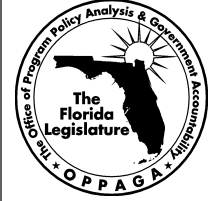




Office of Program Policy Analysis And Government Accountability



John W. Turcotte, Director

March 1998

Review of the Performance of the Department of Revenue's Property Tax Administration Program Based on Performance-Based Budgeting Measures and Standards for Fiscal Year 1996-97

Abstract

- **Based on the performance-based program budgeting measures, the Property Tax Administration Program has achieved better results from its property appraiser assistance and monitoring activities.**
- **However, performance of the oversight of the local taxing authorities declined in Fiscal Year 1996-97 but is improving in Fiscal Year 1997-98.**

Purpose

Chapter 94-249, Laws of Florida, directs state agencies to prepare performance-based program budgeting measures in consultation with the Governor's Office of Planning and Budgeting, staff from the appropriate legislative committees, and the Office of Program Policy Analysis and Government Accountability (OPPAGA). State agencies are then required to submit performance-based program budget requests, which include performance measures and standards to the Legislature for approval. The Legislature includes the approved performance measures and standards in the annual General Appropriations Act.

State agencies must report annually on performance against these standards to the Governor and the Legislature in their legislative budget requests. The Legislature considers this information in making funding decisions. The Legislature can also award

incentives and disincentives for program performance that exceeds or fails to meet the established standards.

Section 11.513, F.S., directs OPPAGA to complete a justification review of each state agency program that is operating under a performance-based program budget. The Legislature authorized the Property Tax Administration Program to operate under a performance-based program budget in Fiscal Year 1995-96. OPPAGA Report No. 96-55, February 1997, and OPPAGA Report No. 96-81, April 1997, presented the results of the justification review of the Property Tax Administration Program.

This report discusses the Property Tax Administration Program's performance compared to the legislative measures and standards for Fiscal Year 1996-97 and options for improving the Fiscal Year 1998-99 performance-based program budgeting measures and standards.

Background

The Property Tax Administration Program provides state supervision of the activities of county property appraisers, tax collectors, and local taxing authorities. Its purpose is to ensure that property owners are equitably taxed, and monitors two taxation components: uniformity of property tax assessments, and whether assessment levels meet constitutional requirements. Assessment uniformity is measured by comparing whether different properties are being assessed at the same percentage of their value. Assessment level (percentage) is measured by determining the percentage of the property value that is

assessed for tax purposes. The Constitution mandates that property be assessed at just value.

The Property Tax Administration Program has as its three primary functions:

- analysis of county tax rolls, including both real property and tangible personal (business equipment) property tax rolls, to ensure the just and uniform valuation of property within a county and between counties;
- assurance of compliance with the truth in millage (TRIM) statutory provisions, which require taxing authorities to disclose how the millage, ad valorem tax, and budget figures are calculated and why tax increases are being sought to ensure that citizens understand and are involved in the property tax process; and
- approval of ad valorem tax refunds involving changes to the assessed value of property and all tax certificate corrections or cancellations.¹

For Fiscal Year 1997-98, the Property Tax Administration Program was appropriated \$9,101,502, funded primarily by the Intangible Tax Trust Fund, and authorized 140 positions.² Most of the Property Tax Administration Program's resources are devoted to analyses and approvals of property tax rolls.

Findings

Using performance-based program budgeting measures, what can be concluded about the Property Tax Administration Program's performance?

Based on the 1996-97 performance measures, the Property Tax Administration Program achieved mixed results from its oversight of the county property appraisers and local taxing authorities. Tax roll uniformity remained high and refund/errors declined, indicating continued good property appraiser performance. The program met its performance standards in this area. The Property Tax Administration Program's performance in ensuring local taxing authority compliance with the truth in millage statutes declined, and it did not meet its

¹ Tax certificates are legal documents representing unpaid, delinquent real property taxes and related costs, which counties may sell to collect owed taxes.

² The revenue deposited in this fund come from state-levied taxes on intangible personal property.

performance standards in this activity. The accuracy of the performance measure information was audited by the Department of Revenue's Inspector General in July 1997 and we accepted the audit as validation of the performance measure data.

Taxroll performance measures offer positive results. The Revenue Department's taxroll uniformity measure improved in Fiscal Year 1996-97 over the previous year. (See Exhibit 1.) The taxroll uniformity (average coefficient of dispersion) measure, in which a decrease in the percentage figure indicates better performance, shows a positive trend for the second year. This result indicates improved quality and uniformity of the tax rolls in Fiscal Year 1996-97, which enhances statewide property tax equity and equalization.

Since Fiscal Year 1994-95, taxroll uniformity improved from 12.7% to 11.1% (lower values are better). However, the monthly results for this performance measure in Fiscal Year 1997-98 show that the performance has declined. The Property Tax Administration Program currently is achieving a taxroll uniformity level slightly greater than 12.1%, which indicates a small decrease in performance.

Number of refund requests continued to decrease suggesting less property appraiser errors and continued tax roll improvement. The Department of Revenue received fewer requests for refunds in Fiscal Year 1996-97. (See Exhibit 1.) Since these requests frequently result from property appraiser errors, this indicated that such errors have declined. The number of taxpayer refund requests decreased more than 4% from the previous year, which may indicate fewer assessment and administrative errors and would point to an improvement in the quality of tax rolls statewide. The three-year decline in refund requests has totaled 23% from 44 per 100,000 property assessments in Fiscal Year 1993-94. Refund requests are submitted through out the year and the results of Fiscal Year 1997-98 are not yet available.

Exhibit 1
Uniformity of County Tax Rolls Remained at High Level
While Performance of Taxing Authorities Continued to Decline in Fiscal Year 1996-97

Performance Measures	Fiscal Year			Fiscal Year 1996-97 GAA Standard	Standard Met	OPPAGA Comments
	1994-95	1995-96	1996-97			
Outcome Measures						
Average deviation from mean for all classes/ subclasses studied. (Measure of tax roll uniformity) (lower value is better)	12.7%	12.3%	11.1%	13%	Yes	15% better than standard, but only 10% better than previous year. Through Fiscal Year 1997-98, it has been showing a slight decline in performance to 12.1%.
Refund request paid per 100,000 parcels. (Measure of taxpayer agreement with property tax assessment) (lower value is better)	41.1	35.4	33.9	39.6	Yes	Performance continued to improve for second year which may indicate fewer property appraiser errors. Standard is too easy to achieve.
Percent of taxing authorities in total or substantial TRIM compliance on initial submission (higher value is better)	98.0%	97.4%	96.7%	98.4%	No	Continued decline in performance for second year.

Note: The program did not have any legislative output measures in Fiscal Year 1996-97.

Source: Office of Program Policy Analysis and Government Accountability; DOR 1997-98 Legislative Budget Requests, Monthly Performance Reports

Taxing authority performance continued to decline in Fiscal Year 1996-97 but has improved in Fiscal Year 1997-98. The Property Tax Administration Program's performance in ensuring local taxing authority compliance with the truth in millage statutes declined, and it did not meet its performance standard. During Fiscal Year 1996-97 the percentage of taxing authorities in total or substantial TRIM compliance decreased slightly. However, the number of taxing authorities with minor infractions increased by 25%, going from 108 in Fiscal Year 1995-96 to 135 in Fiscal Year 1996-97. This increase indicates a doubling of the number of taxing authorities with minor infractions since Fiscal Year 1994-95. Also, the number of taxing authorities in non-compliance, which would require the advertisement and public hearing process to be completely repeated, increased by 25% in 1996-97 and was twice as high as the number of authorities found in non-compliance during Fiscal Year 1994-95. This two-year trend indicates that the Property Tax Administration Program's methods to ensure compliance were less effective than in the past. Program staff stated that the turnover in taxing authority personnel and the 1996 Truth in Millage legislation contributed to more errors being made by taxing authorities. The Property Tax Administration Program responded to the increased error rate by providing training focused on the legislative changes.

Program performance in this area appears to be significantly improved in Fiscal Year 1997-98. The percent of taxing authorities in total or substantial

TRIM compliance on initial submission has risen to 98.9% which reverses the two-year trend. The number of authorities with minor infractions has decreased 21%, going from 135 in Fiscal Year 1996-97 to 107 in Fiscal Year 1997-98. The number of taxing authorities in non-compliance has declined 65%, from 20 to 7. These trends indicate that the management responses to the declining performance in previous years have begun to address the problems. If performance continues at this level, the Property Tax Administration Program will achieve its standard in Fiscal Year 1997-98.

What improvements can be made to the Property Tax Administration Program's performance-based program budgeting measures for Fiscal Year 1998-99?

Since its initial performance measures were adopted by the Legislature for the 1995-96 Fiscal Year, changes have been proposed by the Department of Revenue and approved by the Legislature that have improved the measures and increased their usefulness. These changes have incorporated many of our previous recommendations. Both the approved 1997-98 measures and the proposed 1998-99 measures now address most of the program's major functions. However, several improvements can be made in the proposed measures. (See Exhibit 2.)

Exhibit 2
OPPAGA Recommendations to Improve the
Proposed 1998-99 Property Tax Administration Program Measures and Standards

Approved 1997-98 Measures	1997-98 GAA Standards	Proposed 1998-99 Measures	Proposed 1998-99 Standards	OPPAGA Comments and Recommendations
Outcomes				
Percent of classes studied found to have a level of at least 90%	97%	Continue	97.2%	New in Fiscal Year 1997-98, this is an additional measure of tax roll uniformity and does not provide needed information on the statewide level of assessment.
Taxroll uniformity (average for coefficient of dispersion)	12%	Continue	11.5%	This standard has been corrected in response to continuously improved performance
Percent of taxing authorities in total or substantial truth in millage compliance on initial submission	97%	Continue	97.2%	This measure is well complemented and supported by the two truth in millage output measures
Percentage of refund and tax certificate applications processed within 30 days of receipt	71%	Continue	70%	New in Fiscal Year 1997-98, standard is too easy to achieve. The performance in 1997 exceeds 97%. Standard should be at least 95%.
Refund requests per 100,000 parcels	32.8	Continue	32	Standard has been corrected from previous years when too high
<u>OPPAGA Recommended New Measures:</u> “Statewide level of assessment,” and	Not available	Not available	Not available	The program needs to implement an outcome measure relating to its critical role in support of the Florida Education Finance Program
“Impact of Program activities in support of property appraisers assessments of tangible personal property tax rolls”	Not available	Not available	Not available	The program needs to develop outcome measures to provide to the Legislature the needed visibility on its efforts in support of the tangible personal property assessments.
Outputs				
Number of subclasses of property studied with feedback to property appraisers	5,000	Continue	5,050	
Number of tax roll review notices issued	7	Continue	5	
Total number of tax roll defects found	12	Continue	5	
Number of truth in millage compliance letters sent to taxing authorities	472	Continue	480	
Number of truth in millage compliance letters sent to taxing authorities with minor infractions	121	Continue	118	
Number of property tax refund requests processed	3,000	Continue	2,940	
Number of tax certificate cancellations/corrections processed	1,960	Continue	1,920	
Number of taxpayers audited on behalf of county property appraisers (TPP)	225	Continue	236	New in Fiscal Year 1997-98
Student training hours provided to property appraisers and their staff (TPP)	3,800	Continue	3,895	New in Fiscal Year 1997-98

Source: Office of Program Policy Analysis and Government Accountability; DOR 1997-98 and 1998-99 Legislative Budget Requests, Monthly Performance Reports

Standards should be evaluated against current performance and revised. Although the Department of Revenue's proposed changes for the 1998-99 standards generally appear reasonable, the department needs to revise the standard for the measure, *Percentage of refund and tax certificate applications processed within 30 days of receipt*. In the month with its lowest performance in Fiscal Year 1997-98, the Property Tax Administration Program still achieved a 97.5% processing rate, which far exceeds the current standard of 70%. This standard should be raised to at least 95%.

A new measure is needed to monitor statewide level of assessment. While the proposed outcome measures include two measures of tax roll uniformity of assessment in the individual counties, an overall performance measure is needed on the statewide tax roll level of assessment. (See Exhibit 2.) Department of Revenue tracks the average level of property assessment in each county and statewide and it publishes this information annually in the Florida Ad Valorem Valuations & Tax Data Book. (See Exhibit 3.) This data should be included as a performance measure. For example an outcome measure could be added, *Statewide (weighted) average level of assessment*, which would provide trend data such as the following:

**Exhibit 3
Statewide Level of Property Assessment
Continues at High Level**

Outcome Measure	1993	1994	1995	1996	1997
Statewide (weighted) average level of property assessment	96.7%	97.0%	97.5%	97.4%	97.6%

Source: DOR Florida Ad Valorem Valuations & Tax Data Book

Tangible personal property outcome measures are needed. In the Agency response to OPPAGA Report 96-55, the Department of Revenue stated that it intended to develop outcome measures for tangible personal property activities for use in the 1998-99 budget year. Currently, in contrast to the real property tax rolls, the uniformity of assessment and the level of assessment of the tangible personal property tax rolls as determined by the county property appraisers are not measured by the Property Tax Administration Program. The statewide value of this "unmonitored" property amounted to \$69 billion in Fiscal Year 1996-97. The Department of Revenue still needs to develop and provide to the Legislature outcome measures that track Property Tax Administration Program performance in monitoring the effectiveness

of the property appraisers assessments of tangible personal property.

Conclusions and Recommendations

Based on the 1996-97 performance measures, the Property Tax Administration Program achieved mixed results from its regulatory and assistance activities in support of the county property appraisers and the local taxing authorities. The tax roll uniformity measure showed a 10% improvement over the previous year and property tax refund requests declined by 4% indicating continued good property appraiser performance. The Property Tax Administration Program's performance in ensuring local taxing authority compliance with the truth in millage statutes declined. The Department of Revenue has analyzed the reasons for this decline and, as the preliminary Fiscal Year 1997-98 performance results indicate, took actions that appear to have reversed the declining trend.

The Department of Revenue proposed and the Legislature agreed with adding an additional outcome measure of tax roll uniformity and two output measures relating to the assessment of tangible personal property in Fiscal Year 1997-98. For Fiscal Year 1998-99, the Department of Revenue has proposed updating several standards. While the Department of Revenue's proposed changes are generally reasonable, we believe that the 70% standard for the outcome measure, *Percent of Refund/ Tax Certificate applications processed within 30 days of receipt*, is too low and should be raised to at least 95% based on the Property Tax Administration Program's performance in Fiscal Year 1997-98. To ensure that information is provided to the Legislature on Property Tax Administration Program activities supporting the maintenance of the statewide level of property assessment, we recommend that the Department of Revenue propose an outcome measure, *Statewide average level of assessment*, using the Florida Ad Valorem Valuations & Tax Data Book information. Also, to ensure that Property Tax Administration Program assistance to property appraiser assessments of tangible personal property is evaluated and reported, we recommend that the Department of Revenue develop outcome measures relating to the oversight of tangible personal property tax assessments as the Department of Revenue planned.

Response from the Department of Revenue

March 10, 1998

Mr. John W. Turcotte, Director
Office of Program Policy
and Government Accountability
Claude Pepper Building, Room 312
Tallahassee, Florida 32302

Dear Mr. Turcotte:

The following are our responses to the recommendations presented in the draft Review of the Performance of the Department of Revenue's Property Tax Administration Program Based on Performance-Based Budgeting Measures and Standards for Fiscal Year 1996-97.

PROGRAM AREA :

Oversight of Real Property

RECOMMENDATION :

We recommend that the Department of Revenue propose an outcome measure, *Statewide Average Level of Assessment*, using the Florida Ad Valorem Valuations and Tax Data Book information.

RESPONSE :

Recognizing the importance of the statewide (weighted) average level of assessment in the Florida Education Finance Program, sections 236.078-.081, Florida Statutes, the Property Tax Administration (PTA) Program is willing to include it as an outcome measure in the Legislative Budget Request for Fiscal Year 1999-2000. It should be noted, however, that the figure published in the Data Book is based on the final certification of tax rolls in all 67 counties. These figures are post roll approval by the Department of Revenue and include corrective actions taken by county constitutional officers and the value

adjustment boards. Further, the figures published in the Data Book during the month of March each year are not static figures in that some counties may not have attained a final certification of the tax roll at this point for the prior tax year.

PTA is willing to develop an outcome performance measure to report the statewide (weighted) average level of assessment. The issue of PTA being able to control the outcome of this measure, however, should be addressed with respect to its inclusion as a factor in the Legislative Budget Request and Program Performance-Based Budgeting.

PROGRAM AREA :

Oversight of Tangible Personal Property (TPP)

RECOMMENDATION :

We recommend that the Department of Revenue develop outcome measures relating to the oversight of TPP tax assessments as the Department of Revenue planned.

RESPONSE :

PTA agrees that the oversight of TPP tax assessments is an important component in ensuring the equalization of property taxation statewide while facilitating equity and uniformity within and among all 67 counties. PTA has historically requested the authorization of additional FTE positions in its Legislative Budget Requests to enable the reporting of an estimated level of assessment for TPP.

PTA included a request for an additional 12 FTE positions for TPP auditors in its FY 1998-99 Legislative Budget Request. The Governor, the House, and the Senate have all recommended not to fund these positions. Additionally, they have recommended the deletion of three previously authorized and funded FTE positions contained in PTA's budget for the prior fiscal year.

Without adequate authorization and funding, PTA is unable to monitor and report an estimate of the level of assessment for TPP. PTA is willing to develop an outcome measure which reports the estimated outcome of statewide changes in the total assessed values of TPP as a result of either training provided by PTA TPP staff or PTA assistance in conducting audits of TPP accounts. This outcome measure would report on the effectiveness of aid and assistance currently being provided to county property appraisers with currently authorized PTA resources and capabilities.

PROGRAM AREA :

Ad Valorem Refunds and Tax Certificate Corrections and Cancellations

RECOMMENDATION :

We believe that the 70% standard for the outcome measure, *Percent of Refund/Tax Certification Applications Processed Within 30 Days of Receipt*, is too low and should be raised to at least 95% based on PTA's performance in Fiscal Year 1997-98.

PROGRAM RESPONSE :

PTA is willing to request a revision to the FY 1998-99 Legislative Budget, prior to the April 15 deadline, to change the refund outcome measure from 70% to 85%. Although this revision does not meet the recommended increase to 95%, it is reasonable since PTA does not have a full year of baseline information on this performance measure.

The Office of Program Policy Analysis and Government Accountability (OPPAGA) first evaluated PTA's refund performance during an audit of the Performance Measures and Justification Review covering FY 1995-96. Upon completion of this audit, OPPAGA recommended the development and implementation, for FY 1997-98, of an

outcome performance measure to report on the timeliness of processing refund applications received from counties. OPPAGA's findings noted that PTA's performance in processing refunds appeared to have decreased from approximately 70% to 62%.

In complying with OPPAGA's findings and recommendations, PTA developed and implemented, for FY 1997-98, a Refund processing outcome measure with a requested standard of 71%. Subsequently, PTA submitted its FY 1998-99 Legislative Budget Request with a requested standard of 70%. Both LBRs were submitted prior to having even a few months of valid and reliable baseline data and information available to adequately evaluate the reasonableness of these standards of performance.

OPPAGA is correct in reporting PTA's performance of more than 95% for each of the months thus far in FY 1997-98. It is significant to note, however, that these figures do not reflect numerous applications pending legal review on sensitive issues involving litigation and recently enacted legislation. Therefore, PTA would prefer to adjust the requested standard to a more conservative 85%, until at least a full year of baseline performance data is available. A conservative approach in establishing a standard for future performance is further warranted by the upcoming legislative session, which will address critical issues that may have a significant impact on PTA's processing of refunds.

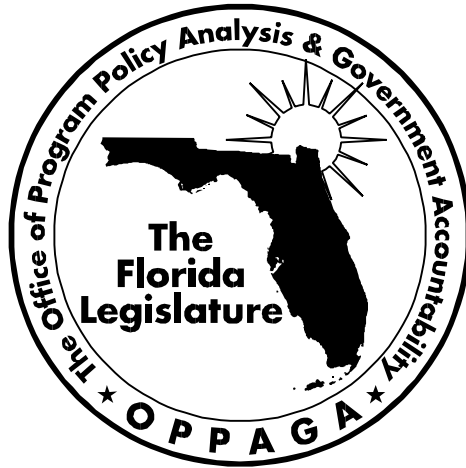
Should you need additional information, please contact Richard Baker at 488-9487.

Sincerely,

/s/ L. H. Fuchs

LHF/fr

The Florida Legislature
Office of Program Policy Analysis
and Government Accountability



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