



County of Los Angeles CHIEF EXECUTIVE OFFICE

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Chief Executive Officer

Board of Supervisors
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Fifth District

October 1, 2019

To: Supervisor Janice Hahn, Chair
Supervisor Hilda L. Solis
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Kathryn Barger

From: Sachi A. Hamai
Chief Executive Officer

REPORT BACK ON ASSESSMENT APPEALS BOARD (AAB) STIPEND, TRAINING RECOMMENDATIONS, AND ESTIMATED SPLIT ROLL INITIATIVE BUDGET IMPACT (ITEM NO. 2.1, AGENDA OF MAY 15, 2019)

During the Budget Hearings on May 15, 2019, the Board instructed the Chief Executive Officer (CEO) to report back to the Board during the Supplemental Budget on: a review of the stipend for AAB Members and Hearing Officers; a review of training offered to the Board Members; and the impact to the budget, should voters approve the Split Roll Initiative and an increase in assessment is required. The attached report addresses AAB stipends and training and was developed in collaboration with the Executive Office of the Board (Executive Office).

Assessment Appeals Board

Attachment I provides background, analysis and a recommendation, including cost estimates, to increase the current stipend amount. In addition, Attachment I includes information on AAB training and recruitment efforts. Should the Board adopt the Executive Office's recommendation, the CEO intends to provide a budget recommendation on AAB stipend increases during the 2020-21 Recommended Budget. This will allow recommendations to be made within the context of the overall budget and numerous competing priorities and requests.

Each Supervisor
October 1, 2019
Page 2

Split Roll Initiative

In collaboration with the Assessor, Auditor-Controller, and various other County departments that would be impacted, our office developed a preliminary estimate of the impact on the County's budget should voters approve the Split Roll Initiative. Upon full implementation, the estimated impact to the County's General Fund budget is an increase in property tax revenue of approximately \$405.6 million. This is after accounting for anticipated increases in ongoing operational costs for implementation currently estimated to be \$113.7 million. Recently, proponents of the Split Roll Initiative filed a revised initiative that they are seeking to qualify for the November 2020 ballot. If this revised initiative is approved by voters, we estimate an increase in property tax revenue of approximately \$393.4 million net of \$151.9 million in ongoing operational costs for implementation. The Assessor anticipates full implementation of both initiatives in approximately five to ten years depending on the final provisions of the initiative, with five years being extremely optimistic. Although our property tax estimates are similar to those of other organizations, it remains unclear how the commercial and industrial real estate market will react to implementation of a Split Roll Initiative. Our office is closely monitoring this initiative and any revisions. We will continue to refine our estimates as additional information becomes available.

For questions regarding Split Roll Initiative, please contact Gevork Simdjian at gsimdjian@ceo.lacounty.gov or at (213) 893-9736. For questions regarding AAB, please contact Celia Zavala, Executive Officer, at (213) 974-1401 or Jeramy Gray at (213) 974-1646.

SAH:FAD:MM
SW:GS:AB:ae

Attachment

c: Executive Office, Board of Supervisors
County Counsel
Assessor
Auditor-Controller

REPORT BACK ON REVIEW OF STIPEND FOR ASSESSMENT APPEALS BOARD (AAB) MEMBERS AND HEARING OFFICERS, AND A REVIEW OF TRAINING OFFERED TO THE BOARD MEMBERS

REVIEW OF AAB STIPEND

Background/Facts

Currently, AAB Members and Hearing Officers are paid on a sliding scale based on the number of hours they work in a given day. The stipends are paid as follows: \$150 for a session that lasts between one to four hours; \$225 for a session that lasts between four to six hours; and \$300 for a session that lasts over six hours. In FY 2018-19 the average annual payment for each AAB Member was \$20,467 and \$4,443 for Hearing Officers. This stipend has not been increased since 1995 and there is a concern that the current stipend amount contributes to the difficulty in recruiting new Board Members.

Analysis

The Executive Office staff conducted an analysis of various options to increase the stipend amounts, such as using the Consumer Price Index (CPI), reviewing the County's previous cost-of-living adjustments since 2000, researching other counties in the State, and looking at stipends that the County provides to various commissions.

After conducting an assessment of current stipends, adjusting it by using the CPI would align the stipend with current dollars, resulting in a 65 percent increase. Under this approach, the stipend would be \$248 for a session that lasts between one to four hours, \$371 for a session that lasts between four to six hours, and \$495 for a session that lasts over six hours. Currently, the average AAB Member is paid \$20,467 and the Hearing Officer is paid \$4,443 annually. Adjusting the stipend using the CPI would result in the average AAB Member being paid \$33,771 and the Hearing Officer \$7,330 annually. This change should help recruitment of AAB Members and Hearing Officers.

The Executive Office also considered whether to recommend AAB Members and Hearing Officers become full-time County employees. At this time, the Executive Office does not recommend this option. However, staff will continue to analyze the feasibility of this option and whether it could strengthen the assessment appeals process.

Recommendation

Based on this analysis, the Executive Office recommends that the Board increase the AAB stipend based on the increase in the CPI from January 1995 to January 2018. Should the Board adopt this recommendation, the Executive Office should be given

delegated authority to increase the stipend in subsequent years based on Board-granted cost-of-living increases and budget availability.

The Executive Office's current budget for AAB Members and Hearing Officers is \$1,470,000. Increasing the AAB stipend based on the CPI would require an additional \$956,000 in appropriation, which will bring the total annual budget to \$2,425,500.

AAB MEMBER TRAINING

Revenue and Taxation Code Section 1624.01 requires that every newly appointed member of an assessment appeals board complete a course of training and pass a test administered by the State Board of Equalization. The exam includes an overview of the assessment process, elements in the conduct of assessment appeal hearings, and important developments in case and statutory law and administrative rules.

County Counsel provides AAB members with ongoing trainings on various subjects, including Board procedures and rules in validating an appeal application, amending an application, burden of proof, appeal of a mandatory audit, income approach to value, findings of fact, Board decorum in running an ongoing hearing review and presentation of new applicable case law, administrative rules and State Board of Equalization letters of advice applicable to Assessment Appeals. The Assessment Appeals Board is also researching new training opportunities for Board members to use third parties that can provide training on appraising property.

In addition, Assessment Appeal Hearing Officers have been provided training including Hearing Officer hearing procedures, reviewing an Assessment Appeal Application, completing a written Hearing Officer Report, and Recommendations to the Assessment Appeals Board and equalizing new construction.

Board Member Recruitment Efforts

Due to the specified qualifications for Board members, as outlined in State law (printed below), it can be challenging to recruit new appointees who meet the qualifications. Therefore, the Executive Office is taking additional steps to help Board Offices identify potential appointments to the AAB. The Executive Office has recently opened a recruitment for new AAB Hearing Officers. As part of this recruitment, staff has engaged local bar associations and other professional groups to encourage qualified individuals to apply. As the qualifications for Hearing Officers are the same as AAB Members, the new recruitment will provide Board Supervisors with access to a list of individuals who already meet the State AAB requirements.

- State AAB Member and Hearing Officer Requirements:

Attachment I

- *Five years of experience in the State of California as a: 1) certified public accountant or public accountant; 2) licensed real estate broker; 3) attorney; 4) property appraiser certified by the Office of Real Estate Professionals; or 5) a property appraiser certified by the State Board of Equalization.*