

Senate Democratic Policy Committee Hearing
Hosted by Senator Wayne Fontana
North Office Building - Hearing Room 1
Harrisburg, Pennsylvania
Thursday, October 3, 2024, 11:00am

Good morning, Senator Fontana, Senator Muth, members of the Policy Committee and dedicated staff. I am Renee Reynolds and serve as the Director for the State Tax Equalization Board (STEB). Prior to 2013, STEB was an independent Board, but in 2013, STEB was transferred into the Department of Community and Economic Development (DCED). I would like to thank you for the opportunity to speak about STEB as well as some challenges facing our current real property assessment valuation system here in Pennsylvania.

I have served in state government for close to 25 years, all have been with STEB. Prior to this career, I worked for the Dauphin County Assessment Office. I currently am licensed as a Certified Pennsylvania Evaluator. My continued education in the assessment profession has extended to numerous courses where my focus area has been on Assessment Administration and Tax Policy offered by the International Association for Assessing Officers (IAAO). I serve as a member on the IAAO State and Provincial Council and, more locally, I am honored to be a member of the Assessor Association of Pennsylvania (AAP). In the past, I have served as member of the Local Government Commission's Assessment Reform Task Force and, currently, I serve as a member of the AAP Reassessment Subcommittee.

STEB was created by the General Assembly in 1947 as an independent board to create market values as a way for the Department of Education (PDE) to distribute financial aid to compensate for the lack of statewide assessment uniformity. The years leading to this time and before the time of the County Consolidated and General Assessment Laws were enacted, many assessments were conducted at a municipality level. STEB is mandated to annually determine an implied aggregate market value for each municipality throughout the Commonwealth for which the Department of Education uses the data as part of its legislative funding formula. Other agencies use the data for various funding calculations. One such agency is the Auditor General for its use in Fireman's Relief funding. To achieve these market values, STEB uses the county's certified taxable assessment for which taxes are levied and the county's monthly sales data. All methodologies are published on DCED's website as statutorily mandated.

Another function statutorily mandated to STEB is to annually establish a Common Level Ratio (CLR) for each county. This ratio compares assessment data with current market sales for and is to be used in the real property assessment appeal process. Again, all methodologies in calculating the ratio can be found on DCED's website.

As just stated, both the Department of Education and the Auditor General use market values for funding. Pursuant to Section 672.1 of the PA School Code, school districts lying in more than one county (metaphorically speaking, "fault lines") also utilize the

market values. The calculated values become extremely significant as these districts try to balance taxation using a non-uniformed, unmandated assessment system where the basis for the methodology most often uses antiquated assessment data. Nowhere else can this be felt more deeply than by those taxpayers who may live on the wrong side of the fault line, when one of the counties within a district may have not had a reassessment in 30, 40 or even 50 years.

The inequities of outdated assessments have plagued these cross-county districts for years causing disproportionate millage rates to be applied to one side of the scale. Should the district be at its index cap this may also complicate the balancing for the district. Some districts seeking some relief from this burden are utilizing “reverse appeals” to help generate revenue where assessments have grown stagnate or unchanged in decades. Incidentally this is not just a school district issue. Our local municipalities (cities, townships, and boroughs - few have reached their millage cap rate) struggle to generate revenue to try to provide for our communities’ infrastructures and more importantly our emergency services. Though through valiant efforts, we still see some communities reluctantly closing or merging fire stations and ambulance services.

As of August of 2023, Pennsylvania has officially become the only state in the nation which does not have statutorily mandated reassessments on a fixed cycle. Not only do Pennsylvania communities and counties hurt because of lack of reassessment but the state’s legislation allows for the utilization of a “base-year” valuation system indefinitely. Furthermore, international standards recommend the use of a current market value to assess real property. A base-year assessment system, without implementing periodic updates, can deteriorate revenue growth and cause the real property taxation to become more regressive. This alone causes the disproportionately applied taxation among similarly situated subjects.

Our various levels of judicial court rulings have held that base-year systems without frequent updates violates uniformity with some of the court’s noting, counties with base-year systems had little recourse defending their systems as ratios become non-uniform.

The real property assessment appeal process should be in place to help correct anomalies for the periods between reoccurring reassessments. Unfortunately, this appeal process has now become the judicial highway to force “band-aided” solutions which continue to violate uniformity when the real fundamental issue is the lack of reassessments across state. Any other solution, aside from continued reassessments, may not fully correct real property inequities which only prolongs the problem. As time passes and assessed values have not been updated in decades, the blanket approach by all (or the easier fix) has been to apply the use of the common level ratio to adjust a property’s value (up or down) only when the property is appealed. This selective approach may be viewed as a violation of the uniformity clause because the

ratio applied is for only the 'appealed property,' and is not applied to ALL properties, regardless, if appealed or un-appealed.

To look at how Pennsylvania compares to others states as it relates to Assessment and Tax Policy, the three key components I found to be and for which they all have in common are statewide legislation, standards and oversight.

Thank you for allowing me to speak today.