

PROPERTY VALUATION ADMINISTRATOR'S OFFICE TASK FORCE

Minutes of the 2nd Meeting of the 2020 Interim

August 18, 2020

Call to Order and Roll Call

The 2nd meeting of the Property Valuation Administrator's Office Task Force was held on Tuesday, August 18, 2020, at 3:00 PM, in Room 171 of the Capitol Annex. Representative Randy Bridges, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Robby Mills, Co-Chair; Representative Randy Bridges, Co-Chair; Senators Denise Harper Angel and Michael J. Nemes; Representatives Samara Heavrin and Nima Kulkarni; and Tom Crawford.

Guests: Rachel Foster, PVA, Daviess County; Jeffrey Kelley, PVA, Webster County; and Cindy Martin, PVA, Boone County

LRC Staff: Jennifer Hays, Chase O'Dell, and Sarah Watts.

Approval of Minutes

A motion was made by Senator Mills, seconded by Senator Nemes, to approve the minutes from the July 27, 2020 meeting. The motion passed by voice vote.

PVA Office Efficiencies, Best Practices, and Uniformity among Offices

Rachel Foster, PVA, Daviess County; Jeffrey Kelley, PVA, Webster County; and Cindy Martin, PVA, Boone County, discussed PVA Office Efficiencies, Best Practices, and Uniformity among Offices.

Jeffrey Kelley testified that his PVA office consists of the PVA and three full-time employees. Webster County is a grade 14 county based on population, square miles, certified assessment, and other considerations. One of the difficulties in creating uniformity is that each county is unique.

Local PVA offices are charged with certain duties to comply with constitutional, statutory, and recommended guidelines. Mr. Kelley advocated for expanding the Kentucky property tax calendar to provide each governmental agency involved in the process a road map to get their job done in a timely manner. Mr. Kelley testified that his office eliminates

redundancy by planning out their quad work and field work in a way that decreases mileage, time on the road, and expenses.

PVAs are guided by statutes and guidelines for record keeping. Many counties are struggling with adequate storage space for record keeping. Mr. Kelley recommended moving towards digital record keeping.

Most of Webster County's training is through a mentoring program. Smaller counties must cross-train employees to do many different jobs.

There are many technology products that can be used to create more efficiency, but a cost to benefit must be considered. The Webster County PVA office chooses the programs that it can best afford. Other government agencies are provided standardized software which allows for uniformity between circuit clerks and county clerks.

Mr. Kelley outlined his recommended changes to KRS 133.120. KRS 133.120 identifies people who can represent a property owner on a protest and appeal of a property assessment for a commission or fee. More frequently people are representing property owners on a contingency fee basis. PVA offices should make sure that the person representing the property owner is in compliance with KRS 133.120. The PVA wants the assessments to be correct and wants to work with qualified representatives. Mack and Mr. Kelley have discussed this and KACo surveyed 57 counties that identified big box stores. Between the big box stores, the apartment owners, and triple-net leases, including fast food restaurants, there is approximately 50 billion dollars in state-wide property assessments, which could equate to 250 million dollars if a 1% effective tax rate is applied. Mr. Kelley stated that the protest and appeals need to be taken seriously, and the representatives should be qualified so that the property value is in accordance with the Kentucky Constitution. Mr. Kelley stated that he would like to work with someone to sponsor legislation to clean up the list of permitted representatives in KRS 133.120, and he provided suggestions on how to clean up the statute. Protests or appeals by representatives should be by individuals familiar with property valuation and Kentucky Revised Statutes.

Mr. Kelley expressed his hope that the task force could come up with an idea for a dedicated funding stream that would consider the different profiles of counties. He continued to state his position that a portion of the state rate for property tax should be earmarked for funding PVA offices as an income producing arm of state government. He also testified that special taxing districts should share in the expense of paying for the tax roll produced by PVA offices.

In response to a question from Senator Nemes, Mr. Kelley stated that he had not thought about sending records to the state library and archives. He stated that records would need be accessible locally, but he could possibly retrieve it from library and archives as well.

In response to a question from Senator Mills, Mr. Kelley testified that state appeals now go through the Kentucky Claims Commission (KCC). He does not know their schedule, but there was some talk of separating the tax appeal cases from the KCC. In response to another question, Mr. Kelley stated that he did not have any cases this year, but he imagines other counties do. KCC usually reviews cases year-round as with everyone being on the same calendar the appeals fall at the same time, and KCC can't hear the cases all at once. In response to a third question, Mr. Kelley testified that he would like to see a comprehensive tax calendar for just the PVA offices and the Department of Revenue to give them a better road map of what they need to do and when they need to do it to make sure the tasks get done in a timely manner. The average PVA has a little under two years of experience compared to when he started as a PVA and the average was 20 years of experience.

Senator Harper Angel requested that LRC staff put together numbers related to backlogs of cases at the Kentucky Board of Tax Appeals versus the Kentucky Claims Commission.

Rachel Foster testified that the total equalized assessment value of real and tangible property in Daviess County is a little over eight billion dollars. Assessed values on motor vehicles and boats total \$757,844,209.

The Daviess County PVA office has nine-and-a-half employees, and is funded for 12. The office receives a vacancy credit for the sacrificed positions, which helps pay for the shortfall bill and raises. Raises are necessary in Daviess County in order to retain educated employees. Ms. Foster stated that her office has no procedure issues. Training is given on the job and through classes given by the Department of Revenue. Ms. Foster testified that classes need to be given in different parts of the state more frequently. She continued to say that the filing system for important documents needs to be statewide and funded.

Daviess County is a rapidly developing county which needs to use technology as much as possible for the lack of deputies and funding. The Daviess County PVA website is updated twice a week. Ms. Foster reviewed the technology services used by her office, including services for aerial imagery and access to a county wide planning and zoning database for permits. The Daviess County PVA office also has current and upgraded computers, printers, scanners, and software, as well as tablets, vehicles, and laser measurement tools for field deputies.

Ms. Foster stressed how counties are unequal in areas of funding, growth, and parcel count, among other things. She testified that the only way to solve funding is a strategic, continuous income stream based on each county's size. Ms. Foster expressed her support

for dedicating a portion of the state tax rate to fund property tax. Ms. Foster also supported enacting a reasonable fee on special tax districts for the use of tax rolls.

In response to a question from Senator Mills, Ms. Foster stated that a reasonable fee for the use of tax rolls by a special taxing district would vary depending on each county, and that she would base the fee amount on a parcel count. In response to another question, Ms. Foster testified that the cost of the flyover for Daviess County totaled \$85,000 for two years. In response to another question, Ms. Foster testified that training could be provided through Zoom.

In response to questions from Representative Bridges, Ms. Foster said that she did not know of any PVAs that were denied access to planning and zoning. She continued to say that potentially less than half of Kentucky counties had planning and zoning. Mr. Kelley stated that Webster County does not have county-wide planning and zoning.

Representative Bridges commented on the diversity of PVA offices throughout the state.

Cindy Martin testified that the Boone County PVA office has 10.5 state funded staff. She continued to say that her office has eight part-time employees and eight full-time employees. Ms. Martin discussed the burden of rising retirement costs and no increased funding on PVA offices. The formula for attrition of deputies saves PVAs over \$1.5 million every year. The formula has eliminated 28 full-time positions statewide since its inception.

The median sales price in Boone County increased by 11 percent from January to July, 2020. In high growth counties, it is hard to meet Department of Revenue mandates. Because of exponential market growth in Boone County, the county's assessment-to-sales ratio was 85.4 percent; which is below the Department of Revenue's standard of a 90 percent ratio. To be certified by the Department, the Boone County PVA had to raise more than \$360 million of property assessments on residential property owners. The tax roll went up over one billion dollars over the previous year. This mandate, coupled with being underfunded and understaffed put a huge burden on the PVA's office.

Boone County's commercial property ratio was 93.7 percent. Ms. Foster explained that she did not have enough time to reassess commercial property because of the time required to assess residential property.

Special tax districts depend on property tax revenues. Ms. Foster expounded on the ripple effects that occur when counties do not get certified.

The Boone County PVA office must cross-train because it is understaffed. Boone County has a training manual specific to the county. The office also uses hands on training. Additionally, the office is essentially paperless.

Ms. Martin advocated for a statewide contract that PVAs could buy into for cost savings. Ms. Martin testified that Oblique Imagery, Lexis Nexis, and CoStar should be made available to all PVAs in a statewide contract.

Boone County has a computer aided mass appraisal system. The PVA office charges for the use of its website.

Ms. Foster testified that the state government is subsidizing the cost of PVA offices to fund local districts. In Boone County, \$123 million in revenue was generated for special taxing districts who do not pay to fund the PVA office.

Boone County brought in \$16.5 million in revenue to the state based on its real property assessments. The state appropriated the Boone County PVA about \$800,000. That return on investment to the Kentucky state government is \$19 received for every \$1 spent on the Boone County PVA.

The Boone County sheriff's office receives over \$4 million for collecting the property tax revenues and distributing them to the special taxing districts. The PVA's office receives roughly \$1.2 million to assess property. The Boone County sheriff doesn't charge the maximum amount of four percent and only charges some districts one or two percent. The sheriff is receiving almost four times the amount of money than the PVA, which creates a funding discrepancy.

Ms. Martin testified that they have a good working relationship with their county. The PVA office uses the county's IT department and network, receives property maintenance cleaning, uses their permit system, county vehicle maintenance services, and GIS mapping licenses. These relationships are why PVA offices have different resources available to them and different expenses. She concluded by saying that property tax should fund property tax.

In response to a question from Senator Mills, Ms. Martin stated that during this inspection period the Boone County PVA office sent double the amount of notices that it had ever sent before. Because of Boone County's 85.4 percent sales ratio, \$360 million had to be raised. Ms. Martin continued to say that this inspection period had been the worst one she has had. In response to another question, Ms. Martin stated that property must be physically inspected once every four years. If she had the proper staffing, she would inspect commercial property every two years. In response to further questions, Ms. Martin testified that in 2009 she had a full-time information technology employee. The Boone County PVA office now has a part-time information technology employee. Ms. Martin stated that a statewide flyover is done, but that the flyover does not include oblique imagery. She continued to say that CoStar contains information on commercial sales and is used for

property valuation appeals. There are 14 special taxing districts in Boone County who are not paying for the information generated by the PVA's office.

Senator Harper Angel stated that PVAs are required to send a percentage of local funds to the state to supplement payroll. If the state would fully fund the cost of PVA personnel and allow PVAs to keep local appropriations, they could afford technology, training, and additional staff. It would be good to get a list of the percentage of local funds that each county sends back to the state, and it could give a good idea of an amount that needs to be absorbed into the budget. In response, Ms. Martin testified that she had that information and this year PVAs sent \$8.5 million in local funds to state government to fill the hole in personnel costs. Offices have the option to absorb the loss, which is why her county uses part-time employees and the savings comes off her bill. The \$8.5 million does not account for the fact that PVAs have a 90 day hiring delay in order to make budget. To be fully funded PVA offices would need around \$71 to \$72 million. She also testified that the \$8.5 million is approximately 65 percent of local funds for PVAs that is going back to the state.

Senator Harper Angel reiterated the need to properly fund PVA offices.

In response to a question from Representative Bridges, Ms. Martin testified that her PVA office transfers deeds until August 1. Her office also checks for new owners and makes a point to handle return tax bills. Ms. Martin also testified that her PVA office uses Lexis Nexis for tax bills for owners that return as undeliverable.

In response to a question from Representative Bridges, Ms. Martin stated that she would prefer a percentage fee over a per parcel fee on special taxing districts. Ms. Foster agreed with the use of a percentage fee.

Representative Bridges stated that the intent of the task force is to help PVA offices and improve savings.

With no further business, the meeting was adjourned.