

**MEETING OF THE LOCAL GOVERNMENT COMMISSION ASSESSMENT REFORM
TASK FORCE**

Thursday, January 26, 2017

The meeting of the Assessment Reform Task Force was called to order by Senator John H. Eichelberger, Jr., at 10:05 a.m. in Room 461 Main Capitol Building with the following individuals present:

MEMBERS

Senator John H. Eichelberger, Jr., Chairman
Senator John P. Blake
Representative Kate Harper
Richard Vilello, PA Department of Community and Economic Development
Renee Reynolds, State Tax Equalization Board
Radee Skipworth, PA Department of Revenue
Joan Righter Price, Assessors' Association of PA
JR Hardester, Assessors' Association of PA
Maryann Nardone, Ph.D., Legislative Budget and Finance Committee
Philip Klotz, Local Government Commission Executive Director
David Greene, Local Government Commission Assistant Director-Legal Counsel
Danette H. Magee, Local Government Commission Research Associate
Karen S. Bear, Local Government Commission Secretary

As the first order of business, Senator Eichelberger gave opening remarks and thanked all of the participants for their willingness to serve on the Task Force. A list of all Task Force Members and pertinent contact information were included in the meeting packets. The Chairman introduced Danette Magee, Research Associate of the Local Government Commission (LGC), who provided background information about the reassessment reform initiatives and progress from 2001-2016 that led to the formation of the Assessment Reform Task Force.

Ms. Magee explained that the Assessors' Association of Pennsylvania (AAP), which is an affiliate of the County Commissioners Association of Pennsylvania (CCAP), formed an Assessment Reform Committee in 2001. The AAP charged the committee with creating a legislative proposal that would consolidate three Pennsylvania major assessment laws, along with statutory provisions from other laws relating to property assessment, as it relates to counties of the second class A through the eighth class. Legislation was introduced by the Commission which became Act 93 of 2010, the Consolidated County Assessment Law.

Ms. Magee explained that House Resolution (HR) 334 of 2009 directed the Legislative Budget and Finance Committee (LBFC), in conjunction with the LGC and the State Tax Equalization Board (STEB), to work with AAP and CCAP to study Pennsylvania's system for real property valuation and assessment in conjunction with the property valuation systems in surrounding states, and identify measures to make the Pennsylvania system more uniform, transparent, and cost effective, among other things. The report with its findings and recommendations was released in July 2010.

In 2009, the AAP established the Assessment Law and Legislative Task Force Committee, chaired by Joan Righter Price, AAP Solicitor, to address needed reforms relating to data collection and generation by STEB within the Department of Community and Economic

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Development (DCED), as well as other assessment-related issues. Legislative liaison members of the Task Force Committee include Ms. Magee and Dr. MaryAnn Nardone of the LBFC. The Committee was divided into five subcommittees in 2016 to effort various recommendations set forth in the HR 334 report.

HR 343 and HR 344 of 2011 established two task forces to further examine the issues identified in the HR 334 report relating to property valuation and reassessment standards, as well as issues relating to STEB. The reports were released in May 2012 and offered various recommendations.

STEB was consolidated into DCED by Act 2 of 2013 and renamed by the Department as the Tax Equalization Division (TED). Along with the transfer of STEB, four recommendations from the HR 334 report and the House Task Forces were included in the amendatory act, including:

(1) Creating an operation's manual, in consultation with CCAP and AAP, to be utilized by counties when completing a countywide reassessment or when valuating property.

(2) Creating and maintain a centralized and standardized statewide database for counties to utilize, and report to the board all property values and data as required by the board.

(3) Developing statewide training programs for any person employed to collect, compile, compare or handle data associated with the valuation of any property for purposes of reassessment valuation within the Commonwealth (excluding county assessors who are already trained and certified via the Assessor's Certification Act).

(4) Developing standards on contracting for assessment services in consultation with CCAP and AAP, taking into consideration the standards published by the International Association of Assessing Officers (IAAO).

In 2014, DCED, at the direction of the former Governor and Members of the General Assembly, established the STEB Blue Ribbon Committee to facilitate revisions to the operations and protocol of STEB as identified in the HR 334 report and the House Task Force reports. To date, the Blue Ribbon Committee has completed work with a private consultant, Mr. Alan Dornfest, AAS, under contract with DCED, to review the methodology used by STEB to calculate the county common level ratio (CLR) for each county and to determine whether the CLR is calculated in a manner consistent with IAAO standards and is the most representative indicator of assessment level in each county. Mr. Dornfest's report was released on June 6, 2014, which also made various recommendations.

Senator Eichelberger explained the purpose and scope of the Assessment Reform Task Force by stating that the focus of the Task Force is common sense modifications to address significant flaws and promote fairness and accuracy in the property assessment system as recommend by previous studies. The Task Force is a collaborative effort to provide additional structure and support for the ongoing work of CCAP, AAP, LGC, LBFC and STEB over the past several years and to facilitate implementation. Fairness and accuracy are beneficial to all

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stakeholders in the process, including taxpayers and taxing districts. If left unaddressed, flaws in the system will continue to contribute to an unbalance tax burden, and an unnecessary expenditure of public and private resources.

Joan Righter Price, Esquire, representing AAP, outlined the objectives and the progress that has been completed thus far by the Assessment Law and Legislative Task Force Committees, of which she is the chairperson. Ms. Righter Price explained that five subcommittees were formed to effort various aspects of assessment reform as set forth in the HR 334 report and provided details regarding the membership, goals and current progress of each subcommittee. The five subcommittees are: (1) STEB/Tax Equalization Division Liaison Group; (2) Contracting Standards; (3) Reassessment Operations Manual; (4) Self-Evaluation Tool; and (5) Public Relations.

Mr. Klotz described the Assessment Reform Initiatives tentative timeline that was included in the meeting packets. Each of the nine objectives listed for the Task Force shows an approximation of when that task should be completed. Mr. Klotz emphasized that the timeline is tentative and can be adjusted accordingly if a need exists. The Task Force initiatives for the 2017-18 legislative session are as follows:

- (1) Develop and implement contracting standards for contracting with private appraisal firms in conducting county reassessments.
- (2) Develop and implement an operations manual to be used by counties when conducting a countywide reassessment or when valuating property.
- (3) Develop and implement a county self-evaluation tool for counties to determine their need for a countywide reassessment, and readiness for a reassessment in terms of data and resources.
- (4) Implement use of a uniform sales validation form needed for the valuation process and sales ratio studies.
- (5) Amend the Assessor's Certification Act to provide for certification of outside consultants.
- (6) Require public disclosure of the key elements of a county's chosen system for property valuation and assessment, including how properties are valued and assessed.
- (7) Develop and implement a statewide training program for any person employed to collect, compile, compare or handle data associated with the valuation of property for purposes of reassessment (excluding assessors who are trained and certified pursuant the Assessor's Certification Act).
- (8) Investigate the fairness and efficiency of the assessment appeals process, including measures to reduce appeals, consistency in methodology, and appointment, composition and qualifications of appeals boards.
- (9) Examine current legal requirements for property valuation, assessment and appeals in this Commonwealth and identify any advisable changes.

The meeting then focused on immediate initiatives. Ms. Righter Price gave a presentation on the need to amend the Assessors Certification Act (Act 28 of 1992) to provide training and qualification of outside consultants. She explained the need for all certified

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assessors, including contracted assessors from out-of-state, to be familiar with the Pennsylvania Constitution's uniformity clause as interpreted by the Pennsylvania Supreme Court and its implications for valuation and assessment practices. Since 1909, the Pennsylvania Courts have held that under the state constitution's uniformity clause, all real property is one class, and all taxes must be uniform upon the same class of subjects. Pennsylvania may not subclassify property for real estate taxation purposes. Pennsylvania appellate courts have required counties to conduct countywide reassessment of all properties upon learning the county engaged in partial or selective reassessments. In the 1990s, taxing authorities in one large county had to pay millions of tax dollars to settle a class action suit with taxpayers whose properties were selectively reassessed. Ms. Righter Price emphasized that the State Board of Certified Real Estate Appraisers, in cooperation with the AAP, should consider developing a required training program to acquaint all assessors with the Pennsylvania Supreme Court's rulings, their implications for permissible valuation and assessment practices, and their duties as certified assessors. A working group of Ms. Magee, Dr. Nardone, Mr. Hardester and Ms. Righter Price volunteered to explore further with the IAAO on ways to improve requirements of out-of-state contracted assessors. The group stated that they would offer their results at the next Task Force meeting.

Mr. Hardester spoke about implementing the use of a uniform sales validation form for the valuation process and sales ratio studies. A sample form was provided to the Task Force Members for their perusal. Mr. Hardester explained that the form was a recommendation by Mr. Dornfest and that Lawrence County, in which Mr. Hardester is employed as the Chief Assessor, has made it a policy to utilize the sales validation form for all real estate sales. It was further clarified by Mr. Hardester as to what is considered a valid sale and how that information applies when calculating the CLR. Ms. Reynolds emphasized the importance of the CLR and how it pertains to work performed by STEB. A discussion ensued as to the use of the uniform parcel identifier (UPI) and how the UPI's utilization is optional for counties. Mr. Hardester agreed to establish a working group to study the proposed required use of a real estate sales verification form. The findings will be presented to the Task Force at its next meeting.

Dr. Nardone expounded upon the need for the requirement of public disclosure of key elements of a county's chosen system of property valuation and assessment, including how properties are valued and assessed. Ohio has requirements for public disclosure and access to information on how property values are derived. Maryland also has a highly transparent system for property valuation and assessment, and provides detailed information on its methods at its website, and other information provided to taxpayers. However, counties in Pennsylvania can choose the type of property valuation and assessment system to be implemented in the county. They can decide to assess on a "current market" basis or a "base year" basis, select the percent of fair market value to be assessed for tax purposes, and select the criteria to be used to decide when to revalue all properties, i.e., to reassess. In the 1980s, the General Assembly required counties to specify their "predetermined" ratios of market value to be assessed for tax purposes. Counties, however, are not required to specify for taxpayers if they are arriving at fair market values on a "current market" basis or a "base year" basis, or routinely make available to the public the methods used to arrive at fair market values when they reassess or value property after the reassessment. Dr. Nardone suggested that the LGC, in cooperation with the AAP, consider

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developing standards for counties to disclose for taxpayers the systems they have implemented to value and assess property. Consideration should also be given to the development of a statutory provision requiring such disclosure. Mr. Greene, Ms. Magee and Dr. Nardone offered to draft language to the Consolidated County Assessment Law that would compel counties to disclose the method used for reassessment and make it available for the Task Force members review at the next meeting.

Senator Eichelberger spoke to the need to investigate the fairness and efficiency of the assessment appeals process, including measures to reduce appeals, consistency in methodology, and appointment, composition and qualifications of appeals boards. Blair County, which Senator Eichelberger represents, recently underwent reassessment. Senator Eichelberger relayed the issues his constituents were experiencing as they tried to steer through the reassessment appeals process. A working group that included the Senator, Doug Hill of CCAP, Ms. Righter Price, Mr. Klotz and Ms. Magee was formed to study ways in which to provide citizens more access to information regarding how to better navigate the appeals process. The group's analysis will be tendered at the next meeting.

Ms. Magee and Mr. Hardester made an appeal to amend the Real Estate Appraisers Certification Act (Act 98 of 1990) to require representation by Certified Pennsylvania Evaluators (CPE) on the State Board of Certified Real Estate Appraisers. When responsibility for state certification of assessors was transferred to the State Board of Certified Real Estate Appraisers, the statute did not require that a CPE serve on the Board. In the past, this has been addressed administratively by the appointment of at least one member who is dually certified as a real estate appraiser and as a CPE. Most recently, according to Mr. Hardester, the Board's former chair, who is both an appraiser and assessor, advised of the need for such background as the two professions differ. He also noted that with the departure of the former chair, the Board has no CPEs serving on it. In view of the importance of real property valuation and assessment, executive branch agencies should work with the AAP and the LGC to revise Act 98 to require CPE representation on the Board. Currently, the Board consists of 11 members: six real estate appraisers, three executive department appointees, and two members of the public. After a lengthy discussion, the Task Force agreed that the State Board membership should be increased to 13 and include two CPEs. Senator Eichelberger suggested that the LGC staff draft legislation expanding the State Board of Real Estate Appraisers and offer the language for sponsorship to the LGC Members at its next business meeting.

Renee Reynolds recommended amending Chapter 15 (State Tax Equalization Board) of the Community and Economic Development Enhancement Act (Act 58 of 1996) to specifically allow STEB to use more than the prior calendar year for establishing the CLR. The Task Force members agreed with Ms. Reynolds' reasoning and debated as to the parameters needed to garner optimal information necessary for a solid CLR determination. Ms. Reynolds agreed to form a working group that would prepare amendatory language for Act 58 of 1996 establishing consistent parameters for determining the CLR. The language will be available for perusal at the next Task Force meeting.

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Senator Blake requested a list of all counties with the year in which each were last reassessed. Ms. Reynolds volunteered to provide the information.

Prior to adjournment, Senator Eichelberger gave his closing remarks and determined that the next Task Force meeting would occur on Thursday, April 13, 2017.

The meeting adjourned at 12:00 p.m.

Attested: _____
February 16, 2017