

Public Hearing

October 29, 2009

Rep. Stan Saylor: I want to welcome everybody for coming today. And I also want to introduce myself. I am Rep. Stan Saylor from the 94th District, in York County. I am Republican Policy Chairman for the House Republican Caucus. Also, I had the distinction of being a former Chief Assessor in York County for approximately eight years and having done a reassessment. So I am a little bit aware of the assessment issues and having completed one, and going through that process.

I am looking forward to hearing the testimony today because, I'm going to say, for as long as I can remember, even when I was Chief Assessor and before that, Senators and Representatives across our Commonwealth have tried to pass assessment reform and property tax reform for probably the last forty years. And we have made very little progress. Hopefully, at some point here through today's testimony and further investigations, we can see where we go from here to try to move forward after the Supreme Court ruling on the Clifton vs. Allegheny lawsuit.

At this point, I want to turn it over to Rep. Mike Turzai who is the Whip of the House Republican Caucus and our Host today. And after him, I would like to ask each of the members of the House Republican Caucus to introduce themselves and the districts and the counties that they represent. Rep. Turzai.

Rep. Turzai (1:29): Stan, thanks so much for bringing the Policy Committee here today in my district, the 28th District, in Richland Township. I was Stan's predecessor as the Republican Policy Chair and now the Republican Whip. We, here in Allegheny County, you know, are subject to a court decision that was decided in the Court of Common Plea in Allegheny County by Judge Wettick. Plaintiff's had challenged the constitutionality based on the Uniformity Clause of the Assessment System as it was being executed here in Allegheny County. They used a Base Year Assessment System, based it on 2002. And Judge Wettick said that inherently, the Base System was unconstitutional. When that was taken up to the Pennsylvania Supreme Court, the Supreme Court upheld the outcome of Judge Wettick's ruling by saying that the Base Year System as applied was unconstitutional, but they did not rule out the Base Year System overall. Um, Judge Wettick's was a more sweeping decision - the Supreme Court's decision was more tailored and said that the Base Year System as applied was unconstitutional

in terms of uniformity, essentially saying that in fairness from residents to residents within the county, that they were not being treated the same by using the Base Year System. Our objective with respect to looking at that ruling and its application, not only for Allegheny County, but across the state because it's the Supreme Court's decisions, while they are focused on a particular case in controversy in front of us, arguably does have consequence with respect to all 67 counties. And we want to know what, if any, changes we should be looking at from a state, county and local level with respect to the Assessment System. The State House of Representatives has passed a Resolution asking for a one-year study, and I think we are probably about nine months off from there, looking at the Assessment System. We want to take today's testimony from the experts that we've brought to the table, we want to take their testimony based on what their presentation is and also the questions that the panel has, and forward that to the legislative Budget and Finance Committee when they make their final recommendations to the House of Representatives. Um, and um, I just want to say that often times, you know, people talk about property taxes and assessments. Keep in mind that assessments, um, I believe two objectives: assessments should not be used as a way to increase taxes - that is something that should be done on

the millage side which is determined by the property tax bodies which are, primarily are school districts, secondarily your municipalities, and third, the county itself because those are the three bodies that actually levy property taxes. We at the state level do not levy property taxes. Um, the other comment that I wanted to make is this is about the Assessment System today. The issue of property taxes has actually been addressed by quite a few pieces of legislation, and every time that there has been an attempt at shift to go from a property tax to another tax, more often than not, the other option has been the personal income tax. Um, we've always done a local referendum with that either by the local school district itself by the governing body of the school board and/or by the electorate. The last go around had every school district in the state decide whether or not, given a shift to, you could shift to personal income tax on a local level, and it was resoundingly rejected by almost every single one of our school districts in the state including the two that I represent - North Allegheny and Pine Richland - by almost two to one. Every time folks want to talk about shifting from a property tax to another tax, when they think about what the consequences are on the other tax, they end up voting it down. And, but what we are looking at today is how do you have a fair and equitable assessment system if you are going

to have property taxes, and make sure that the assessment system is not being used to increase taxes, and that people don't get windfalls or see huge spikes in those taxes at any one time. We've accumulated, really, I think an outstanding panel: Dominic Gambino, Eric Montardi, Doug Hill, and Robert Junker, and when each of them come to testify, we'll give you more background with respect to the individuals, but they all have detailed knowledge about the assessment system as applied and overall.

Stan indicated that he's going to turn it over to have each of our members. I have to tell all of my colleagues thank you very much for traveling to the 28th District here in Richland Township. And to the folks in Richland Township, Steve Vassassini and the supervisors, thank you for letting us use your lovely facility here. It's really state of the art, and we are very appreciative.

Stan, I will turn it over to you to introduce the members, and thank you very much for coming here today.

Stan Saylor (7:15): Thank you Mike. Ah, we'll start with Rep. Marshall.

Rep. Jim Marshall (7:18): Thank you Stan. My name is Jim Marshall. I'm from the 14th District. It's in the Northwest corner of Beaver County.

Rep. John Evans (7:27): Good Morning. My name is John Evans. I represent the 5th Legislative District, portions of Erie and Crawford Counties.

Rep. Donna Oberlander (7:35): Donna Oberlander. I represent the 63rd District, Clarion and the Northern part of Armstrong.

Rep. Jim Christiana (7:42): Jim Christiana, Beaver County, 15th District.

Rep. Randy Vulakovich (7:46): State Representative Randy Valukovich from the 30th District. I'm Richland's neighbor just south of here and Hampton and on down towards the river.

Rep. Brian Ellis (7:58): Brian Ellis. I represent the 11th District in Butler County.

Rep. Carl Walker Metzgar (8:02): Carl Metzgar. I represent the 69th District, Bedford and Somerset Counties.

Rep. Mat Gabler (8:07): Mat Gabler. I represent the 75th District, Clearfield and Elk Counties from the town of Dubois.

Rep. Stan Saylor (8:16): Very good. Um, at this point, I would like to call Mr. Gambino, Owner and President of Diversified Municipal Services, Incorporated forward to present testimony. Welcome and you are welcome to start whenever you are ready.

Mr. Gambino (8:30): Thank you all.

Rep. Stan Saylor (8:34): Don, if you could tell everybody about your background ...

Mr. Gambino (8:33): I will ... I will do that. First of all, I want to thank everyone for inviting me to come and speak today. I think, ah, my testimony's probably a good testimony to start with. Ah, I'll spend about, forgive me, about 30 minutes, but what we will discuss is assessments specific, and what impact assessments have on tax payments, and how assessments were done. Um, I think it's a good basis for the rest of you day's discussions.

As you see, I call this presentation, this specific presentation, Truth and Consequences of Property Assessments, because, quite frankly, over the years, I've read such misinformation in the press that I spend my trying to, at least, give the truth of what an assessment is.

I'm gonna start right off the box here and give my position, my feeling. And that is when you get to the end of my presentation, you will see that assessments are nothing more than distribution of tax burden. We do not increase taxes. We do not set the budget. That's not the Assessor's job. Why am I qualified to be here? I have had a pretty vast 30-year, 25-30-year experience in government from all angles. I've been an elected official. I've been a technocrat as a manager of accounting for Allegheny County. But the key, I think, is the position between

2001 and 2003 when I was the Manager of the Office of Property Assessments of Allegheny County. And just to clarify, some of the, ah just to start right off by clarifying one piece of misinformation, Saber did not do the last reassessment in Allegheny County. Saber was hired in 99 into the assessment in 2001. At that time, we were under court order to do yearly assessments, which I would not recommend. Ah, and we had to get an assessment out in 2002. I was hired in March of 2001, subsequent to Saber's, ah, dismissal. And I'm saying dismissal because, as Saber was indeed dismissed, ah, they refused, the county refused to pay him, and Saber left the building. When I came in in March of 2001, I was told "Hey, Dom, welcome to the job. Oh, by the way, we have no system, we have no outside help, and we have to have another reassessment done in eight months." Quite an interesting dilemma.

Today's discussion, just to break it down, we will discuss what is and assessed value; what role does the assessment have in regard to the actual tax payment; the tax payment formula, we will spend some time on that because assessments equals tax payment is not quite correct; we will discuss how reassessment was done -how it could be done; and we'll discuss briefly, or maybe not so briefly, on how Allegheny County's model was perfected. And now, I'm

normally used to an open dialogue, as you might suspect. Back in 01 and 03 I would spend every evening somewhere discussing assessments to a heated argument, to a heated audience, I should say. So I'm used to an open discussion. I'm used to the questions at any time. I don't know what the format is here, but I do not object to any questions being asked at any time. And finally just, who's on first. This assessment issue has become so complicated, and I'm gonna give my age away here, but it reminds me of the Abbott/Costello "Who's on First" gig. Ah, because that's what it's become.

Um, let's talk about what an assessor does. We are not appraisers. Appraiser's job is to select one property, find some comps and give you a value of that one property. In fact, if that gentleman there, that assessor was in front of this group and they said, "We have a job for you. We want you to appraise a group of properties." And that appraiser would probably say, "Okay, great. I can do that." And those people would say, "We need this done as of January 1st which is eight months away." And the assessor would say, "Okay, give me the lot and blocks." Those people would say, "There are 600,000 of them." That appraiser would not be able to handle that assignment. God Bless you! That was the position we were in in March of 2001.

We are not brokers and agents. I've never seen people smiling like that when an assessor came to their door. Not generally. Um, our job is a little bit different. This is what an assessor's job can look like. We are normally underfunded, inexperienced in reassessments because, in most cases, since it's a one-shot deal, it's been a one-shot deal philosophy in Pennsylvania, we would hire a consultant or an outside service to come in, they basically would do most of the work without much involvement from the local assessors, pat you on the behind and walk away. That reliance on outside services can no longer be in effect in Allegheny County if there is some schedule of reassessment decided upon by Wettick. And, quite frankly, that is not what our intention was in 2003 when I left. We were preparing for a 2006 reassessment with mostly in-house personnel. We never, ever wanted to depend upon on outside service again.

I have heard every reason as to why we shouldn't assess. By the time we are done with this presentation, we will probably cover all of these reasons, um, including the back-door increase that I have heard. Ah, I do, I do really enjoy the one that says why should we try to make everyone pay their fair share if no one else is doing it? This, folks, is an MRA model. We'll discuss this a little later. You don't need to know this model, or these statistics to understand what I'm going to

go through today. If you can pick up this concept: $4 \times 2 = 8$; $2 \times 4 = 8$; or $1 \times 8 = 8$ you will understand the assessments and their impact on your tax payment. This is, that formula again, only we're going to put in an assessment time mills equals tax payment. And if you look at those questions below that, what are the source of the components of the tax payment? Why clearly the assessment does not set the budget? That's really what justifies a tax payment in the millage rate. What can cause a change in each component? Well, in some cases, there hasn't been a reassessment in 30 years, so clearly the assessment hasn't gone up, yet taxes probably have. Certainly can't blame assessment in those cases for raising your tax payment. Will an increase in any of the components automatically means higher taxes? Well, if the assessments stay the same an increase in either the millage or the budget will. Actual, after all, the millage just follows the budget. Ah, but an increase in your assessment, will that automatically mean a tax increase? Absolutely not! That's another one of the misconceptions we're gonna discuss today.

Millage rate calculation - this is a very, again, we're looking at $4 \times 2 = 8$. The millage rate is nothing more than dividing your budget by the total assessed value of the properties in your jurisdiction. Very simple example: if your total assessed

value in your taxing jurisdiction is \$10 million and you have a budget where you need \$100,000 in real estate taxes, then divide one into the other and you come up with 010 10 mils. Very simple - you don't have to have that MRA model to understand that. Again, assessment times mils equals tax payment which is driven by budget.

If there is no reassessment, but there is a budget increase, guess what? That is a tax increase for all. Why? Let's look at an example. The 2008 budget was \$100,000. In 09, it goes up to \$200,000, but you haven't performed a reassessment. The only way to raise that much money off of your \$10 million assessed value is to increase the millage rate from 10 mils to 20 mils. The assessments did not change. They did not cause your tax to go up. That is the case probably in most counties in Pennsylvania who haven't reassessed in 20-30 years, the assessments did not increase. In fact, if they increased, they increased due to new construction which would help keep the millage rates steady.

Now, let's talk about a reassessment. What occurs upon or after reassessment that can raise or lower your taxes? Well, let's assume the reassessment occurred and your total assessed value went from \$10 million to \$20 million. Well you folks have already put some protection in there which is

your anti-windfall provision meaning the millage rate would have to be adjusted. They cannot collect more than \$100,000 in tax revenue from property tax because there is an anti-windfall provision not allowing them to do so. Therefore, what they would have to do is reduce the millage rate proportionately. Again, $2 \times 4 = 8$; $4 \times 2 = 8$. In 2008, the budget was \$100,000. 2009 that budget cannot increase due to your anti-windfall provision. Assessments for \$10 million; millage rate was 10 mils. Now the assessments are \$20 million, millage rate comes down to 5 mils. How does that affect, there is no windfall there that I can see. There was a 5% originally in the original anti-windfall provision, I think that's been changed. I think it's now zero unless they go for a vote and ask for additional millage rate based on additional expenditures. That, I believe, is your anti-windfall provision. What's the role of the assessment in this? The purpose of the assessment is to distribute, or in reassessment, to redistribute that tax burden that the budget has determined, the budget has determined.

I'm Italian. I've got many cousin Vinnies. So I'm gonna give you my little cousin Vinnie chart.

Cousin Vinnie number one. We're talking about the year after reassessment. A reassessment occurred - the total value of that jurisdiction went up double.

They were \$10 million at one time - they went up to \$20 million. In the county of Allegheny's case, there was a reassessment done after I left. Those numbers cost about \$3-5 million, but were thrown out. Those caused a 20% increase generally across the county. But let's take my example of a doubled the assessed value based on a reassessment. What occurs? Of course the millage rate has to be adjusted. Here are my four cousin Vinnies, and I do have four cousins Vinnies. Cousin Vinnie number one assessment stayed the same after the reassessment. Do you think his tax payment went up or down? Cousin Vinnie number two, his assessment doubled. When he got his assessment notice, he flipped. He said, "My taxes are going to go up double." Well, do you think that's true? How about cousin Vinnie number three? Here's my poor cousin Vinnie number three living in Braddock whose assessment was reduced. Do you think his tax payment would go up or down? And my cousin Vinnie number four, the fortunate one, his property increased in value from \$100,000 to \$250,000. Do you think his tax payment went up after this reassessment?

Here's cousin Vinnie number one - his assessment went from \$100,000 and stayed at \$100,000. Guess what? His tax payment originally in 08 was \$1000

based on 10 mils, now it's down to 5 mils, his tax payment goes down. $2 \times 4 = 8$;
 $4 \times 2 = 8$.

Cousin Vinnie number two - Cousin Vinnie was \$100,000 in 08 - he went to \$200,000. He's flipping. He hasn't seen his tax bill yet. He's saying, "What is going on? My tax bill's gonna double." Well his assessment was \$100,000 in 08, went up to \$200,000, but guess what? His tax payment stayed the same because the millage rate was adjusted and the budget stayed the same. $2 \times 4 = 8$; $4 \times 2 = 8$.

Cousin Vinnie number three - his assessment went from \$100,000 down to \$50,000. This is the case in most of the MonValley in Allegheny County, and many other places and the old steel issue where I come from, Braddock and North Braddock. What happens to his tax payment? He gets a dramatic decrease in his tax payment. The millage rate went down and the assessment rate went down. Folks there are people, thousands, tens of thousands, maybe hundreds of thousands of people in Allegheny County in this position. They are not even discussed by any political official in Allegheny County. What are we doing for these people? We're doing nothing.

Cousin Vinnie number four, well, his assessment went up dramatically - his tax payment does go up. That's the way it works folks. That's the way it works.

If you should pay more, you do pay more. And guess what? You have the right to appeal if you're unhappy with your value. Try that with your earned income tax.

Same theory applies for munies, schools and the county. This is not just the county tax that changes. If you look at Wettick's Order, he discusses Woodland Hill School District which has Braddock, Franklin and Swissville where my family comes from. It also has Wilkins, Churchill and Forest Hills. Do you think that school tax is currently well proportioned when properties in Braddock has decreased 30% since the last reassessment while properties in Wilkins have gone up? That school tax is greatly disproportioned and in most cases it is in most school districts.

Here you have in your possession there a study by a CMU professor that took the counties 2006 reassessment numbers that were thrown out. Dr. Fishbeck analyzed those numbers. He got those numbers from the county. And if you look at this piece of paper, his study, this was in the Post Gazzette right subsequent to the reassessment done in 06 that was thrown out. Go to the third paragraph to illustrate how unfair the current system is - it is possible to use the county's discarded 2006 reassessment figures - the ones that weren't good

enough for us for some reason. These figures show that on an average, property values in the county had increased by 19% over the previous assessment.

Question from unknown gentleman (24:13): Which one?

Mr. Gambino (24:16): This is the narrative that goes with that chart. Looks like this. This chart is up there and I'm going to read the narrative that goes along with the chart, and you also have the chart in your possession. Go to the third paragraph. Now, when you see a 19% increase in the assessment, you automatically, people again start thinking 19% increase in my tax payment. $4 \times 2 = 8$; $2 \times 4 = 8$. If you read what he says in the third paragraph, "Some individuals properties jumping considerably and rose less or fell." The next paragraph, "But before identifying which are winners and losers, it is important to separate two main questions of property tax system, the ones we discussed. How much tax revenue should be collected with the millage rate, and what is the fair share of taxes paid by homeowners which is based on the assessment." He has broken out this formula. He's unraveled the mystery of tax payment. Again $4 \times 2 = 8$; $2 \times 4 = 8$. Unfortunately, this distinction is seldom made. "Just because property values increase does not necessarily mean that tax bill or total revenue should increase." Your anti-windfall provision protects that from happening. "A community whose

values increase, but increase less than the average of the county will see a tax reduction. The question of how much money should be collected is one that should be argued with the officials, not dealing with the assessed values. They don't set the budget, the assessed values do not set the budget. Using the much maligned 2006 figures and a revenue neutral tax rate, which is required by your anti-windfall provision, 75% of the municipalities in this county, Allegheny, would see a decrease in their county taxes." Look at that chart folks. Look at the winners from losers. The first columns are all winners if that assessment went through; the second column are all winners if that reassessment went through; the third column are all winners if they'd even, if that reassessment went through; only 25% of the communities on average would see a tax increase in their county tax bill. I know I've beaten this to death, but assessment increase of 20% does not mean a tax increase of 20%.

Property tax, I've heard the discussion of property tax versus earned income, I hope we're talking about earned income taxes and not income taxes - they certainly are two different things. If we want to shift to an income tax, that will include taxing your investments, and your unearned revenue. We don't do that now on a local basis. We only collect tax on earned revenue - a wage tax.

Rep. Turzai (27:19): I do think the last proposal was personal PIG; it was ...

although, you're absolutely right, when we collect it on a local basis, it is earned income.

Mr. Gambino (27:28): So what we're talking about moving on a tax on your earned income, but on you unearned income.

Rep. Turzai (27:32): Yes. And the other thing I just want to point out is about in Pennsylvania, unlike the Federal government, personal income tax does not tax senior income. Pennsylvania is very good to seniors in that we do not tax 401Ks, pensions, or social security income. But it does tax investments.

Mr. Gambino (27:58): Okay, let's talk about the difference between them. I'm not here to be an advocate of a property tax - it's what we have and it's what most boroughs and schools rely on heavily, and certainly the county. So let's make it fair.

Transparency - do you know what you're neighbor earned? Do you know if they paid their earned income tax? Do you know anything about your neighbor's earned income tax? No you don't. Do you know what your neighbor paid in property tax? You sure do. It's on everyone who has a web site sees their tax

payments. Transparency in taxation is key for equity and uniformity - that's what the Real Estate Tax gives you - it's all public record. Secured by property is difficult to evade this tax. I collected an earned income tax when I was a Wilkinsburg tax collector. Very, very difficult. Especially in a transient community. Unless the state starts collecting a earned income tax on a umbrella basis. 30% of my people will be gone by the time I sent them the tax bill. I lost that revenue.

Right to appeal - next time you go to your IRS agent, see if you can appeal your opinion of value with them. You cannot. No other tax gives you that ability that I know of.

Disadvantages - there are some. There certainly are. The first one is one I hear all the time. I don't care if my property value went up, I'm not selling it. Well, if you borrowed money, you used that equity. That argument has to be taken off the table. Um, most people have borrowed, some have second mortgages. Some have used their home as equity for many other types of borrowings, and you used that increase in value whether you sold the property or not.

Cost versus price versus market - I've also heard people that say, like in California, what you pay for your property should be your assessed value. When people move in the neighborhood, you should send them the nice basket in appreciating value times because they'll be paying a much higher assessment than you. Um, and there is a difference between the two, between the three actually.

If you build a swimming pool in Allegheny County, it could cost you \$20,000. Do you think a swimming pool in Allegheny County is going to add \$20,000 to your value when you're going to sell that? Most people want to fill them in in Allegheny County. So there is a difference between cost and value.

How does it really work? This is how it really works. You got a seller who's looking for a price range. You got a buyer who's looking for a price range. And somewhere in the middle it's settled in most cases on most valid sales. This is what the reassessment process we're gonna go over now tries to do.

Some terminology you might have heard - IAAO - that's the, those are the standards for Assessors in, not only the United States, but throughout the world, They are there. The county threw them out, threw those out of their County Code in 04. But they are the standards.

CAMA just means Computer Assisted Mass Appraisal System. That is the computer system where the models are, and where all the information from each property goes.

General Mass Appraisals Techniques - We'll talk about how and assessment can be done. I'm gonna show you how we did Allegheny in 02, not Saber in 01 - how we, in house, decided to do the reassessment in 02.

Mass appraisal is the process of valuing a group of properties at a given date using common data standardized methods and statistical testing. Here are the steps we're going to talk about. That first step there is the most cost, costly step. In Allegheny County, we paid Saber \$20 million, but the bulk of that money went to collect data that was not there originally on 600,000 parcels. That should never have to be done again. I read recently where they said they're going to spend \$30 million if they have to reassess. If there's \$30 million dollars spend in Allegheny County for reassessment, someone better look at the books. What should have been happening since Saber was paid \$20 million to collect data, is that that data should be refined every day by assessors in the field building permits and other types of reviews. If that hasn't been done or is not being done, shame on everybody. That just means it's going to cost you another \$20 million to

go collect that data again. Absurd, absurd to say you're going to pay \$30 million in Allegheny County again to do another reassessment. That was in the paper two weeks ago.

Sales validation - that's a labor intensive job, but basically what it does is, we're talking about reviewing sales to make sure only valid sales included in the models.

Neighborhood delineation is something that should be done every time it's reassessed. Go out and looking at the neighborhood. Not necessarily individual properties at that point - neighborhoods.

Remember this about property data. We have a web site that's been out there now since 2001 in Allegheny County with data on every property. First I thought it was pretty much a pain in the neck. But then I realized it was a great assist in cleansing data, because in the last couple, I just heard people talking about other people's property would call us up and say, "Hey, I was just at a party at that house. You have them as two bedrooms; they have four." It was the, I had more cleansing of the file probably from reaction to the web site in looking at other people's property than by an assessor actually going out to revisit.

Calibrating Models - valuation technique is what we're going to go over next.

Reconciliation - of what we'll talk about what that means.

Statistical Review - you're staff already does statistical reviews on every one of your counties. Go look at them. Go look at them. They do, and we'll talk about those studies, but they're out there on their web site. They do them yearly. They get the sales from every county.

Appeals - Very important part of reassessment. It is not separate from reassessment; it is part of every reassessment. That's how we find data problems. That's how we find problems in our market models. Appeals are very, very important and an intricate part of reassessment, and should be done prior to certification.

Data Collection - As we said, the most expensive function. It is really a one-time deal, but continually cleansed from that point on. If you have a budget for assessments in your county, and they're in the field every day, this is what they should be doing. Either they're chasing building permits or reviewing data.

Select characteristics carefully. Maybe you don't need to use thirty characteristics in Elk County. Maybe you need less than that. Maybe you don't

have to do what we do in Allegheny County. We have a very diverse nature in our housing stock, very diverse neighborhood.

Sales Validation - That involves looking at all sales to determine which sales are valid - arms lane transaction. Not sheriff sales, they do not reflect value. Not short sales which are very hot in some areas although not so much in Pennsylvania, but other places. Those are not valid sales. Not love and affections - a \$1 transfer is not a valid sale and should not be entered into the model as pure value, true value of that property.

Neighborhood Delineation - When we did our reassessment in 02, we broke the county into 2500 neighborhoods. And what do those neighborhood delineations do? They assure that when your property is being compared to another property in your particular neighborhood, if you're in Oakmont, you're comparable's not going to be from Verona. It should be from Oakmont with a neighborhood within Oakmont. We'll discuss that a little further.

When we did the neighborhood delineation in Allegheny County, we first broke the county up into regional geographical areas, and then broke it into 2500 separate neighborhoods. This is an example of a neighborhood in the McCanless. That neighborhood line, that boundary you see represents two housing plans built

by the same developer, and mostly the same builder, so they were a good neighborhood delineation. When you had a comparable on your property from a reassessment, it was more than likely, and should have been within that neighborhood code.

In the top, right corner of my little screen off of the county's web site, you see my neighborhood code. 925 represents the town of McCanless and the numbers after that are the particular neighborhood in the McCanless in which my comparables would be determined, and my value would be determined. This is an overhead view, this also on the county's web site, an overhead view of that neighborhood.

Reconciliation involves determining, every assessor has a, in most models, has the opportunity to determine whether they want to use a cost method or a sales comparison method, comparable sales comparison method. In certain areas of the county, that sales comparison method did not work well for us. In the Mon Valley, only the better properties sold at a higher price, and had an impact and reflected on the other properties, so in many of the communities of the Mon Valley, I went to the cost method, which allowed us to bring the values down where they should

be. Every assessor in most systems has the opportunity to reconcile and determine which value here makes more sense for each community.

Testing - These are sales ratio studies. Very basic, the most basic you can do is go back to your constituents, take a look at the more affluent areas, and the less affluent there is in your area, take a look at the sales compared to the assessments. What you will find, if you haven't reassessed recently, is the less affluent areas will be assessed near their sale price; the more affluent and appreciating areas, of course, the assessment will be much lower than the sale price. That is not what you want. You want everyone assessed at the same percentage of their sale price. That's what these studies represent.

This COD - Coefficient of Dispersion -Your STEBs does this - I won't go over the method on how it's done, it's written here, but you can see down below what the standards are. If you go to STEB's web site, you tell me whether your jurisdiction in or county is within the acceptable range. I looked - it's not a pleasant sight. What does that mean? That means everyone's assessed at different rates compared to sales price.

PRD - This represents a distinction between higher end and lower end property to determine whether the properties at the lower end are assessed at

the same percentage as the higher end. That is not a pretty sight either when you look at the STEB web site by county. There is the acceptable range.

Anything outside of that .98-1.03 range represents a disproportional amount being paid to higher-end to lower-end. And if it's above 1.03, that means that the upper-end properties are paying less of their fair share than they should. Please look at the STEB web site.

Rep. Vulakovich (39:48): This is what's going on in Allegheny County now right?

This is the example that your giving?

Mr. Gambino (39:52): This example is going on in every county.

Rep. Vulakovich (39:54): I know, but specifically in Allegheny County with the problem that we're having now, this would be a good example of what's wrong with our ...

Mr. Gambino (40:04): Oh, absolutely. This is probably better than COD. This shows you that the higher-end and lower-end are disproportioned and how they're being assessed. And, in my class that I give to appraisers and real estate agents, I go into much further details as to how this is done. It's a statistical study that

tells you whether you are assessing higher and lower-end equally. And you're correct.

Rep. Vulakovich (40:24): Thank you.

Mr. Gambino (40:27): And you're right. In Woodland Hills, in Wettick's Order, you'll see that Woodland Hills is a prime example because it has higher and lower-end more affluent areas in the school district as most do. Fox Chapel the same way. You have Blonox, Sharpsburg, and then you've got Fox Chapel and Indiana. They're not appreciating at the same rate. So we're not just talking county tax here. We're talking school and even municipal. In Richland, not every property in this borough is appreciating at the same rate. So even on the municipal tax, you've got this disproportioned if you don't reassess or adjust.

Again, there's your STEB. Go look at your STEB web site - they do this for each county. They get the sales.

Appeals - Well, appeals are near and dear to my heart. When I walked in in 2001 from Saber's reassessment, we had 100,000 appeals filed. 100,000 appeals. We were doing 1200 appeal hearings a day at one time. I once went to Erie and was talking to the Erie Chief Assessor and I said, "How many appeals you got a

year then?" I think they said, "Maybe 5,000." I said, "That's a week for us."

That is a week. Now, I gotta tell ya, many of these appeals were filed as a result of meetings by elected officials who just told people to go file an appeal.

Whether they were justified or not, that was again, misinformation being handed out and an attempt to just flood the system. That was okay. We became the McDonalds of appeals. We were able to do that after a while. Um, and I gotta tell you, we had 100,000 filed, but we had a 15-20 percent no-show rate. We really ended up doing about 75,000 appeals of which 75% were reduced- the other 25 were either sustained or increased.

I've heard all the statements about how bad the system must have been if you had 100,000 appeals filed. Well, less than 10% of the values were actually changed when it was all said and done from appeals.

Base Year Approach - We all know what that is. Listen, a Base Year Approach is very valid. In between an assessment, you are on a base year. No problem with that. To keep the base year forever, that's a problem.

Obviously, we all were experts in the Post Gazette and the press. First let

me throw a little self-serving notice out. The Post Gazette and court ordered people all reviewed our 02 assessment, not the Saber 01, but our 02. And again, they found the 02 numbers to be, not only to be within IAAO standards, but the first time they had ever seen that long-standing problem of lower and higher-end disproportionate being corrected - we did that purposely because we did the 02 model on how CLTs helped. We knew our community. We didn't depend on somebody else telling us how the model should work because we knew we had to do it again, that's why.

How big is the task? If you take donuts and you lined 600,000 donuts up end-to-end, it goes 24 miles. Each one of the donuts, one was a crawler, one was glazed, one was sugar. We had to know details on each one of them. It was a huge job in Allegheny County.

Three Methods of Valuation - Sales Comparable - You always like to use comp sale if you can. 97% of the residentials we did because it's easier to defend than just using a cost or other method. Income approach clearly is only for income producing properties. We're going to discuss residential properties today.

Cost Approach was utilized in the Mon Valley, as I said when the sales market, when a comparison approach just didn't look good. Um, it's also used for

specific properties - a casino would be a cost method - there are no comparables for that casino, or stadiums and those types of properties, unique properties.

Sales comparison that's where we wanted to be. That's the easiest to defend and make the most sense. Income approach is not the issue here.

Again, there are 600,000 properties. How did we do that? Well in 01, Saber had their method. In 02, we changed that method. Saber's method in their model, comparable sales you saw in that web site were illustrative only. They were not used to drive your value. We said that we don't like that in 02. It was kind of a good thing that Saber was gone because that allowed us to pick our model, and decide how we wanted to do it, and refine that model which we did. In our model, those comparables you see on our web site drove your value, and I'm gonna show you how.

By the way folks, learn by our mistakes. We made many. There was no blueprint for us in Allegheny County when that happened, when that reassessment occurred. And this is a whole other discussion for a whole other day, but I can name you 100 mistakes I would not make again.

What were we planning, what may you, what might you want to plan for statewide is a calendar, some sort of calendar. Ours was tri-annual. We know in Pennsylvania or certainly in Allegheny County, our values weren't fluctuating like Florida's. We didn't have to do it yearly. It was expensive and a pain in the neck to do it yearly. Plus, when you had an appeal, that appeal was thrown out the next year because you got reassessed again - tri-annual is what we did. When I left in 03 we were going to re-delineate all the neighborhoods, didn't have to go look at every property again folks. We already knew from Saber's work and the \$20 million investment that we made, we had the details. Those were refined through appeals and other people calling in about their properties off the web site. But we did have to go out and re-delineate neighborhoods based on sales and other errors we might have seen. To keep validating sales, view properties we need to view, certainly building permit properties; review appeal data - that gave us a lot of good information on where our models just weren't working - appeals were very important as I stated earlier - and then recalibrate the models.

Here are the four steps we utilized in Allegheny County in our particular model:

Rep. Turzai (46:47): That you did in 2002?

Mr. Gambino (46:49): What we did in 2002. Not what Saber did in 2001.

We used seven numbers. If you go down to the county and ask for your sales comp grid if you live in Allegheny County, you will see these seven numbers. We utilized seven numbers to come up with your value, and I'm going to show you where these seven numbers came from. By the way, if you ever heard any elected official tell you there were seven numbers going into your value in Allegheny County, I doubt it.

Here's the subject property. This is a property in Ross Township. The first thing that we do is called Multiple Regression Analysis. Don't get all flakey about that term. That just means 30 or so characteristics, and tried to determine from the sales in each neighborhood, in each 2500 neighborhood what a bedroom is worth, what a bathroom is worth,, what a square foot is worth, off of the sales that occurred in that neighborhood - not countywide - in that neighborhood. This is the MRA model on that particular property. It was determined from sales in that neighborhood that a square foot value in that neighborhood was worth \$40 per square foot. Again, based on sales that occurred in that neighborhood, and again, let me tell you, Allegheny County has a vast amount of household that read in the paper that a reassessment is too hard in Allegheny because we don't have

enough sales to calibrate a model - that's absurd - absurd! There is a good mix of sales in Allegheny County - 50,000 a year which are about half of them are valid sales.

Total Fixtures - That tells you what a bathroom was worth in each one. It even goes to tell you what the style of the property might be worth. In this particular case, a ranch style added \$1,300 to the value. Again, based on sales in that neighborhood code. By the time the computer was done it says, "you know if you takes the sales and you take a look at the characteristics on that subject property, it would be worth \$97,000". Well, that's where Saber stopped. That was the end of their value. That's what they used very hard to defend. I can't discuss how the alga rhythms are done to my Aunt Rose. She would get all flippy, "I don't care about alga rhythms, how'd you come up with that number?" Very hard to defend that number - it was a good start.

We decided we wanted to use five comparable sales from within that neighborhood code to help define your value. How were the comparables selected? All the comparables for sales in 2002's case from 98 to 2001 - they were time adjusted accordingly. By the way, your property can be one of your comps. I read in one of the papers, one elected official said, "Boy, that sytem is

messed up because my property was used as one of my comps." Well, my goodness, what better property to use as a comp than your own sale? If it occurred, if your sale occurred between that time period, your property was probably the number one comparable selected.

This is how it really works. I can sit here and talk to you about these algorithms if you'd like, but that's not that important. All we're saying is it goes out and looks for the properties that most look like yours that sold within that period. Here's the first comparable that the computer selected. And, by the way, the computer selected the, but we told the computer how to select it. That number called distance points helped us, cause we ahhh, we applied a point for each type of change we had to make between the comparable and the subject property. In other words, if you had, if we had to move out of your neighborhood code for a comparable, it automatically added 100 points, distant points so we knew right away, this isn't a good comp. When I see 23 distant points on this particular comparable, that tells me we had to adjust that first sale very little to make it look like your property. And these sales comp grids we're looking at here are exactly what an appraiser does when they assess your property. They go find comparables; they morph or make that comparable look like yours; and adjust that

sales price or comparable to make it look like it was your property and try to determine what it would sell for if it looked exactly like your property. If you take comp number one, it had 960 square foot. The subject property has 1000. So we had to add 40 square foot to that sale price of that comparable to make it look like yours. At \$40 a square foot, that adjustment gets made. By the time we were done with all the other adjustments that were required, that one was in fair condition, the subject was in good, we had to add a certain amount to that sale price to make that comparable look like yours in good condition. By the time we were done, that sale price, adjusted sale price became \$86,000. This is what any appraiser does. It's what they do. They take the sale price of the comparables and adjust it to make it look like your property. What would this property have sold for if it looked like yours? That's the first comparable.

Here are the other four comparables on that particular property. As you can see, we took the sale prices, adjusted those sale prices of those comparables to make it look like your property and tried to determine what your property, what your property, what they would have sold for if they looked like your property. Now I normally spend a lot of time on the Sales Com Grid with the appraisers and assessors. Appraisers know it; assessors may not; and certainly

real estate agents don't, but that's again, for another day - I know you have time constraints here.

As you can see, by the time we were done with the five comparables, down below are the adjusted sale prices of those five comparables - all within the neighborhood; all very close to the subject. In fact, here's a boundary of that neighborhood, of that neighborhood code that we use -the subject in red - the comparables in blue.

Alright. Now we have six numbers. We thought that, you know, we could get a bad comparable, you know - we don't want a bad comparable to override the values of the others. One could have just sold for too much; one could have just sold for too little. So we decided to do a weighted average of those five numbers to try to blend the number even further to avoid an outlier or a property that sold for way too much or way too little from effecting the value too much. So we decided to do a weighted average of those five comparable adjusted sale prices. Again, I won't go into the formula. By the time we were done, the weighted average of those five adjusted comparables, the way we did the weighted averages, we wanted the property that was adjusted the least to look like yours to have more weight than the property we had to adjust more. So if it had a high

distant points, we wanted that property to have the least amount of application to your value than the one that looked almost like yours - that's all this weighted average calculation was doing.

There we go. Now we have seven numbers. Every residential property in Allegheny County has these seven numbers . Now what do we do next? Probably the most complicated of all. It was at, this was during the Olympics - we threw out the too high; we threw out the too low; got the middle three and just averaged those three. That right there folks is how every residential property in Allegheny County was assessed if we used a Sales Comparison Method which is 95% of the properties. Note, very few people know that they could go down to the county now, find those seven numbers, and determine how their property value was done. This is not magic; it wasn't darts thrown into a dart board; it wasn't all computerization.

What would I do if I was King of Pennsylvania and could make the rules?

First what I would do is educate, not only the public, but the elected officials on what an assessment is; what it does; how it affects the tax payment; and how they are prepared.

Data collection - very key. Ah, I might think about piggybacking a contract state wide or, cause that really is a local issue, building permit folks are out there every borough I know has a building permit process which is key to help cleanse and collect data.

Neighborhood delineation should all be done locally, that should not be done by an outside firm. In fact, very little of these decisions should be made by any outside firm. Who would know your county better than you? Who would know your property better than you?

Now the modeling, as far as the modeling and the CAMA file and the computerization of all this data is concerned, maybe you do need some sort of outside service to house all the data in some cases. Not every county has 600,000 parcels. And certainly I would not have every county in Pennsylvania assess at the same rate as other counties. I don't think that some counties need to be doing this every year, certainly not every two years, maybe not even every three years. What should be done, if I was King, is there would be some trigger on those sales ratio studies telling the county when they should be reassessing and when their values are way off skew.

And that folks, is the end of my presentation.

Rep. Turzai (56:40): Mr. Chair - if it's okay with the members, if everybody is okay with it approach, we were going to take all the testifiers and then open up questions to all the testifiers at one time. Is that okay?

Rep. Stan Saylor (56:50): Fine.

Rep. Turzai (56:52): John, thank you. If you can hang with us, what we would like to do is get all the testifiers up, and then as a panel, we'll just bring up some chairs and open it up for questions. Um, Eric Mantardi(sp) is our next testifier. Stan, thank you very much. Eric Mantardi is a Senior Policy Analyst for the Allegheny Institute for Public Policy. Um, his research has included economic development property taxes, Pittsburgh finances and oversight and municipal pensions. Um, he has received national attention for his work on tax increment financing, and has had his work published in quite a few periodicals. Eric has done a number of pieces on both Allegheny County's reassessment and the assessment system overall, and we welcome Eric.

Eric Mantardi (58:08): Thank you for inviting me here to testify this morning. S the representative said, my name is Eric Mantardi and I'm a Senior Analyst with the Allegheny Institute for Public Policy. We're based in the south hills. We're a non-profit, non-partisan research and education organization. We've followed the

assessment issue as it applies to Allegheny County in the state of Pennsylvania for some years now. And this morning I want to share some research we did in 2007 on just how out-of-step Pennsylvania's assessment system is with other states. It is hoped that this research can help policymakers answer some of the questions they have about how to best reform the assessment system.

As Tom had mentioned, one of the organizations, or probably THE organization that's the more reputed is the IAAO. And that's where we're obtained some survey data from. Year 2000 data on all 50 states and the assessment practices in those states and Canada. We got that survey, and we wanted to answer four questions from that survey. 1) Who conducts assessments?; 2) How often are assessments conducted?; 3) Does an oversight agency audit local offices?; and 4) Who verifies the sales data?

One - specifically the question asked, please list the number of assessing units at various governmental levels, and the types of property that each assessing unit is responsible for establishing the initial values.

According to the data, there was a fairly wide variation in the governmental unit, state, county, municipality town or other unit that is responsible for assessing property. The survey had accounted the total number assessing units in

each state. They range from one in Maryland where the state handles all assessments to 1800 and 1907 in Wisconsin where the state, municipality, townships and other units have assessment power. It is safe to say that in the United States, the county is the primary assessing agent having a role in over half of the states. In states where the state government has a role in assessing property, it is usually limited to the railroad's, mining or utility property. From that survey, it showed that Pennsylvania had 67 assessing units which correspond to the 67 counties in the Commonwealth.

There were seven other states where the state itself, the state government itself had no role in assessing any property: Connecticut, Delaware, Hawaii, Maine, New Jersey, Rhode Island and Texas. Because of this similarity, this group of states was used to examine other indicators related to assessments. So basically, using this group of eight states as sort of a sample group, where the state government does not perform any type of assessment.

The second question we wanted to find out was how often are assessments conducted? And specifically what the IAAO asked was, "Does state provincial law require for periodic reappraisal of property?" The question was geared at finding out the frequency which reassessments were conducted as directed by state law.

As we now know, Pennsylvania law allows for either a base year or current market value assessment. Thus there is no stipulated frequency of when assessments are to be conducted. Here in southwestern Pennsylvania, we have assessment years ranging from 1969 in Butler County to 2003 in Fayette and Green Counties with others falling in between those points. According to the IAAO survey, there are only three states in our group of eight, that original group, that have no set assessment cycle - Pennsylvania, Delaware, and New Jersey.

Next question - Does an oversight agency audit local offices? The IAAO asks, "Does your state or provincial agency conduct a performance audit or review of assessment procedures or practices in local assessors' offices. In Pennsylvania, this would likely fall to the State Equalization Board, the Auditor General's Office, or the Department of Revenue. Again, the point of this question was to determine which agency, if any, was "checking the work" of the reassessing entity. Only Delaware and Pennsylvania responded with a no.

Last question - who verifies the sales data? The association asked "who verifies sales data: a) state or provincial agency; b) local assessing office; c) other and described. Delaware answered local while Pennsylvania answered other and the description was none.

So here's the assessment situation here in Pennsylvania as described by the IAAO. The state does not assess any property; does not mandate a reassessment cycle; does not perform any audits; and neither the state or local officials verify sales data. All the other states in this sample had some aspect to put them ahead of Pennsylvania's system - either mandate a reassessment cycle, audit on a regular basis, or verify sales. No state in this eight-state sample responded like Pennsylvania did to the IAAO survey. Even further than that, Pennsylvania does not does not provide legal or technical advice, direct on-site help, computer modeling, review of contracts, or inspections. Yet property taxes are constantly maligned and this state has attempted numerous fixes for the burden of the tax - the lottery, slot machines, Act 1, Homestead exemptions, state-wide referenda questions to reform. So that's why we ask what would a reformed assessment system look like in Pennsylvania.

The reform package would include the following characteristics if there is a mandate to the state to reform the system: 1) the Department of Revenue, the State Equalization Board our new agency should have oversight responsibility that includes testifying, excuse me, testing and certifying assessor, insuring the counties are reassessing in a timely manner, and establishing the statistical

criteria for accuracy. In all likelihood, the general assembly will have to provide funding to set up the state oversight to assist with the reevaluation programs around the Commonwealth. 2) Reassessments would be performed at least every three years. 3) Increases from the initial reassessment would have to result in a roll back of millage rates to eliminate windfalls - no exceptions. In subsequent reassessments, no more than a three percent windfall would be allowed.

Lastly, voters get the power of referenda to approve all millage rate increases - no exceptions - school, municipal or county. This would ensure that the state's taxpayers are being assessed equitably, fairly, up-to-date, and they have the control over their taxes. Thank you very much.

Rep. Turzai (1:05:02): Eric, thank you. We'll be asking you some more questions, and I know that you've published a lot on Allegheny County ...

Eric Mantardi (1:05:10): Yes, Reassessment Systems II - we may have some questions on that

Rep. Turzai (1:05:11): Sure, sure, and I appreciate that. I know that I've read some of your pieces recently; but we may circulate those as well.

Eric Mantardi (1:05:17): Thank you.

Rep. Stan Saylor (1:05:17): Eric, the only other thing I want to comment on is what Rep. Turzai told him is the State Tax Equalization Board does certify assessors in Pennsylvania. They require testing. You have to pass five tests to be certified. I think it's still five tests, to basically be certified because I've got that certification so I know they have to have it.

Eric Mantardi (1:05:34): Got ya, understood.

Rep. Turzai (1:05:41): Our next testifier is Doug Hill, Executive Director of the County Commissioner's Association. Hey Doug, how are you today? Thank you very much.

Doug Hill (1:05:50): It's great to be here with you today representing the folks who put up the vote to do the reassessments. Ah, I'm Doug Hill

Rep. Turzai (1:06:02): ... Excuse me, a couple of a, well Donna Oberlander is a former County Commissioner in Clarion County and any of our other, um we do have quite a few actually members who are former County Commissioners.

Doug Hill (1:06:13): I am very much aware. And I represent the County Commissioners Association in Pennsylvania. We are a state wide non-profit, non-partisan association representing all 67 counties in the Commonwealth from

Forest all the way through Philadelphia. I also need to let you know that by contract we also represent and administer the Assessors Association of Pennsylvania. They are not a registered lobbying group. They don't have that as part of their mission, but they are available to you to provide expertise on any question you have relative to practice in Pennsylvania, and their suggestions on how it might be improved.

I did not bring written testimony today, but I did distribute to you a copy of our assessment platform. This is the policy choices that our membership has made relative to the assessment process and our recommendations for improvement, and there really are quite a few things we agree need to be done.

Before I go into a couple of those point though, I would like to reaffirm what you've heard from prior testimony, and that is, we do not view reassessment as a measure to increase our tax base. It is a measure, it is a process to improve equity so that you are paying a fair share of whatever the ultimate tax bill might be.

Ah, probably our starting point for problems with the assessment system, and it's a problem not just for us, but for the tax payers themselves, is the variety of laws under which we operate. Every county operates under at least two

assessment laws concurrently. There is a first class county assessment law, a second class county assessment law; 2-8th third class county assessment laws; 4-8th fourth class county assessment law so you're in whichever category based on your class of county so if there is a matter that that law doesn't deal with, then you turn and look at the general county assessment laws to see if it's dealt with there. In addition to that, as we've gone through, ah, various legislative process trying to deal with specific classes of properties, we find laws relative to assessment scattered on the city code, the county code, and a number of other statutes, so it is not all in one place.

So for that reason, we have recommended consolidation of the assessment laws. The Local Government Commission has worked for probably about eight years now on legislation to do just that. That has been introduced as Senate Bill 918, and was moved out of the Senate Finance Committee, and is in Senate Appropriations. It would consolidate all of the assessment laws except the first and second class county assessment laws because the practice is so much different in those two classes of counties that it was really a technical hurdle to try to incorporate them all in with the same statute.

Rep. Turzai (1:09:06): Philadelphia is the only first class ...

Doug Hill (1:09:08): Philadelphia is only first class ...

Rep. Turzai (1:09:10): And Allegheny is the only second class...

Doug Hill (1:09:11): And Allegheny is the only second class.

And I should mention as well, Senate Bill 918 does not make any substantive changes to practices except to marry provisions that differed a little bit from one of the current assessment laws to the other. So just those nominal things, plus some updates based on current case law in the courts. And so we're hopeful that we can get that moving.

The second issue is HR334 which you passed in June requires the Legislative Budget Finance Committee to do a full scale review of the assessment system including particularly the Clean and Green Preferential Assessment System and the affect of assessments on the senior population, and requires comparisons in that study to other states - California and Maryland by name - and others and the commission deems as appropriate. Ah, the resolution requires them to consult with the County Commissioner Association and the Assessors Association. I am happy to report that the LBFC is doing exceptional work in trying to gather all the data and information necessary to develop a quality report. We've been in contact with them regularly. They have surveyed the counties. All but one county has

responded to that so far. And I think that the report that you get by their deadline next June is going to be very helpful to you and very instructive on how we might proceed from here.

The third issue is a moratorium on court ordered reassessments, and that specifically is House Bill 1661. You passed that in the House a little while ago; it's been report out of the local Government Committee in the Senate; and is also in Senate Appropriations. We support that legislation and hope to get that moving soon. Basically what it says is for a two-year period or until the General Assembly acts to reform the assessment laws that there is a moratorium on implementation of court ordered reassessments. And the reason we think that is sensible is because we actually do have a study going on that's gonna have recommendations about systemic change. And second, if there is going to be systemic change, why should we go through the time and trouble and expense right now doing a reval if we're gonna have to turn around and do it again under a new standard at some point in the future.

Rep. Stan Saylor (1:11:32): Let me just ask you one question there. I am not an attorney. I guess the question I have on the delay court ordered reassessments

is, does the General Assembly have the ability, and I haven't checked with our legal staff at all, to halt a court order? And that's what I was asking there.

Doug Hill (1:11:49): Forgive me for dancing around a little bit, but I'm also not an attorney, and nor did we seek an opinion on constitutionality of the legislation, but our presumption is the House agreed that it has constitutional merit or they wouldn't have passed it. And more to the point, it's a two-year delay for most reassessment processes - that's roughly the timeframe we're talking about anyhow to do any kind of a quality reassessment. And so that should fit within the timeframe any court might order in any case.

The platform I gave you - the first bullet it talks about uniformity and equity in property assessment. We list quite a few specific things that we think we should be incorporated into substantive changes in the law. I won't go into great detail on any of that although I will mention we believe the CAMA System, Computer Aid Mass Appraiser System, does material help us improve assessments, help us maintain equity of assessments in between full scale reevaluations, but we do need some additional clarifications in law in application and standardization.

Um, the point that I might like to talk about a little bit more is, ah, number two which is mandatory reassessment. And the questions has often been asked

where we are on that. Some might consider counter intuitively - we actually support mandatory reassessment, but with some qualifications. First, we do need to standardize the law and give us the proper tools to do reassessment. Second, we need to have the tools to maintain uniformity between full scale reassessments. Ah, third, we would like to find some funding source for this responsibility. And the issue there, in fact there have been proposals over time, the Casey tax proposal in 1988; the Jubilier proposals in the early 90s had some incentive payments that were made if you could maintain a certain equity in your assessment - that's one possibility. It's also been suggested that the other taxing jurisdictions that have an interest in our doing equitable assessments most notably the schools, should probably contribute something to it. But that this point, it is exclusively a county burden to do the reassessment.

Um, in earlier testimony you heard the outlying numbers that we sometimes talk about on doing a reassessment. Ah, typically I think it would be fair to say you can get into significant cost if it's been a long time since you last reassessed. Most particularly in the current era, if your assessment goes back to the 70s and 80s, you probably are talking about upgrading your entire database, you probably don't have photographic data, you probably don't have Ezra Busta(sp) computer

system so you have a high initial cost of doing that reassessment. Once you get those systems in place and if it's good data, then it's much less expensive to do subsequent revaluations from that, but it's, there still is a cost incurred particularly if you're doing a full county-wide review where you're actually going out reviewing properties, doing samples and so on, and implementing it as a full reassessment. So that is one of the bigger issues.

The other issue is the trigger. What should we do to trigger reassessment? And you heard in earlier testimonies, a suggestion of three years. You heard in Mr. Gambino's testimony something that ties in with the need in the county. That's the direction that we go as well. Um, as was noted, appreciation, depreciation of real estate varies considerably from county to county, even within the county. And it is really the measure of equity that should drive the need for reassessment. And what we've suggest, ah, in ah our platform is that reassessment we tie to coefficient of dispersion which is one of the fundamental measures of equity. Ah, and if you exceed a certain level for a two-year period, then you're obligated to do a full reassessment. Now, bear in mind again, what we said about tying that in with tools to help us maintain equity between those reassessments - a county that does that, does that properly hence achieves the

statutory and constitutional objectives of uniformity doesn't have to go back and to a full scale reassessment as frequently.

Um, now the last point that I want to make, and ah, the State Tax Equalization Board performs a vital function, ah, for the assessment process, but their primary function, really, is to develop the data that drives school funding. And that's the common level ratio so that you have apples to apples comparison to what school districts are putting in state wide to the system regardless of what the millage rate might be regardless of the age of the county's assessment. Ah, their computation of the coefficient of dispersion, and ah, their computation of the um, the other, forgive me, I forgot the other formula .. the PRD, thank you, are not required by statute and so they do those for information purposed. And, for that reason, ah, we consider them a relative measure county against county, but not necessarily a valid measure of what finally the coefficient of dispersion, for example, might be. And if it were to become a standard by which we gauge, by which, for example, trigger the reassessment, ah, then we would want to see a little bit more rigorous oversight, perhaps some more statutory clarification on what factors they are to include, how they're to interpret it, what formula that they're to use to determine that coefficient of dispersion.

Now I just heard yesterday, this is third hand and so it is something you might want to verify for yourself with STEB, but I think STEB was anxious about the discussion the Supreme Court had in the Clifton case about use of the coefficient of dispersion as a trigger, and more particularly, in the decision the concurring opinion, ah, that wanted a trigger, that Justice Bear(sp) wanted that to become law right now. Ah, I think STEB recognizes that theirs is done for informational purposes, I think they have some anxiety about it now being applied judicially, and so we had heard they were either going to stop doing those studies, which I doubt, or they would add a qualification to them that this is for this purpose and should not be used for these other purposes. So, I think that's an important consideration.

And that concludes my remarks, ah, but I will be happy to participate with the panel later for questions.

Rep. Turzai (1:18:53): Great. Our last scheduled testifier is Robert Max Junker(sp), and um, Mr. Junker, come on up - thank you so much for being here today. He's an attorney for the law offices of Ourweiss(sp). And your firm, I believe, Mr. Junker, ah, served as co-counsel in the Clifton vs. Allegheny Court case?

Mr. Robert Max Junker (1:19:14): That is correct.

Rep. Turzai (1:19:15): And um, your own area is concentrated in the area of municipal law, land use and zoning, and education. And, ah, I understand you provide daily advice to administrators and elected officials on all manners of local government operations, um, and that you routinely present seminars for attorneys administrators, and school personnel on topics such as property tax assessments. Um, and that you're serving a three-year term on the Board of Trustees for the Allegheny County Bar Association for Municipal and School Solicitor Section.

Mr. Robert Max Junker (1:19:49): Correct.

Rep. Turzai (1:19:50): Thank you for being here today.

Mr. Robert Max Junker (1:19:51): Thank you for having me. Ira was intending to come, but unfortunately, he couldn't make it. He sends his regret that he couldn't make it. I do have his prepared remarks that I will read from, but will expand a little bit about that, we did represent the Clifton plaintiffs in the Allegheny County lawsuit. There were three property owners. One in Mt. Lebanon, one in Squirrel Hill in the City of Pittsburgh, and in Wexford, Franklin Park area that were recent purchasers of property, 2004, 2005 - had assessment appeal that

brought them up to current market value when the county was looking to do the reassessment for 2005. They saw all their neighbors coming about to where they would be. They were expecting the millage cut. That number was thrown out. Everybody went back to their 2002 value except for them because they had been appealed; they were stuck above water essentially. We did join with the Pierce plaintiffs represented by the Community Justice Foundation; residents from the Hill district in Pittsburgh as well as Braddock had seen their property values decline and that weren't caught by the abandoned reassessment.

I want to just read from these prepared remarks. Today, and I'm happy to answer any questions that come up, or at the end. The law office of Ourweiss(sp) represents thirteen school districts in Western Pennsylvania, including the school district of Pittsburgh. We also represent many taxing bodies on a state-wide basis in major tax assessment appeals. Ira has been involved in tax assessment matters for nearly 30 years beginning with his work as Deputy County Solicitor and then Solicitor for Allegheny County. Our firm has been lead counsel in several cases involving property owners regarding the legality of the assessment system in Allegheny County. And as I said, we represented James Clifton in the recent case involving the Base-year System as administered by Allegheny County. The

Supreme Court in the Clifton decision declared the system as applied in Allegheny County to be unconstitutional.

Since that time, we have witnessed the County Executive engaged in a series of slights of hand and maneuvers all designed to avoid the legal and constitutional mandate of providing a uniform system of assessment and taxation. Based upon our firm's experience, Ira and I make the following recommendations to this committee.

First, please do not engage in the quick political fix of placing a moratorium on court ordered reassessments. It is an illegal intrusion into the judicial function, and it will freeze in place serious inequities in assessment on a state-wide basis, and in Allegheny County in particular. We have a system declared by the Supreme Court to be unconstitutional. The county has said that they are going to take steps to remedy it. We've had a hearing on October 19th in front of Judge Wettick to address their changes, but to put in a further two-year delay to allow the current system that's currently declared to be unconstitutional is not something that we can recommend. House Bill 1661, which was discussed earlier, should not see the further light of day.

Number two - Pennsylvania and Delaware are the only states in the country not mandating periodic reassessments to real estate for tax purposes. Our neighbors in Ohio mandate a reassessment every six years and an adjustment commonly known as a trending analysis every three years. This ensures assessments keep up with market changes. Boom real estate markets like we had in 04 or 05, even into 06, and depressed real estate markets like we are currently experiencing are accurately reflected in regular assessment systems. It is this lag in Allegheny County and throughout the Commonwealth which has created a system in which all but ten counties have an assessment situation where the coefficient of dispersion is well above twenty - the recognized tipping point for uniformity problems.

Number three - The Supreme Court in Clifton and in the Downingtown case that was decided about the time that Clifton was going to trial in December of 2006, the Supreme Court expressed reservations about the legal adequacy of the Common Level Ratio System which is meant and designed to compensate for market lag. This system is inadequate and is administered poorly.

Number 4 - The result is that higher valued properties are assessed below market value, and lower valued properties are over-assessed resulting in

taxpayers bearing tax loads which are unequal. This situation raises serious equal protection concerns under the federal Constitution.

Number five - Please do not accept the misleading rhetoric that reassessment result in windfalls to school districts and municipalities. There are several anti-windfall laws in place covering all taxing bodies, and there is one contained in Act 1 which covers school districts. While under assessed property owners may see their tax bills rise, over assessed taxpayers will see their tax bills drop since there is a mandated millage adjustment required to meet these requirements. A summary is provided at the back of this presentation going over the anti-windfall provisions that are currently in the legislation.

Number six - The committee is urged to make the reassessment law as uniformed throughout the state with a common return date appeals period and final certification much in the manner of all counties except Allegheny County currently. In this way, the tax bills will reflect current assessment rather than the case in Allegheny County where the bills go out before all the appeals are heard and the tax blotter is finalized. Most other counties usually by October have had their assessment hearings set the value, so when the tax bills are issued,

it reflect - Allegheny County is a moving target. Tax bills go out; assessment appeals happen; changes have to be made; refunds given or increases sought.

Number seven - The Committee is urged to consider a model where assessments are administered and funded at the state level thus eliminating the crease of local officials. The testimony in the Clifton case established the county government directed it's Chief Assessor's Officer to cease working on the 2005 assessments which would have come into effect 2006 because they simply did not like the numbers even though they met international assessing standards for accuracy and COD. They further established that there has been significant turnover in the Assessment Department of Allegheny County in the past two to three years impeding the proper administration of the system. The large price tag to bring in outside consultants to conduct reassessments and rebuilt reassessing offices after years of inactivity will be halted if Pennsylvania recognizes the economy of scale that will be realized by moving this function from counties. A state-wide system centrally funded and administered will address this problem. It is time to bring Pennsylvania into the 21st century.

That concludes my prepared remarks, and I will join the panel for any questions.

Rep. Stan Saylor (1:27:13): Thank you. At this time, if all the testifiers wouldn't mind coming forward as we open up for questions from the members of the general assembly. You may have to pass the microphone around so you may want to unhook it there to answer some of the questions, but viewers of PCN and elsewhere can't here the answers to the questions as the members of the general assembly.

Okay. We'll proceed with questions and we'll start with Rep. Oberlander.

Rep. Oberlander (1:28:04): Thank you. We heard from both Mr. Gambino and Mr. Hill about building permits, and my concern is what the UCC change in the code, the municipalities get the building permits, but they are not required to give those to the counties. Are you hearing that same concern?

Mr. Gambino (1:28:28): We in Allegheny were working on an on-line program where those permits would be transferred electronically and that is really the key. Those permits, since code enforcement is on a local level and not on a county level, those permits are crucial. So we did everything we could to make sure those permits were in our hands, and we had no one, not one borough not wanting to give us those permits - they're available.

Mr. Doug Hill (1:28:53:): Part of the issue though is that under UCC System, municipalities can contract out to third parties for administration, and that's where we have the weakest link in making sure the information comes back to the county. And yes, the counties are trying to rectify that as best they can with the municipalities themselves. But it's not as uniform or as easy to do as we might like.

Rep. Oberlander (1:29:17): I guess I kind of saw that as a hand in hand with, if they're sharing in the cost with the reassessments, they may be more inclined to make sure those permits get to where they need to go. So, thank you.

Rep. Stan Saylor (1:29:28): Rep. Evans.

Rep. John Evans (1:29:31): Thank you Mr. Chairman. I guess I just have a general question for the panel although it probably, Mr. Hill would be able to address this in detail. I'm curious about the issue of mandated reassessments, and whether or not that should be something we should legislate in Harrisburg to force counties to bring their reassessment up to date. Ah, I represent a county that my understanding is they haven't reassessed in well over three decades. And this seems to prevalent throughout the Commonwealth. How can we persuade these counties to reassess?

Mr. Doug Hill (1:30:14:): Well, right now, there are several impediments to voluntarily entering a reassessment. Ah, of course there's the old rubric that if you use an elected official vote for reassessment, the second thing that you do is get your resume together. Ah, we find that really not to be the case any longer. Ah, and particularly as Mr. Gambino suggested, if we do an adequate, or more likely exceptional job at public education about what the reassessment is, what the process is going to be, how their property is going to be viewed, what their rights of appeal are, the anti-windfall limitations, and formal appeals and everything else that's part of the process, ah, the commissioners find it a survivable political decision as well. Ah, but it really is up to the elected officials to take control and take leadership to do it. But it's not easily done.

The second impediment is the cost, and particularly, with the older reassessments, the cost per parcel can be significantly higher than if you are reassessment if relatively new.

Ah, and then the third issue is of course getting through the morass of multiple statutes under which we're operating, ah, that make it more difficult than it needs to be. Ah, all that said, if we can address those issues, we as an association, do support mandatory reassessment with those qualifications and the

additional qualifications that it not be a calendar trigger, but rather an equity trigger.

And, ah, just one further point, we do have a few outliers who have significantly over-assessments - the average now is a little bit under ten years.

Rep. John Evans (1:32:00): What is being done to encourage those counties to move forward? I mean, what is the association doing? Ah, you indicted you're, some of them are waiting for a state funding to help pay for these assessments, but I really don't sense that in Harrisburg we're looking for new ways to spend money. Ah, this may be a long wait if they're waiting for state help. Because if you've seen our budget, ah, we have, the Commonwealth - it's not free money.

Mr. Doug Hill (1:32:22): Sure. And of course your budget drives our budget and a whole list of other program areas as well. And so, taking something that, at this point, is voluntary, and at this point, if fairly expensive, ah, drives us away from that decision. As an association, ah, it is not our job to encourage counties to do reassessment, but rather come to you to try to try to get the tools in place for them to be able to do it properly. Ah, and to be able to do it timely.

Rep. John Evans (1:32:52): Any other comments from the panel on that?

Mr. Robert Max Junker (1:33:00): To add to that, that is the issue and there's nothing in the law right now to trigger the reassessment, and that's where the courts have had to step in and say, "It's been thirty years. It's time for you to do a reassessment." Recently down in Washington County, ah, there was a suit filed that was after Judge Wettick's Clifton decision but before the Supreme Court's decision where, I believe it was, two school districts that essentially took the county to court and said that it's been too long, CODs are out of wack, PODs are out of wack - we're looking for a court order to move it along. And the defense on the county's side was that we don't know what's going on with the Clifton case; we don't know what's going on at the state level, but the order did come down. They are putting the steps in place. So I think, really, that is the only trigger that the people, that the other bodies have to convince the commissioners of the county to take action. That is a lawsuit declaratory judgment action to point out all of the flaws that are currently in the system and compel a court order.

Rep. John Evans (1:34:07): I think that Mr. Gambino's testimony at the beginning was very enlightening for those of us on the panel here as members, because it gave ah, woke me up as far as some of the fallacies amiss that are out there about reassessment. Particularly for the lower-end neighborhoods and ah, lower-end

housing situation, so I think that this is something that's, in my opinion, school boards are going to have to step up to the plate and encourage their counties to get with it, and be more vocal. Ah, I don't see much movement with my county at all from any of the school boards to speak out on this issue. And when millage continues to go up and people are being forced out of their homes in many cases, something has to give. And so I appreciate the panel's discussion today and want to thank the Chairman for having the hearing and for Rep. Turzai for hosting this. Thank you.

Rep. Stan Saylor (1:34:57): Thank you. Rep. Ellis.

Rep. Brian Ellis (1:35:00): Thank you Chairman Saylor. Gentlemen, thank you so much for coming in. I know that this is a tough issue for a lot of me and my colleagues to get our hands around, and with the passage of the resolution, we're looking to really move forward on this, and I think what you brought today is going to be helpful for us.

If I can start with, um, let me say it right, Gambino? Mr. Gambino?

Mr. Gambino (1:35:25): Like the New York family but the Braddock family...

Rep. Brian Ellis (1:35:27): ... of the Braddock Gambinos. Um, just real quick - how much did it actually cost Allegheny County to do the reassessment in 2001 and in 2002? What was the cost?

Mr. Gambino (1:35:38): In 2001, Saber's cost was probably \$24 million plus.

Again, to collect data on 600,000 parcels was the bulk of that cost. It took them two to three years. Ah, when we did the trending or reassessment in 02, the cost was much less than \$3 million - the bulk of our cost being was that we had to go buy another CAMA System when Saber walked out. We had to transfer all the data from one Saber system over to a new CAMA system to house the 1.8 billion bits of data that was collected.

Rep. Brian Ellis (1:35:10): Alright, so in theory, if they reassess next year, it would cost less than \$3 million?

Mr. Gambino (1:36:13): Oh, I .. yes. It's absurd to talk about \$30 million. If you would have to go out and look at every property again eight years after you spend \$24 million when you're getting building permit data and have assessors in the field every single day, ah, that seems absurd to me.

Rep. Brian Ellis (1:36:28): Okay, so in the testimony today gentlemen, Mr. Hill and Mr. Junker, you both suggested that the state should fill some kind of financial obligation upon this. How much, I guess back to Mr. Gambino, how much state funding did Allegheny County get when they did the reassessment?

Mr. Gambino (1:36:51): I don't know.

Rep. Brian Ellis (1:36:53): See, I'm saying zero. So, it was okay to give zero to them, but we're also looking down the road that everybody else should get some money. So I question that, going back to what Rep. Evans said, we're not in a great position in Harrisburg right now. Is there any other state that has a model where they, we have the provision that you can't have a windfall - is there any way or any other state that is taking a look at a potential windfall that could have existed to pay for the cost of assessments?

Mr. Gambino (1:37:24): I cannot answer that question.

Rep. Brian Ellis (1:37:29): Okay, um, I mean I guess what I'm trying to get around is to what Rep. Turzai said at the beginning, the State Legislature has never once levied this tax. This is a tax that is levied by the school districts, municipalities and the counties. And obviously, we have a roll. I'm just curious, a fiscal roll, why

is it necessarily a burden on the state, and you guys have given different thoughts on that. Maybe if you can expand a little bit upon why we should be participating? And I'm not saying we shouldn't, I'm just curious as to know why.

Eric Mantardi (1:38:08): I think from my perspective just looking at the fact that, the state does play such a minimal role, I guess part of the argument could be that the reason counties, school districts and municipalities are able to levy the tax is because the state permits them to. I mean they're creatures of the state. And, would the state tolerate, you know, one county collecting the earned, I mean the municipalities in one school district collecting the earned income tax based on what you made in 1960 in one rate versus the next county levying it based on what the up-to-date income is. I mean I think there was even something pointed out in one of the judicial rulings was that they wouldn't. The state would not tolerate that much variation. So I guess part of the argument is that, you know, the counties that haven't done it in such a long time, well, it's because they've been permitted to because the Base year it allowed to, I think it was codified in the early 80s, right, but it was there. It was just because counties weren't doing it. And then the legislature said "okay, well now we're going to keep permitting you not to do it, um, so we'll codify it - you can either have the Base

year, you can have the current market value, and you know, to piggyback on Rep. Evan's question, I don't know what can be forced to mandate. In this county alone, I mean every judicial ruling that's come down from the, on the county's Base year, one ruling said give the 2006 numbers, give them to the officers of the property assessment, make the resources available - do it. That was ignored. Now we have the next ruling, um, the next ruling, the Supreme Court ruling now that is in front of them said goes back to the Court of Common Pleas, come up with a reasonable timeframe. I mean that's what Mr. Junker talked about. They met on October 19. We don't know. What's a reasonable timeframe? What's the punishment if Judge Wettick says, "Okay, here's the reasonable time frame. You have to have these numbers ready by January 1, 2011." The county says, "Well we can't". What happens? I mean, that's where now we're treading in to. The whole thing with the moratorium. We're treading into places that it's not clear because you have a judicial order telling that elected official or appointed officials that carry something out and they're not doing it because they're saying, "well, if we carry it out, you're taxes are gonna go up." And then, again, that comes back to the public education of, well we have to explain to you that the assessment doesn't mean the

tax bill. And that's a whole other process that could take longer than the two year moratorium.

Mr. Gambino (1:40:39): We're piggybacking something that reminds me that one place the state can help is on economy of scale. There is a piggybacking of contracts available if the state would, on some of these functions that are bigger than a local issue where the locals may need the additional funding, the piggyback state contract might be very beneficial and allow a lower cost if there was a state-wide piggyback effect.

Mr. Junker (1:41:08): Dominic is going about where I was going. We mentioned economies of scale in our presentation, and one of the issues was when we got in front of Judge Wettick after the decision came down, the county basically said, "Look, we did a reassessment in 04 or 05. We didn't need all of those people around for the interim years as we move to a Base year, they've been reassigned. We've cut back. We don't have the staff on hand to do a new reassessment". Judge Wettick's first conversation was, "Well, what if we, because we don't want to have you to have all these people in place all the time every year, what if we do a tri-annual system in the county where you do the south portion one year; the people move up north - they do it another year; and they move around"? Now we

have issues with that under the Greentree case that says everything has to be at one time at the county level, but to have almost either a roving office that starts at the left side of the state, provides assistance for the counties to get one up and running, moves off to the next couple counties down the road; takes their experience - they don't have that local feeling as Dominic was saying. They don't know the ins and outs of the market as much, but they have a level of expertise, and that county level they're waiting six years in between a reassessment, don't have to keep people on staff, don't have to go back and hire six years later, and don't have to lose that institutional knowledge. So if there's anything the state could do, that would be our suggestion.

Mr. Doug Hill (1:42:42): I think we would agree with the comments that the state does have a compelling interest in assuring uniformity statewide.

Ah, but the other too is even though, ah, the Commonwealth doesn't levy the property tax, the Commonwealth does have a strong interest in the property tax. That being the inter-relatedness between, ah, state and county budgets, state and school budgets, and more particularly your conscious decision to pass program responsibility off to us knowing that you aren't in every case funding the entirety of data cost, and knowing, in turn, that we are going to be funding it from the

property tax base. So, for example, in Children and Youth where the state might pay half of the cost, the other half comes out of county property tax, or Mental Health Mental Retardation where the state might pay 90% and 10% comes from the county, or the state tells us to do the elections and that's all county or the jails, all county. And so, you do have an interest in properly administered property tax system in that respect because you are, at least indirectly, relying on property tax to fulfill state priorities.

Rep. Brian Ellis (1:43:44): And then, if I can, Chairman Saylor, one more question.

Um, we had talked about the triggering of the reassessment. Now Eric, you had suggested that in Ohio, it's every six years, or was that, oh I'm sorry, um, okay, Robert. The, Mr. Hill, you said we don't want a time, a time definitive one. You want a, something that is determined by economic indicators, and the need for it. The question is, are we going to be able to produce something like that that would be constitutional, and what would prevent where we are now from being where we are twenty years from now if we did not have a specific time indicator as a true trigger?

Mr. Doug Hill (1:44:31): Well, the Constitution doesn't speak to when you most recently did an assessment, but the Constitution speaks to equity. And so, that's

why we suggested the trigger ought to be a measure of equity. And so that fulfills that requirement. Now at the same time, ah, as I said earlier, we do need to have the tools to also help us maintain equity in between reassessments. I didn't get into much detail on this, but one of the things that, in the Mr. Gambino's testimony, was the notion that an acceptable coefficient of dispersion is 15%. So essentially you're saying if you're valued at 15% high or 15% low, you're still okay. And even that to some people says what? That really might not be a matter of equity. But it is in a way because if you look at the methodology that we're using, it is a valuation, it is not an appraisal. So we aren't taking into account the same things an appraiser would when establishing a value for your house, but rather, it's a, I don't want to minimize it, but it's a little more of an overview rather than the detail that might go into what drives the actual cost of the sale. And so that's why there is some variation allowed, and that's why we're also suggesting that it be pegged not exact, but rather within some range that would be the trigger.

Mr. Junker (1:45:57): And then to comment on that, the Supreme Court, especially in Justice Bear's concurring opinion, did cease upon the COD as a good trigger; it is calculated by the STEB; it might have an issue, maybe Dominic, Mr. Gambino, can speak about the level of reporting the county has to do to the STEB

for them to generate those numbers. So perhaps it's more authority needs to be given to STEB to really dig in to the Recorder of Deeds office, the sales and not just rely on the information then provided. But the decision also pointed out that depending on the type of community that you have, a homogeneous, a heterogeneous, or can affect the level of an acceptable COD. Say you have a rural county, you have somewhere there is not a major airport, that there's not a City of Pittsburgh right in the middle, then you can expect a longer time to go in between the need for you to do a reassess if your COD can be increased legislatively. I know we want to get away from having the third through eighth class county code, but that is one way to look at it to say Allegheny County, because you're dynamic, your heterogeneous - you have a 15 COD, but Washington County 20, so you'll be okay. So that's one way to smooth it out so you don't just put a hard, fast number on the entire state in every county, there is some differentiation that takes into account the entire property there in the counties.

Rep. Stan Saylor (1:47:38): Thank you very much. Rep. Christiana.

Rep. Christiana (1:47:43): Thank you Mr. Chairman and thank you Rep. Turzai for hosting this forum today, and gentlemen thanks for being here. Ah, I don't want to be redundant here, but it seems as if we're going to a mandatory reassessment

system - one of the largest stumbling blocks is, who's gonna foot that bill, and on your platform, Mr. Hill. And number two, letter C is that you'd like to see the state pick up some of that cost. I'd like to echo my colleagues' comments that I have some serious problems with it, you know, on the surface with that idea. But I so agree with you on number three. And my question is, number three on your platform says that you feel that school districts and municipalities should help pick up that cost because they would essentially be benefitting from a more mandatory system that makes sense. Um, would you be willing, if that replaced the state picking up, if there was something we could do to mandate that they also pick up part of the tab, would you be then, still, in support of a mandatory reassessment system?

Mr. Doug Hill (1:48:46): I think we'd certainly be willing to look at that - yes.

Rep. Christiana (1:48:50): That's all I have. Thank you very much Mr. Chairman.

Rep. Stan Saylor (1:48:52): Rep. Marshall.

Rep. Marshall (1:48:57): Thank you Mr. Chairman, and that you for brining this valuable policy meeting here to western Pennsylvania. I would like to thank the testifiers today, and especially Mr. Gambino - I like your math. It makes it pretty easy to understand. And really, there's been a lot of discussion from our

constituents about this reassessment. I think that the education portion of your testimony is very important.

Clearly, um, the majority of the members at this hearing are in their first and second term. And I think that's also a clear indication that the residents of western Pennsylvania want to be involved in their government, and they want their voices to be heard.

I was wondering if Mr. Montardi could talk about the, ah, his goals and his reform that indicate that, ah, it would be a good idea that the taxpayers have, ah, control in how this develops?

Mr. Montardi (1:50:13): I think it would be very simple - it's basically Act 1 with some real meaning that's almost like a system I believe is in Ohio where if it's a tax increase or a millage increase, then it goes on the ballot and the voters can vote it up or down. Yea, and most of the time they're probably going to vote it down, but that's where it's on the job of the elected officials where the school, town or county to make the case as to why that expenditure needs to be made. Um, look at what was promised in Act 1. You got to go to the ballot box in 2006 or 2007 and say, "do you want a higher earned income tax or do you switch your school earned income tax to personal income tax in order to get yourself a bigger

tax relief through your property taxes?" As the representative said, it went down almost everywhere. How many times does an Act 1 budget issue go in front of the voters in any school district? Call the School Board Association - it's probably been about three or four since that's happened.

Um, and again, bringing you back to level of Allegheny County, I mean we're constantly hearing, we have a base year, no tax increases, that's what we've heard. K - there's been no change in the county millage rate - that's correct. What's happened? County's gotten a drink tax. County's gotten a car rental tax. Look at the municipalities and school districts we have since 2006. Almost over 90% of the school districts have made some kind of millage increase. I think it's about 60-70, correct me if I'm wrong and I'll go back and look, um, of the municipalities have enacted a property tax increase. There's been a couple school districts that have lowered their taxes and some have kept them the same, but there's nothing to prevent that from happening. We've heard over and over again, Base year, no tax increase, Base year, no tax increase. So again, how I would envision it obviously is, excuse me, if there's going to be some type of a major overhaul of how property taxes are assessed, when they're assessed, who does the assessment. Um, and then that grows out of it that whenever there's an, again, i

would obviously apply this to any type of tax whether it's state or local or whatever type of tax it would be, that the voters get to say so.

Rep. Marshall (1:52:17): Thank you.

Mr. Doug Hill (1:52:25): If I could add perhaps a little bit different view point?

Rep. Marshall (1:52:26): Absolutely.

Mr. Doug Hill (1:52:27): First, I think it was pointed out earlier, reassessment is not about tax breaks, so this is probably a discussion for another day, but I think the question is still important and should be answered.

Ah, when we develop budgets and tax rates at the lower level, it's not something done in a vacuum, and certainly not us determining what tax we're going to levy and then figuring out how to spend it. It's actually the other way around. We take a look at the mandates received from the Federal government, the State government, um, requests from municipalities, and certainly the requests from our constituents for service. Then we see, what it is going to cost to provide that. If the cost doesn't match the tax revenue, don't go tax based, the first thing we do is there a way we can provide it more efficiently at a lower cost? We exhaust that then we go back and take a look finally as a last resort at the tax rate. And

so that is really the last choice that any elected official makes to raise the taxes. And it's not something that's a snap decision. Ah, under the county code, a county is required to begin work on it's budget at least 90 days in advance of final adoption. And that's because of the complexity of the services we provide - the complexity and the breadth. I mean it's everything from record keeping to emergency management to land use to public safety, ah, human services and all the rest. And so it's not an easily explained referendum trade off of this service or that service is why we're increasing. It's the whole range of issues. It's also driven by the appropriations we receive from the state and indirectly through the state from the federal government. And so all those things go in to our local determination on what service we provide, whether we're able to do it from existing revenues.

I think the last point to make on a referendum is, it's one thing to put a question in front of people, "Do you want us to raise your taxes, yes or no?". Well, the intuitive answer for everyone is gonna be no. And that's how referenda are phrased in Pennsylvania. But if the referenda was phrased to mirror what we've gone through in county government in the last quarter when there was no budget, when there was no money going from the state to the local level, people began to

see that there is a tangible connection between the taxes levied, the revenue received, and the services that are going to be provided. So, the accurate referenda question should be, "Should we increase your taxes or shall we stop running elections, let people out of prisons, reduce the services we provide to abused kids, and so on." And that's not how a referendum is phrased, and that's why it's hard to just simply place that question out there for public judgment.

Mr. Gambino (1:55:23): It may be a bit off the subject, but the issues of the drink tax and the anti-windfall provisions have come up. You know it's interesting that the anti-windfall provision for reassessment where if we reassess, we have to keep the same revenue. But when you institute a new tax or allow a new tax be instituted in different places, the millage rates or property tax, the same anti-windfall provisions should be stated there that is if you create a drink tax that the county of Allegheny is allowed to institute, but allow them to keep their millage rate at the same rate without reducing the millage rate proportionally, they have done the exact same thing they claim the school district is doing - they've reaped a windfall from a new tax without ever reducing the millage rate proportionately for the tax.

Comment from person unseen (1:56:08): Thank you Mr. Chairman and thank you to the panels.

Rep. Stan Saylor (1:56:08): Rep. Gabler.

Rep. Matt Gabler (1:56:09): Thank you Mr. Chairman. I just had a couple quick questions just to better understand. I think this has been very information. First to, Mr. Junker, um, in Mr. Weiss' written testimony on the last page, um, it's written that the reason that the Allegheny County government ceased the usage the 2006 numbers is because they did not like the numbers. I just want to understand the political forces at play in this process a little better. Could you describe to me, or maybe anyone on the panel has some knowledge, what is there not to like about a specific set of numbers if, as Mr. Gambino said just a kind of, a re-leveling of who's shouldering what burden, why would the county government as an entity want to throw out those numbers? What would be their motive in that?

Mr. Junker (1:57:00): Well, for Allegheny County specifically, just our political history of what happened with 2001 and the 2002, and quite frankly, there were campaign promises made that Allegheny County would not do another reassessment until the surrounding counties did as well, or it became a state issue. So that was in the background of the decision because after 2002, the Roddy

administration said, "Look, we can't do these every year or as we agreed to back in 1999, we're going to do the tri-annual system, every three years." So, it was on the books, it was being worked on, there is a step which requires certification. So what the chief assessment officer, who was brought in from outside agency CLT had done the numbers, crunches them, said "okay - we have an acceptable COD; we have an acceptable PRD." They gave it to another agency, the Glaudaman's(sp) Agency, they looked at them and said "yes, you meet the standards, but if we break it down onto a lower level, there may be a neighborhood or two that require some scrubbing" as they called it. So that was going to be the next step.

Looking at the chart, I think that Mr. Gambino had that was in the Post Gazette that showed the fluctuation and market values throughout the county, the county seized upon, essentially the average of that and said looking at 2002, everybody has gone up 19% across the board and we don't believe that that's accurate, and we believe they're problems. So the first step was they proposed a cap system where everybody was broken up into four levels. You were either increased 1% - 0%, 1%, 2%, 3% or 4% on just an arbitrary system based on your increase. That was challenged by a school district, and that was thrown out by Judge Wettick. Back to the drawing board, they said, "we're going to do a

trending analysis now and we will get better numbers than we had in 2002, but not the full reassessed numbers we had from 2005." While that was being worked on and presented is when somebody hit upon the idea, "Hey wait, Base year is in the law - let's just knock out our bookend year because we have a three-year bookend. We'll go back to 2002, knock out the 2005 end and we'll extend it for as long as we can run with it." And that's when the challenge was filed. So, I mean I think that was the background to it. There was always the specter of 100,000 appeals filed before. People weren't happy with the whole assessment system having to go through it again, so although the numbers were accurate, they were thrown out as "Well we just don't; we have issues with them; we don't like them." Maybe Dominic ...

Mr. Gambino (2:00:00): I think that all I can say is I can't speak for the motives of Allegheny County, but I think that probably over the next few months you'll probably see the reason why that was thrown out when you start watching TV and other adds for a race next year.

Rep. Gabler (2:00:21): Would you say that the problem would not be there if people better understood the windfall provision, the anti-windfall provision?

Mr. Gambino (2:00:38): ...county tax, you would think that people knew. What should have been done and maybe should be thought about the next a reassessment occurs is the actual tax payment be identified, God Bless you, at the same time change notice goes out. So that if you go up or down, your change notice will show once the adjustment to the millage rate is made, what your tax rate will be this year compared to last year. That probably, probably will make 75% of the people happy.

Rep. Gabler (2:01:04): And then, if I could just continue with another question, I think this might be best to direct it to Mr. Gambino, sorry.

Mr. Gambino (2:01:16): I think this should make everybody happy. Listen, it's talking about paying your fair share. Most people I've talked to when I've gone out never said to me, "I want a break in my tax"; they said to me, "everyone should pay their fair share". No one ever said, "I want to pay less than my neighbor, pay their fair share". Go ahead, I'm sorry.

Rep. Vulakovich (2:01:32): .. legislation to address this issue, because you go to someone in Butler County and all of a sudden you redo the thing, they're not gonna believe a word you say unless they're really educated and there' a lot of communication on why this has to be done. Another thing is, is there an advantage

to staying with a Base year for year after year after year with regards to drawing state and federal dollars towards certain, you know like school districts for some example?

Mr. Doug Hill (2:02:06): No, there's no advantage, and that's the original reason for the creation of the State Tax Equalization Board to take into account the varying Base years from county to county so that the state had a uniform number they could look at for distribution of school funding.

Now the secondary purpose that has come into play more recently is that, ah, the coefficient or I'm sorry, the common level ration can also be used by someone who's appealing a property value to, as a different methodology in the challenge if the common level ration is above a certain amount.

Rep. Vulakovich (2:02:43): Um, the ah .. how much diversity is there throughout the state with regards to, ah, you know, when they do your assessment then they tax you on 75% of the value as opposed to the 100%. I don't know, was that something that was put in there so if there were some inequities, you would say well at least that covers it, but it seems to me that you would just, whatever your assessment is, that's what it is. Why take 25% off it - I never could understand that. Why do we make this more complicated than what it is?

Mr. Doug Hill (2:03:23): I don't go back that far, but until recently the law was for a fourth rate class county, you could not assess higher than 75% of the market value. And, it was only recently we won legislative approval to say we could go to 100%, and, same thing, if you change your valuation, if you change your predetermined ratio, the anti-windfall cap is triggered. So if Butler or any other county goes from 50% to 100% then your ten mills is gonna to drop back down to five. Okay, so that does apply as well.

But yes, your point is very well taken. The reason we wanted to be able to go to 100% is assessment, reassessment is difficult enough for property owners to comprehend, and then to say, "And, by the way, now take 66% against that and the apply your mills." So yea, 100% makes more sense.

Rep. Stan Saylor (2:04:27): I can answer you Randy on that. As a former assessor, because I always wondered that when I was Chief Assessor. I because a Chief Assessor and said, "What is this? 20% in York County of the 1968 assessment at that time." Ah, basically at the time, I'll be honest with you, it's was all politics. As, if you've got an assessment notice that you've got reassessment and the value in your home is 20% of the value, a lot of people just looked over the 20%, but they thought it was 100% value, and it said \$20,000 and

you home in your mind was worth \$100,000 you felt pretty good. And now that there is no reason, many times they didn't use the 100% value. At that time it was more political than it was ...

Rep. Vulakovich (2:04:56): You're probably right. I guess it's the way we've always done things to make it look better than what it is. You know, ah, when you're dealing with numbers, um, things need to be as simplified as possible like you did the 2x4, 4x .. that's kind of what I did with the budget when I was answering calls. One and one is always two. Some people want it to be three. Then if there's debt involved, sometimes you want it to be one when you know it's two, and, but one and one's always gonna be two. And that's why the numbers, um, are so important and need to be simplified. I think whatever we do, ah, this has to be understandable, especially if we're going to educate the people about this. The education communication I see is vital to really doing this.

One other question, the ultimate responsibility for establishing the COD numbers, who is ultimately responsible for coming up with fifteen points, or twenty points or more? Who ultimately is responsible for this?

Mr. Gambino (2:06:14): Those calculations are taken from the sales, um, sales in the taxing jurisdiction where they look at all the sales that were valid and

compare those sales to the assessments of those properties. That's a straight number, right out of the sales information. That's not made up, that's just a division.

Rep. Vulakovich (2:06:29): Okay, and so then nobody can play with that number?

Mr. Gambino (2:06:33): Well, they could ...

Rep. Vulakovich (2:04:36): I mean, anybody could do anything ... but

Mr. Gambino (2:06:37): Well, one of the things that were brought up was STEB, the way STEB gets the sales for instance for their numbers, that's a voluntary type of, um ah, information lending. Counties give them the sales that when they ask for sales the county gives it to them. Really, STEB should be able to go into the system, have their own system whether it be real stats or some other type of sales tracking system to pull the sales independently from being given them by the county.

Mr. Doug Hill (2:07:08): And yes, it's not without opportunity from manipulation.

One of the things that STEB also has to do when they make the calculations is throw out what they consider to be invalid or non-arms-length transactions. So if someone conveys to a child for a dollar; or someone pays an inflated price, and so

they make some of their own assumptions that any value over this, we're going to consider not to be valid; any differentiation below that, we're not going to consider to be valid. And so that also, when they made those presumptions going into the development of the formula, also will color the result.

Rep. Vulakovich (2:07:42): So I would think the COD numbers are really important especially if we're going to use them as some type of trigger to say, okay, it's time to assess because, I know in Allegheny County, if I've got this right, basically their position was, well, we wanted predictability, but the courts came back and said predictability is good, but when you violate the uniformity clause, you can't do that

Mr. Junker (2:08:09): No, the stability was their defense of it when they said they were at about a thirty CODs so way out of wack and it's their defense to the system and our allegation that it was unconstitutional - it was that Base year is stable and it's in place - it's not something that we have to hire the assessors every year. We don't have to re-educate the public about why we're doing what we're doing; why the reassessment has happened when, no, their house hasn't sold, but their neighborhood is booming. It's a Lawrenceville or something like that.

Rep. Vulakovich (2:08:48): All right, and one other question for you Dom. If things were kept intact, records from, well, ah, I don't know. What records would we expect to still be intact if Judge Wettick would come down and say, "Okay, this is what you're going to do now; you're going to reassess and of course the moratorium issue, what numbers should still be intact that they would use to do this reassessment. And, ah, like you said, we'd also have to check, did they keep up. And, I don't know. That is a question I'd have to ask, "was this information built upon to be there so if something comes .." I mean I know that if I was looking for something and saw the potential that eventually there may be a chance I was gonna have to take care of this, I'd want to have everything prepared so that if someone says, "You are going to do this", well I disagree, but I'm ready to go. So, where are we at?

Mr. Gambino (2:09:56): These models, these trendings follow the sales. Sales are the key. Valid sales are the key. That's what determines value. What else would be market value except for a sale out on the street? So, they have those sales. They have those sales readily available. The only other issue would be information on the individual properties - hopefully, they've kept that up. Um, whether they have or haven't, I don't know. Um, and if not, certainly that web site is certainly a

good tool because if someone has three bedrooms listed on the web site and they only have two, they're gonna call. And they have called. So, it really is the sales. Sales data is the key.

Rep. Vulakovich (2:10:33): One other question. We know that we hear about the \$30 million that it would cost to reassess. Um, and of course that's not in the budget that they have. So, um, okay, from a standpoint of the \$30 million they're saying, would that be a reasonable number to expect say that we had to start with a database and do all this information, as opposed to we have this database, we've kept up with all the, like you said the sales information and everything else, the difference between, would \$30 million be reasonable for if you had to start all over again?

Mr. Gambino (2:11:19): You're not talking Allegheny County right now where they are?

Rep. Vulakovich (2:11:19): Allegheny County.

Mr. Gambino (2:11:19): Asbo ... if we had, we already paid the bulk of that money. \$24 million was for what we have right now. That was my recollection. An, no, it will never cost \$30 million in Allegheny County. If it does, I would like to see a

detail of where the \$30 million is going. They should not have to visit every property again. That \$24 million spent between 99 and 01 was to collect 1.8 billion bits of data. That's been done. That's been kept up by building permit and assessors in the field till now. There is no need to go out and re-measure every single property again, especially if you never receive a building permit on that property, you can pretty much assure, unless it shrunk from the rain, it is the same as it was in 01. That's the bulk of that cost on reassessment.

Now, if you go to a county right now that does not have good data on their properties, they may not have 600,000 properties like Allegheny County did, it's certainly not going to cost them \$24 million to go out and collect that data, plus there are other ways to do that now. In 01 we didn't have GIS capabilities where you can look down from the sky from a satellite and determine how big that property is and how big that building is. There have been a lot of new innovations since then, so that cost clearly can never be \$30 million.

Rep. Vulakovich (2:12:35): Do you have do you have some estimate that if Allegheny County, for example, had to reassess, if it's not \$30 million, and say that everything is there and should have been done, up-kept and everything else, what would it really cost for reassessment.

Mr. Gambino (2:11:19): I had a \$7.2 million budget in the Office of Property Assessment - that had been good enough for me. The only other cost I need outside at that time, this was in 03, would have been maybe an upgrade to the computer system, but even that might not have been necessary. I had my own in-house modeler who has since left to go to CLT, he was a statistician instructor from Penn State who worked for me who would do our modeling in house, and we had 35 assessors in the field and online building permit system we were working on. Whether that's still there or not, I cannot answer.

Rep. Vulakovich (2:13:26): You worked on a \$7.2 ...

Mr. Gambino (2:13:29): We had a \$7 million dollar budget which was sufficient for us to do the 2006 numbers.

Rep. Vulakovich (2:13:32): Okay, thank you.

Rep. Stan Saylor (2:13:35): Rep. Metzgar.

Rep. Carl Walker Metzgar (2:13:35): Yea, I represent a ah, one of my counties that I represent is going through a reassessment right now. Um, and the kicker to it is its, they haven't done a reassessment in fifty-two years. Um, and it's been somewhat of a political debacle. But the County Commissioners, at this point,

seem to be back-peddling curiously. Um, the one thing that they're doing, and I'm not up to speed on some of the legality of what they can do to adjust the figures, but they've been playing with the millage rates, but then in addition, they've been picking certain municipalities and saying that these are devalued or economically depressed or for whatever reason, they choose these properties. Do you have any insight onto what ramifications that's going to have down the road for that county?

Mr. Gambino (2:14:29): That reeks of spot assessing, quite frankly. Um, and if you were to begin reassessment, you just can't pick a group out and say we're gonna reassess these and not others. Ah, I think I know the county you're talking about. But, as Doug said earlier, I mean, as long as they're given hope that some legislation is gonna come two years down the line, why would they spend the money now if they feel that some change is gonna come down. They cannot be given that option. Someone has to take leadership. What I would do in that county is just show the people in the less appreciating areas their assessment to sale ratio. Show the assessment to sale ratio to the appreciating areas and if they can live with that, if they can live with the fact that they're overpaying their taxes and they're giving up (microphone went dead for a short period) ... politicians to try

to delay it, so be it. But my feeling is that they just can't pick out one group.

That's clearly spot assessment. They would have to do the whole county and the back-peddling is because, you know, there's been so much misinformation out now that they're concerned about whether they should spend the money now because maybe you folks will give them some mandate.

Rep. Stan Saylor (2:15:45): Ah, Rep. Vulakovich.

Rep. Vulakovich (2:15:52): Ah, one more question. Um, I'm sorry, I forgot your first name. I'm thinking Ira, then ... Um, if there's a moratorium, is there a reasonable, can there be a reasonable assumption that if there's a moratorium that because of some legal rulings past, I don't know, ah, that would not affect Judge Wettick being able to come down and say, "I know there's a moratorium, however, there's a court order here and this is what I want you to do." Is there a reasonable assumption that even though it doesn't play out that way in the end, the, it is a legitimate legal argument that you can't override a court ruling prior to the passage to a moratorium?

Mr. Junker (2:16:54): I think that's accurate. I think, ah, obviously there's separation of powers issues, I mean this goes back to Marbury vs. Madison(sp) where the Supreme Court US said that we have the ability to interpret the

constitution and pass judgment on actions of the legislature. So, because the Supreme Court was clear in saying that Allegheny County system right now is broken, it's unconstitutional, it has to be fixed on a reasonable time table, and that's why it went back to Judge Wettick. Ah, to then have the county argue, oh no, now there's a moratorium in place, we don't have to do anything either leads to a second lawsuit where there's just a challenge to the constitutionality of the legislation either on its face or as applied specifically in Allegheny County's position. For other ones, I know that there's car ballot for any county that was considering and in the process of doing a reassessment right now. I don't know if the judge would look at that and say, "Well, wait a minute, somebody who is voluntarily doing it can continue to do it, but, you know, you're telling me even though I've found that there is a problem that should have been done and addressed, I can't do anything and that the people who are living in Braddock or everywhere else have to wait at least three years for some relief." I just don't think that would fly or pass constitutional mustard.

Rep. Vulakovich (2:18:22): Okay, thank you.

Rep. Stan Saylor (2:18:26): Before I turn this over to Rep. Turzai for his questions and final comments, I wanted to thank everybody for coming today on

the panel, you did a great job. Ah, as former assessors brought back some memories of old days. Ha ha ha, I'm not sure they were all good. But, um, I do think it's important to point out as, a former *Chief Assessor*, that this is probably one of the most difficult issues there is because, I gotta be honest with you, the people that should be sitting here today are probably the judges who decide these cases, some cases because Dominic you did a great job explaining the assessment process. And that's exactly what I did before I did a reassessment was go down to the public because I didn't, they have to understand what you're doing, and so often, everybody looks at it as if there's a reassessment, my taxes are going up. Now when you have that, you immediately have people fighting you. And the truth of the matter is, that the reassessment is about treating taxpayers all fairly. And I learned that really truthfully by one, a former *Chief Assessor* in Lycoming County who I met right after I was appointed and one in Florida because in the state of Florida, the *Chief Assessors* have to be elected by the Electorate. So they are more accountable to the people who there are assessing. I think that's one of the things that I understand where the county commissioners commenting wanting payment or some kind of assistance to do reassessment. The biggest problem I've seen as a former *Chief Assessor* dealing with all 67 counties *Chief*

Assessors serving on a board of directors at one time was that some county commissioners pay a lot of attention to their assessment officers. Back when I was there, Montgomery County was one of the best counties in the state when it came to qualifications and forcing fairness of the taxpayers. But there were counties that didn't care. In fact, when I took over in York County, I had to retrain my assessors because their idea was "I have to go out and my job is to raise money so, you know what, I'm looking at a property and I'm gonna a little overvalue it because I've gotta bring money to the commissioners". They were never necessarily trained that way, but that was their thinking. And I think it's important that education to the assessors and those who work in assessment offices as well as the public are very key parts of making sure the system works. I think far too often we don't do that. I think county commissioners far too often would rather not have the assessment office under their jurisdiction, and I understand that. Ah, but I think that one of the things that we have to do in the legislature is understand that, I don't have a problem picking up the cost, but then I think what goes with that cost is holding county commissioners, ah, accountable. I think far too many times taxpayers, as soon as county commissioners vote to do reassessment, want to vote the commissioners out before it's even done in some

cases. What we should do and taxpayers should be doing is looking at the quality of the assessment when it's done because that's where it determines if the county commissioners or county executives did their job. Ah, that's where the measure is to whether that politician gave you quality for \$30 million in Allegheny County or whatever it is in any other county. Ah, because truthfully and honestly, that's where I've seen problems go wrong. I've seen counties who've tried to skimp and they do have a certification program today, STEB runs testing, I mean they actually have to pass tests. Um, and, one of the things that's important as well that comes from the counties is to make sure that the assessment officer, one of the things we did in Montgomery County, a lot of counties did, was to even report to STEB when we thought a sale was not an accurate sale, was not legitimate. That helps the State Taxation Equalization Board protect tax payers as well. The helps the State Department of Revenue make sure they go collect the uncollected transfer taxes. But it's really , ah, this whole assessment thing is so complicated and involves so many different things, and it really takes a great deal of working together, and Dominic and all of you did a great job in explaining different facets of the problems and some of the things we need to do with the General Assembly.

And so, I do want to compliment the State Tax Equalization Board because they have a tough job. They are taking 67 counties of sales and they're trying to look at the sheet of paper and determine whether it goes from Stan Saylor to Mary Ann Saylor - that it's a relative involved in that sale. But when corporations are transferred, it could be from one subsidiary to another. It can go from Stan Saylor to Brenda Resh who happens to be my sister, but how do you know? So they do a great job overall on doing what they do, and again, I want to thank you for your coming today, and I think that, ah, Dominic, you really simplified it and for taxpayers, and hopefully, they will, those who were watching this on PCN today, will take an opportunity to learn what assessments really are about. It's a lot different than what I think most perceptions are. Thank you, all of you. Rep. Turzai.

Rep. Turzai (2:23:01): Chairman Saylor, thank you very much. Um, thanks also for coming to our district to the hold this, um, hearing. Thank you to our panelists.

Just a few brief questions and then, um, concluding remarks. Um, the Max - two quick questions on, um, something that, it seems like a fairly simple thing, but I didn't quite understand it. You said that, um, one of the things we could do on a state-wide level would be to common-return gate, common appeals period, common

final certification - that each of the counties, first through eighth should all adhere to common-return gate, appeals period, and final certification that we could set by the state. You have to define, you have to explain that to me a little bit better, cause you kind of glossed over that. And then in addition, you said that, um, because in Allegheny County it's not being done that way and the tax bills "will reflect the current assessment rather than the case in Allegheny County where the bills go out before all appeals are heard and the tax blotter finalized". Can you make that a little ...

Mr. Junker (2:24:13): Certainly, certainly ...

Rep. Turzai (2:24:14): ... clearer for me so if I'm writing legislation, what do I want to put in there?

Mr. Junker (2:24:17): Other counties have a process where they have a due date of say, of August 30 or so to do a current year, future year tax assessment. So when 2009 August 30 came up, you knew what your 2010 number was gonna be. If you had an objection to it then, you filed the appeal, you get in front of the Board of Property Assessment Appeals, you know three people, a hearing officer, you present your evidence, then they make a decision - do they raise it, lower it, keep it the same? That is all done before the tax bills are put out so if there is a

change, you haven't earlier received a tax bill; you're receiving an accurate numbers that will be due coming forward. The situation in Allegheny County is that we're always behind. It's a part because there are so many appeals that are filed. But the tax bills go out then our due date is March 31 or so. So you've received your tax bill, you know what it is, you've probably paid it - now you're taking the appeal, the Board of Property Assessments schedules them as quickly as they can then through April, May, June. Tax school districts have filed appeals. Home owners have filed appeals. Everybody's getting in. They're running the 1000 a day or so. So you're really looking backward because of what you've already paid taxes on, and what's already happened, and it becomes a budgeting issue for local governments because things are in flux. It becomes an issue for the property owners because they have to seek out the refund. They might have to pay more because it's been increased. It just is a system in Allegheny County that is difficult. It's one of those things like we talked about of why you're using a 75% PRD. Now, why are we making this as complicated as possible? Why are you paying your tax bill then taking an appeal when we've shown in other counties that it can be steam lined; that it can be before the tax bill is paid. You still have the ability to go to the Court of Common Pleas after that appeal happens at the

Board of Property Assessment Appeals. Ah, but at least you have that first instance to try to get to the accurate value before you've seen a couple tax bills come through.

Rep. Turzai (2:26:46): Thank you. I just want to summarize some things that I've taken away from, um, the hearing today. Um, and certainly, you know I'm open to other information, but A) It does appear that most, I'd often thought well maybe we ought to do it on a statewide basis; maybe we ought to do it on a local school district basis, since that's where, you know, primary, the bulk of the property tax is paid. And what's the key thing that you want in an assessment? You want to know that the people with whom you are paying a tax are treated fairly. Well, for most of us, that tax that we want to be treated fairly with, by in large, I know we have the municipal and we have the county, but it's your school district, right? So I want to know that I'm treated fairly amongst the people in my district's north Allegheny, school district or I also represent Pine Richland, the people in Pine Richland want to know that they are treated fairly within their district. Um, and ah, but one of the thing I learned from Dom is, and Eric is that historically, the county is the entity in the United States that has been charged with assessment. I mean, so who am I to change what has been America's history. Um, so then how

do we make sure that the counties are doing it appropriately? I have to say, I can see the need for mandating it from a state level. I'm not talking about fundating it, funding it, that's a different issue and I'll talk about that, and I like, and I would be interested in both further information on a trigger mechanism based on, is it the COD or the PRD? So by in large, the courts are hinting or intimating that it should be the COD?

Mr. Junker (2:28:35): That seems to be the direction ...

Rep. Turzai (2:28:36): ...that it bears concurring opinion?

Mr. Junker (2:28:38): ...yes, right...

Rep. Turzai (2:28:39): Did any of the other justices pick up on that?

Mr. Junker (2:28:41): They addressed it in sort of a foot note saying that that was up to the legislature to determine. There is discussion about the PRD, but for some reason, COD seems to hit everybody that's been used in other cases is where a court order reassessment came down.

Rep. Turzai (2:29:00): And I realize that needs to be statutorily defined and probably we need to get a clear definition and decide whether STEB is the right entity to set that or not. Um, given STEB's different, what Mr. Hill told us, that

they have a different objective in mind than what we're looking for. So that has to be determined. Um, I'm also open to a calendar trigger too. But I do think that there needs to be something that keeps it fresh because I think that the bottom line is this, if anybody disagrees with me, tell me - the whole notion of assessments being the driver of taxes is a component part, but shouldn't be the driver, but that if you maintain a current approach, if you maintain a current approach, it won't be the driver. And, um, if you keep it current, and, um, by definition more accurate, um, then the issue of uniformity or fairness gets arguably taken off the table. I think the other issue is that with the newer innovations, the technology that we have, computers in and of themselves are, computer models do help. I know it's what you put into those models that definitely improve it, and I think they take away the politicization, or at least a good bit of it that you might have seen in the old county assessment system under Forester and those guys where a lot of the assessors were completely political appointees, weren't professionalized, made political decisions with respect to the reassessments versus getting to the professionalization that you're talking about. Dominic, I think all of us can be more assured that if you have a system that is triggered or scheduled and they make use of the innovations and the technologies

you're talking about, what you outlined today was unbelievably, I thought that it was very educational to me and I appreciated it. If you take that sort of approach, I think that all of us have some sense that it's fair, you know.

Um, second, I just want to know this, does everybody believe that the anti-windfall provisions work? Does anybody think they do not work?

Mr. Junker (2:31:14): I think they do. I think there are, ah, they could be streamlined because there are differences that I think the second class county code as one for Allegheny County that has a different number that you have to work with, Act 1 for school districts has the index, of course to being part of it. One of the criticisms, ah, during the elections back in 2002, current County Executive - then County Comptroller - did a study and went through everybody and found of the school districts, I believe he only looked at them of the, ah, 43 we have in Allegheny County, there were four that had made a mistake either by increasing it by too much or didn't do their math right. And that became sort of the whipping horse that nobody follows these anti-windfall provisions. Now, there is, ah, no enforcement action in the anti-windfall sections. It doesn't say that your tax bills are automatically void, or anything like that, but it is, I believe something under a declaratory judgment act if there is a major mistake that a

judge would be able to take testimony on it to make a decision, ah, because of what we have here in these anti-windfall provisions that are in the back of our material, usually there are two votes that one, your first vote is the revenue neutral, you have to get it down your millage so that using these new assessment numbers, you're collecting the same amount of taxes as you were last year. If you elect to, if you're the borough, ah, you can take a second vote to raise the millage rate, but you can't go above, usually it's about 5% so there are two separate public votes that have to be taken so it's not like the borough, council, township, supervisors, or the school board can just kind of set back and do this behind the scenes or anything. It is a very public process.

Rep. Turzai (2:33:22): Well look, we've been here for a long time, and I just want to thank you very much. I'll make sure that any other additional questions. I'll seek you out personally when we want to take a look at a, the legislative budget finance study, and in addition, any legislation we might be drafting.

Um, Stan, thank you very much. Members, thank you very much. The testimony has been very edifying. Take Care.