

[Assembly Bill 681](#) (Ting)

Date: 07/15/15

Program: Property

Sponsor: Author

Government Code Sections 15643 and 15645

Effective: January 1, 2016

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**Summary:** Modifies the county assessment practices survey cycle, reduces the time within which the Board of Equalization (BOE) must issue a survey report from two years to one year, and allows former assessors to provide feedback on the survey of their former office.

**Summary of Amendments:** The amendments clarify that surveys commenced before July 1, 2016 have a two year deadline. The amendments also incorporate technical suggestions made in the prior analysis.

**Purpose:** To accelerate the release of a survey report and allow former assessors whose administration is being reviewed an opportunity to provide input.

**Fiscal Impact Summary:** No impact.

**Existing Law:** The law requires the BOE to perform duties related to state oversight of local property tax administration. Specifically, the law requires the BOE to survey each county and city and county to determine the adequacy of the assessor's procedures and practices in property valuation.<sup>1</sup>

**Survey Cycle.** The law requires the BOE to survey each county's assessment procedures and practices as rapidly as feasible and repeat or supplement each survey at least once every five years.<sup>2</sup> In some cases, surveys include a statistical sample of the property assessments in the county under review. In an assessment sampling, BOE appraisers independently value the selected properties to compare the BOE's estimate of value to the county's value.

**Written Report.** After the survey is complete, the law requires the BOE to prepare a written survey report setting forth its findings and recommendations. Before preparing its written survey report, the law requires the BOE to meet with the assessor to discuss and confer on those matters that may be included in the written survey report. Existing law requires the BOE to issue the final survey report within two years after the date the BOE begins the survey.<sup>3</sup>

**Former Assessor.** Existing law does not require the BOE to meet with the former assessor if the survey reviews the former assessor's administration. In addition, the law does not provide a process for the former assessor to formally respond to the survey.

### Proposed Law:

**Written Report.** This bill requires for surveys started on or after July 1, 2017, the BOE to issue a final survey report within 12 months after the date the BOE began the survey. The bill allows a gradual transition from 2 years to 15 months to 12 months, depending on the year the survey was started, as specified.

**Survey Cycle.** To mitigate the impact of reducing the time period to publish final survey reports, this bill modifies the survey cycle to reduce the number of surveys the BOE is required to conduct as follows:

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<sup>1</sup> [Chapter 2](#), "Surveys of Local Assessment Procedures" commencing with Government Code (GC) §15640.

<sup>2</sup> GC §15643.

<sup>3</sup> GC §15645.

- Continue to survey the ten counties with the largest value of locally-assessed property on the existing five-year cycle.<sup>4</sup>
- Continue to conduct the assessment sampling of each of the ten counties with the largest value of locally-assessed property on a five-year cycle.
- Annually, survey one county and conduct the assessment sampling of another county from the ten counties in the next tier of locally-assessed property values.<sup>5</sup> The BOE and California Assessors' Association (CAA) would randomly select these counties from stratified five-year lists.
- Annually, survey three counties and conduct the assessment sampling of another two counties from the remaining 38 counties.<sup>6</sup> The BOE and CAA would randomly select these counties from stratified five-year lists.

The provisions would sunset five years from the date of enactment and revert to the existing five-year schedule for all counties.

**Former Assessor.** The bill requires the BOE to notify and meet with the former assessor whose administration is being reviewed upon his or her request, prior to publishing its written survey report. This bill allows the former assessor to prepare a written response to the report that the BOE must publish as an addendum to the final survey report.

**In General:** In the course of five years, BOE staff examines all 58 county assessor's offices, in a process known as a "survey." BOE appraisers and auditor-appraisers conduct onsite field audits of each county to review the procedures and practices the assessor uses to value property and administer the property tax.

**Surveys.** In the survey, the BOE audits each assessor's compliance with the laws. The written report details staff's findings and recommends areas of improvement. In some cases, the law requires the BOE's survey to include a "sampling" of assessments in the county.

**Sampling.** BOE selects a statistically representative sample of property types, and BOE appraisers independently value the selected properties. The BOE's results are then compared to the assessor's results.

**Background:** Currently, the survey program is functioning within the timeframe mandated by statute and the BOE is publishing reports within two years. However, because of the extreme workload involved with conducting surveys of all 58 County Assessors' offices at least once in each five-year period, publication of final reports can take the two full years allowed in law. The time period to publish is impacted by:

- **Program staffing issues.** As with many State programs that are suffering the effects of baby boomers' retirement, the program has sustained a significant reduction in staff with the skill sets necessary to conduct surveys of the County Assessors' offices.<sup>7</sup>
- **The workload of County Assessors.** The pending publication of survey reports can be exacerbated by the workloads in County Assessors' offices whereby there are times throughout the assessment year that County Assessors cannot accommodate a survey team in their offices. Additionally, County Assessors may be unable to meet the deadlines established for their review of survey drafts and conferencing discussions with BOE staff if those deadlines occur when the county is in the process of meeting their annual assessment roll deadlines.

<sup>4</sup> The assessment rolls for these counties represent approximately 75 percent of California's total assessment roll.

<sup>5</sup> The assessment rolls for these counties represent approximately 15 percent of California's total assessment roll.

<sup>6</sup> The assessment rolls for these counties represent approximately 10 percent of California's total assessment roll.

<sup>7</sup> Over a recent five-year period, 100 percent of the survey program positions realized a turnover.

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the BOE's formal position.

**Commentary:**

1. **The July 15, 2015 amendments** make two technical amendments suggested in the prior BOE-analysis. First, the amendments fix the counties in each tier or grouping within a five-year cycle for purposes of the random selection process, in the event any county or city and county shifts from one of the three groupings to another grouping. Second, the amendments restore, revise, and move into a separate paragraph, previously deleted language related to the need to conduct a sampling of assessments in counties that have significant assessment problems. The amendments also clarify that since the bill becomes effective January 1, 2016, those surveys started before the July 1, 2016 transition to a shorter completion date and will have a two year completion requirement, as the law currently provides. **The April 22, 2015 amendments** provided a necessary transition period to the 12-month survey completion requirement, as requested in the BOE's prior analysis. For surveys started on July 1, 2016 through June 30, 2017, the deadline is 15 months. Surveys begun on and after July 1, 2017 are subject to the one-year requirement.
2. **Without modifying the survey schedule, publishing written surveys within one year would not be possible.** The bill shortens the time to complete the written survey report from two years to one year. This reduces the time by half. To mitigate this impact, the bill reduces the number of county surveys the BOE must complete over a 5-year cycle, from 58 to 30. The bill reduces the number of county sampling the BOE must undertake over a 5-year cycle, from 26 to 25.
3. **Under the current cycle, 22 surveys are in process at any given time.** Under the proposed bill, 11 surveys or samples would be in process each year (30 + 25/5). The 22 survey reports in progress are in various stages of production—from initial fieldwork, to drafting the report, managerial reviews, editing the report, conferencing the draft report with the County Assessor, and printing/publishing the final report. If the survey cycle is legislatively amended to reduce the number of county surveys required each year, the 12-month publication goal should be attainable. This goal, however, is predicated on adequate staffing levels and the ability to complete or eliminate the current 22 survey reports in the existing pipeline.
4. **To complete the surveys in the allotted time using existing staff resources would require the BOE to curtail the audit's scope and depth.** Thus, additional staff is needed to meet the compressed schedule and maintain the audit's scope. To implement this bill, additional staffing would be necessary to ensure that the surveys do not suffer qualitatively. Property tax appraisal positions require extensive training to acquire the appraisal and legal knowledge necessary to conduct a meaningful survey of a County Assessor's assessment program. Historically, the BOE staffed the survey teams with journey-level employees from a candidate pool consisting of county assessor staff from the surrounding Sacramento areas. However, BOE's ability to hire journey level staff has been severely diminished due to the inability to offer a state compensation package that is comparable to the counties. Thus, even if funds are provided for additional staff, hiring the journey level staff necessary to audit counties presents a challenge.
5. **The BOE and the CAA have a procedure dedicated to improving the survey process.** An ad hoc committee collaboratively works to improve and refine the program. In the last year, BOE staff and assessors streamlined the survey report, created a master document detailing proper assessment practices, and developed a questionnaire for the assessor to complete in advance of the audit that is field-check verified.
6. **Impact on assessor office operations.** Presently, the BOE attempts to minimize disruption by scheduling around the assessors' peak workload periods. The proposed one-year timeframe will reduce flexibility in scheduling. Smaller counties will be particularly impacted due to the smaller staff.

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7. **While a report may take 24 months to publish, assessors address issues prior to the final published report.** Although a report may take 24 months to publish, its impact is felt well before publication. BOE staff and assessor interaction in the field and the exit interview is a key part of the survey process. For this reason many recommendations are adopted prior to the publication date.

**Administrative Costs:** The BOE requires additional staff to complete the proposed surveys and samples within one year. The staffing costs are estimated to be \$629,000 in Fiscal Year 2016-17 and \$571,000 annually thereafter.

**Revenue Impact:** This bill does not impact property tax revenues.