FINANCE AND TAXATION COMMITTEE

March 11, 1976

I. PROPERTY TAX

Although declining in terms of percent of total local revenues, the property tax is still the major single source of revenue for local jurisdictions (30.5%) particularly the school districts (98.6%). Its major advantages appear to be relative economy of administration; its capacity to produce revenues pure and simple; and stability.

PROBLEMS:

Is there too great a dependency on the property tax? The tax base is primarily controlled by the state's definition of exemptions. There appears to be a growing resistance to approvals of levies as the rate approaches \$28 to\$32 per \$1,000 assessed value. Should general purpose local governments consider shifting more to one or more of the following taxes, leaving the property tax to the school districts and other special districts:

- a. excise tax
- b. income tax
- c. sales tax
- d. value added tax

II. ESSENTIAL AND OPTIONAL SERVICES

There is needed a process for determining essential and optional services with optional services linked more directly to specific taxes, assessments or fees.

Are essential services being penalized by inclusion with optional services? Should they be split into two categories? What criteria determines what are essential and optional services? How should it be determined what is essential and optional?

III. <u>DEBT FINANCING</u>

Presently, the bond debt ratio for the three counties is relatively low. It is under-used. Each time general purpose governments wish to sell G. O. bonds, they must receive voter approval, which is difficult. In contrast, the Port of Portland is able to sell \$3 million bonds annually, without voter approval. Should a new state debt financing policy be established to take advantage of money from sale of bonds?

IV. UTILITY SERVICES

Presently, utility construction and operations funding comes from property tax, bond sales and user fees, grants, etc. Should there be restrictions placed on the use of the property tax as a method of payment.

V. STATE SUBVENTIONS

The State subvention (State shared revenue) to local governments amounts for cities, 11.8% (9.8% federal), for counties, 17.6% (42.5% federal). There

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is a trend toward less money being available from these sources. Should they be expanded? Should there be a different formula for allocations? Should there be a different formula for allocations? Could one or a combination of the following be used as part of a formula?

> Tax effort Impacted area Income average Population size

Should basic revenue sharing be written into the state Constitution?

VI. ALLOCATION OF SERVICE RESPONSIBILITIES TO PRIME PROVIDERS

In view of the proliferation of responsibility for services, could the responsibility of providing urban services be given to a prime provider, regionally and locally, at less cost and more efficiency than presently? Should city taxpayers continue to pay taxes to support services the county provides to only the unincorporated areas?

VII. EQUALIZATION

With people moving over man-made boundaries to work and live in separate locales, recreation in one city and living in another, there is a question of equity or equalization. How should this be dealt with? and on the basis of what type of allocation formula

Regional income tax
Regional sales tax
Regional household tax
Regional property tax
Regional value added tax

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