

Maximize Fairness and Education in County Assessment Standards Program

Purpose:

BOE requests funding to establish the permanent resources to educate property tax appraisers statewide and to ensure taxpayers receive uniform and accurate property assessments and pay their fair share of property taxes. In addition, the requested resources will continue to determine the value of property which will result in the ability to calculate more reliable and accurate assessed values of locally assessed property. This proposal ensures that the BOE can continue to effectively perform its mandated responsibilities associated with the 58 California county assessors and its ability to maximize fairness and education in the County Assessment Standards Program.

Justification:

- Allows BOE to meet its Revenue and Taxation Code mandates for the training and certification of appraisers for property tax purposes and provide guidance to assessors in the assessment of property.
- Timely and well trained assessors' staff ensures that assessors can fulfill their duties effectively and helps ensure equalization of property tax assessments statewide.
- Provides industry and other interested parties an opportunity to provide input and expertise in the development of updated valuation factors.

		FY 2008-09	FY 2009-10
Expenditures	Total	\$516,000	\$494,000
	Continuation	263,000	263,000
	New	253,000	231,000
Funding Source	General Fund	\$516,000	\$494,000
Positions	Total	4.0	4.0
	Continuation	2.0	2.0
	New	2.0	2.0

Background:

- The BOE is mandated by Government Code sections 15606 and 15608 to issue instructions to assessors to promote uniformity in property assessment throughout the state and section 401.5 to provide guidance for county assessors to follow in valuing locally assessed property.
- The BOE is responsible for statewide certification of property tax appraisers for property tax purposes, conducting appraiser training, and monitoring continuing education requirements. Local assessors, as well as BOE, have experienced a large increase in retirements and personnel turnover, resulting in the loss of many trained and experienced personnel.
- The need for training the statewide appraiser workforce is increasingly critical; assessors have stressed that BOE must take a more active role in providing instructors for classes in response to the loss of experienced appraisal staff.

**STATE BOARD OF EQUALIZATION
FISCAL YEAR 2008-09**

TITLE OF PROPOSED CHANGE:

Maximize Fairness and Education in County Assessment Standards Program

SUMMARY OF PROPOSED CHANGES:

This proposal ensures that the BOE can continue to effectively perform its mandated responsibilities associated with the 58 California county assessors and enables BOE's ability to maximize fairness and education in the County Assessment Standards Program. This proposal requests 4.0 permanent, full-time positions and \$516,000 (General Fund) in FY 2008-09 and \$494,000 (General Fund) in FY 2009-10 and ongoing.

State Board of Equalization
County Assessment Standards Program
Maximize Fairness and Education in County Assessment Standards Program
Fiscal Year 2008-2009

A. Nature of Request

The 58 California county assessors are charged with the assessment of locally assessed real and personal property for taxation purposes. The Board of Equalization (BOE) is mandated by section 15606 of the Government Code to "prepare and issue instructions to assessors designed to promote uniformity throughout the state and its local taxing jurisdictions in the assessment of property for purposes of taxation." This proposal addresses two understaffed areas within the County Assessment Standards Program (CASP) that are hindering the BOE's ability to maximize fairness and education in this program. Without the approval of this BCP, the BOE will not be able to effectively or efficiently perform the mandated workload demands as defined above. As a result, CASP is requesting the following resources:

- 2.0 permanent full-time positions within the Training and Certification Outreach Unit to educate property tax appraisers statewide; ensure taxpayers receive uniform and accurate property assessments; and, pay their fair share of property taxes.
- The permanent establishment of existing 2.0 two-year, limited-term positions that are scheduled to expire on June 30, 2008 within the Valuation Factor Studies Unit. These positions will continue to determine the value of property which will result in the ability to calculate more reliable and accurate assessed values of locally assessed property.
- The estimated cost is \$516,000 in Fiscal Year (FY) 2008-09 and \$494,000 in FY 2009-10 and ongoing. It is anticipated that the additional positions will allow BOE to meet its Revenue and Taxation Code mandates for the training and certification of appraisers for property tax purposes and provide guidance to assessors in the assessment of property.

B. Background

The BOE is mandated by Government Code sections 15606 and 15608 to issue instructions to assessors to promote uniformity in property assessment throughout the state. Specifically, BOE is mandated to instruct, advise, and direct assessors as to their duties under the laws. Section 15606.5 states "training of assessors and their staffs under section 15606 and 15608 shall be provided by the BOE on a non-reimbursable basis." Additionally, the BOE is mandated by section 401.5 of the Revenue and Taxation Code to promulgate guidance for county assessors to follow in valuing locally assessed property.

Training and Certification Outreach Unit

The BOE is responsible for statewide certification of property tax appraisers for property tax purposes, conducting appraiser training, and monitoring continuing education requirements. Local assessors, as well as BOE, have experienced a large increase in retirements and personnel turnover, resulting in the loss of many trained and experienced personnel.

B. Background (Continued)

Training and Certification Outreach Unit (Continued)

Currently, there are approximately 2,800 certified appraisers statewide. Of these, about 600 appraisers (or more than 20 percent of the certified appraisal workforce) obtained their initial certifications within the last three (3) years. This trend is expected to continue over the next few years. With the further losses of experienced personnel, it is anticipated that assessors will have 250 new appraisers over the next few years. It is essential that BOE keep pace with this trend.

In addition to the increased demand for assessors' personnel training, there has been an increase in requests for existing training personnel to participate in workshops sponsored by BOE Board Members, and to develop new training courses and workshops. The need for training the statewide appraiser workforce is increasingly critical; assessors have stressed that BOE must take a more active role in providing instructors for classes in response to the loss of experienced appraisal staff. The lack of properly trained assessor staff would result in an increase in BOE workload because staff must respond to increase inquires from taxpayers who are seeking resolution to local assessment issues.

Without relief, the BOE will not be able to meet its statutory mandate to provide the training and certification needs of appraisers for property tax purposes. The new resources will increase the direct contact the BOE staff has with local assesses to assist in resolving local assessment disputes. Conducting adequate training to meet the needs of assessors' staff is integral to fulfilling BOE's mandate to promote assessment uniformity. It is essential that BOE respond to customer needs through educational outreach to effectively administer the program.

Valuation Factor Studies Unit

The BOE is responsible for issuing guidelines to promote uniformity in assessed values throughout the state. It annually publishes Assessors' Handbook Section 581, *Equipment Index and Percent Good Factors* (AH 581), which contains an index, percent good and valuation factors for various types of equipment. This handbook is used as a guide by county assessors' staff in the mass appraisal of personal property and fixtures for property tax purposes.¹ For locally assessed property, the Cost Approach is the most widely used method of valuing personal property and fixtures.

The equipment index factors published in AH 581 are generally reliable for converting a property's original cost to an estimate of Reproduction Cost New (RCN). Percent good factors, which are the compliment of depreciation factors, are then applied to the RCN to arrive at an estimate market value. The valuation factors are applied directly to the historical cost of a property to arrive at an estimate of market value. Conducting studies to derive factors for specific types of industry equipment is integral to fulfilling BOE's mandate to promulgate such guidance for county assessors to follow in valuing locally assessed property. It is essential that BOE respond to changing environments and be proactive in conducting studies to arrive at accurate factors to ensure fairness to taxpayers of their assessment of personal property. For property tax purposes, this is based on the fair market value of the property on each lien date (January 1).

¹ Personal property is defined under current law as all property except real estate. A fixture is defined as an item of tangible property, the nature of which was originally personal property, but that is classified as realty for property tax purposes because it is physically or constructively annexed to realty with the intent that it remain annexed indefinitely.

C. State Level Consideration

This proposal is consistent with the principles articulated in Goal No. 2 of the BOE's Strategic Plan entitled "Improve the Efficiency of BOE's Tax and Fee Programs." Specifically, Strategy 3 of the Strategic Plan Issue No. 2 calls for BOE to "assess changes in the business environment and evaluate and modify processes and services to ensure that customer service expectations and needs are met or exceeded." It is also consistent with the principles articulated in Goal No. 4, entitled "Create an Expanded and Responsive Infrastructure," Strategy 3 which calls for BOE to "continually evaluate the agency's external and internal environments and introduce new or enhanced technology as changing customer needs and expectations are identified."

Additionally, it is consistent with the mission statement adopted by BOE which states that BOE is to serve the public through fair, effective, and efficient tax administration and will be fair in our treatment of all taxpayers and consistent in administration of law and will provide services and work products of the highest quality. Section 15606 of the Government Code, subdivision (e), requires BOE to "prepare and issue instructions to assessors designed to promote uniformity throughout the state and its local taxing jurisdictions in the assessment of property for the purposes of taxation." This proposal promotes effective and efficient tax administration and ensures fairness to the taxpayer.

D. Justification / Analysis of All Feasible Alternatives

Alternative 1 – Approve permanent funding for 4.0 positions and related operating resources.

- Training and Certification Outreach Unit – Establish 1.0 Senior Specialist Property Auditor Appraiser position and 1.0 Associate Property Auditor Appraiser position to develop and conduct training to accommodate new and existing workload within the training unit due to the significant influx of new appraisers.
- Continuation of Valuation Factor Studies Unit – Make permanent 1.0 Principal Property Appraiser position and 1.0 Senior Specialist Property Auditor Appraiser position, scheduled to expire on June 30, 2008, to conduct studies in the development of valuation factors for specific industry types undergoing technological innovation for the purpose of arriving at accurate estimates of market value for property taxation.
- The estimated cost is \$516,000 in FY 2008-09 and \$494,000 in FY 2009-10 and ongoing.

Training and Certification Outreach Workload

The influx of new appraisers means that demands upon BOE to provide training have significantly increased. Under Revenue and Taxation Code section 671, appraisers must have a minimum of 24 hours per year of appraiser training for permanent certification and 12 hours for advanced certification. During FY 2004-05 and FY 2005-06, 45 training sessions were conducted each year and attended by approximately 1,300 appraisers. This was accomplished with four existing instructors. During FY 2006-07, 48 sessions were conducted and attended by 1,360 appraisers. In order to facilitate the training needs of appraisers statewide, during FY 2006-07, the division had to utilize staff from the Welfare Exemption Section and the Survey Section. This has created a backlog in processing taxpayers' exemption claims and delays in completing mandatory county surveys. The backlog in processing exemption claims causes frustration from claimants who often take

D. Justification / Analysis of All Feasible Alternatives – Alternative 1 (Continued)

their complaints to Board Members. Delays in completion of county surveys result in assessors not receiving timely feedback on issues raised during the survey that the assessor may not be aware of and that, when addressed, results in more equalized assessments.

County assessors have expressed their concerns to Board Members regarding the need for more classes and the creation of new topics that address special appraisal issues. With the large turnover in assessors' staff that is noted above, the need to offer more specialized classes and basic appraisal classes more frequently has greatly increased during recent years. Timely and well trained assessors' staff ensures that assessors can fulfill their duties effectively and helps ensure equalization of property tax assessments statewide. Currently, there are four trainers in the Training and Certification Outreach Unit, who on average have been able to annually conduct 11 class sessions each. With the two new positions, at least 22 additional class sessions can be offered; thereby, addressing the increased demand for classes and also improving the frequency level.

The BOE would conduct training courses for county assessors' staff statewide; develop, revise, and update training courses; monitor continuing education requirements; and consider development of innovative methods of training. The following chart summarizes the workload and required additional hours for training and certification outreach:

Workload	Senior Level FY 2008-09 Hours	Associate Level FY 2008-09 Hours
Develop Training and Workshop Courses	300	0
Develop Methodology for Alternative Training	120	0
Develop Alternative Training Media	150	320
Revise/Update Training and Workshop Courses	160	420
Classroom and Workshop Instruction	480	560
Review of Advanced Certification Requests	100	0
Review of Outside Training and Workshop Requests	150	120
Class and Workshop Preparation & Examination Grading	200	240
Instructor Training	80	80
Advisory Services/ Miscellaneous	60	60
Total Hours Needed	1,800	1,890
Total Positions Required <u>a/</u>	1.0	1.0

a/ Based on 1,800 hours per position. Estimated work time based on experience.

D. Justification / Analysis of All Feasible Alternatives – Alternative 1 (Continued)

Valuation Factor Studies Workload

The BOE would conduct studies in the development of factors (index, percent good, valuation) used to value specific industry types that are experiencing rapid technological innovation. Staff would evaluate what types of industries fall in this category based on information received from assessors and industry; then determine a project schedule. Staff would contact and interact with county assessors, industry representatives, and other interested parties in an effort to analyze data and create valuation factors for specific types of commercial or industrial equipment. The following chart summarizes the workload and required hours:

Workload	Senior Level FY 2008-09 Hours	Principal Level FY 2008-09 Hours
Develop methodology for project	40	400
Meet with industry and county assessors	100	200
Collect data for project—audit companies' books	770	50
Contact other states and other state agencies for comparable studies or data; identify other sources	0	100
Develop valuation factors—analyze data collected	800	50
Oversee interested parties process—provide draft and chair meetings	30	350
Move project through administrative process—oversee process to facilitate adoption by the BOE	30	400
Develop model for future studies and/or updates to existing studies	30	300
Total Hours Needed	1,800	1,800
Total Positions Required <u>_a/</u>	1.0	1.0

_a/ Based on 1,800 hours per position. Estimated work time based on experience with previous studies.

Pros:

- Allows BOE to meet its Revenue and Taxation Code mandates for the training and certification of appraisers for property tax purposes and provide guidance to assessors in the assessment of property.
- Provides county assessors with the foundation necessary to accurately value property.
- Assists in the avoidance of costly and time-consuming appeals and litigation for local government and taxpayers.
- Allows BOE to pursue efficiencies of operation through use of alternative training media; for example, using the Internet to provide training courses online.
- Allows a review of current data to determine if the information contained in AH 581 results in accurate estimates of value and provides BOE with a reliable foundation for value indicators for specific types of equipment.
- Provides industry and other interested parties an opportunity to provide input and expertise in the development of updated valuation factors.

D. Justification / Analysis of All Feasible Alternatives – Alternative 1 (Continued)

Cons:

- Requires a new General Fund appropriation for Training and Certification Outreach and continuation of General Fund appropriation for valuation factor studies.
- Necessitates participation of county assessors to provide staff time for appraiser training and certification and relevant data for the viability of the valuation studies.

Alternative 2 – Approve permanent funding for the continuation of 2.0 positions and relating operating resources to address the Valuation Factor Studies workload only.

This approach meets the needs of the Valuation Factors Studies workload but fails to recognize the need of the Training and Certification Outreach workload. The estimated cost is \$264,000 for FY 2008-09 and \$264,000 for FY 2009-10 and ongoing.

Pros:

- Requires no new General Fund appropriation.
- Provides county assessors with the foundation necessary to accurately value property.
- Fosters assessments made via more accurate estimates of fair market value; thus, lessening public aversion to the use of property tax as a vehicle to fund government services.
- Allow a review of current data to determine if the information contained in AH 581 results in accurate estimates of value and provides BOE with a reliable foundation for value indicators for specific types of equipment.
- Provides industry and other interested parties an opportunity to provide input and expertise in the development of updated valuation factors.

Cons:

- Does not address the need for BOE to provide statewide certification to the growing number of new county appraisers. Consequently, the county assessors would be hindered in their ability to have trained staff to perform property tax appraisals and audits.
- Necessitates participation of county assessors to provide staff time and relevant data for the viability of the valuation studies.
- Requires industry's participation to provide data for the development of the valuation factors.
- Requires the continuation of \$264,000 General Fund appropriation for the Valuation Factor Studies.

Alternative 3 – Approve permanent funding for 2.0 positions and related operating resources to address Training and Certification Outreach workload only.

This approach meets the needs of the Training and Certification workload but fails to recognize the need of the Valuation Factors Studies workload. The estimated cost is \$251,000 for FY 2008-09 and \$230,000 for FY 2009-10 and ongoing.

Pros:

- Allows BOE to address the increased Training and Certification workload and meet its mandated responsibility.
- Provides county assessors with the foundation necessary to accurately value property.
- Allows BOE to pursue efficiencies of operation through use of alternative training media; for example, using the Internet to provide training courses online.

D. Justification / Analysis of All Feasible Alternatives – Alternative 3 (Continued)

Cons:

- Requires a new General Fund appropriation and increase staff level.
- Necessitates participation of county assessors to provide staff time for appraiser training and certification.
- Does not address Valuation Factors Studies workload needs. Consequently, only outdated valuation factors would be available for use and could result in taxpayers receiving unfair assessments of property and increase the number of property tax appeals.

E. Outcome and Accountability

The proposal will be implemented in July 1, 2008, with the hiring of two additional staff and the permanent establishment of the expiring limited-term positions. It is essential that BOE increase the number of training courses conducted and develop new training courses to respond to the influx of new appraisers and fulfill its responsibility to provide training to appraisers of the 58 county assessors' offices. The outcome will be measured by the number of courses conducted during a given fiscal year, as well as, by new courses developed or courses revised.

The BOE would consider changes due to technological innovation to arrive at specific valuation factors for industry equipment in fulfilling its responsibility to provide guidance to county assessors to follow in valuing locally assessed property. The outcome will be measured by the number of studies conducted during a given fiscal year, as well as, by new factors published in AH 581.

F. Timetable

The recommended alternative is proposed to become effective July 1, 2008.

July 2008 – June 2009	July 2009 – June 2010	July 2010 – June 2011
Hire staff in Training and Certification Section	Continue conducting training courses	Continue conducting training courses
Train staff to revise, update and develop training course materials and to conduct appraiser training courses	Continue revising and updating course materials to reflect statutory changes or changes to methodology	Continue revising and updating course materials to reflect statutory changes or changes to methodology
Teach training courses	Participate in discussions with assessors and industry to determine type of equipment to study	Participate in discussions with assessors and industry to determine type of equipment to study
Revise, update and develop course materials	Obtain and analyze data	Obtain and analyze data
Participate in discussions with assessors and industry to determine type of equipment to study	Make recommendations to our Board for adoption	Make recommendations to our Board for adoption
Obtain and analyze data		
Make recommendations to our Board for adoption		

G. Recommendation

Alternative 1 is recommended. Approval of these positions will allow BOE to effectively and efficiently perform the mandated workload demands as defined above. It would facilitate education outreach in the Training and Certification Outreach Unit and facilitate the objective of providing mandated training for county assessors' appraisal staff by securing additional positions. It would facilitate the objective of validating or updating information contained in Assessors' Handbook Section 581 relative to the valuation factors for specific types of equipment experiencing technological innovation by continuing permanent funding for 2.0 limited-term positions originally funded via FY 2006-2007 BCP #6.

H. Fiscal Detail

See attached "Fiscal Detail" schedules.

DATE: July 30, 2007

STATE OF CALIFORNIA
 BUDGET CHANGE PROPOSAL--FISCAL DETAIL
 STATE OPERATIONS
 FISCAL YEAR 2008-09
 (Dollars in Thousands)

Title of Proposed Change: Maximize Fairness & Education in County Assessment Standards Program

Program/Element/Component: County Assessment Standards Program

	PERSONNEL YEARS					
	CY	BY	BY + 1			
TOTAL SALARIES AND WAGES _{a/}		4.0	4.0		\$291	\$291
Salary Savings		-.2	-.2		-15	-15
NET TOTAL SALARIES AND WAGES		3.8	3.8		276	276
Staff Benefits _{a/}					102	102
NET TOTAL SALARIES AND WAGES		3.8	3.8		378	378
Distributed Administration _{b/}					38	36
TOTAL PERSONAL SERVICES		3.8	3.8		\$416	\$414
OPERATING EXPENSE AND EQUIPMENT						
General Expense					\$25	\$7
Distributed Administration					9	9
Printing						
Communications					2	1
Postage						
Travel--In-State					44	44
Travel--Out-of -State					10	10
Training					3	3
Facilities Operations					6	6
Consulting & Professional Services: Interdepartmental						
Consulting & Professional Services: External						
Stephen P. Teale Data Center						
Data Processing					1	
Equipment						
Other Items of Expense: (Specify Below)						

_{a/} See page 12 of 12 for itemized staff benefits and classification detail.

_{b/} Represents Distributed Administration costs resulting from this BCP. The Distributed Administration costs for existing BOE programs will reflect a corresponding decrease which will be addressed in the Planning Estimate process.

	<u>CY</u>	<u>BY</u>	<u>BY + 1</u>
TOTAL OPERATING EXPENSE AND EQUIPMENT		\$100	\$80
TOTAL EXPENDITURES (State Operations)		\$516	\$494

Source of Funds

General Fund	(0001)		\$516	\$494
Special Funds:				
Breast Cancer Fund	(0004)			
State Emergency Telephone	(0022)			
Propane Surcharge Fund	(0051)			
Motor Vehicle Fuel Account	(0061)			
Occupational Lead Prevention Fund	(0070)			
Childhood Lead Poisoning Prev. Fund	(0080)			
Cig. and Tobacco Prod. Surtax Fund	(0230)			
Oil Spill Prevention and Admin. Fund	(0320)			
Integrated Waste Management	(0387)			
Underground Storage Tank Fund	(0439)			
Energy Resources Programs Account	(0465)			
CA. Children and Families First Trust Fund	(0623)			
Federal Trust Fund	(0890)			
Timber Tax Fund	(0965)			
Gas Consumption Surcharge Fund	(3015)			
Water Rights Fund	(3058)			
Elec. Waste Recovery and Recycling Acct.	(3065)			
Cig. and Tobacco Prod. Compliance Fund	(3067)			
Federal Funds				
Other Funds				
Reimbursements	(0995)			
Net Total Augmentation (Source of Funds)			\$516	\$494

**DETAIL OF STAFF BENEFITS
AND PERSONAL SERVICES**

Staff Benefits Detail:	<u>CY</u>	<u>BY</u>	<u>BY + 1</u>
	<i>(Whole Dollars)</i>		
OASDI		\$21,114	\$21,114
Health Insurance		32,813	32,813
Retirement		46,912	46,912
Workers' Compensation		113	113
Industrial Disability Leave		197	197
Non-Industrial Disability Leave		143	143
Unemployment Insurance		42	42
Other		728	728
TOTAL		<u>\$102,062</u>	<u>\$102,062</u>

<u>Classification</u>	<u>Positions</u>			<u>Salary</u> <u>Range</u>	<u>Amount</u>		
	<u>CY</u>	<u>BY</u>	<u>BY + 1</u>		<u>CY</u>	<u>BY</u>	<u>BY + 1</u>
Associate Prop Auditor-Appraiser		1.0	1.0	\$62,052		\$62,052	\$62,052
Principal Property Appraiser		1.0	1.0	86,736		86,736	86,736
Senior Specialist Property Auditor Appraiser		2.0	2.0	71,316		142,632	142,632
Blanket Funds:							
Overtime (Various)							
Temporary Help							
TOTAL SALARIES AND WAGES		<u>4.0</u>	<u>4.0</u>			<u>\$291,420</u>	<u>\$291,420</u>

a/ The salary is the mid-step of the salary range for the stated classification.