

**BEFORE THE STATE BOARD OF EQUALIZATION
FOR THE STATE OF WYOMING**

IN THE MATTER OF NATRONA COUNTY) Order No. 2019-01
PROPERTY VALUATIONS FOR 2019-20)

ORDER

THIS MATTER came before the State Board of Equalization (State Board) following submission of the 2019 Natrona County Abstract Assessment Roll. The State Board, having considered the Abstract; having reviewed the sales ratios for conformance with the State Board Rules, Department of Revenue rules, and Wyoming Statutes; having identified several areas of statistical nonconformance with established State mass-appraisal metrics; having surveyed the Assessor's Office's compliance with other legal requirements; and having consulted with the Natrona County Assessor, his staff, and Wyoming Department of Revenue in an effort to gauge the Assessor's Office's ability to perform in accordance with law, finds and orders as follows:

1. Under the Wyoming Constitution and state statutes, the State Board must ensure the uniform valuation of real property. Wyo. Const., art. 15, §§ 10, 11(a), and 11(c); Wyo. Stat. Ann. § 39-11-102.1(c) (2019). The State Board has adopted rules which incorporate statistical standards to measure whether locally-assessed valuations in each county are uniform and at fair market value. Wyo. Stat. Ann. § 39-11-102.1(c)(xvi) (2019); Rules, Wyo. State Board of Equalization, Ch. 5 (2006); *infra* ¶ 3. The State Board's staff annually conducts a statistical sales ratio analysis of each county's valuations for this purpose. That statistical analysis relies heavily on input sales, relationships between current and prior year values and arm's-length sales, and other calculations to determine whether assessed property values are uniform, and whether they deviate substantially from fair market value indicators.

2. The Wyoming Department of Revenue must establish a property tax system by which properties are uniformly valued at fair market value. Wyo. Stat. Ann. § 39-11-102(a)(xv) (2019). The Department advises and instructs county assessors regarding administration of the State's property taxation system and has established a system to measure compliance. Wyo. Stat. Ann. § 39-11-102(a)(xvi) (2019). The Department may seek prosecution or other actions to address an official's misconduct or neglect of duty. Wyo. Stat. Ann. § 39-11-102(a)(xvii) (2019). The Department shall monitor the work of county assessors to ensure that the Department's guidelines are strictly observed. Wyo.

Stat. Ann. § 39-11-102(a)(xviii) (2019). County assessors, for their part, must “[f]aithfully and diligently follow and apply the orders, procedures and formulae of the department of revenue or orders of the state board of equalization for the appraisal and assessment of all taxable property[.]” Wyo. Stat. Ann. § 18-3-204(a)(ix) (2019).

3. The State Board evaluates appraisal accuracy and uniformity in four property classes: Residential-improved, Residential-vacant, Commercial-improved, and Commercial-vacant. Rules, Wyo. State Board of Equalization, Ch. 5, § 3(a)(iii) (2006). In each property class, to achieve statistical appraisal uniformity and accuracy:

i. an assessor’s level of appraisal median “confidence interval” must include “one or more points in the range of .95 to 1.05[.]”;

ii. an assessor’s coefficient of dispersion (COD) must be 15 or less for Residential-improved, and 20 or less for Residential-vacant, Commercial-improved, and Commercial-vacant;

iii. an assessor’s “price-related differential” (PRD) must fall between .98 and 1.03 for all property classes.

Rules, Wyo. State Board of Equalization, Ch. 5, § 6 (2006); *see also* Rules, Wyo. Dep’t of Revenue, Ch. 9 §§ 4(a)(viii), (xi), (xx), 6(a)(ii), (iii), (v) (2016).

4. Newly elected Natrona County Assessor (January 2019) Matthew Keating, along with members of his staff, met with the State Board and Department personnel shortly after Assessor assumed office. Assessor Keating requested the meeting to discuss departmental and State Board concerns about his Office’s ability to complete the 2019 property valuation process in compliance with Wyoming law. The concerns included the Assessor’s Office’s failure to timely update and manage property files following property sales, failure to include all property in assessments, failure to physically visit each property at least once every six years, and understaffing. These failures, the State Board suspected, might render the statistical analyses of Natrona County’s valuation undependable and less meaningful, preventing the Board from accurately evaluating the degree of Natrona County’s noncompliance.

5. At the initial meeting, Mr. Keating summarized challenges encountered since assuming his position as Natrona County Assessor, in particular hiring sufficient qualified staff. He described his consultation with Laramie County Assessor, Ken Guille, to review a county assessor’s office responsible for valuation of a similar number of property accounts. He reported that notwithstanding his direct requests for additional funding to hire additional staff, the Natrona County Board of Commissioners would not likely increase his budget or allow him to hire additional appraisal staff. The State Board acknowledged the past assessors’ passive acceptance of funding limitations.

6. Upon conducting its abstract review hearing¹ with the Natrona County Assessor on June 17, 2019, the State Board's statistical sales ratio analysis revealed the following levels of appraisal and uniformity ratings:²

	Residential-improved	Residential-vacant	Commercial-improved	Commercial-vacant
Median	0.95	0.91 (.82-1.01)	0.78 (.67-.89)	0.69 (.47-1.38)
C.O.D.	17.71	349.63	57.39	66.36
P.R.D	1.03	4.70	1.53	1.34

These statistical results reflected non-uniformity and undervaluation in nearly all categories. *See supra* ¶ 3.

7. Following consultation with the Natrona Assessor's Office and Department of Revenue personnel, the State Board inferred from the numbers that the Assessor's Office had not correctly processed and handled property sales data. The State Board suspected that the statistical analysis was based on faulty information and, therefore, the appraisal levels and uniformity measurements were not as bad as they appeared. (Natrona Cty. Abstract Hr'g audio, June 17, 2019). The State Board directed Assessor Keating, with the Department's assistance, to review the Assessor's sales files and resubmit its abstract to the State Board after correcting as much data as possible before the end of June. *Id.* The State Board conducted a second abstract review hearing on July 2, 2019, which Assessor again attended in person. (Natrona Cty. Abstract Hr'g audio, July 2, 2019). The State Board's sales ratio analysis of the Natrona County Assessor's resubmitted abstract revealed the following:³

	Residential-improved	Residential-vacant	Commercial-improved	Commercial-vacant
Median	0.95	0.91 (.82-1.01)	0.78 (.67-.89)	0.69 (.47-1.38)
C.O.D.	17.71	56.24	41.80	66.36
P.R.D	1.03	1.31	1.38	1.34

The Assessor's efforts to resolve mistakes in underlying data revealed a marginally improved valuation picture, but did not demonstrate compliance with the State Board's guidelines. *See supra* ¶ 3. Undervaluation of commercial properties and non-uniformity across all property types remained. *Id.*

¹ Two Natrona County Commissioners, Mr. Robert Henry and Mr. Forrest Chadwick, attended the abstract hearing and addressed the State Board. They announced that the County Assessor's Office would not likely receive additional funds to hire additional personnel.

² See Sales Ratio Analysis attached as Appendix A.

³ See second Sales Ratio Analysis attached as Appendix B.

8. The State Board reviewed reasons for the Natrona County Assessor's valuation noncompliance. (Natrona Cty. Abstract Hr'g. audios, June 17 and July 2, 2019). Chief among those, the Natrona County Assessor's Office has lacked continuity and adequate staffing. Four assessors have occupied that office from 2013 to 2019. With each change of assessor, staff turnover and loss of institutional expertise has occurred.

9. Coupled with historic inconsistency at the Office's elected position, chronic understaffing and turnover of employees have sapped the Office's ability to consistently perform. The Natrona County Assessor's Office currently employs 13.5 positions, including 5.5 positions to perform fieldwork—to periodically examine all properties and track properties recently sold, constructed, renovated, and the like. Much of its staff are new and have not yet become certified appraisers per departmental guidelines. Training is therefore required. The Natrona County Assessor's Office currently values approximately 44,818 real property parcels. The Laramie County Assessor's Office values a similar number of accounts but, by contrast, employs 21.

10. The Natrona County Assessor, citing understaffing, informed the State Board that he would not likely satisfy the requirement that appraisers physically examine all parcels at least once every six years. Rules, Wyo. Dep't of Revenue, Ch. 9 § 2 (2014). The Natrona Board of County Commissioners, he explained, would not fund additional positions. Members of the County Board, who attended the first Abstract hearing, confirmed that. (Natrona Cty. Abstract Hr'g. audio, June 17, 2019).

11. The State Board, in consultation with the Department of Revenue, identified several areas requiring immediate attention. First, the Assessor's Office must update and maintain property account files to ensure all recent sales are examined and related information is handled correctly. This must include timely examination of sales occurring in 2019, as well as review of prior year sales that have yet to be reviewed, verified, and classified within the Office's valuation process. Second, account files for parcels of property must include all taxable property: the systemic omission of certain property categories is not permitted and results in non-uniformity. Third, the Assessor's Office must examine and address land values to ensure all land is valued at fair market value. In this vein, the Assessor's Office must appropriately stratify neighborhoods or other property groupings to ensure that all lands are valued based on at least five sales as required by departmental rule. Rules, Wyo. Dep't of Revenue, Ch. 9 § 6(i) (2014). It is imperative that the Assessor's Office rectify these omissions and update administrative protocols to ensure a consistently effective valuation process.

12. Because Assessor's Office will reportedly not physically view enough parcels to achieve the six year cycle requirement, *supra* ¶ 9, he must present a plan for how he will remedy this critical omission—to either obtain sufficient funding or satisfy this requirement with the staff he can presently hire. Per Wyoming's Constitution, this Board

must intercede to ensure uniformity and compliance with law. Wyo. Const., art. 15, § 10; Wyo. Stat. Ann. § 39-11-102.1 (2019).

13. Although not an exhaustive list of the Board's enforcement powers, several remedial actions are authorized pursuant to Ch. 5 §4(m) and, under Ch. 5 §7(a)(i) and (ii) of the State Board rules:

(a) The Board shall make its initial decision on action to be taken through analysis of the statistical studies. Upon completion of its analysis:

(i) If the Board determines a county is not in compliance with the overall level of appraisal as stated in Section 6(a)(i).

(A) the Board shall informally notify and provide all documentation and test results to the county assessor of its initial findings and preliminary intended equalization action and confer with the county assessor to explain the reasons for the indicated action, affording the county assessor the opportunity to review, respond and explain any misunderstanding or indicated errors in the statistical studies.

(B) if the Board determines current year equalization action is still necessary following discussion as provided in paragraph (a)(i)(A) of this section, it will provide not less than twenty (20) days notice of the proposed action to the county board of equalization and county assessor of the county in which the property is situated. If requested, the Board shall provide an opportunity for a hearing to the county board of equalization and county assessor of the affected county. The hearing, without contested case procedures, shall be held in the affected county and provide an opportunity for comment and presentation of information. If, after the hearing, the Board determines equalization is still necessary, it will issue an equalization order and work with the county board of equalization and county assessor to determine the best method by which to effect the equalization action.

(ii) If the Board determines a county is not in compliance with appraisal uniformity as stated in Section 6(a)(ii).

(A) the Board shall informally notify the county assessor of its initial findings and meet with the county assessor to explain the reasons for the indicated action, affording the county assessor or designee the opportunity to review, respond and explain any misunderstanding or indicated errors in the statistical studies.

(B) if the Board determines a county is out of compliance and reappraisal is more appropriate to correct assessment bias, the Board may order reappraisal to bring the county into compliance. The reappraisal shall be completed prior to submission of the next abstract.

(C) if the Board determines any inequities can be remedied during the next year through changed work practices, the Board will communicate its recommendation to the Department of Revenue pursuant to W.S. 39-11-102.1. If the Board has recommended work practice changes and the same noncompliance issue is present in the next appraisal cycle, the Board may issue an equalization order to correct these uniformity issues.

WHEREFORE, the Board determines:

I. That for its 2019 assessment, the Natrona County Assessor's Office undervalued the County's commercial-improved property and did not comply with the Board's valuation guidelines. The Board's sales ratio analysis indicates an appraisal level of less than .95, and the confidence interval for that class of property does not overlap with the prescribed range of .95 to 1.05. *Supra* ¶¶ 3, 7.

II. That for the 2019 assessment, the Natrona County Assessor's Office failed to value Natrona County properties with the required level of uniformity for any of the four classes of property: residential-improved, residential-vacant, commercial-improved, or commercial-vacant. The Board's sales ratio study revealed a C.O.D. in excess of the Board's standard, and in three of the four property classes, far in excess of the Board's required level of uniformity. *Supra* ¶ 7. This means that the Assessor's Office did not uniformly appraise all similar Natrona County properties. *See* Rules, Wyo. Dep't of Revenue, Ch. 9 § 4(a)(viii) (2016).

III. That for the 2019 assessment, the Natrona County Assessor's Office failed to satisfy a separate measurement of appraisal uniformity. The Board's sales ratio analysis indicated that valuations in each property class undervalued higher valued properties relative to lower valued properties. In each instance, the Board calculated a P.R.D. far in excess of 1.03, the upper limit of the required range.

IV. However, the described deficiencies and noncompliance are not the result of deliberate malfeasance, disinterest, or bad faith in the execution of appraisal responsibilities or the statutory duties of the Office. Rather, Assessor Keating's transition into the elected office in the wake of years of understaffing, given his lack of appraisal experience and the recent departure of experienced staff, created a difficult administrative challenge that will require additional time and resources to correct.

V. Finally, the noncompliance is to such a degree that the State Board must order immediate corrective action to reverse the undervaluation and non-uniformity in all classes of property. However, assisting and supporting of the Natrona County Assessor's Office,

rather than more disruptive options such as equalization or reappraisal, are the best option under the circumstances to achieve compliance with Wyoming law.

IT IS THEREFORE HEREBY ORDERED, pursuant to Wyoming Statutes sections 39-11-101.1(c)(vi) & (xi) (2015), 39-11-102(a)(xv), (xvi) & (xviii) (2019), and Rules, Wyoming State Board of Equalization, Chapter 5, § 7(a)(ii)(C) (2006), the Natrona County Assessor shall comply with the following:

A. The Natrona County Assessor and staff of that Office shall immediately undertake a complete review of all account files to ensure they are properly organized, and that all sales, new construction, renovations, remodels, or similar property account changes are up to date and verified. The Department's Property Tax Division shall monitor, advise, assist, review, and report the Assessor's Office's progress.

B. The Natrona County Assessor and staff of that Office shall attend to and examine properties sold in 2019, and prior years' sales to the extent the Office has not done so, to ensure values for the 2020 assessment cycle are accurate and are derived from the most recent market sales. The Assessor's Office shall follow all departmental regulatory guidance in this field work, as well as other mentoring and guidance from the Department. The Department's Property Tax Division shall monitor, advise, assist, review and report the Assessor's Office's progress.

C. The Natrona County Assessor and staff of that Office shall ensure that all properties and improvements are systematically included in the assessment valuation process. The Department's Property Tax Division shall monitor, advise, assist, review and report the Assessor's Office's progress.

D. The Natrona County Assessor and staff of that Office shall, to the extent necessary, re-stratify all groupings, neighborhoods, or other strata of properties to ensure that all properties are valued based upon the sale of at least five sold properties, as required by departmental rule. *See* Rules, Wyo. Dep't of Revenue, Ch. 9 § 6(a)(i) (2016). The Department's Property Tax Division shall monitor, advise, assist, review and report the Assessor's Office's progress. The Natrona County Assessor shall not issue 2020 valuation notices until it has submitted verification of this re-stratification to the Department of Revenue.

E. The Natrona County Assessor and staff of that Office shall, to the extent necessary, adjust property values to ensure that uniformity and fair market valuation standards are achieved.

F. The Natrona County Assessor and staff of that Office shall present a plan to the State Board of Equalization no later than October 1, 2019, detailing how it will satisfy

departmental requirement that all properties be physically inspected at least once every six years. *Supra* ¶ 10.

G. Upon the Department's written notice to the State Board that the Natrona County Assessor is not reasonably complying with all requirements stated herein, or, upon the Board's own motion in the event that the Assessor does not comply with the State Board's Order, the **State Board may initiate additional appropriate proceedings at Natrona County's sole expense, including but not limited to, rejection of Natrona County's valuations and equalization or reappraisal.**

DATED this 30th day of July, 2019

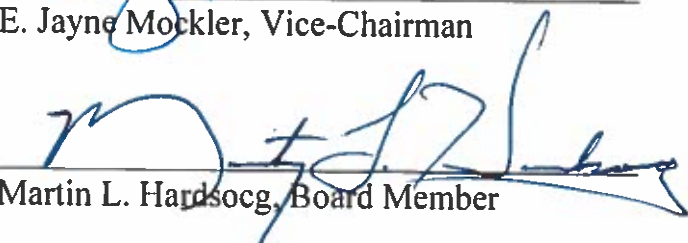
STATE BOARD OF EQUALIZATION



David L. Delicath, Chairman



E. Jayne Mockler, Vice-Chairman



Martin L. Hardsocg, Board Member

ATTEST:



Nadia Broome, Executive Assistant

cc: Dan Noble, Director, Dep't of Revenue
Brenda Arnold, Administrator, Property Tax Div., Dep't of Revenue
Board of County Commissioners, Natrona County
CCH; ABA State and Local Tax Reporter; Tax Analysts
State Library; File