



Budget Proposal Eliminates Local Assessment and Increases Cost

Despite overwhelming opposition in 2009 under Governor Doyle, the Department of Revenue (DOR) is once again proposing an upheaval of the generally very effective assessment system in the State of Wisconsin. The proposal surprisingly appeared in the Governor's budget. Four of the most troubling changes include removal of assessment responsibility from towns, villages, and cities (except for cities with a population of 39,000 or more that choose to continue to do their own assessment); provision of an unfunded mandate to have counties conduct assessment; killing of private and creation of public sector jobs; and requirement of 100% market assessment every year for every property. The WTA is fervently opposed to this proposal as it will remove local control, be less responsive to constituents, threaten assessment accuracy, kill private sector jobs, prove an unfunded mandate to local government, and increase costs. Simply, taxpayers will be paying more for a lesser product.

In recent years, WTA has intensely worked with DOR to continually improve the assessment system, including meeting with them monthly and partnering on educational programs that reached over 4,000 people in 2014 alone. We appreciate and look forward to continuing this partnership. Several reasons have been stated for the proposed changes. Although we appreciate our collaborative efforts to continually improve assessment, the rationale for the proposed changes is misguided and wrong.

Rationale #1:

This will save taxpayers money – FALSE.

The Milwaukee Journal Sentinel reported on Friday, February 13th, that *"an in-house department might cost \$25 per parcel to maintain, while a private company might sign a contract for \$6 per parcel."* A Wisconsin Association of Assessing Officers (WAAO) query indicates a greater variation, \$30.96 for a revaluation versus \$4.96 for a record maintenance year, respectively. Anecdotal and actual per parcel costs communicated to WTA by member towns over the last two weeks fall within and near the range noted by both.

Two causes behind this efficiency and great deal provided to taxpayers are the leverage provided by the equalized value system that does not require 100% assessment and the competitive private market.

Use of the equalized value system provides for equitable taxes across jurisdictions, while allowing for costly complete revaluations to be minimized and maintenance years to be maximized. Because maintenance is much less expensive than revaluation, the average per parcel costs are much less relative to in-house departments that typically maintain 100% assessment. The budget proposal requires 100% assessment annually and the associated high cost.

Let's take Waupaca County as an example. Waupaca County has 41,077 parcels that would be assessed by the County. Assuming a high per parcel cost in today's private sector of \$7, the cost of assessment would be \$287,539 annually. Using the conservative MJS \$25 per parcel cost for in-house assessment, this annual cost balloons to \$1.03 million, a 257% increase.

Or, take La Crosse County, which has 35,186 parcels not in the City of La Crosse, which exceeds 39,000 in population. Assuming the same \$7 per parcel, the annual cost would be \$246,302. Using the actual \$35.22 per parcel cost for the City of La Crosse, which conducts 100% assessment, the total skyrockets to \$1.24 million, a 403% increase.

Second, the American dedication to private sector competition is alive and well in the current assessment system. Hundreds of private sector assessors compete with each other. Towns leverage the private sector to hire the highest quality assessors at the most reasonable cost. The budget proposal will kill private sector jobs and grow public sector jobs.

TRUE:

The budget proposal will cost taxpayers, decrease competition, and kill private sector jobs.

Rationale #2:

Counties will capture an economy of scale that will make it cheaper - FALSE.

In theory, a county could capture an economy of scale. In reality, the data does not support this notion. For example, the City of Milwaukee has over 170,000 parcels that the City assesses at 100% value at a cost of \$25.52 per parcel. For a county like La Crosse or Waupaca, which have much fewer parcels, the economy of scale argument actually works against the DOR. Because they have much fewer parcels as noted above, if the economy of scale argument were true, then the per parcel cost would likely be more than the MJS average. The false economy of scale notion is exacerbated by the proposed killing of private sector jobs and subsequent decreased private market competition.

TRUE:

Economies of scale, if any at all, cannot overcome the huge savings that taxpayers currently enjoy.

Rationale #3:

There are problem assessors and fewer assessors will fix this problem – FALSE.

Yes, there might be some problem assessors. There are also problem drivers. That's why we have traffic laws and driving schools and not a transportation system of public vehicles that take you everywhere.

Many leadership and management authors write about the 80-20 rule. Applied here, one would conclude that 80% of the assessors are great and 20% cause issues. Changing to a countywide assessment system doesn't avoid the proven 80-20 rule. In fact, it just promises that the 20% problem has a much greater localized impact. Imagine having an entire county's assessment process fall victim to one of the poor actors.

The DOR already has the statutory responsibility to revoke an assessor's license for negligence, incompetence, or misconduct. According to the Milwaukee Journal Sentinel, they have not used this

authority in the past 10 years, and according to WAAO it has never been used. If the assessors are such a big problem, it begs the question why DOR has not revoked licenses. It's impossible to escape the conclusion that either the DOR has dropped the ball on assessor oversight or the problem is not as big as they would have you believe. Furthermore, a bill draft exists that would have empowered DOR to suspend licenses short of revocation. Unfortunately, that bill will not receive attention until the current issue is resolved.

A Milwaukee Journal Sentinel investigation in the Fall, 2014 uncovered issues with some assessors. It was not Town assessment or a failure in the described assessment or valuation process, but a problem contract assessor mixed with lack of DOR oversight. WTA supports enhanced DOR oversight to help address this problem.

TRUE:

The proposed sledgehammer approach should be replaced with a scalpel technique that finds the DOR actually using the current tools provided them and enhance tools where necessary.

Further Truths:

TRUE:

The proposal will infuriate citizens as local government is diminished, and they no longer will be able to connect with their neighbors in their backyard.

Currently, when citizens want to discuss their assessment, they might talk to their local assessor with whom they have a relationship. They might participate in the Board of Review at their Town Hall, which is often held on a Saturday to accommodate citizens and absentee landowners.

With this proposal, there is no local assessor with whom to connect. The Board of Review will be miles and often hours away. Good luck getting into the Board of Review as only two will be required for the population of the entire county. And, these are not people with whom you have a relationship. Instead, it will be a committee from across the county that might have little idea of the real estate in your Town.

TRUE:

This is an unfunded mandate to the county.

In addition to the significant increase in costs of 100% assessment detailed above, a read of the statutory changes that are proposed leads one to the conclusion that the County Clerk and others will enjoy additional administrative costs. Furthermore, the County can only charge back 95% of the costs in 2015. Simply, the County will have 95 cents to address what could well be a \$4.00 problem.

Furthermore, due to the economic downturn, many Towns are in a maintenance year. The County will get 95% of a maintenance year cost, which is well below the average revaluation per parcel cost, in reality giving them less than 95 cents for the \$4.00 problem.

TRUE:

This will certainly cost more overall and could cost Towns more.

If you happened to be the unfortunate Town that reassesses in 2015, then you will pay a lot more. For

example, if you reassess in 2015 at \$50,000 and plan to have nine maintenance years of \$10,000, your annual cost will be \$14,000 over 10 years. The County will be able to charge you 95% of \$50,000, which is \$47,500 annually over the same 10 years. Since levy limits inhibit towns from funding this additional cost, you'll need to decrease spending elsewhere to pay the bill the county sends you.

TRUE:

The Town loses the ability to control costs.

In addition to losing the ability to negotiate a contract in a private sector environment, the Town will be subject to price increases determined by the County. The County will just send you a bill. Although there is a limit in the annual increase, Towns could negotiate a better deal in a private sector environment compared to the automatic increases thrust upon it by the County.

TRUE:

The State will recommend a salary range for the County Assessment Administrator and work with the County to establish the Department's budget.

Who has determined that the County Board is just not smart enough to set their own salaries and department budgets?

TRUE:

The few remaining private sector assessors that can contract with the County Assessment Administrator will be limited to how many parcels they can assess.

This flies in the face of American ingenuity and hard work. Perhaps we should limit how many acres a farmer can plant or how much money a business person can make?

TRUE:

Clerks, Treasurers, Supervisors, and Chairs at the local level increase assessment accuracy.

Frequently, Clerks/Treasurers work weekly with their assessor to ensure a building project, remodel, etc. is assessed timely and accurately. Consolidating the assessment function at the County level jeopardizes this advantage the assessment system currently enjoys. And, the Supervisors and Chair know their backyard. If a shed goes up without a building permit, they know. If an unfortunate fire destroys a barn, they know. By removing this local knowledge and elbow grease from the process, assessment accuracy will diminish.

TRUE:

Efficiency and accuracy is predicated on great relationships that currently exist between Towns and their hired private sector assessors.

Legislative leaders and successful business men and women fully understand the power of relationships in efficiency and accuracy. This proposal blows up the current relationships.

TRUE:

This is an attack on local authority and the dedicated servants that sacrifice to make Wisconsin work.

The best decisions are the ones made closest to the people. This budget provision forces unfunded mandates from state government that move decisions further away from the people.