

OFFICE OF REAL PROPERTY SERVICES

MISSION

The Office of Real Property Services is statutorily charged with the general supervision of local property tax administration in New York. The Office plays a major role in developing the State's property tax policy and helps local governments with property tax administration including the necessary review and equalization of local assessments for purposes of taxation. Through targeted local assistance programs and incentives, the Office is committed to improving and transforming the local property tax system in New York State into a highly efficient, equitable and cost-effective operation, statewide.

ORGANIZATION AND STAFFING

The Office of Real Property Services is headed by the State Board of Real Property Services, a five-member Board appointed by the Governor, and its day-to-day administration is the responsibility of an Executive Director appointed by the Board. The agency has a central office in Albany and five regional offices in Batavia, Syracuse, Newburgh, Melville and Saranac Lake.

BUDGET HIGHLIGHTS

The 2008-09 Executive Budget recommends **\$66.9 million in All Funds appropriations (\$3.8 million General Fund, \$63.1 million Other Funds)** for the Office of Real Property Services. This is an increase of **\$1.3 million** from the 2007-08 budget consisting of a \$17.0 million reduction in the General Fund offset by an \$18.3 million increase in Other Funds. This net change primarily reflects a restructuring of local assistance funding as part of an overall effort to reform local property tax administration.

The Executive Budget recommends a staffing level of **384 FTEs** for the Office of Real Property Services, a decrease of eight FTEs from the 2007-08 budget that is largely attributable to reduced staffing needs resulting from restructuring agency administrative support functions.

Major budget actions include:

- **Investments to Reform Local Property Tax Administration:** The Executive Budget includes new financial incentives and technology investments to improve local property tax administration based on recommendations of the Commission on Local Government Efficiency and Competitiveness. This initiative will encourage the consolidation of property assessment and tax collection functions at the county level to bring greater efficiency, equity and transparency to property tax administration.
- **Targeted Fee Increases:** The Executive Budget recommends increases in the real property transfer fee to: support new local assessment incentives and technology investments; consolidate funding for most agency Local Assistance programs within the Agency's Special Revenue account; and ensure adequate support for agency operating expenses. The fee will be modified from a flat charge of \$75 for residential property purchases and \$165 for commercial property purchases to a priced-based assessment, with the increases targeted to higher priced real estate

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sales and ranging up to \$400 for residential property sales over \$1 million and \$575 for commercial property sales over \$1 million. Under this new targeted fee structure, more than half of all purchasers will not incur added costs over the present fee structure.

- **Administrative Efficiencies:** The Executive Budget will seek greater operational efficiencies for the Office through a host agency arrangement intended to reduce overall costs for administrative support functions.

PROGRAM HIGHLIGHTS

IMPROVING LOCAL PROPERTY TAX ADMINISTRATION

The Office of Real Property Services is charged with managing a property tax system that is one of the most complex and confusing in the nation. Consistent with the recommendations of the Commission on Local Government Efficiency and Competitiveness, the Executive Budget supports statewide reform of the local property tax assessing and collection function. This reform will be accomplished through expanded agency programs designed to encourage and engage cities, towns and counties in cooperative efforts to bring greater efficiency, equity and transparency to the administration of this keystone element of local government and school finance.

The core components of the Executive Budget's reform and reinvestment include:

- Expansion of local aid incentives to encourage coordinated and consolidated assessing and tax collecting programs, emphasizing county leadership with available funding totaling \$6 million;
- Proposed legislation to phase out elected assessors, make all tax collecting officers appointive, and remove villages as assessing units;
- Expansion of technology systems to standardize and centralize assessment data and property tax collection; and
- Measurement of the cost, quality and transparency of property tax administration to demonstrate progress in this reform effort.

In furthering the State-local partnership in property tax administration, the Office will continue to administer additional State aid programs in support of local assessment administration and property tax relief, including:

- Annual aid of up to \$5 per parcel for assessing units that meet State standards, including annual revisions of assessments and comprehensive re-inventory and revaluation at least once every six years;
- Targeted state assistance to affected municipalities pursuant to the 2002 Railroad Infrastructure Act;
- Assessor training aid to reimburse county, city and town assessment officials for their cost of attending State-mandated training and continuing-education courses;
- Software support which includes the development, maintenance, training and consulting relating to a state-of-the-art software program to facilitate cost-efficient administration of local property taxes;
- Advisory appraisals for certain complex properties — such as utilities and large manufacturing plants — which require highly specialized resources that are not available to most local assessors; and
- STAR administration aid that will provide \$3.3 million to local governments in 2008-09. This aid will be fully phased out by 2010-11 given the reduced local need to incur STAR-related administrative costs.

EQUALIZATION OF MUNICIPAL FULL VALUE

State laws permit New York's local governments to select the percentage of full value they use in assessing properties. At present, State law does not require assessing at full market value (100 percent), so long as the percentage is uniform throughout the local assessing unit. Every assessing unit is required, however, to indicate its assessment ratio — i.e., the ratio of the assessed value to the full value of properties — on the assessment roll and tax bills. Due to the numerous differences in percentage of full value between local assessing units, the Office must establish equalization rates for every applicable unit.

By adhering to statewide standards, the Office ensures that equalization rates can be used to estimate full values of properties in a consistent manner. Full value estimates are necessary to distribute taxes for counties and school districts when tax levies are based upon assessments by more than one assessing unit. They are also used as indicators of local fiscal capacity for several purposes, including allocation of State aid.

Increased coordination between the Office and local assessing units, as well as improvements in local assessment and reporting practices, has resulted in several notable enhancements in the equalization program. Recent accomplishments include the following:

- In 2007, the assessment ratios supplied by 87 percent of local assessors were adopted without change as State equalization rates and that rate of adoption is expected to increase again in 2008;
- Preparation of equalization rates has been accelerated so that all school districts across the State can now use current equalization rates for their school tax levies, instead of using modified rates from prior years;
- As a result of the acceleration of the preparation of equalization rates, localities and the State can now analyze market data on the same cycle, creating opportunities for efficiencies in intergovernmental collaboration;
- The number of complaints on preliminary equalization rates by local officials has dropped, resulting in reduced costs for rate complaint hearings and improved State-local relations. The percentage of cities and towns that filed complaints was approximately 1.5 percent in 2007, as compared to 36 percent in the early 1990's;
- The Office has integrated nationally accepted standards and techniques, such as computer assisted appraisal studies and residential sales studies within its equalization rate process, thereby reducing its reliance on costly appraisals. The percentage of localities where residential appraisals are needed has been reduced from 100 percent in 1994 to 10 percent in 2007; and
- Since 1994-95, the continuing base cost of the Office's equalization program has been reduced from \$17 million to \$14 million.

OTHER SERVICES AND RESPONSIBILITIES

The Office of Real Property Services maintains inventory and valuation data on approximately 4 million acres of State-owned land and conservation easements that are subject to local taxation. Local assessments on taxable State-owned properties are scrutinized by the agency and either certified for payment or brought to administrative and judicial review, as appropriate.

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Special assessments are statutorily authorized for agricultural properties, transportation properties owned by railroad companies and oil and gas wells. The Office establishes values of agricultural land, ceilings on assessments of railroad properties and values of oil- and gas-producing facilities.

In conjunction with the State Education Department and the Department of Taxation and Finance, the Office is responsible for administering the School District Income Verification program. This program verifies and corrects the school district codes reported on personal income tax returns to accurately assign personal income to school districts. These data are then used as a measure of local fiscal capacity in school aid formulas. The Office also plays a vital role with the administration of the State's Middle Class STAR Rebate program.

ALL FUNDS APPROPRIATIONS (dollars)

Category	Available 2007-08	Appropriations Recommended 2008-09	Change	Reappropriations Recommended 2008-09
State Operations	44,808,000	45,043,000	235,000	0
Aid To Localities	20,800,000	21,834,000	1,034,000	0
Capital Projects	0	0	0	0
Total	65,608,000	66,877,000	1,269,000	0

ALL FUND TYPES PROJECTED LEVELS OF EMPLOYMENT BY PROGRAM FILLED ANNUAL SALARIED POSITIONS

Full-Time Equivalent Positions (FTE)

Program	2007-08 Estimated FTEs 03/31/08	2008-09 Estimated FTEs 03/31/09	FTE Change
Policy and Organizational Support Services			
Special Revenue Funds - Other	392	384	(8)
Total	392	384	(8)

STATE OPERATIONS ALL FUNDS FINANCIAL REQUIREMENTS BY FUND TYPE APPROPRIATIONS (dollars)

Fund Type	Available 2007-08	Recommended 2008-09	Change
Special Revenue Funds - Other	44,808,000	45,043,000	235,000
Total	44,808,000	45,043,000	235,000

STATE OPERATIONS ALL FUNDS FINANCIAL REQUIREMENTS BY PROGRAM APPROPRIATIONS (dollars)

Program	Available 2007-08	Recommended 2008-09	Change
Policy and Organizational Support Services			
Special Revenue Funds - Other	44,808,000	45,043,000	235,000
Total	44,808,000	45,043,000	235,000

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STATE OPERATIONS - OTHER THAN GENERAL FUND SUMMARY OF APPROPRIATIONS AND CHANGES 2008-09 RECOMMENDED (dollars)

Program	Total		Personal Service	
	Amount	Change	Amount	Change
Policy and Organizational Support Services	45,043,000	235,000	24,705,000	0
Total	<u>45,043,000</u>	<u>235,000</u>	<u>24,705,000</u>	<u>0</u>

Program	Nonpersonal Service	
	Amount	Change
Policy and Organizational Support Services	20,338,000	235,000
Total	<u>20,338,000</u>	<u>235,000</u>

AID TO LOCALITIES ALL FUNDS FINANCIAL REQUIREMENTS BY FUND TYPE APPROPRIATIONS (dollars)

Fund Type	Available 2007-08	Recommended 2008-09	Change
General Fund	20,800,000	3,825,000	(16,975,000)
Special Revenue Funds - Other	0	18,009,000	18,009,000
Total	<u>20,800,000</u>	<u>21,834,000</u>	<u>1,034,000</u>

AID TO LOCALITIES ALL FUNDS FINANCIAL REQUIREMENTS BY PROGRAM APPROPRIATIONS (dollars)

Program	Available 2007-08	Recommended 2008-09	Change
Policy and Organizational Support Services			
General Fund	20,800,000	3,825,000	(16,975,000)
Special Revenue Funds - Other	0	18,009,000	18,009,000
Total	<u>20,800,000</u>	<u>21,834,000</u>	<u>1,034,000</u>