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<u>For More Information, Please Contact:</u>

Governor Victor Atiyeh, 503-222-2244

Henry R. Richmond, 503-228-9462, 503-819-2773

Jim Johnson, Oregon Department of Agriculture, 503-986-4706
(questions regarding department maps)

Report Shows Rural Landowners Compensated $4.8 Billion Since 1974

Measure 37 threatens to cancel this longstanding public investment

Portland, Ore. — March 8, 2007 — A new research report shows that from 1974 to 2004, farm and forest landowners in Oregon received property tax reductions totaling $4.8 billion. The study, *Oregon's Public Investment in Conservation, Prosperity and Fairness*, was issued today by the American Land Institute (ALI), a Portland-based, private nonprofit organization.

In 1973, the legislature mandated tax reductions to compensate rural landowners for new limitations on land use and to increase productivity for future incomes. Then Senator Victor Atiyeh, R-Beaverton, who carried the bill on the Oregon State Senate floor, said on June 16, 1973 that the tax reductions were created to "give goodies to farmers for being in a farm zone."

As a result of these laws, urban and suburban taxpayers, comprising 96 percent of state taxpayers, have paid slightly higher property taxes to finance the $4.8 billion in farm and forest land tax reductions — the largest public investment in Oregon history. In fact, the farmland tax reductions, in constant dollars, equals the cost to build the Bonneville Dam, the Dalles Dam and Interstate 5 combined. The report also finds:

- Farm sales in the Willamette Valley increased from $409 million in 1976 to $2.1 billion in 2005.
- From 1964 to 2002, the market value of farmland, as regulated, in Western and Central Oregon increased faster than the S & P Index.

From these findings, the report concludes that substantial tax cuts, rising farm sales and strong growth in farmland market values show that farm zoning has caused no general unfairness to farmland owners.

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"Although some might have preferred compensation in a different form, the $4.8 billion in tax reductions show that the 1973 Legislature made compensation and fairness a major part of Oregon's land use laws," said Atiyeh. "Yet, we now have Measure 37 that threatens to undermine farmers and cancel this historic taxpayer investment."

For example, as Oregon's third-largest farm producer, Washington County has seen farm sales grow from $44 million in 1976 to $275 million in 2005. However, Oregon Department of Agriculture maps show Measure 37 claims could result in subdivisions and partitions on 20 percent of Washington County's 121,719 acres of farmland. On February 20, 2007, Jim Johnson from ODA testified to the Legislature that nonfarm development on 20 percent of the county's farmland would result in across-the-fence conflicts with farm practices on 40 to 60 percent of surrounding farm acreage.

"If that happens, county taxpayers can say goodbye to a $420 million investment in future farm income and hello to subdivisions across the countryside that will cost taxpayers a bundle," said Atiyeh. "I'm just an old rug dealer, but that doesn't sound like a good deal to me."

ALI's report is the first comprehensive, county-by-county study of farmland tax reductions. Drawing on the expertise of assessors, state officials and other professionals, the report estimates the size of the tax reductions, who received them, who paid for them and how they were paid. Along with the findings, the report also makes recommendations that include:

- State and local officials taking farm and forest tax reductions into account when calculating compensation under Measure 37;
- Compensation under Measure 37 should be based on reductions in value that landowners have actually experienced, rather than, as present, on lucrative monopoly values that landowners never owned before farm zoning and never lost thereafter;
- The Oregon Department of Revenue should publish an annual report stating both the current year and running total of farm and forest tax reductions, together with an assessment of the effect of those tax reductions on land productivity and Oregon's economic well being.

To view the report, visit www.oregonpublicinvestment.com.

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