



**FOR IMMEDIATE RELEASE:**  
September 27, 2011

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## **EcoNW Study: Cities in Oregon Unable to Meet Future Financial Needs**

SALEM, Ore. – A report from EcoNorthwest finds cities in Oregon “on the doorstep of yet another decade of challenges” as the cost of providing services and the road, utility, and other infrastructure required for economic development exceeds revenues.

Commissioned by the League of Oregon Cities (LOC), the report finds that: “Property tax limitations, which were adopted in the 1990s, abruptly reduced cities’ main source of revenue for core services such as public safety. In fact, some Oregon cities now spend more on public safety than they receive in property tax revenues.”

Similarly, a 2010 survey by LOC found that the city of Bandon spends 592 percent of property tax collections on public safety alone, while Gresham spends 169 percent, Bend 156 percent, Salem 114 percent, Albany 106 percent and Portland 95 percent. Property taxes are the largest single source of revenue for Oregon cities, and are critical for funding general government operations.

“Structurally, cities are unable to meet current and future demands for the services that are necessary to support service levels, road and public facility maintenance and population growth,” said League of Oregon Cities Executive Director Mike McCauley. “Cities are being slowly strangled.”

According to the EcoNorthwest report, property taxes, the most critical source of revenue for cities, have been increasing at a rate “well below the anticipated cost escalation for public employee benefits... Without sales or local income taxes to rely on, Oregon cities are left with an unbalanced tax structure with a single broad-based tax and state-mandated limits.”

The report also points out that although “the worst of the recession may be behind (cities), the challenges facing Oregon’s cities may be deepening. Even though the economy is recovering, the full impact to cities has yet to be seen.” The stagnant housing market, declining property values and the likely decline of federal and state aid will only worsen the fiscal situation facing cities.

*(More)*

*“Getting it done for Oregon’s cities!”*



## Cities in Oregon Unable to Meet Future Financial Needs (Cont'd)

### Background - Property Tax Collection in Oregon

Property tax collections have been limited by ballot measures 5 and 50. Passed in 1990, Measure 5 sets limits on the amount of tax levied per \$1,000 of a property's real market value (RMV). If taxes exceed their designated limits, the taxes are reduced until the limits are met. This reduction, known as *compression*, results in millions of dollars in lost revenue for local governments each year.

Passed in 1997, Measure 50 established permanent property tax rate limits for all existing tax districts. A district's permanent rate was primarily determined by combining whatever tax levies existed locally when Measure 50 passed. These tax rates cannot be changed and remain as they were set in 1997. Measure 50 formulas also set the permanent tax rates at 1995-96 assessed market value minus 10 percent, and growth in taxable property values are capped at 3 percent annually. However, voters can approve a local option levy, which allows a taxing authority to temporarily exceed the permanent rate limit. These local option levies are restricted to five years for operations and 10 years for capital projects.

### About the League of Oregon Cities

Founded in 1925, the League of Oregon Cities is a voluntary association representing all 242 of Oregon's incorporated cities. The League helps cities serve their citizens by providing legislative services, policy setting, intergovernmental relations, conferences and training, technical assistance and publications.

### About EconNorthwest

ECONorthwest is the Northwest's largest and most respected economics consulting firm. Over the past 30 years, ECONorthwest has become known for the reliability and detail of its economic consulting services and expert testimony. ECONorthwest provides complex research, rigorous analysis, technical expertise, outstanding communication skills, and personal service to handle whatever issue, problem, or opportunity you face.