

**E80E**  
**Property Tax Assessment Appeals Boards**

***Operating Budget Data***

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(\$ in Thousands)

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 02-04</u> <u>Change</u>	<u>FY 05</u>	<u>FY 04-05</u> <u>Change</u>
Operations	\$938	\$825	\$852	-\$85	\$841	-\$12
Contractual Services	39	18	17	-\$22	17	0
Grants	2	0	0	-\$2	0	0
Contingent & Back of Bill Reductions	0	0	0	\$0	-4	-4
<b>Adjusted Grand Total</b>	<b>\$978</b>	<b>\$843</b>	<b>\$869</b>	<b>-\$109</b>	<b>\$854</b>	<b>-\$15</b>
General Funds	978	843	869	-\$109	854	-15
<b>Adjusted Grand Total</b>	<b>\$978</b>	<b>\$843</b>	<b>\$869</b>	<b>-\$109</b>	<b>\$854</b>	<b>-\$15</b>
<b>Annual % Change</b>		<b>-13.8%</b>	<b>3.0%</b>		<b>-1.7%</b>	

- The \$85,000 decrease between fiscal 2002 and 2004 is primarily explained by one-time personnel expenses in fiscal 2002.
- The fiscal 2005 allowance provides \$7,000 less for rent than the fiscal 2004 working appropriation.
- In the fiscal 2005 allowance, there is a \$2,000 increase for the lease of five copiers.

***Personnel Data***

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	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 02-04</u> <u>Change</u>	<u>FY 05</u>	<u>FY 04-05</u> <u>Change</u>
Regular Positions	9.0	9.0	9.0	0	9.0	0.0
Contractual FTEs	0.0	0.0	0.0	0	0.0	0.0
<b>Total Personnel</b>	<b>9.0</b>	<b>9.0</b>	<b>9.0</b>	<b>0</b>	<b>9.0</b>	<b>0.0</b>

***Vacancy Data: Regular Positions***

Turnover Expectancy	0.00	0.00%
Positions Vacant as of 12/31/03	0.00	0.00%

Note: Numbers may not sum to total due to rounding.

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## ***Analysis in Brief***

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### **Major Trends**

***Clearance Rate Is Decreasing:*** In calendar 2005, the Property Tax Assessment Appeals Board (PTAAB) expects the clearance rate to fall well below the calendar 2002 actual.

***Half of All Appealed Cases Are Overturned:*** Less than 10% of all decisions are appealed to the Maryland Tax Court; however, of those, about half are overturned.

### **Issues**

***Caseload Is Increasing:*** Between calendar year 2002 and 2005, PTAAB estimates that the caseload will increase 25%.

### **Recommended Actions**

1. Concur with Governor's allowance.

**E80E**  
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***Operating Budget Analysis***

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**Program Description**

The Property Tax Assessment Appeals Boards (PTAAB) hear appeals in matters relating to the assessment of property throughout the State. There is one board in each county and Baltimore City. Each board has four members who are appointed by the Governor for five-year terms. The first appeal of an assessment goes to the Department of Assessments and Taxation, which determines the original assessment. PTAABs are the second level of appeal, with subsequent appeals going to the Maryland Tax Court. Further appeals may be made through the judicial system.

PTAAB has the following goals:

- to conduct appeals in a timely and efficient manner; and
- to render fair and accurate decisions.

**Performance Analysis: Managing for Results**

PTAAB has developed a set of measures to assess the timeliness and efficiency of its appeal process. **Exhibit 1** presents some selected measures.

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**Exhibit 1**  
**Selected Timeliness and Efficiency Measures**  
**(Calendar Years)**

<b><u>Measure</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>Est.</u></b> <b><u>2004</u></b>	<b><u>Est.</u></b> <b><u>2005</u></b>
Appeals filed	7,463	8,350	8,728	10,200	10,500
Appeals heard	4,992	6,637	6,516	7,300	7,500
Number of appeals pending at year end	4,249	2,907	2,489	3,420	3,150
Clearance rate	67%	79%	75%	71%	72%

Source: Governor's Budget Books

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*E80E - Property Tax Assessment Appeals Boards*

While the clearance rate for calendar 2003 through 2005 is forecast to surpass calendar 2001, a drop is expected from the peak year of 2002. With the expectation of an increase in the caseload, PTAAB should be seeking ways to increase its clearance rate. It currently takes an average of five months in Baltimore City and three months in all other jurisdictions for a case to be heard once it is filed and an additional 15 days to render a decision after it has been heard.

**PTAAB should be prepared to discuss any efficiency measures it is considering and the expected results of these actions. PTAAB should also be prepared to explain why appeals take 67% longer to close in Baltimore City than in the rest of the State.**

**Fair and Accurate Hearings**

PTAAB determines the accuracy of its decisions by how many of the decisions are appealed to the Maryland Tax Court and by how many of these appealed decisions are upheld. Measuring by the number of appeals, PTAAB is doing well. Only about 8% of PTAAB's decisions are appealed annually to the Maryland Tax Court. However, only about 50% of those appeals are upheld. **Exhibit 2** presents the details.

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**Exhibit 2**  
**Appeal Rates for PTAAB**

<u>Measure</u>	<u>2002</u>	<u>2003</u>	<u>Est. 2004</u>	<u>Est. 2005</u>
# of appeals filed with Tax Court	557	563	556	584
% of appeals file with Tax Court	8%	7%	8%	8%
% of appeals upheld by Tax Court	54%	56%	57%	58%

Source: Governor's Budget Books

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Of its decisions that are appealed, the Maryland Tax Court has a large proportion of them upheld. The tax appeal process might be well served if PTAAB used the precedents set by the Maryland Tax Court as guides for its decisions. It may reduce the number of appeals, and more importantly, it may reduce the number of appeals that are overturned and thus reduce the case load through out the system. **PTAAB should be prepared to comment on how Tax Court decisions guide its decision rendering.**

The Governor's Commission on The Structure and Efficiency of State Government (The Mandel Commission) made two recommendations in its report that would affect PTAAB's workload. The commission recommended:

### *E80E - Property Tax Assessment Appeals Boards*

- requiring all appeals involving non-residential property which the assessment is greater than \$5 million to be appealed directly to the Maryland Tax Court, and
- requiring all appeals in which the income-expense method of valuation is the sole method used for valuation of the property in question be appealed directly to the Maryland Tax Court.

Cases meeting these criteria are now first heard by PTAAB. **PTAAB should be prepared to comment on these recommendations.**

In fiscal 2004, PTAAB reported that it had started conducting customer satisfaction surveys. Data from these surveys were expected to be available in the Managing for Results (MFR) reports in fiscal 2005, but none was provided. **PTAAB should comment on the status of these surveys.**

## **Fiscal 2004 Actions**

### **Impact of Cost Containment**

In July 2003 the Board of Public Works cost containment actions reduced PTAAB's fiscal 2004 appropriation by \$62,000. PTAAB achieved this savings mostly through regular earnings. No salaries were actually reduced, but board members are paid per diem and to achieve these savings each board started hearing more cases per day. This reduces their annual salary by reducing the total number of days appeals are heard.

## **Governor's Proposed Budget**

The fiscal 2005 allowance is a \$15,000 (1.7%) decrease from the fiscal 2004 working appropriation. The majority of this decrease is realized through savings in rent and office assistance. The fiscal 2005 allowance deletes all funds for office assistance, and PTAAB reports that this will affect its ability to respond to requests for special reports. **Exhibit 3** shows the details of the fiscal 2005 allowance.

**Exhibit 3**  
**Governor's Proposed Budget**  
**Property Tax Assessment Appeals Boards**  
(\$ in Thousands)

	<u>FY 03</u> <u>Actual</u>	<u>FY 04</u> <u>Approp.</u>	<u>FY 05</u> <u>Allowance</u>	<u>FY 04-05</u> <u>Change</u>	<u>FY 04-05</u> <u>% Change</u>
General Funds	\$843	\$869	\$841	-\$28	-3.3%
FY 2004 Deficiencies	0	0	17	17	
Contingent & Back of Bill Reductions	0	0	-4	-4	
<b>Adjusted General Funds</b>	<b>\$843</b>	<b>\$869</b>	<b>\$854</b>	<b>-\$15</b>	<b>-1.7%</b>
<b>Adjusted Grand Total</b>	<b>\$843</b>	<b>\$869</b>	<b>\$854</b>	<b>-\$15</b>	<b>-1.7%</b>

**Where It Goes:**

**Personnel Expenses**

Reductions in per diem payments by working fewer but longer days.....	-\$10
Increments and other compensation .....	11
Employee and retiree health insurance .....	5
Other fringe benefit adjustments .....	-1

**Other Changes**

Increase for lease on copiers for five largest offices .....	2
Reduction in rent due to a smaller office in Baltimore City and a rent free arrangement in Anne Arundel County.....	-7
Delete all funds for office assistance .....	-5
Reduction in telephone expenses to reflect fiscal 2003 actuals .....	-4
Reduction in in-state travel due to the elimination of a planned conference of all boards .....	-4
Reduction in postage to reflect fiscal 2003 actuals .....	-3
Reduction in printing and reproduction expenses mostly due to a reduction in the need for new letterhead .....	-1
Other changes	2

**Total** **-\$15**

Note: Numbers may not sum to total due to rounding.

*E80E - Property Tax Assessment Appeals Boards*

**Impact of Cost Containment**

The fiscal 2005 allowance reflects the elimination of \$3,600, the appropriation for matching employee deferred compensation contributions up to \$600, contingent upon enactment of a provision in the Budget Reconciliation and Financing Act of 2004.

## *Issues*

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### **1. Caseload Is Increasing**

Between calendar 2002 and 2005, PTAAB estimates that the caseload will increase 26%. With recent assessment increases seeming to be a cause for much concern around the State, it is expected that this may be a trend for the next few years. PTAAB reports that it specifically expects a large increase in appeals in Anne Arundel County in calendar 2005 and that the Anne Arundel board is already starting to experience an increase.

The cost containment measure PTAAB has taken in response to the Board of Public Works in July 2003 is limited in its effectiveness; scheduling more cases per day and working fewer days may gain some savings in the short-run if the caseload remains constant. However, with the anticipated increase in cases, PTAAB may find itself in the position of scheduling more cases per day *and* working all the days it originally did or face the prospect of delaying, deferring, and postponing hearings.

**PTAAB needs to inform the committee on its strategic plan on dealing with the coming increase in appeals with significantly constrained resources.**

***Recommended Actions***

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1. Concur with Governor's allowance.

## ***Current and Prior Year Budgets***

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### **Current and Prior Year Budgets Property Tax Assessment Appeals Board (\$ in Thousands)**

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2003</b>					
Legislative Appropriation	\$933	\$0	\$0	\$0	\$933
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Cost Containment	0	0	0	0	0
Reversions and Cancellations	-90	0	0	0	-90
<b>Actual Expenditures</b>	<b>\$843</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$843</b>
<b>Fiscal 2004</b>					
Legislative Appropriation	\$931	\$0	\$0	\$0	\$931
Cost Containment	-62	0	0	0	-62
Budget Amendments	0	0	0	0	0
<b>Working Appropriation</b>	<b>\$869</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$869</b>

Note: Numbers may not sum to total due to rounding.

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The \$90,000 reversion in fiscal 2003 was mostly a reduction in salaries due to fewer hearing days in 2003.

**Object/Fund Difference Report  
Property Tax Assessment Appeals Boards**

<u>Object/Fund</u>	<u>FY03 Actual</u>	<u>FY04 Working Appropriation</u>	<u>FY05 Allowance</u>	<u>FY04 - FY05 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	9.00	9.00	9.00	0	0%
<b>Total Positions</b>	<b>9.00</b>	<b>9.00</b>	<b>9.00</b>	<b>0</b>	<b>0%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 700,821	\$ 713,247	\$ 722,007	\$ 8,760	1.2%
03 Communication	14,850	21,815	14,642	-7,173	-32.9%
04 Travel	8,896	14,500	11,000	-3,500	-24.1%
07 Motor Vehicles	11,447	13,485	11,631	-1,854	-13.7%
08 Contractual Services	18,146	16,742	17,200	458	2.7%
09 Supplies & Materials	12,893	9,000	8,150	-850	-9.4%
10 Equip - Replacement	17,932	0	0	0	0.0%
13 Fixed Charges	58,485	80,191	73,167	-7,024	-8.8%
<b>Total Objects</b>	<b>\$ 843,470</b>	<b>\$ 868,980</b>	<b>\$ 857,797</b>	<b>-\$ 11,183</b>	<b>-1.3%</b>
<b>Funds</b>					
01 General Fund	\$ 843,470	\$ 868,980	\$ 857,797	-\$ 11,183	-1.3%
<b>Total Funds</b>	<b>\$ 843,470</b>	<b>\$ 868,980</b>	<b>\$ 857,797</b>	<b>-\$ 11,183</b>	<b>-1.3%</b>

Note: The fiscal 2004 appropriation does not include deficiencies and the fiscal 2005 allowance does not reflect contingent reductions.

**Fiscal Summary  
Property Tax Assessment Appeals Boards**

<u>Unit/Program</u>	<u>FY03 Actual</u>	<u>FY04 Legislative Appropriation</u>	<u>FY04 Working Appropriation</u>	<u>FY03 - FY04 % Change</u>	<u>FY05 Allowance</u>	<u>FY04 - FY05 % Change</u>
1000 Unknown Title	\$ 843,470	\$ 930,978	\$ 868,980	3.0%	\$ 857,797	-1.3%
<b>Total Expenditures</b>	<b>\$ 843,470</b>	<b>\$ 930,978</b>	<b>\$ 868,980</b>	<b>3.0%</b>	<b>\$ 857,797</b>	<b>-1.3%</b>
General Fund	\$ 843,470	\$ 930,978	\$ 868,980	3.0%	\$ 857,797	-1.3%
<b>Total Appropriations</b>	<b>\$ 843,470</b>	<b>\$ 930,978</b>	<b>\$ 868,980</b>	<b>3.0%</b>	<b>\$ 857,797</b>	<b>-1.3%</b>

Note: The fiscal 2004 appropriation does not include deficiencies and the fiscal 2005 allowance does not reflect contingent reductions.