Indiana Uniform Property Tax Management System Update

Presented to the Commission on State Tax And Financing Policy

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Indiana Department of Local Government Finance
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Introduction

HEA 1001(P.L. 146-2008) section 836 requires the Commission on State Tax and Financing Policy to study the feasibility of a single statewide software system to provide a uniform and common property tax management system. To assist the Commission in its study the Department of Local Government Finance ("DLGF") updated a 2004 report on the same subject. The original report is attached.

The purpose of the original report was to examine the feasibility of requiring Indiana counties to migrate to a single statewide software system. The purpose of this report is to discuss the benefits of a single statewide software system, present the barriers to implementing a single statewide software system (including the cost), and update the status of the multi-vendor, multi-configuration system currently in place.

Benefits and Opportunities of a Single Statewide Software System

A single statewide software system would provide multiple benefits, the most important of which is responsive government.

Policymakers would have access to real-time information, allowing for informed decision-making regarding property taxation policy and its effect on taxpayers. Additionally, the ability to manage policy changes through a centralized software system enables implementation of changes on a single timetable, not multiple timetables, priority levels, and vendors.

Local government officials would benefit from cost savings on reprogramming for policy changes.

Barriers to Implementing A Single Statewide Software System

Implementation of a single software solution would require collaboration with local officials, careful development of standards that meet the State, local and taxpayer needs, and a phased roll-out. Funding could come from either the state or the local level or could be a combination of both sources.

The 2004 study reported local officials expressing satisfaction with existing systems. The same response is offered in 2008. Some officials express concern that they would be mandated to use a system not as functional as their current system, and fear insufficient technical support in a statewide system environment. Other officials express eagerness to work with the State to implement a system that meets both local and state needs for information. Vendors fear loss of a market for their product and express concern that a single system would ultimately provide Indiana with less innovation at greater expense.

The solution of developing and enforcing compliance to uniform standards has its own barriers. Compliance requires local officials to enter data at the local level uniformly and accurately. It also requires local and vendor commitment to providing timely data to the State in electronic form. The best results of this system are data that are not current and months-old, even on the

date of submittal.

It should be noted that improvement in data submission and compliance has occurred since 2004 with compliance of 83.9% of all required data. However, this data is not current and its submission and compliancy procedures are achieved at considerable expense at both the local and state level.

Costs of Implementing a Single Statewide Software System

Cost savings from a uniform system are likely, but unpredictable. Costs for purchase, maintenance, and upgrading of the current multi-vendor software systems are borne at the local level. The only exception is the Sales Disclosure program released in 2008 which was developed and is maintained by the state.

As shown in Figure 1 below, under the current configuration of software applications, and based upon information as of March 2008, the cost per $100,000 in assessed value reveals the burden to comply with software systems is heavy for small counties (less than 25,000 parcels), at least *six times* that of the large counties (at least 75,000 parcels).

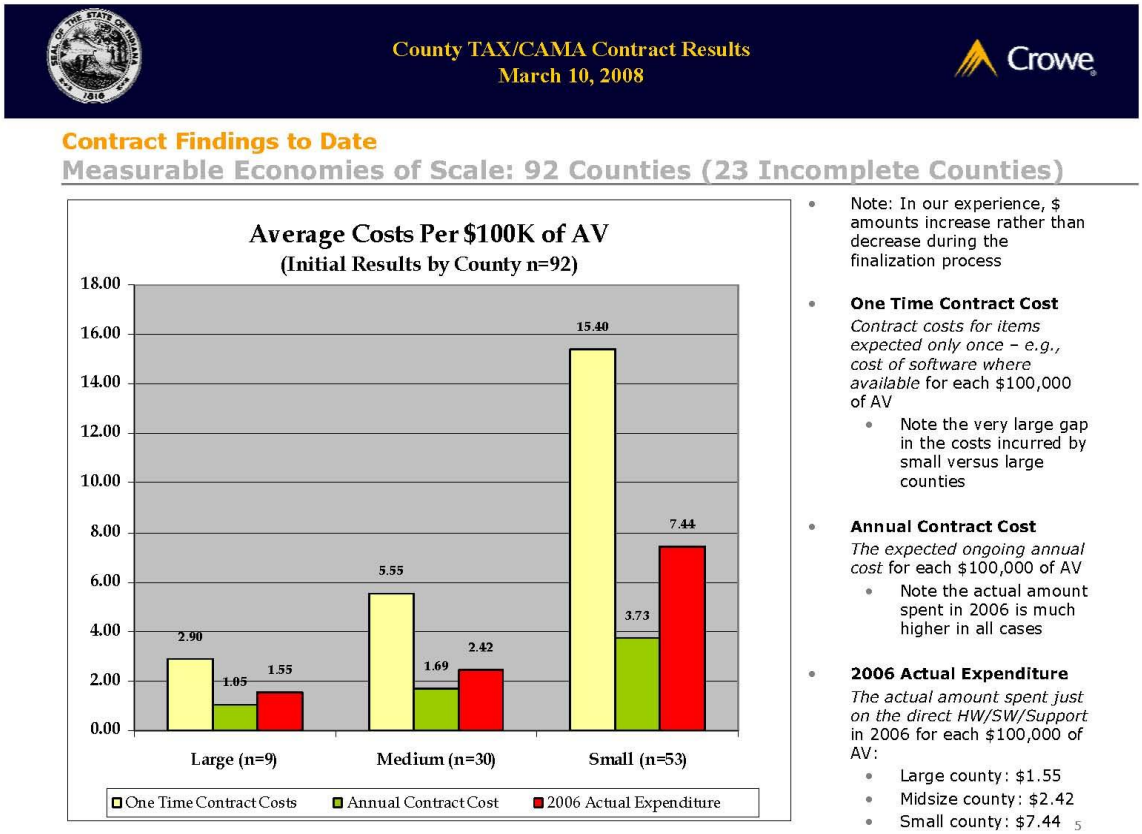


Figure 1: The above chart reveals the burden to comply with software systems is heavy for small counties.

Based upon information gathered as of March 2008, and covering 75% of the counties, the

amount *expected* to be incurred in software, hardware, and maintenance costs to administer property taxes for the 2006 tax year was roughly $5.4 million. However, the *actual* amount incurred for that year was roughly $13 million. Not only are counties spending a significant amount of money on administration, but that amount far exceeds what was expected.

Further information on costs in a particular county can be found by viewing individual county contracts, which are available on the DLGF Web site at www.in.gov/dlgf/2339.htm.

Problems Caused by a Multi-configuration System

Currently, many vendors provide computer assisted mass appraisal (CAMA) and personal property systems and separate auditor and treasurer (tax and billing) systems in a number of different configurations. Most assessor and auditor systems are not integrated for seamless data transferability. The lack of integration of these systems impedes transmission of data to other offices within a county and to the State, delays or prevents analysis of tax data, creates significant manual work, makes quality control difficult, and invites error.

Multiple Software Installations

The current situation includes multiple software installations each involving various levels of customization. As demonstrated in the maps in Attachment A, a variety of software combinations exist statewide. In fact, there are 29 different combinations of vendors and counties (Attachment B).

The unique nature of many of the installations prevents standard approaches to problem solving and standardization of training. The lack of standard software contributes to the lack of trained, available personnel for tax assessing and billing processes at the county level. It is impossible for staff to transfer their skills from one office to another within a county or from one county to another to assist in simple data entry or troubleshooting. This shortage of skilled labor is not further explored in this report, but is a contributor to the current failure of Indiana counties to bill on the statutory time schedule.

The multiple software systems cause numerous problems in transferring data from one office to another. This contributes to delays in on-time tax billing in addition to presenting difficulties in data submission and compliance.

Data Submission

As of August 2004, 80 counties had provided assessment data and 51 had provided tax and billing data in the standard file format. By 2008, all counties have submitted most required data. Compliance as of September 23, 2008 is 83.9%. (See Attachment C for a complete listing of county compliance status.)

Submission of data is followed by a review process to determine compliance with state standards as shown below (Figure 2).

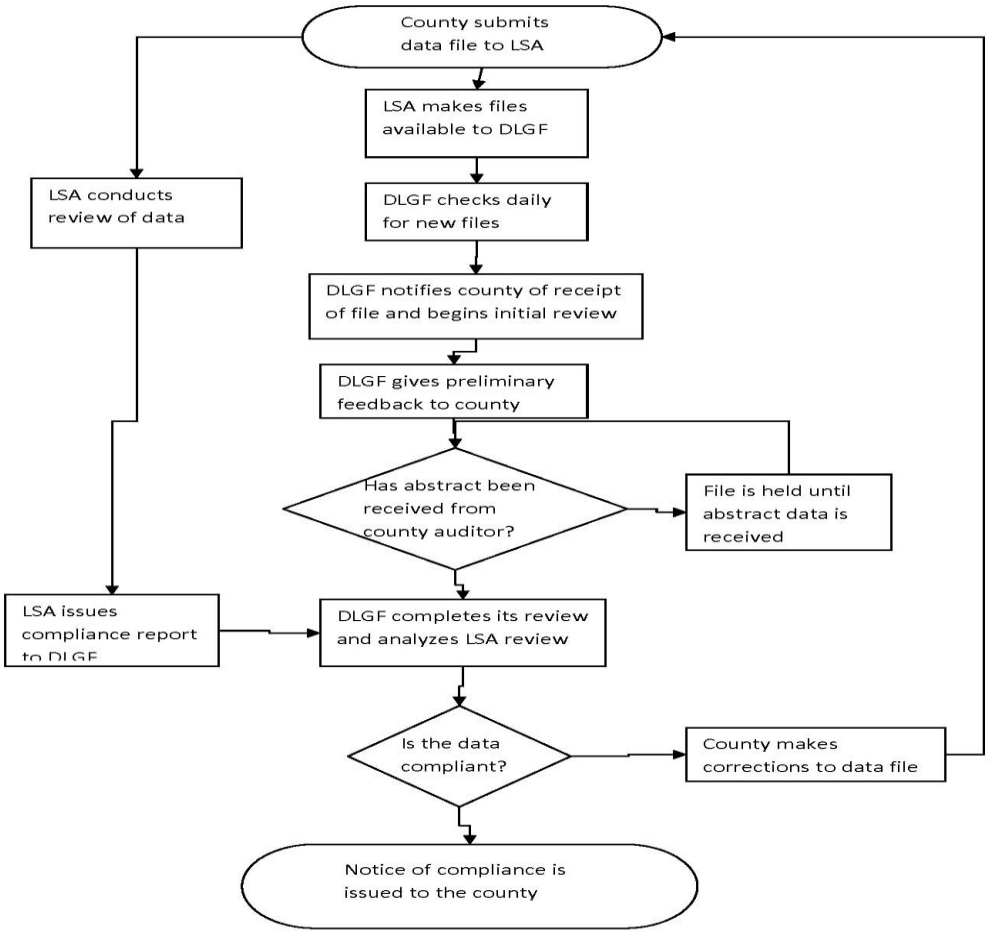


Figure 2: The above chart shows the process of data compliance, including reviews by DLGF and Legislative Services Agency.

Attachment D indicates the anticipated submission dates for ratio studies, along with the four separate sets of data required for review. A county must have achieved compliant status on all four data sets before the ratio study can be reviewed. The delay introduced by the submission and compliance of data is a result of the current multi-vendor, multi-platform system.

Data Compliance Barriers

Substantial improvement in data submission and compliance has been achieved since the original study in 2004. However, the difficulties of retrieving data from multiple systems and submitting in the required format has not changed and still require major time and support from county staff,

vendors and county Information Technology personnel.

At the core of data compliance challenges are two issues in addition to multiple software platforms. First, county staff record information differently, making export and analysis difficult. For example, local officials are able to enter text into fields meant for numbers, and vice versa. Second, because the county is the client for the software vendors, not the State, the county is able to request and receive modifications to suit local needs. For example, the county can request that the vendor create additional property class codes. These modifications may or may not reflect the policy interpretations set forth by the State or meet data export requirements.

The data compliance process enforced beginning in 2007 has changed many of these non-standard approaches and created higher quality data and analysis. However, these problems continue to plague the data, especially data submitted and deemed compliant before late 2007.

Data Compliance Enforcement

From the 2004 report:

> *Should the DLGF enforce stricter requirements, counties could be faced with significantly increased costs.*

The stricter enforcement of data compliance beginning in 2007 caused increased commitment of resources by counties, other units of government, and the State. For example, some counties had not purchased software, some had not entered data in compliance with the data rules, and many were simply in arrears on data entry. In other instances, re-programming of existing software to meet the pre-existing software standards was required. Some counties had submitted data, but had not received a response from the DLGF as to the status of the submission.

As the DLGF increased its review and response efforts, corrections at the local level absorbed considerable staff time. This caused other responsibilities to be set aside which contributed to delays in timely tax billing. Delays in timely tax billing caused borrowing costs by various units of government.

Cost to the State comes in the form of time and staffing. Four DLGF Tax Analysts spend five days per week, several months of the year receiving, reviewing, and correcting compliance errors. As these staffers are highly skilled and trained professionals, this review takes valuable time away from applied data analysis, research and other important tasks. The time consuming, tedious checks also led to inconsistent decisions, and slow processing until late 2007.

Legislative Services Agency also provides staff and time to the data compliance process.

The DLGF contracts with Crowe Horwath for data compliance services, including review of the feasibility of a single statewide software system.

Administration and Management of Multi-configuration System

The DLGF has devoted a number of resources – technology, staff, and time – to administer and manage the significant volume of data and interactions between the State and each of the 92 counties throughout the year, and to reduce the need for a single statewide software system.

These efforts include software certification, utilization of outside partnerships for technology, and development of new software rules effective for 2010.

Software Certification

In 1998 and 2006, under the authority of IC 6-1.1-31.5, the DLGF promulgated administrative rule, 50 IAC 23, intended to provide certification benchmarks for all vendors seeking to provide property tax management software (CAMA, tax and billing, personal property, and sales disclosure) to counties.

At the time of this report, the major vendors have begun the initial certification process. Crowe Horwath is the contracted vendor to the State engaged to test each vendor's software application and ensure that it performs the required functions. While this certification process does not guarantee the compliance of the data, it does establish an ability to export and import data in the formats required by the State.

Data Upload Tool

In 2008, in partnership with the Indiana Business Resource Center (IBRC), as authorized by IC 6-1.1-33.5-8, the DLGF developed software to scrub county data submissions. This software searches the data sent by counties and delivers a report of the conformity of the data with standards. The intent is to fill the information gap of prior methods for data review to provide counties full, documented descriptions of data errors. This process has benefited not only counties, but the DLGF in its staffing deployment. By knowing which counties are having the most errors and what they are, the DLGF can determine if special attention is warranted and also, by the nature of the errors (technical or content), can determine whether to send an assessment, budget, or information technology specialist to assist.

The reports generated by this upload program give detailed feedback to county officials, who can then consult with the DLGF and their vendor on how to best resolve any errors or questionable fields in their data submission. This helps the officials to understand more clearly exactly *why* their data submissions have been deemed non-compliant. Once it is known exactly why the compliance test has failed, action to correct problems for current and future data submissions are possible. These corrective actions shorten the amount of time needed to achieve data compliance for future submissions.

For more information on this tool, please see the Internet Data Upload Software Application Status Report submitted to the Legislative Council on June 30, 2008 available at http://www.in.gov/dlgf/5087.htm.

Data File Formats

In previous and current iterations of the state standard format, the instructional language allows for *broad interpretation of what value* and *in what format* is required in a particular export or import field. This vagueness allows inconsistent data entry which then hinders uploading of data into State databases. This inconsistency creates challenges when comparing data from one county to another. For example, if different vendors choose to interpret the instructions differently, the data is sent to the State in differing formats taking time for analysts to standardize the data.

The DLGF, LSA, State Budget Agency, and Office of Management and Budget are presently working in a cross-functional team to develop the next generation of data standards. The team will design standards to address the current common gaps in analysis to more easily analyze and report on property taxation data. A revision of the data standards will clarify the language for the file formats. It is anticipated the new standards will be promulgated in early spring 2009. The new standards would be in effect for all county data submissions beginning with the 2009 pay 2010 assessment/billing year.

Conclusion

The 2004 report issued by the Department of Local Government Finance recommended that the Legislature consider implementation of an integrated software system for property tax data to develop a higher degree of uniformity to property tax data submitted to the State.

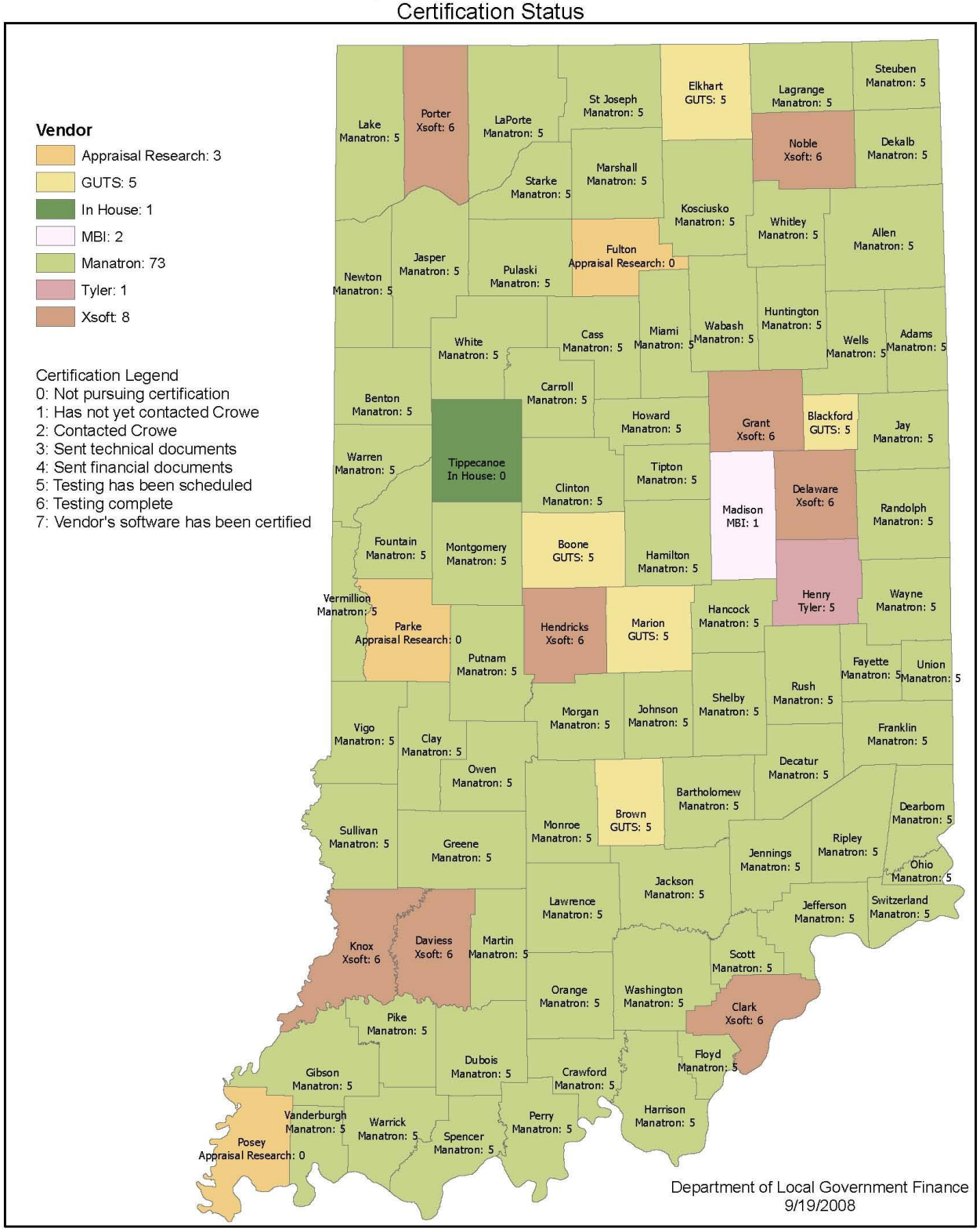
Since 2004, the State has continued functioning under the multi-vendor, multi-configuration system and is currently home to 29 different vendor combinations statewide.

Despite greater data compliance enforcement, a greater sense of urgency, and additional resources the data submission and compliance system underperforms expectations.

Data transfers within county offices and to the state continue to be a major contributing factor to property tax billing delays.

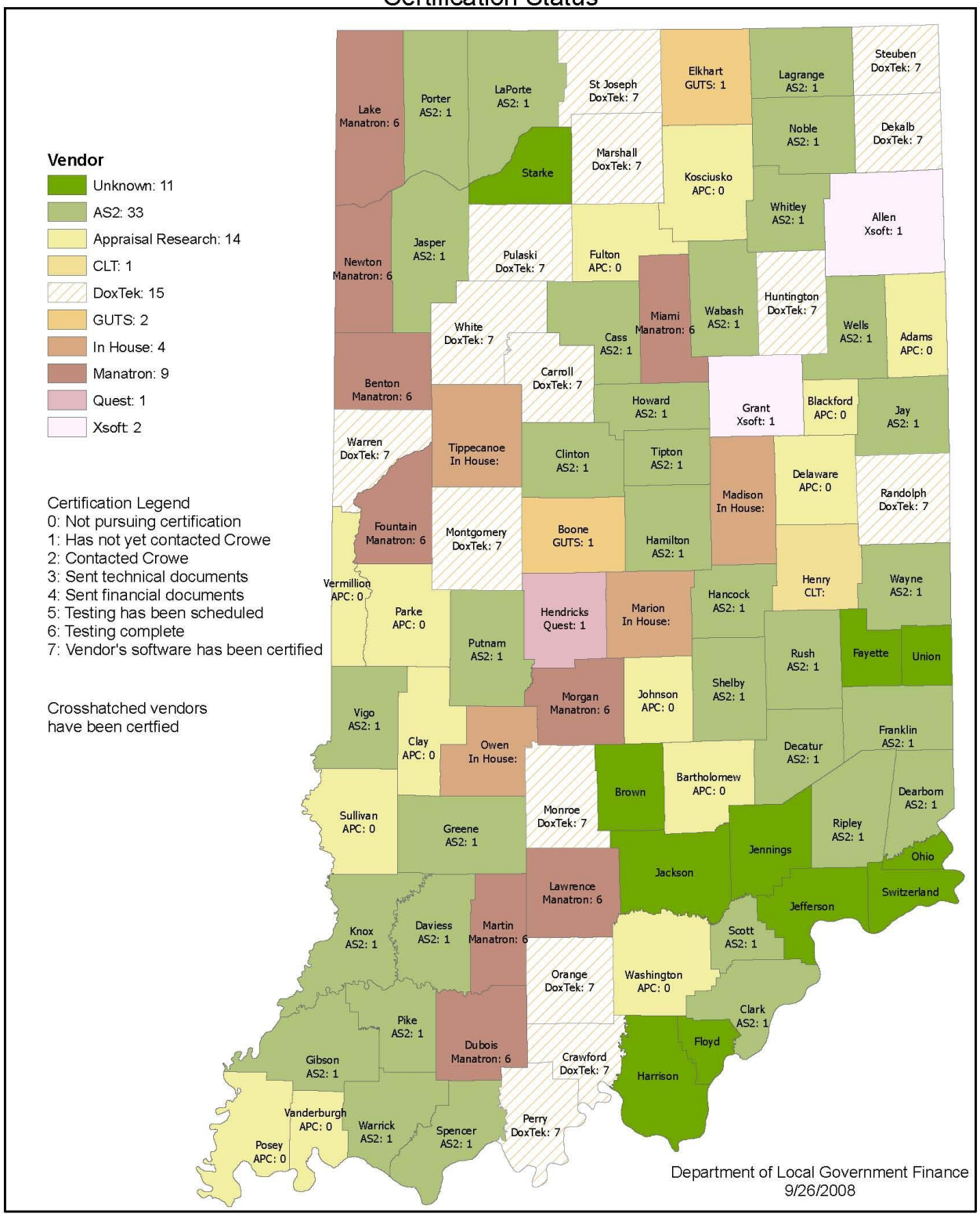
Attachment A: Vendor Maps

Indiana Computer Aided Mass Appraisal Vendors
Certification Status



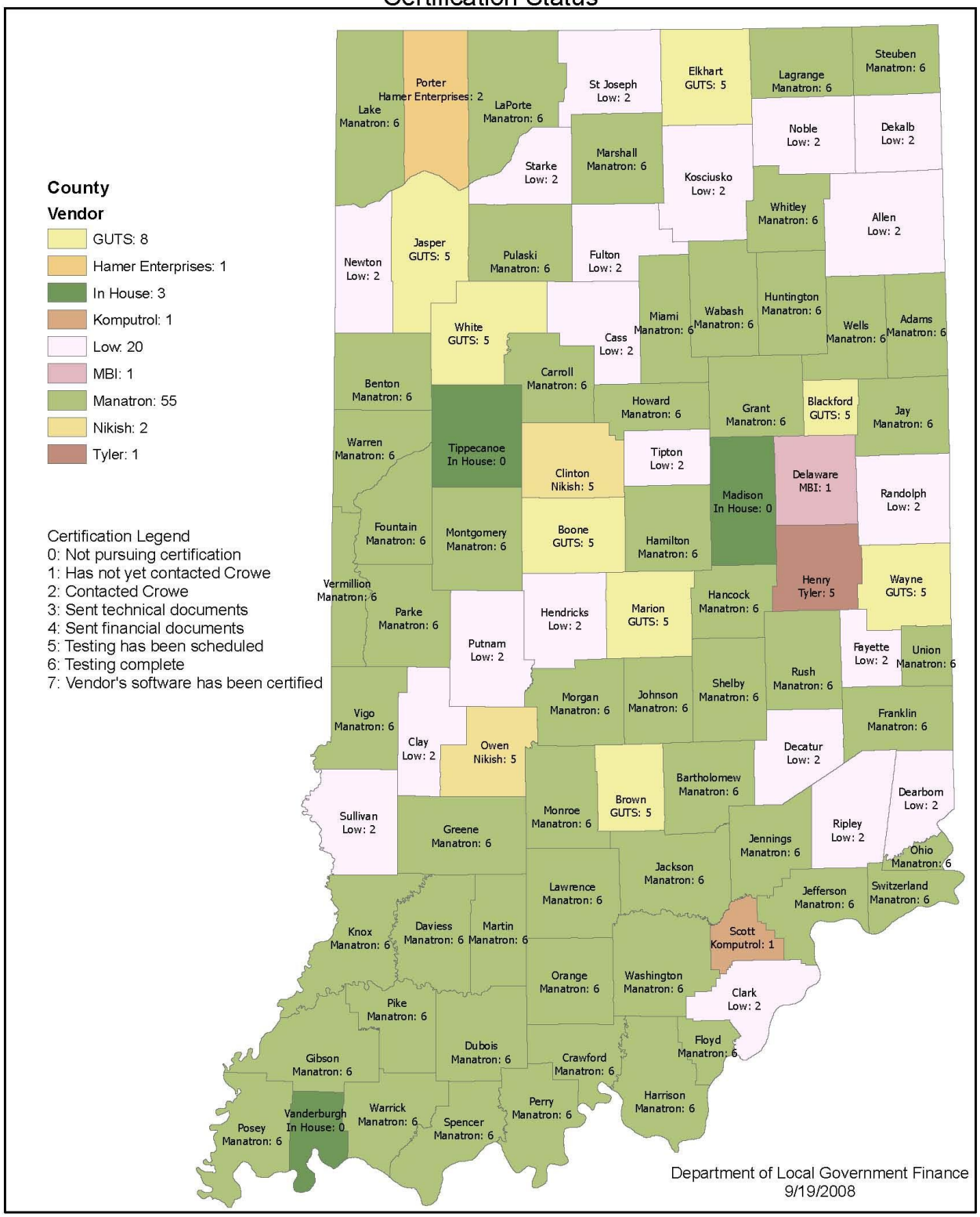
Attachment A: Vendor Maps

Indiana Personal Property Vendor
Certification Status



Attachment A: Vendor Maps

Indiana Tax and Billing Vendors
Certification Status



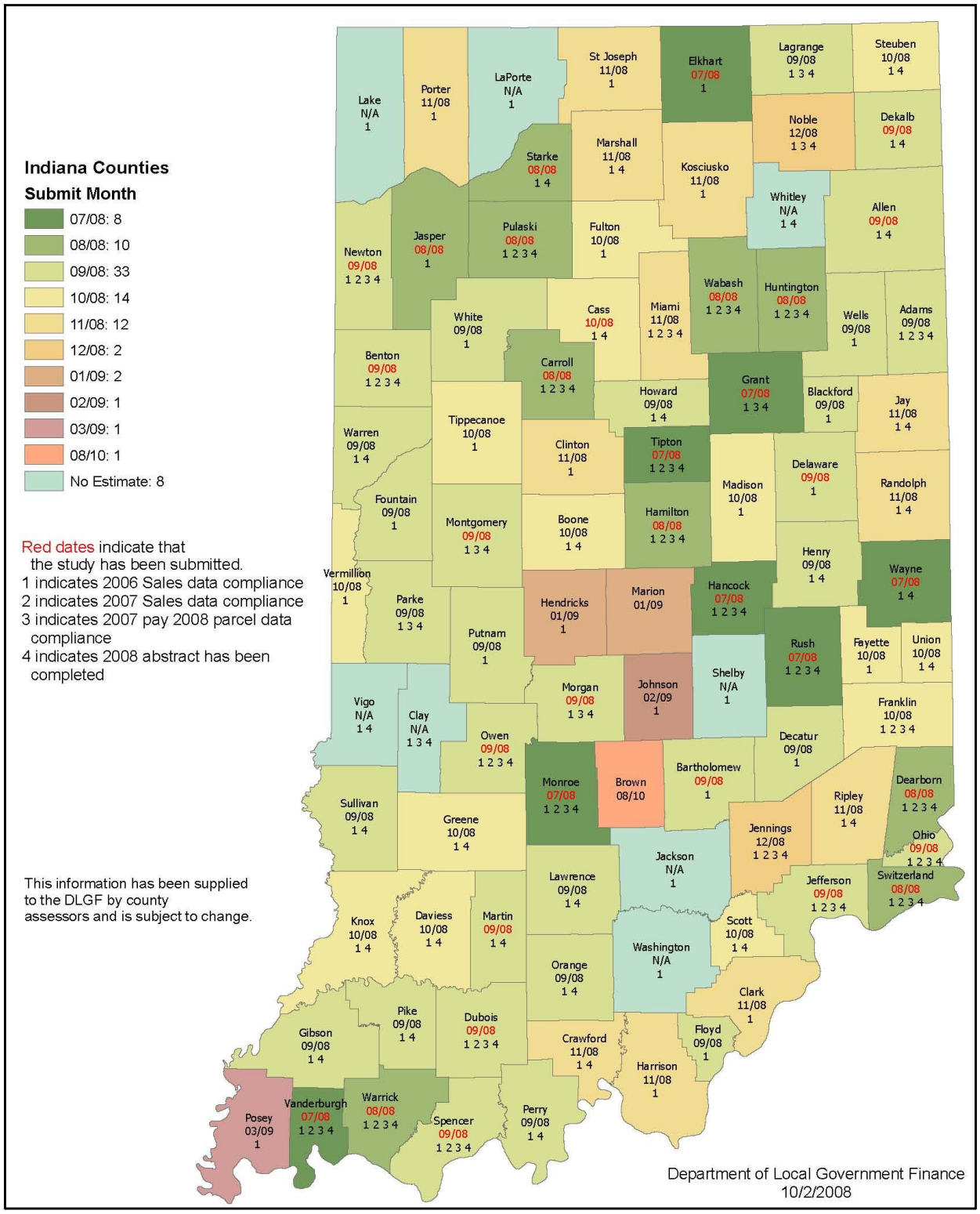
Attachment B
Vendor Combination: CAMA, Personal Property, and Tax Billing

	CAMAVendor	TaxVendor	PersProp
1	Appraisal Research	Low	Appraisal Research
2	Appraisal Research	Manatron	Appraisal Research
3	GUTS	GUTS	Appraisal Research
4	GUTS	GUTS	GUTS
5	GUTS	GUTS	In House
6	In House	In House	In House
7	Manatron	GUTS	AS2
8	Manatron	GUTS	DoxTek
9	Manatron	In House	Appraisal Research
10	Manatron	Komputrol	AS2
11	Manatron	Low	Appraisal Research
12	Manatron	Low	AS2
13	Manatron	Low	DoxTek
14	Manatron	Low	Manatron
15	Manatron	Low	Xsoft
16	Manatron	Manatron	Appraisal Research
17	Manatron	Manatron	AS2
18	Manatron	Manatron	DoxTek
19	Manatron	Manatron	Manatron
20	Manatron	Nikish	AS2
21	Manatron	Nikish	In House
22	MBI	In House	In House
23	Tyler	Tyler	CLT
24	Xsoft	Hamer Enterprises	AS2
25	Xsoft	Low	AS2
26	Xsoft	Low	Quest
27	Xsoft	Manatron	AS2
28	Xsoft	Manatron	Xsoft
29	Xsoft	MBI	Appraisal Research

Attachment C: Data Status

Attachment D

Estimated Delivery Dates for 08 pay 09 Ratio Studies



Attachment F: DLGF Oversight Authority

State law currently provides multiple sections of the Indiana Code that give the DLGF oversight authority over the assessment process and require counties to provide data to the DLGF in prescribed forms:

- IC 6-1.1-3 Personal Property Assessment
- IC 6-1.1-4-4 Reassessment of all property in state; notice
- IC 6-1.1-4-4.5 System for annual adjustment of assessed value of real property
- IC 6-1.1-4-17 Professional appraisal; employment; "professional appraiser" defined
- IC 6-1.1-4-18.5 Professional appraisal; contract for services; bids required
- IC 6-1.1-4-19.5 Professional appraisal; contract for services; provisions
- IC 6-1.1-4-31 General reassessment; conduct; periodic check; ordinance
- IC 6-1.1-5.5-3 Sales Disclosure form; forwarding; confidential information
- IC 6-1.1-33.5-1 Establishment of division of data analysis
- IC 6-1.1-33.5-2 Electronic database; software; data analysis; studies; reports
- IC 6-1.1-33.5-3 Additional studies and reports
- IC 6-1.1-33.5-4 Powers of division of data analysis
- IC 6-1.1-33.5-5 Confidentiality of information
- IC 6-1.1-33.5-6 Review; special reassessments

Similarly, the following provisions of Indiana Code designate the computer standards and refer to provisions related to the property tax computer systems:

- IC 6-1.1-4-25 Record keeping; electronic data files
- IC 6-1.1-5.5-4 Sales disclosure funds can be used to buy computer software or hardware for a property record system.
- IC 6-1.1-30-17 Withholding of CAGIT, COIT, CEDIT distributions if the county does not maintain a certified computer system that meets the DLGF requirements.
- IC 6-1.1-31-1 Duties of DLGF to develop computer state requirements
- IC 6-1.1-31.5-2 Rules and requirement DLGF is party to county/vendor contract
- IC 6-1.1-31.5-3.5 State certified computer system
- IC 6-1.1-31.5-4 Rules for statewide guidelines for standardized forms and notices
- IC 6-1.1-31.5-5 Revocation of software or software provider certification for three (3) years for false information on application or failure to meet minimum requirements.
- IC 6-1.1-33.5-2 Electronic database; software; data analysis; studies; reports

Software Rule

Under the authority of IC 6-1.1-31.5, the DLGF adopted rules in 1998 and again in 2006 to set standards for computer systems used by counties for the administration of the property tax assessment process. The current rule, 50 IAC 23, was effective on June 15, 2006 and is titled, "Computer Standards for a Uniform and Common Property Tax Management System." The former rule, 50 IAC 12, was repealed in 2006.

The following table compares the stated goals and objectives of the old rule with the current rule.

The objectives of the two rules are essentially the same.

50 IAC 12-1-2 (1998-2006 rule)	50 IAC 23-1-2 (current rule)
(1) To attain uniformity in assessment practices and valuation techniques through the use of functionally equivalent computer systems in each county in the state.	(1) To attain uniformity in property tax administration practices through the use of functionally equivalent computer systems in each county in the state.
(2) To improve the management ability in the property tax administration system at the local level through the use of computer systems that comply with this article.	(2) To improve the management and analysis ability by the DLGF and counties through greater access to local property tax administration data.
(3) To improve the management and analysis ability by the tax board (i.e., DLGF) through greater access to local assessment data.	
(4) Provide some assurance of the functionality of computer software through a defined certification program.	(3) To provide assurance of the functionality and integration of property tax management systems through a defined certification program.
(5) Provide assistance to counties in their efforts to select computer software that meets the needs of their specific environment and comply with this article.	(4) To provide assistance to counties in their efforts to select computer software that meets the needs of their specific environment and complies with this article.

The following table compares the application of the old rule and the current rule. The current rule (50 IAC 23) specifically applies to "tax and billing software" whereas the old rule does not refer to "tax and billing software."

50 IAC 12-3-1 (1998-2006 rule)	50 IAC 23-1-3 (current rule)
Applies to: (1) all county: (A) computer hardware, (B) systems software, (C) computer services, or (D) assessment software; used by the county after December 31, 1998; *and* (2) all county purchases or contracts for: (A) computer hardware, (B) systems software, (C) computer services, or (D) assessment software; that are made or entered into after December 31, 1998. All purchases or contracts are subject to the	Applies to: (1) All county: (A) computer hardware; (B) assessment software; (C) tax and billing software; (D) property tax management systems; and (E) computer services; used by the county for the administration of property taxes. (2) All county purchases or contracts for: (A) computer hardware; (B) assessment software; (C) tax and billing software; (D) property tax management systems; and (E) computer services; that are made or entered into for the purpose of

certification and other requirements of this article.	property tax administration. All purchases or contracts are subject to the requirements of this article.

Enforcement Rule

- IC 6-1.1-31.5-5 DLGF may revoke software, equipment, service, or provider certification for at least three (3) years if information on vendor application was false or product or service does not meet minimum requirements.

- 50 IAC 23-18-7 permits the DLGF to not certify the budget order or impose other sanctions allowed by law for a county that fails to comply with 50 IAC 23.

- IC 6-1.1-30-17 authorizes the withholding of CAGIT, COIT, or CEDIT distributions if a county does not maintain a certified computer system that meets the requirements of IC 6-1.1-31.5-3.5.