

AOC ASSOCIATION OF OREGON COUNTIES

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January 17, 2023

Clackamas County
Board of Commissioners
Attn: Chair Tootie Smith
2051 Kaen Road
Oregon City, OR 97045

Submitted via electronic mail to: tsmith@clackamas.us

CC: psavas@clackamas.us, mschrader@clackamas.us, mshull@clackamas.us, benwest@clackamas.us, emilykle@clackamas.us, gschmidt@clackamas.us

Chair Smith:

Thank you for your inquiry regarding the value of the Association of Oregon Counties (AOC) for your investment as you discuss payment of your 2023 membership fee.

Through work of a special committee in 2020, chaired by Multnomah County Chair Jessica Vega Pederson, AOC defined its value proposition as, “Connecting and strengthening Oregon’s 36 counties, AOC uniquely meets the needs of county leaders by developing and sharing solutions to county issues through advocacy, research, and leadership development.”

Looking back at our history, the establishment in 1906 of the original AOC, was a reaction to the State Legislature enacting a \$5 vehicle registration fee but taking all revenue for the State General Fund. The allocation of revenue to counties for roads in 1911 was the result of AOC efforts. Before the state highway system was established in 1913, and for many years thereafter, counties bore the lion’s share of surface transportation costs. The Automotive Safety Foundation estimated that by 1917 counties had spent \$53.7 million on roads outside cities, while the state had spent only \$0.7 million.

We have come a long way from those days to the current 50-30-20 division of revenue for roads. Throughout, it has been the power of the collective action of counties that have made the increase in revenue to counties possible. It is with your financial support through membership fees paid that AOC can provide the variety of services to you that strengthen county government’s ability to serve.

The power of AOC was first recognized in an Oregon Journal editorial in 1918 when it said, “it is to become a great study club in which all that is advanced and worthwhile in county administration can be discovered and forwarded.” We continue that tradition today at AOC as an association recognized in the Oregon Constitution and in Oregon Revised Statute as the voice of Oregon counties.

AOC is the one-stop source of county information for the State Legislature, state agencies, Congress, and federal agencies. AOC is regularly consulted for data gathering, policy information, and is continually asked to refer members to sit on work groups and task forces.

In its 117-year history as the collective voice of counties, AOC has successfully advocated for:

- An increased share of State Highway Fund revenues for counties,
- State support for community corrections,
- An increased share of sin taxes (beer, wine, cigarettes, and marijuana),
- Increased state support for property assessment and taxation,
- An allocation of state lottery revenue for county economic development,
- Establishment and funding of the Payment in Lieu of Taxes (PILT) program,
- Establishment and extension of Federal Forest Payments, and
- Other essential funding for county programs and services.

At the same time AOC:

- Secured transfer of the responsibility for providing welfare benefits to the state,
- Gained voter approval of an Oregon constitutional amendment requiring state reimbursement for mandated expenditures,
- Persuaded the Oregon State Legislature to delegate broad legislative powers to counties, and
- Moved the courts system under state management, saving counties millions of dollars.

Every time the Oregon State Legislature meets, state sources of county revenues are under scrutiny. There are proposals that would increase costs to local government. There are attempts to shift costs to local government. There are additional regulations proposed. Your investment in AOC allows counties to remain vigilant in opposing these continual assaults on county autonomy and fiscal health.

When the Legislature is not in session, your AOC staff is working diligently on your behalf to maintain relationships with state and federal agencies, work on rulemaking, policy work groups and task forces, and policy development. AOC also continues to provide networking, education, and training opportunities for counties regionally and statewide.

Collectively, the AOC legislative affairs team works with your government affairs team to advance your county issues year-round. As a member county of AOC, your government affairs staff have access to office and meeting space in the AOC building in Salem, and free parking two blocks from the State Capitol.

Membership Fee Calculation

AOC annual membership fees are determined by the Board of Directors. This process includes the preparation of the annual budget by the Budget and Finance Committee, which is provided to the Board of Directors to review, modify, and approve. Once complete, the Board of Directors submits the proposed budget to the full membership for adoption at the annual business meeting in November – this adopted budget is required to adequately provide for all association activities.

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1. Board of Directors sets the membership fees for the next year. Considerations the Board of Directors makes annually include: the cost to maintain operations at current service levels, potential cuts, and long-term funding needs or budget enhancements. These decisions by the Board of Directors directly impact the membership fees assessed annually.
2. The membership fee formula is then applied to all counties as follows:
 - a. Base fee assessed to each county using a tiered approach set by population bracket. This total amount is deducted from the annual membership fee total.
 - b. The remaining annual membership fee is then divided in half.
 - c. One half is allocated to the assessed value calculation. The assessed value fee is based on the county percent of assessed value. Assessed value figures are obtained from the Department of Revenue.
 - d. One half is allocated to the population calculation. The population fee is based on the county percent of population. Population figures are obtained from the Portland State University Population Research Center.
 - e. Once the base fee, assessed value fee, and population fee are calculated they are added together. This amount is the AOC annual General Fund membership fee.
 - f. If, after this is complete, a county is paying 20 times more than the base fee, the dues cap is instituted. In this case, any fee over the cap would be redistributed for payment by the other counties equally.

Membership Fee Discussions

The membership fee, structure, and value of AOC has been a continued discussion with Oregon counties going back as far as the 1960s, according to our records. While discussions and needs on this topic have varied over the years from county to county, the common thread that generally leads to these discussions is based on a county's fiscal health when cuts are needed. Like our member counties, AOC is often seeking to increase revenues and cut expenses to maintain a balanced budget, while continuing to provide the best service possible to our members.

In 2022, AOC implemented changes to the membership fee formula after a three-year process to simplify and stabilize this revenue stream. This work resulted in the consolidation of various assessments into one General Fund fee. Depending on how a county paid these assessments previously, this change may have resulted in a more significant increase in 2022. In addition, a change was implemented to the base fee, moving it from a uniform amount to a tiered fee based on population. The objective of this change was to increase the minimum amount required to be a member, and transfer more of the membership fee to the counties in the middle – removing some of the burden on the largest and the smallest counties.

Each year, AOC strives to provide an open and transparent process that allows all members to weigh into budget development and set fees for the coming year. Opportunities for engagement include serving on the Budget and Finance Committee and Board of Directors. In addition, the budget proposed by the Board

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of Directors is presented annually at District Meetings, where feedback is sought, in advance of the Board of Directors taking final action on a proposed budget for full membership consideration.

Like all of Oregon's counties, 2022 brought forward significant increases in costs for personnel and materials and services for AOC. Starting in February of 2022, AOC was projecting these increased costs could result in a 14 percent increase to the membership fee to maintain service levels. For reference, personnel services currently amount to 65 percent of AOC's annual expenditures. As the year progressed, this decreased to 11 percent. Ultimately, through the discussions of the membership, an increase of 7.5 percent was recommended by the Board of Directors – or \$103,575 – from the previous year, and was ultimately adopted in the 2023 budget by the membership.

AOC Budget

The association operates on a calendar year basis. The total membership fee billed each January is based on the budget adopted at the preceding annual business meeting. The total amount of membership fees assessed in the adopted 2023 budget was \$1,484,574.89. The increase approved in the 2023 budget by the membership in November of 2022 covers expenses associated with personnel increases including step increases and cost of living adjustments connected with the collective bargaining agreement, as well as and health and retirement benefit increases. While membership fee increases were required to maintain most service levels, the 2023 budget saw a reduction of over \$200,000, which eliminated the County Solutions program and one full-time position. Even with this reduction, AOC must make further cuts in 2024, reducing the budget by an additional \$150,000.

Clackamas County Dues

In 2023, the total Clackamas County General Fund membership fee is \$127,808.15. This includes a base fee of \$36,050, an assessed value fee of \$50,142.04 (12.71 percent of Oregon's assessed value), and \$41,616.11 (10.54 percent of Oregon's population).

For comparison, in 2022, a five percent increase to the General Fund membership fee was approved that resulted in an annual fee of \$107,449.30 for Clackamas County.

Another factor contributing to the membership fee increase from 2022 to 2023 is the fact that in 2022 AOC had 36 member counties and in 2023 AOC has 35 member counties. With Jackson County not renewing their membership in 2023 their portion of membership dues were distributed using the membership fee formula to the 35 member counties.

Clackamas County's dues represent approximately nine percent of AOC's total General Fund revenue. With the six largest counties (Multnomah, Washington, Clackamas, Lane, Marion, and Deschutes) representing approximately 52 percent of AOC's General Fund revenue.

The three metro counties (Multnomah, Washington, and Clackamas) represent approximately 33 percent of AOC's General Fund revenue. By contrast, metro counties account for 49.50 percent of the State of Oregon's assessed value and 46.38 percent of the State of Oregon's population. On a per capita basis, smaller counties pay far more in dues than larger counties, with Wheeler County – Oregon's smallest county - paying \$7.35 per person and Clackamas County – Oregon's third largest county - paying \$0.30 per person.

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AOC views the association as an extension of your county and part of your overall operations.

When a county does not renew its membership, or provides a partial payment, AOC has three options: make budget cuts; operate as planned utilizing reserves; or ask the other member counties to make up the difference.

We know that many counties are currently facing financial challenges and must make reductions. However, some might argue that AOC is unique because it is one of the few organizations that specializes in finding ways to help you reduce expenditures and generate additional revenue for counties.

We hope that you will consider the benefits of AOC membership to be worthy of your continued participation.

Please know that AOC Executive Director Gina Nikkel and I are willing to join you at an upcoming meeting of your board to discuss this further - or provide any additional information you feel necessary to maintain your membership and stay engaged with AOC. We want to ensure that all member voices are heard and that any concerns you may have are shared, so the Board of Directors can make well-informed decisions that benefit the membership.

AOC is proud to work with, and for, Clackamas County. We believe we provide exceptional service and benefits. Again, please know that your comments and feedback are always welcome as we strive to better serve you and Oregon's counties.

Regards,



Derrick DeGroot
President, AOC
Commissioner, Klamath County

Reference:

[2023 AOC Adopted Budget](#)

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