

Local revenue reform: Finding a path forward

Final recommendations for the board of the
League of Oregon Cities

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Finding a path forward

The League of Oregon Cities is well positioned to lead municipal revenue reform across Oregon. And while this effort will require additional work and research, there are clear pathways for developing new resources for Oregon's cities.

In 2024 LOC contracted with a consultant team led by Sound and Vision Agency to conduct a broad landscape analysis of Oregon's municipal revenue system. The work included focus groups in Pendleton, Bend, Portland, Medford, Coos Bay and Eugene, interviews with dozens of stakeholders, legislators and city leaders, a statewide public opinion survey, economic analysis of potential reforms and the development of a municipal revenue toolkit.

The findings offer the most comprehensive view into voter attitudes and the political viability of reform in recent memory. This document offers a summary of findings and recommendations on the broader political landscape and various policy proposals.

The political landscape

There is a funding crisis, but voters don't see it (yet): In focus groups, nearly all participants said they believe cities have the resources they need to address the critical challenges before them. And in the statewide survey, 63 percent of respondents said their city had sufficient revenue. "There is plenty of money to get basic stuff done," said one participant from the Portland Metro area. In addition, 43 percent of voters would prefer to see cuts to services rather than increasing fees, compared to 29 percent of voters who were open to raising revenues. **Cities will need to tell their story in a more effective and targeted way to convince voters they need to raise revenues.**

There is a perceived crisis in growth management: In all of our conversations with voters an acute sense that growth is creating new challenges for cities was pervasive. Voters see this as a growing problem, and the cause of a perceived decline in quality of life (new development, traffic, high costs for housing). **Policy solutions that have a clear nexus to this problem have broad support.** These include raising transient lodging fees, raising the change property ratio for new development, and taxing investor owned properties.

Voters don't know where to turn for information about city government: When asked how they found out about city government, many participants in our focus groups struggled to point to a reliable source. In media markets with local television coverage, some pointed to that or local newspapers, but many struggled to identify direct communications with the city and few offered that they attended city hearings or public meetings. Because of this, voters expressed mistrust of city leadership. **Cities have an opportunity to increase the direct communication with their residents to improve general knowledge of their work and trust.**

Voters are relying on sources with high levels of noise: Many participants offered that they heard about city government on Nextdoor or other social media platforms. But the information that they relayed was often incorrect or miscontextualized. For example, one voter expressed frustration that a development in their community was built after securing fee waivers, but there were no such waivers. **City communications will need to be direct, transparent and authentic in this environment as the truth is swimming upstream.** Cities need to clearly communicate the challenges the revenue challenges they face; the additional services, programs or facilities that could be funded with additional revenue; and what community priorities are not being met because of limited resources. **The first step to a successful campaign to raise revenues is establishing a need that has broad community support, which allows voters to move beyond their skepticism and support a tax increase.**

Recommendation 1: Help cities engage with the Municipal Revenue Toolkit. LOC staff have proposed developing a webinar in 2025 to help city leaders engage with the municipal revenue toolkit and we believe this will be a very helpful tool. The toolkit includes economic and policy analysis of the tax and finance tools available to cities. It also includes a guide for developing a campaign strategy for passage of these tax measures. The toolkit can serve as a cookbook for municipal finance for many years to come and continuing to find new ways to engage with members and highlight the toolkit will help city leaders improve their communications and engagement with local voters.

Recommendation 2: Cities should increase their outreach about the status of service provision on all communications channels. Recognizing the challenges of the existing media environment, it is vital for cities to expand the ways that they communicate with their residents. Newsletters, community surveys, routine mailing direct to customers and online engagement are all critical pieces of an effective communication strategy. **We need to acknowledge that messengers matter to news consumers. Cities should seek out partnerships with trusted community organizations who can help inform the public. That includes communicating with city employees, who can be trusted voices in the community.** The League can help cities by highlighting successful city communications programs in the LOC Bulletin or Local Focus magazine to give leaders in member cities ideas about how they could increase outreach to their constituents. The League could also develop a best practice guide. In our experience, even cities with robust public engagement and communications channels would benefit from a comprehensive audit of those efforts to find ways to improve them.

Recommendation 3: Cities should standardize questions asking about city performance and revenue options. In the development of these recommendations we heard from LOC leadership a clear interest in helping cities who do not have the resources to contract with a public opinion research firm to conduct voter surveys. We recommend that cities find lower cost ways of gathering input from their constituents, such as an online survey of utility customers or a survey mailed to residents. These questions should gauge perceptions of city performance,

perceptions about city funding and questions about resetting property taxes at sale and providing greater local control over levies. **Gathering longitudinal data about voter attitudes will allow the League's members to build a databank of information to inform future work on property taxes and local revenue.** FM3 developed a series of standardized questions that could be used for these touch points and a memorandum outlining those questions is attached as Appendix 1.

Recommendation 4: LOC should provide resources to help cities improve day-to-day communications. We believe that LOC's members would benefit from the League developing a roster of consultants that cities could bring on to evaluate their communications channels and offer recommendations for improvement. The League could develop a preferred vendor list, which could shortcut for mid-sized or smaller cities the process of vetting political and communications firms to find those with this specialized skillset. Part of this procurement could include the development of a communications survey checklist that could provide the basis for a review of a city's communications channels and strategy. Fundamentally, the best messengers for additional city resources are civic leaders on the ground. Helping those leaders better communicate with their communities will be case-by-case work, leaning on best practices and leveraging past experience.

Policy option overview

Transient lodging taxes

Voters strongly support allowing cities to use transient lodging taxes on city services. In focus groups voters strongly supported the idea of cities using TLT revenue for basic services. In the statewide survey 72 percent of survey respondents supported the policy, with 20 percent opposed.

Recommendation: Continue seeking legislative changes to allow cities the flexibility to use these revenues for core services. Voters clearly support the LOC position and these survey results should embolden legislators to take action this session.

Adjusting Oregon’s “change property ratio”

Adjusting the change property ratio upward would provide limited – but real – revenue for city services. Ballot Measure 50 created a disconnect between market values and assessed values for Oregon properties. County assessors use the average of this gap to create a “change property ratio.” This is assigned to properties that are newly constructed or significantly renovated to approximate the tax relief they would receive if those properties had existed when Measure 50’s reforms went into effect. EConorthwest found that if the changed property ratios for new construction had been reset to 1997 levels from 2014 to 2023, it would have increased 2023 property tax revenues by less than \$100 million, or 1 percent across the state. That impact doubles if the change property ratios were set to full market value and compression did not take effect.

Voters broadly support adjusting CPR. In focus groups, participants thought that the change property ratio was an odd vestige of the past. They didn’t understand why it was even in place to begin with, let alone why it would remain. And in the statewide survey, we found broad support for an upward revision of the CPR. Sixty-four percent of survey respondents supported adjusting the change property ratio upward. Total opposition was 28 percent of respondents, with 18 percent strongly opposed.

Recommendation: The League should continue to pursue legislative changes to the CPR. There are few positive revenue policies with broad support like adjusting the CPR upward. Engaging housing and development stakeholders will be important to securing passage of CPR reform in the Legislature. But voters broadly agree that the CPR should better reflect the market value of new properties. We recommend focusing on finding a legislative path to revising the existing policy, rather than pursuing a constitutional revision.

Investment property surcharge

Voters overwhelmingly support taxing investment properties. In the statewide survey, this idea received support from 75 percent of respondents, with 54 percent strongly supportive. Opposition was limited, with 21 percent opposed, including 14 percent strongly opposed.

Policy work is needed to develop this idea into a workable framework. Because of Measure 50, much of the statutory framework of Oregon's property tax system is in the constitution. To avoid needing a constitutional revision to pursue a surcharge on investment owned properties, we recommend exploring how taxpayers report the ownership of these properties. Finding a nexus for taxation that doesn't require a voter-approved revision to Measure 50 would make establishing this surcharge much easier.

Recommendation: Continue to work on this concept in coalition. The League should explore whether there's a coalition of advocates that could work together to do the policy and legal research to make a legislative concept viable. This is new policy space and there could be a path toward achieving this at the legislature, but without groundwork there are still many unknowns. Working in coalition would also help raise awareness of any formal opposition that could emerge.

Expanding local control

Voters are open to this concept, but they need to hear more to build enthusiasm. In our statewide survey, we found that 54 percent of voters supported the concept of allowing permanent levies to be established. That's good news, but we'd prefer to see support above 60 percent before taking this to the ballot. This change would require a state constitutional amendment and a corresponding statewide campaign. In order for that campaign to be successful, we recommend the League conduct additional policy work to find a concept with greater support. We believe there are policy levers and messages that could increase support for this concept, especially because the opposition starts relatively low (31 percent, with 18 percent strongly opposed).

There's a partisan split in support. Democrats broadly support the idea of permanent levies (66 percent), but support is below 50 percent of independents (49 percent) and Republicans (45 percent). A plurality of all partisan voting groups support the idea of permanent levies, which is good news, but we'd like to find a concept with stronger support among independents and Republicans. If we work on this concept further, we should try to broaden the base of support.

Recommendation: The League should continue policy and political analysis of this effort. We only asked one question about this policy option in our survey. And while the support wasn't strong enough to greenlight a statewide campaign, we still see opportunities to explore. We recommend that the league conduct more policy research into changing how levies work.

Perhaps support would increase if the threshold for a permanent levy was higher than a 5-year levy, or perhaps other policy nuances could increase support. **We think that another round of public opinion research could determine if there's a real path forward.** FM3 has developed some options for the League to consider, and those are attached as Appendix 2.

Recommendation: Build a broader stakeholder table for this work. We recommend that the league reach out to other entities that would benefit from permanent levies to build a coalition. Bringing in school districts, fire districts, special districts, counties, business and labor groups early on could help build support and reduce opposition. These partners could also help conduct policy and public opinion research. **If local government and taxing districts can speak with one voice on this issue, lawmakers will take this effort more seriously.**

Reset at sale

Reset at sale is a revenue game-changer. According to ECONorthwest, resetting assessed value to 75 percent of real market value for property transactions from 2014 to 2023 would have increased 2023 property tax revenues in Oregon by about \$1.1 billion to \$1.7 billion, or between 5 percent and 25 percent more depending on the jurisdiction.

A plurality of voters are opposed to reset at sale. In our survey this question started out with support from 44 percent of voters, while 48 percent were opposed. We asked those who initially said no to reset at sale whether excluding seniors or first time homebuyers would move them to support the idea. While that pushed some no voters to soft support of the idea, strong support remains smaller than strong opposition.

Opposition is very high. Opposition to the idea is near 50 percent, with 35 percent of voters strongly opposed. Strong opposition and soft support suggest to us that there isn't a path forward for reset at sale at this time.

What would it take? Based on the discussion of reset at sale during our focus groups, changing voters minds on this policy will be challenging. Many participants in focus groups erroneously believed that reset at sale already existed in Oregon, but voters had a good handle on how the policy worked. And in our survey messaging didn't push the policy above 50 percent support. This suggests to us that voters understand the concept, and roughly half of them oppose it.

Recommendation: Keep tracking it, but now's not the time. Given the opposition, resetting property tax rates on sale does not seem like a short or medium term opportunity. Our survey results are similar to results from 2022, suggesting that voter attitudes on this have been stable. It's possible that opposition could wane over time, but there don't appear to be effective messages that move voters in meaningful ways at this time.

Conclusions

Measure 50 created a daunting challenge for local governments, locking property values to the past and making it difficult for municipal finance to keep up with the challenges that cities face today and in the future. Our research shows that voters don't want to see wholesale changes to Measure 50, but they are open to allowing local communities to set their own path. We look forward to the League working on local control and would appreciate the opportunity to support that work.

Voters support the League's ongoing efforts to gain flexibility for transient lodging tax revenues and adjust the change property ratio. Voters would also support surcharges on investor-owned properties, a new policy area that seems worthy of exploration. We also gained a number of insights into voter attitudes toward local government that can help cities better communicate with their communities.

Cities stand at the center of the key challenges that Oregon faces, whether its housing, economic development or transportation. We hope that the Municipal Revenue Toolkit, this research and its accompanying recommendations enable the League of Oregon Cities to help our cities navigate the challenges ahead.

About the authors

These recommendations were drafted by The League of Oregon Cities Municipal Revenue Reform consultant team, led by Christian Gaston, of Sound and Vision Agency, in partnership with Mark Wiener, of Winning Mark, Dave Metz and Miranda Everitt of FM3 Research, and Lorelei Juntunen, Mike Wilkerson, Emily Picha and James Kim of ECONorthwest.