

MINUTES

MONTANA SENATE 55th LEGISLATURE - REGULAR SESSION

COMMITTEE ON FINANCE & CLAIMS

Call to Order: By **CHAIRMAN CHUCK SWYSGOOD**, on February 3, 1997,
at 5:04 p.m., in Room 108.

ROLL CALL

Members Present:

Sen. Charles "Chuck" Swysgood, Chairman (R)
Sen. Larry Baer (R)
Sen. Thomas A. "Tom" Beck (R)
Sen. James H. "Jim" Burnett (R)
Sen. B.F. "Chris" Christiaens (D)
Sen. Eve Franklin (D)
Sen. Loren Jenkins (R)
Sen. Greg Jergeson (D)
Sen. Dale Mahlum (R)
Sen. Arnie A. Mohl (R)
Sen. Linda J. Nelson (D)
Sen. Mike Taylor (R)
Sen. Mignon Waterman (D)

Members Excused: Sen. Thomas F. Keating (R)
Sen. John "J.D." Lynch (D)
Sen. Ken Miller (R)
Sen. Daryl Toews (R)

Members Absent: None

Staff Present: Taryn Purdy, Legislative Fiscal Division
Sharon Cummings, Committee Secretary

Please Note: These are summary minutes. Testimony and
discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: HB 89, 1/29/97;
HB 294, 1/29/97
Executive Action: None

HEARING ON HB 89

Sponsor: REP. DEB KOTTEL, HD 45, GREAT FALLS

Proponents: Tony Herbert, Department of Administration

Opponents: None

Opening Statement by Sponsor:

REP. DEB KOTTEL, HD 45, GREAT FALLS I was vice chair of the data management committee and chair of the subcommittee that looked at data management issues during the interim process. I understand the benefits of computers and technology but the questions of how much money we spend, where we go, and how we integrate the State of Montana arise. We're looking at the Governor's budget of \$53 million to purchase technology as well as the MT PRIME project which is looking at reintegrating all data management for the state. If we are going to go forward with technology, who will be making these important policy decisions? This bill calls for a Legislative Oversight Committee which will sunset in the year 2002. It includes the standard legislative oversight language with equal members from the House and Senate. Will technology dictate policy or policy dictate technology in Montana? If you believe policy should dictate technology then this Legislative Oversight Committee is important. The budget is approximately \$20,000 for this committee.

Proponents' Testimony:

Tony Herbert, Information Services Division, Department of Administration I am speaking on behalf of Lois Menzies and the DOA in favor of HB 89. Here is testimony Ms. Menzies prepared for the committee. (EXHIBIT #1) The purpose of this bill is to provide an opportunity for better legislative interim oversight, working with ISD and other state agencies. This will help us understand how to move forward with technology and monitor some of the investments we are making. We hope when we come back to you in the years ahead we can make these decisions that are growing in importance for state agencies and the citizens of the state. The purpose of HB 89 is to improve the way the legislature and executive agencies of the state, as well as other branches of government, provide the business of technology. We endorse this bill's passage.

Opponents' Testimony: None

Questions From Committee Members and Responses: None

Closing by Sponsor:

REP. KOTTEL closes.

{Tape: 1; Side: A; Approx. Time Count: 5:10; Comments: None.}

HEARING ON HB 294

Sponsor: REP. JOHN COBB, HD 50, AUGUSTA

Proponents: Mary Bryson, Department of Revenue

Opponents: None

Opening Statement by Sponsor:

REP. JOHN COBB, HD 50, AUGUSTA This bill is to conduct a performance audit on the property appraisal system. We would like to contract with an independent appraiser to conduct a random sample of residential property for the purposes of comparing appraised value with that of the property assessment division. The cost of this bill is \$50,000 for 125 random sample residential appraisals across the state to see how well the appraisal system is working. It will cost approximately \$400 per appraisal. This bill does not address commercial appraisals because of the cost involved. This bill will also audit the CAMAS system, looking at the factors being used and how the system actually works. It will review whether the three year appraisal cycle is sufficient depending on DOR staff and expenditure level. We are looking at other state's experiences with property appraisal systems. This is scheduled to be completed by December 1, 1998, but I believe it will be completed sooner in case there is a special session. The auditors office can do a performance audit but does not have the money to hire independent appraisers to conduct this random sample.

Proponents' Testimony:

Mary Bryson, Department of Revenue I am here to answer any questions the committee may have.

Opponents' Testimony: None

{Tape: 1; Side: A; Approx. Time Count: 5:14; Comments: None.}

Questions From Committee Members and Responses:

SEN. TOM BECK I understand this is a separate appraisal done by an independent appraiser to verify the state's appraiser. Wouldn't it be cheaper if you went to a financial institution that already has an appraisal on that piece of property? REP. COBB I believe the sample must be random and it is necessary to know the appraiser's qualifications. We want to make sure everything is done correctly.

SEN. BECK I'd be most comfortable with the appraisal of the people loaning the money for the property. I've seen appraisals vary greatly from one appraiser to the next. I'm sure they will vary with the state's appraisal also. REP. COBB There will be a problem if there is no loan on the property picked by the random sample.

SEN. CHRIS CHRISTIAENS How was the figure of \$50,000 arrived at. REP. COBB Mr. Seacat researched appraisal costs and found the average residential appraisal is \$400. A commercial appraisal is \$4,000.

SEN. ARNIE MOHL Are there reasons for doing this, have there been some problems? **REP. COBB** The reason is we have a lawsuit saying the appraisal system is no good. If the CAMAS system is not working, is it because the information going into the system is wrong? We want to find out if the appraisal system we are using is correct or not.

SEN. MOHL Have we have checked into doing away with the state appraisers and using private appraisers? **REP. COBB** This bill isn't addressing that, this is to find out if the CAMAS systems is delivering accurate information. We are trying to find out if the information coming in and the data that CAMAS is using is correct or not. Years ago an audit was done, before the CAMAS system was used. This audit found problems that the DOR tried to fix by developing the CAMAS system. There hasn't been a check since CAMAS was put into effect. We want to find out if the property is worth what the DOR is saying it is worth.

SEN. BECK I understand the lawsuit was because the appraisals weren't done equally. DOR was using comparable sales on one appraisal and new construction depreciated on another. When these appraisals are done, are you going to look at how the property was appraised so you get a comparable appraisal. **REP. COBB** It will be appraised the same way as DOR did it. **Ms. Bryson** The Computer Assisted Mass Appraisal System (CAMAS) allows for each appraiser to put in information on different properties throughout the state. It does an appraisal based upon comparable sales and cost. That information is generated on each property as it goes through the system. It is our understanding that the contract appraiser would use those same methodologies because they are consistent in the appraisal field. They should come to a conclusion using the same basis for comparison purposes.

SEN. BECK Was the lawsuit created because of the fact that appraisals were done with different approaches? **Ms. Bryson** The lawsuit was based on the fact that the DOR did not have enough comparable sales information for every piece of property in the state. When DOR did not have comparable sales information we used the cost basis for residential property. The issue before the Supreme Court is that DOR calls CAMAS the method for appraising property and they don't agree that this is the method.

SEN. BECK Does CAMAS approach it from both ways? **Ms. Bryson** Yes it does, we use a third approach with income property, the income model. For residential we use the two approaches.

SEN. MIGNON WATERMAN Is this bill to audit the quality of information the assessors collect, not what CAMAS does with it once they get it? Is this to see if the assessments being done in the random audit come up with the same information to feed into CAMAS? **Ms. Bryson** It is my understanding they would conduct their appraisal based upon the information available to them and compare it to the appraisal numbers generated for those

same properties by the CAMAS system. If you have the same information in both places, would you come to the same number?

SEN. WATERMAN Will they also be looking at whether or not they reach the same conclusion on the information being fed into CAMAS? **Ms. Bryson** That is correct.

SEN. MOHL Which appraisal would be used if a discrepancy is found? **Ms. Bryson** I suspect there will be discrepancies because CAMAS is a mass appraisal system and is not designed to be accurate at the individual property level. The question will be, does it come to reasonable determination of appraisal on a mass basis? That is the question we hope the contract appraiser and the performance auditors will consider in their evaluation of the system. If there are significant differences, we assume they will tell us we need to modify our approach to doing mass appraisals.

SEN. GREG JERGESON I'm trying to understand what this would do in a number of scenarios. If the Supreme Court rules that CAMAS is being operated properly and this study determines CAMAS is not doing it properly, does that give new standing to go to court and challenge the reappraisal program? **John Shontz, Montana Association of Realtors** Probably not. The District Court decision that the Supreme Court is looking at is the fact that the DOR has used a mixture of market analysis and cost approach for appraising property. The Albright decision should not affect this legislation.

SEN. JERGESON If the court says the system is correct in its operation and application and the audit says there are flaws in CAMAS, are people going to take the information from the audit and challenge the reappraisal system? **Ms. Bryson** I suspect that whether they challenge the reappraisal system or not, we'll have a significant number of appeals on recent appraisals.

SEN. JERGESON Should the Supreme Court find CAMAS to be flawed and it is thrown out, what are we going to be auditing? **REP. COBB** We still have to use something, perhaps the same system. A bill similar to this was produced last session and didn't get out of the House. It would be nice to know what was going on out there now that this lawsuit has gone to the Supreme Court. We still need to know if the appraisals are being done correctly.

CHAIRMAN SWYSGOOD Is this reappraisal only being done on residential property? **REP. COBB** Yes, because I didn't have \$200,000 to do it on commercial property.

CHAIRMAN SWYSGOOD Should the reference to commercial property be taken out of the bill? **REP. COBB** We will still be looking at commercial property in the system and whether the factors are correct. The independent appraisal will only be done on residential property.

CHAIRMAN SWYSGOOD What was the cost to implement the CAMAS system? Ms. Bryson I don't know the answer to that question.

CHAIRMAN SWYSGOOD I would like information on the cost of CAMAS before executive action is taken.

SEN. DALE MAHLUM Will the samples be random throughout the state. REP. COBB Yes.

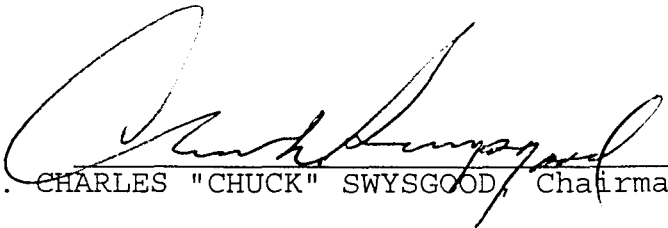
{Tape: 1; Side: A; Approx. Time Count: 5:30; Comments: None.}

Closing by Sponsor:

REP. COBB It would be good to know if the system works as there is a lot of concern about whether appraisals are being done correctly. This is the only way to find this out. I don't believe it will affect the lawsuit one way or another.

ADJOURNMENT

Adjournment: 5:32 p.m.


SEN. CHARLES "CHUCK" SWYSGOOD, Chairman


SHARON CUMMINGS, Secretary

CS/SC