

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

***Operating Budget Data***

(\$ in Thousands)

	<u>FY 09</u> <u>Actual</u>	<u>FY 10</u> <u>Working</u>	<u>FY 11</u> <u>Allowance</u>	<u>FY 10-11</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$947	\$958	\$970	\$12	1.2%
Contingent & Back of Bill Reductions	0	0	-15	-15	
<b>Adjusted General Fund</b>	<b>\$947</b>	<b>\$958</b>	<b>\$955</b>	<b>-\$3</b>	<b>-0.3%</b>
<b>Adjusted Grand Total</b>	<b>\$947</b>	<b>\$958</b>	<b>\$955</b>	<b>-\$3</b>	<b>-0.3%</b>

Note: For purposes of illustration, the Department of Legislative Services has estimated the distribution of selected across-the-board reductions. The actual allocations are to be developed by the Administration.

- The fiscal 2011 allowance decreases \$3,000, or 0.3%, below the working appropriation.
- Personnel expenditures increase for the employee retirement system and health insurance but are offset by across-the-board reductions.

***Personnel Data***

	<u>FY 09</u> <u>Actual</u>	<u>FY 10</u> <u>Working</u>	<u>FY 11</u> <u>Allowance</u>	<u>FY 10-11</u> <u>Change</u>
Regular Positions	9.00	9.00	9.00	0.00
Contractual FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>Total Personnel</b>	<b>9.00</b>	<b>9.00</b>	<b>9.00</b>	<b>0.00</b>

***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	0.00	0.00%
Positions and Percentage Vacant as of 12/31/09	0.00	0.00%

- The fiscal 2011 allowance does not include any new positions.
- There were no vacant positions as of December 31, 2009.

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

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## ***Analysis in Brief***

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### **Major Trends**

***Carry-forward Caseload Grows:*** Only 61% of cases were heard in calendar 2009, and 10,130 appeals remained pending at the conclusion of the year.

***Reversals by the Maryland Tax Court Remains Nearly Constant:*** The Maryland Tax Court reversed 13% of the Property Tax Assessment Appeals Board's (PTAAB) decisions in calendar 2009.

### **Issues**

***Budget Reductions to Limit Efficiency of Appeals Boards:*** The fiscal 2011 allowance reduces funds available for board members hourly wages. As a result, this may reduce the number of appeals heard by the boards in fiscal 2011. **PTAAB should comment on how it will hear appeals in a timely manner given the reduction of funds and limits on board members' hours.**

### **Recommended Actions**

1. Concur with Governor's allowance.

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

***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 (three members and one alternate) who are appointed by the Governor for five-year terms. The first appeal of an assessment goes to the State Department of Assessments and Taxation which determines the original assessment. PTAAB are the second level of appeal with subsequent appeals going to the Maryland Tax Court (MTC). Further appeals may be made through the judicial system.

PTAAB have the following goals:

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

**Performance Analysis: Managing for Results**

One of PTAAB's primary goals is to conduct appeals in a timely and efficient fashion. As shown in **Exhibit 1**, PTAAB estimates 61% of cases were heard in calendar 2009. As a result, 10,130 appeals remained pending at the conclusion of 2009, the highest backlog of cases in at least five years. This is due to an unprecedented number of appeals filed that same year. In calendar 2009, 919,520 cases were filed, a 39% increase over 2008 and 118% increase over 2007.

The boards determine the accuracy and fairness of the decisions based upon the percentage of appeals filed annually with MTC and the percentage of board appeals reversed by MTC. As shown in **Exhibit 2**, approximately 6% of the boards' decisions were appealed to MTC in calendar 2009. Of those cases, approximately 13% were reversed by MTC.

**Fiscal 2010 Actions**

**Impact of Cost Containment**

In July, August, and November of 2009, the Governor proposed and the Board of Public Works (BPW) adopted reductions to the fiscal 2010 appropriation. The budget for PTAAB was reduced by \$12,018 in general funds to reflect furlough savings.

**Exhibit 1  
Timeliness and Efficiency Measures  
Calendar 2005-2011**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Est. 2009</u>	<u>Est. 2010</u>	<u>Est. 2011</u>	<u>% Chg. 2005-2008</u>
Appeals Filed	6,940	8,788	8,963	14,062	19,520	16,000	15,500	26.5%
Appeals Heard	4,787	5,847	7,281	8,618	11,971	13,500	13,500	21.7%
Clearance Rate	69%	67%	81%	61%	61%	84%	87%	-3.9%
Number of Appeals Pending at Year-end	2,527	4,084	4,000	5,993	10,130	7,000	6,500	33.4%

Source: Property Tax Assessment Appeals Boards

**Exhibit 2  
Appeal Rates for PTAAB  
Calendar 2005-2011**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Est. 2009</u>	<u>Est. 2010</u>	<u>Est. 2011</u>
% of Appeals Filed with Tax Court	7%	7%	7%	7%	6%	6%	6%
% of Appeals Reversed by Tax Court	13%	10%	9%	12%	13%	13%	12%

PTAAB: Property Tax Assessment Appeals Boards

Source: Property Tax Assessment Appeals Boards

**Proposed Budget**

The fiscal 2011 allowance decreases \$3,000, or 0.3%, below the working appropriation as illustrated in **Exhibit 3**. A \$7,000 increase for the employee retirement system and \$6,000 increase for health insurance is largely offset by \$12,000 in across-the-board reductions included in the Back of the Bill. Additionally, wages for the 96 board members have decreased by \$3,000. While the board members continue to receive \$25 per hour for their work, the reduction of funds may reduce the number of appeals heard by the boards in fiscal 2011 and further contribute to the agency's backlog. Other expenses remain nearly level-funded overall. Although the budget for telecommunications and postage increases \$12,000 based on fiscal 2009 actual expenditures and the limit on corporate purchase cards is raised by roughly \$2,000, the allowance reduces \$13,000 in general funds for items such as rent, office supplies, and travel.

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

<b>How Much It Grows:</b>	<b>General Fund</b>	<b>Total</b>
2010 Working Appropriation	\$958	\$958
2011 Allowance	<u>970</u>	<u>970</u>
Amount Change	\$12	\$12
Percent Change	1.2%	1.2%
Contingent Reductions	-\$15	-\$15
Adjusted Change	-\$3	-\$3
Adjusted Percent Change	-0.3%	-0.3%
<b>Where It Goes:</b>		
<b>Personnel Expenses</b>		
Across-the-board reductions .....		-\$12
Employee retirement system.....		7
Employee and retiree health insurance .....		6
Wages for appeals boards’ members .....		-3
<b>Other Changes</b>		
Phones, telecommunications, and postage.....		12
Postage equipment rental.....		-7
Office supplies .....		-3
Rent.....		-2
Travel.....		-2
Corporate purchase card limit.....		2
Motor vehicles .....		-1
<b>Total</b>		<b>-\$3</b>

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

## **Impact of Cost Containment**

The fiscal 2011 budget reflects several across-the-board actions to be allocated by the Administration. This includes a combination of employee furloughs and government shut-down days similar to the plan adopted in fiscal 2010; a reduction in overtime based on accident leave management; streamlining of State operations; hiring freeze and attrition savings; a change in the injured workers' settlement policy and administrative costs; and a savings in health insurance to reflect a balance in that account. For purposes of illustration, the Department of Legislative Services (DLS) has estimated the distribution of selected actions relating to employee furloughs and health insurance.

## ***Issues***

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### **1. Budget Reductions to Limit Efficiency of Appeals Boards**

In addition to the 7 clerks, 1 administrator, and 1 administrative personnel employed by PTAAB, the agency's 96 board members across the State are paid an hourly rate of \$25 per hour. The budget does not typically fund the hours necessary for board members to hear all appeals in the year that they are filed. The available funds in the fiscal 2010 working appropriation are not sufficient to hear all the appeals filed in the same year. Moreover, the fiscal 2011 allowance reduces funds for board members by \$3,000, effectively reducing the number of hours the members may spend hearing appeals.

As discussed under Managing for Results, PTAAB experienced an unprecedented number of appeals filed in calendar 2009, with 19,520 filings. That was 39% more than calendar 2008, and more than double the number of appeals filed in 2007. PTAAB was only able to hear 61% of those cases, and, as a result, 10,130 appeals remained pending at the conclusion of 2009. This is the highest backlog of cases in at least five years. A reduction in available funds to pay board members' wages is certain to limit the number of appeals heard and exacerbate the current backlog. With an average processing time of 3.5 cases per hour, DLS estimates it would cost \$553,575 for board members to address the entire backlog of 10,130 cases from calendar 2009 and 16,000 cases anticipated for calendar 2010, more than double the amount provided for the in fiscal 2011 allowance.

**PTAAB should comment on how it will hear appeals in a timely manner given the reduction of funds and limits on board members' hours.**

## ***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 Boards (\$ 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 2009</b>					
Legislative Appropriation	\$990	\$0	\$0	\$0	\$990
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	15	0	0	0	15
Cost Containment	-29	0	0	0	-29
Reversions and Cancellations	-29	0	0	0	-29
<b>Actual Expenditures</b>	<b>\$947</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$947</b>
<b>Fiscal 2010</b>					
Legislative Appropriation	\$970	\$0	\$0	\$0	\$970
Cost Containment	-12	0	0	0	-12
Budget Amendments	0	0	0	0	0
<b>Working Appropriation</b>	<b>\$958</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$958</b>

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

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**Fiscal 2009**

PTAAB completed fiscal 2009 \$43,000 below the legislative appropriation. A budget amendment provided \$14,619 for a cost-of-living adjustment. Decreases included reductions made by the BPW totaling \$28,604 and \$29,000 in unspent general funds reverted at the close of the fiscal year.

**Fiscal 2010**

In fiscal 2010, the working appropriation for PTAAB is \$12,018 lower than the legislative appropriation as a result of the statewide furlough.

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

<u>Object/Fund</u>	<u>FY09 Actual</u>	<u>FY10 Working Appropriation</u>	<u>FY11 Allowance</u>	<u>FY10 - FY11 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	\$ 807,440	\$ 814,861	\$ 827,301	\$ 12,440	1.5%
02 Technical and Spec. Fees	32	0	0	0	0.0%
03 Communication	19,532	11,904	24,217	12,313	103.4%
04 Travel	12,330	11,000	9,000	-2,000	-18.2%
07 Motor Vehicles	11,636	12,823	12,090	-733	-5.7%
08 Contractual Services	16,005	25,650	18,163	-7,487	-29.2%
09 Supplies and Materials	4,252	7,300	4,300	-3,000	-41.1%
10 Equipment – Replacement	208	650	250	-400	-61.5%
12 Grants, Subsidies, and Contributions	3,740	0	2,500	2,500	N/A
13 Fixed Charges	71,729	74,041	72,018	-2,023	-2.7%
<b>Total Objects</b>	<b>\$ 946,904</b>	<b>\$ 958,229</b>	<b>\$ 969,839</b>	<b>\$ 11,610</b>	<b>1.2%</b>
<b>Funds</b>					
01 General Fund	\$ 946,904	\$ 958,229	\$ 969,839	\$ 11,610	1.2%
<b>Total Funds</b>	<b>\$ 946,904</b>	<b>\$ 958,229</b>	<b>\$ 969,839</b>	<b>\$ 11,610</b>	<b>1.2%</b>

Note: The fiscal 2010 appropriation does not include deficiencies.