Proposed Model for Adequate Funding of Property Assessor's Offices in Tennessee

Rob Mitchell

The property assessor's office is one of the least appreciated by the general public and most misunderstood by local government. In the state of Tennessee property assessor offices rely upon the willingness of each county commission to provide adequate funding.

In 2003 the Tennessee Advisory Commission on Intergovernmental Relations conducted an extensive study and determined that, among other things, uniformity and consistency in providing adequate funding were key issues that needed to be addressed. Since then the State of Tennessee has ceased its financial support of granting funds to counties to assist in funding reappraisal. This has shifted a greater burden onto the counties. In addition, the state Department of Property Assessments has placed greater emphasis on oversight and audit and has pulled away from the role of providing assistance. These actions are generally regarded as proper by assessors and the state alike. However, there is no corresponding legislation to compel the counties to provide a minimum level of financial support.

The purpose of the study described in this article was to determine (1) the characteristics common to funding among the counties, if any, and (2) the levels of funding that would provide the best chance for a successful and cost-effective outcome.

Data Collection

First, the 95 counties of Tennessee were stratified by population and divided into 15 size groups. These size groups correlate to the groups identified by Tennessee state law as levels at which salaries of the mayor in each county should change to provide some minimum level of compensation based upon the complexities encountered as the size of government increases. Because these natural divisions had already been predetermined by the Tennessee General Assembly through deliberation, it was believed that these size groups would be defensible.

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The second task was to gather information on the parcel counts and budgets of the various jurisdictions, that is, both the county and school system budgets as well as the budgets of the various assessor's offices, throughout the state. Relationships between the county and the assessor's office were determined as a percentage of the county budget. These data provided some startling information. In 99 percent of the counties, funding for the assessor's office is less than 1 percent of the total county budget. The preponderance of counties are funded at less than 0.6 percent.

The data show that the assessor's office, which forms the bedrock for equitable distribution of the property tax burden and the funding source for 40–70 percent of the total county budgets, is woefully underfunded in the majority of cases. In order to illustrate the value of the assessor's office to the county, a metric from the private sector was adapted. In private business the value of spending decisions is measured in terms of return on investment (ROI).

When the ROI on the money invested in the property assessor's office for every county was determined, it became clear there was no return less than 17:1. County size was the greatest indication of ROI. Tax rates and property values tended to be lower in counties in which the demand for land was lowest. The county with the greatest return was the county that had the greatest median value of homes, Williamson County.

Other influences add costs to the assessor's budget, such as administration of the geographic information system (GIS) for the county, which requires more personnel and another level of administrative expertise. Counties that operate on four-, five-, and six-year reappraisal cycles have different staffing needs. High-growth counties tend to benefit from more frequent cycles, while longer cycles may prove adequate for counties with slow growth.

Methods of Funding

One method of funding is per parcel. This would be defensible when there is uniformity of parcels across the state. Tennessee, however, has a great degree of topographical and regional diversity. So much dissimilarity exists that the state is informally divided into three grand divisions: East, West, and Middle Tennessee. Thus no consistent per-parcel funding trends could be identified upon which to proffer a recommendation.

Another method of funding is per capita, the thought being that as the population grows, the per-capita contribution likewise decreases. This unfortunately was not evidenced by the data. While there were some counties that did follow the pattern, there were just as many that did not. So while the per-capita and per-parcel funding methods can be used, they may prove to be ill equipped to provide some level of uniform equity in funding.

A third method is to fund the assessor's office as a percentage of the total county budget. This is similar to the New Mexico model in which every taxing jurisdiction contributes 1 percent of total taxes collected into a fund that may be used only by the assessor for the reappraisal. This provides a reliable source of funding for the assessor. Various values for the percentage of the county budget would need to be considered and tested in order to determine that which would provide effective results.

The current budgeting process in Tennessee is as follows. Each property assessor's office prepares three budgets: the assessor's administrative budget, the reappraisal budget, and the county board of equalization budget. Currently these are prepared by the assessor and presented to the county mayor. In May the county mayor and the assessor meet with the county budget committee to provide their recommendations to the budget committee. The budget committee makes any changes and approves the budget. It is then passed along to the full county commission for approval and adoption.

Proposed Method for Adequate Funding

If Tennessee's budgeting process were to be based on the New Mexico model, the new format would be as follows. The finance director would provide the assessor with an estimate of the funds that would be available to the assessor as a percentage of the total county budget by April 15. The assessor would allocate that amount between the various line items and present this to the budget committee in May. This budget would not require a vote, and there would be no need for discussion unless the assessor has an immediate need that exceeds the percentage of the county budget the office would receive automatically.

This process would provide an amount of funding that could be counted upon with regularity. It would eliminate the temptation to reduce a budget lower than is advisable in years when funding is difficult. It would encourage assessors to become operational managers to a much greater degree and eliminate the spending of excess funds at year-end to justify future budget requests. (When the funds requested are guaranteed, there is no benefit in spending every dollar in a line item. The money can reasonably be returned to the general fund and applied to debt retirement, thereby reducing the necessity of property tax increases.)

Table 1 illustrates how this process would work. The percentage of a county's budget available for the assessor's office would depend on the population of the county (size group), the length of the reappraisal cycle, whether the office is responsible for GIS management, and whether the school system is independent of the county budget. The percentages listed for each size group in the table are intended to give a starting point for discussion and debate; they could be higher or lower.

To determine the percentage of a county's budget that would be allocated to the assessor's office, first locate the size group. Then, to that base percentage, add values based upon the reappraisal cycle, whether the GIS is managed in house, and whether the school system is independent. For example, an equalized budget for the assessor's office in Davidson County, which is in size group 1, does not manage GIS, has a four-year reappraisal cycle, and does not have an independent school system, would be calculated as follows:

$$0.55\% + 0.03\% + 0 = 0.58\%$$

$$0.58\% \times \$1{,}812{,}431{,}500 = \$10{,}512{,}103.$$

Each year the assessor's office budget will grow and contract in proportion to the size of the total county budget. This budgeting process will not only save time but also, to a great degree, remove politics from the budgetary process of a ministerial (not policy-setting) office.

As a counter-argument to this proposed method, some may ask, "Why not use the reappraisal plan signed by the county mayor and adopted by the county commission agreeing to financially support the assessor? It is sent to the State Board of Equalization for approval. Won't the state force the county to comply with the plan it adopted?"

Table 1. Proposed equalized budget allocation*

County	Population Size Group	Assessor's Office Budget as a Percentage of County Budget	Assessor-Managed GIS		Reappraisal Cycle (years)			Independent School District	Total Percent-age	Total County Budget	Assessor Budget
			No (0%)	Yes (0.03%)	6 (0%)	5 (0.02%)	4 (0.03%)				
Davidson	1	0.550	0.00	—	—	—	0.03	—	0.580	$1,812,431,500	$10,512,102.70
Hamilton	2	0.575	0.00	—	—	—	0.03	—	0.605	$603,038,015	$3,648,379.99
Williamson	5	0.675	0.00	—	—	0.02		—	0.695	$491,568,596	$3,416,401.74
Montgomery	6	0.700	0.00	—	—	0.02		—	0.720	$404,446,116	$2,912,012.04
Sullivan	7	0.750	—	0.03	—	—	0.03	—	0.810	$160,878,729	$1,303,117.70
Blount	8	0.775	0.00	—	—	—	0.03	—	0.805	$159,438,727	$1,283,481.75
Bradley	9	0.800	0.00	—	—	—	0.03	—	0.830	$139,486,843	$1,157,740.80
Anderson	10	0.850	—	0.03	—	0.02		—	0.900	$118,701,536	$1,068,313.82
Carter	11	0.875	0.00	—	—	0.02	—	—	0.895	$71,218,461	$637,405.23
Bedford	12	0.900	—	0.03	—	0.02	—	—	0.950	$90,758,046	$862,201.44
Carroll	13	0.950	0.00	—	—	0.02	—	—	0.970	$22,225,307	$215,585.48
Benton	14	0.975	0.00	—	—	0.02	—	—	0.995	$32,666,041	$325,027.11
Decatur	15	1.000	0.00	—	0.00	—	—	—	1.000	$25,014,790	$250,147.90

**There are no counties in Tennessee in size groups 3 and 4; in this proposed method, their budget values would be 0.6% and 0.65%, respectively.*

The short answer is "no." If the county fails to provide the assessor's office the support necessary to complete the appraisal on time and the office falls behind because of a lack of resources, it is the assessor's office that is held in noncompliance and punished by the State Board of Equalization.

Another counter-argument may be, "Why does the assessor not bring a lawsuit to force the county to provide adequate resources?" In Tennessee, state law does not permit the assessor to sue the county for adequate funding.

Conclusion

On the basis of the data gathered for this study, the finding that the majority of property assessor's offices in Tennessee are woefully underfunded, and the different methods of funding available, it was concluded that the most fair and equitable way of funding the office of property assessor is through a minimum percentage of the combined county and school system operational budgets.

Rob Mitchell was elected Property Assessor of Rutherford County, Tennessee, in 2012. During his tenure he has found operational savings of 17 percent; these savings have been returned directly to the county general operating fund to reduce the necessity of property tax increases. He has settled hundreds of property lawsuit appeals to the mutual benefit of the county and taxpayers alike. He was the first assessor in Tennessee to include hybrid vehicles in his fleet. In 2014 he had state law changed to prevent widows and widowers from being taxed out of their homes upon the death of their spouses. In 2014 he was voted Rutherford County's Favorite Elected Official. In 2015 he was elected president of the Middle Tennessee Assessors Association and named the Middle Tennessee Assessor of the Year. Mr. Mitchell earned a degree in business management from Middle Tennessee State University. He held management positions in companies that included Service Merchandise, Zale's Jewelry Stores, and Dillard's before he decided to pursue small business ownership as an insurance agent for more than 15 years. He was named Best Insurance Agent in Nashville by the Nashville Scene in 2010. He is a Master Mason, a member of IAAO and Pi Sigma Epsilon (National Marketing and Sales Management collegiate/professional fraternity), and a Fellow of the Life Underwriters Training Council.