Funding option that the urban renewal plan uses. Only "existing plan areas" could choose option 1, 2, or 3 (see existing urban renewal plan). Plan areas that are not existing plan areas can raise revenue as described under "Other Standard Rate Plan Area" or "Other Reduced Rate Plan Area" below.

- **Option 1** plan areas receive full division of tax revenue from all levies except local option and bond levies passed after October 6, 2001. A special levy on all taxable property in the municipality may be used to reach the plan area's maximum revenue authority.
- **Option 2** plan areas cannot receive division of tax revenue but a special levy on all taxable property is used to raise revenue up to the plan area's maximum revenue authority.
- **Option 3** plan areas had their revenue from division of tax limited when the option was selected. These plan areas receive division of tax revenue up to their limit and may impose a special levy on all taxable property in the municipality up to their maximum revenue authority.
- **Other Standard Rate** plan areas are those that are an existing plan area but did not select an option or were adopted after December 6, 1996 and before October 6, 2001. These plan areas raise division of tax revenue from all levies, but cannot use a special levy.
- **Other Reduced Rate** plan areas are those adopted after October 6, 2001. These plan areas do not raise division of tax revenue from local option and bond levies passed after October 6, 2001, nor do they raise division of tax revenue from Portland Public School District No. 1J's portion of the permanent tax rate limit derived from its expired gap bond levy. These plan areas also cannot use a special levy.

Urban Renewal Plan Area (URA). Geographic area identified in an urban renewal plan that contains "blight" which justifies creation of the plan area. The amount of area that can be included in an urban renewal plan area is limited to 15% of the land area and 15% of the assessed value, net of any excess value of existing urban renewal plan areas in a municipality with a population of more than 50,000. For municipalities with a population of under 50,000 the land area and assessed value limits are 25%. Division of tax revenue raised by the increment in value within the plan area can only be spent on indebtedness incurred for projects within the plan area.

Urban Renewal Shared Value. The assessed value of property that is both 1) within the district that covers part of a plan area, and 2) within the boundaries of the urban renewal agency. It also includes portions of a district that are within a plan area but outside the area of the urban renewal agency. Property owners within the shared value area may have part of their taxes allocated for urban renewal rather than for their tax districts.

Urban Renewal Special Levy. Levy imposed by an urban renewal agency for an existing plan area that was selected as an Option One or Option Three plan area. A special levy is authorized if the amount of revenue raised from dividing the taxes is below the maximum amount that could have been raised with the implementation of Measure 50 in 1997. Taxes derived from an urban renewal special levy are subject to the Measure 5 limits under the general government category.

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