

A LOOK AHEAD...

November 6 - 9
Real Property Appraisal
Unit II • Tulsa

November 22
Thanksgiving Day

November 28 - 30
Personal Property
Unit V • Tulsa



DIRECTOR'S NOTES...

CHALLENGES ABOUND, BUT ASSESSORS ARE UP TO THE TASK

October? Where did 2001 go? Don't ask me. I don't have any good answers to that question as we draw nearer to the end of one of the most challenging years I've ever gone through. The terrible events in New York and Washington don't seem to be less painful even as the time goes by. It's a tremendous obstacle that will force all of us to put forward our best efforts for our nation to conquer and overcome.

As the various national leaders have said, we need to return to normal and for Oklahomans this is a great time of year: cooler weather, Halloween, Friday night football, the last of the budget conferences, tax bills, and the County Assessors' Association Convention.

Despite all the turmoil of the year at a national level, we have once again had a good year through the partnership of the County Assessors' Association, Center for Local Government Technology (CLGT) and State Auditor and Inspector (SA&I) and the Oklahoma Tax Commission Ad Valorem Division. We've had a good ten months in the ad valorem system.

By the time you read this newsletter, the State Board of Equalization (SBOE) will have held its meeting and we'll have had the first meeting of the Task Force on Assessment Practices. Regardless of whatever comes out of that process, the ad valorem system will be prepared to meet the challenge. There are only a few issues that can't be resolved with hard work and cooperation. After what has happened to

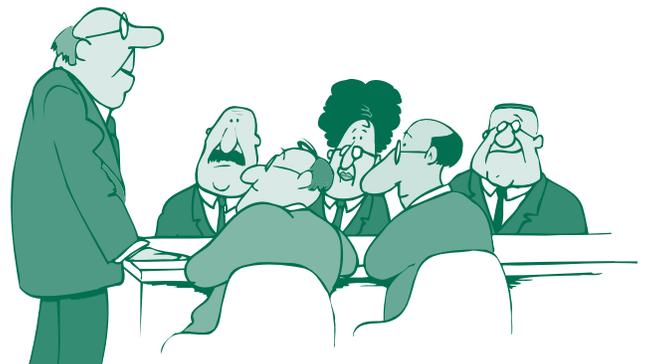
this nation, many issues seem to be smaller and less significant than they once appeared.

Finally, we appreciate all the hard work of the county assessors and deputies this year. I'm always reminded of the old book *Atlas Shrugged* about people who hold the world together by doing the hard and sometimes unpopular work that has to be done to make our country great. We have a responsibility to make the ad valorem system better than it was when it was given to us. Efforts to constantly improve the system are extremely important and we appreciate the efforts of the members of the County Assessors' Association who've made that happen. Thanks.

Sincerely,

Jeff Spelman, CAE
Director, Ad Valorem Division

P.S. I find I'm luckier the harder I work. Dr. Denton Cooley.



ACTUAL HOME PRICE INCREASES EXCEED CONSTITUTIONAL VALUATION LIMITATIONS

For both this past year and for a five-year period, gains in Oklahoma home values have matched or exceeded the Constitutional 5% cap limitations, according to a recent report issued by the Office of Federal Housing Enterprise Oversight (OFHEO).

The housing report reveals that home prices in Oklahoma rose 6.9% from June 30, 2000 to June 30, 2001, and that the appreciation in home values over the past five years was 26.4%.

The Oklahoma numbers compare favorably to those of surrounding states. New Mexico showed a 5.1% gain over the past year, Arkansas 5.9%, Kansas 6.2%, Missouri 6.4%, Louisiana 6.4%, Texas 7.4% and Colorado 10.3%.

The housing price index (HPI) published by the OFHEO is designed to capture changes in the value of single-family homes in the U.S. as a whole, in various regions of the country, and in the individual states and the District of Columbia.

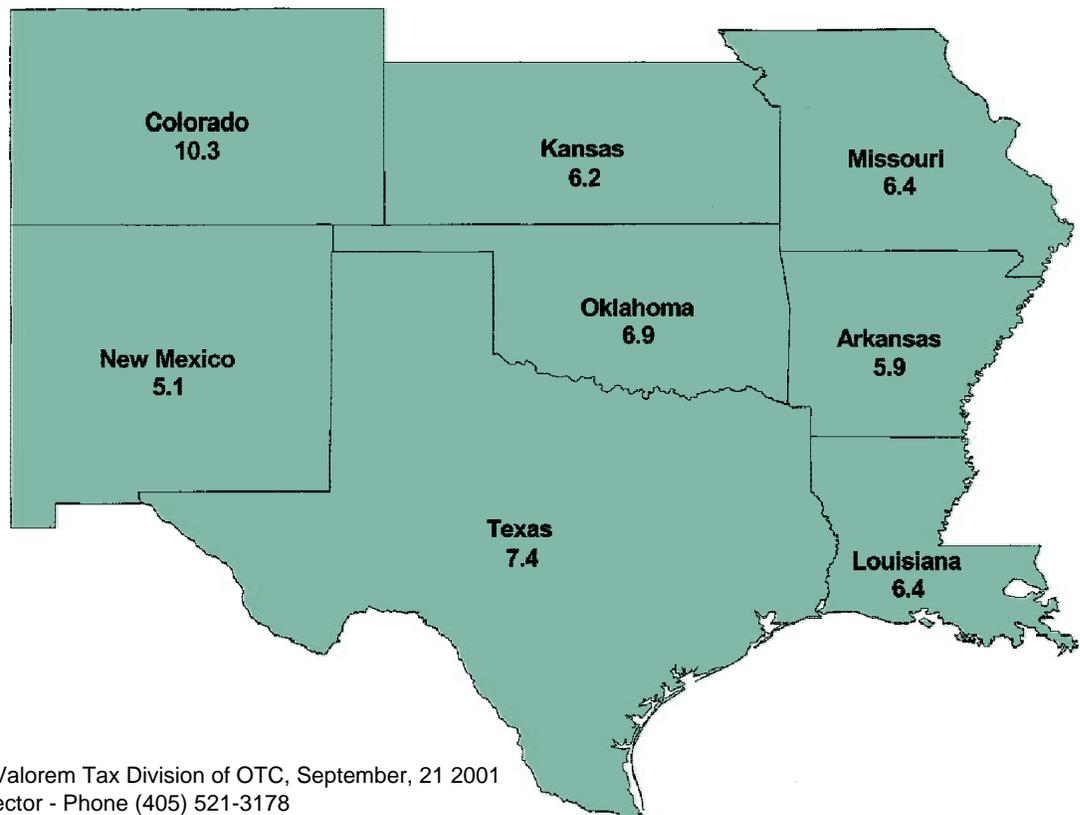
The HPI is published by the OFHEO using data provided by Fannie Mae and Freddie Mac. It is a broad measure of the movement of single-family house prices. Because of the breadth of the sample, it provides more information than is available in other house price indexes.

The HPI is a weighted repeat sales index, meaning that it measures average price changes in repeat sales or refinancings on the same properties. Mortgages on properties financed by government-insured loans, such as FHA or VA mortgages, are excluded from the HPI, as are properties with mortgages whose principal amount exceeds the conforming loan limit. Mortgage transactions on condominiums or multi-unit properties are also excluded.

The latest OFHEO report can be viewed in its entirety at the following location on the World Wide Web:

<http://www.ofheo.gov>.

ONE YEAR CHANGES IN HOUSE PRICES SECOND QUARTER 2000 TO SECOND QUARTER 2001



CAMA COST TABLE REVIEW NEARS COMPLETION

With the assistance of an Assessor's Association Cost Table Review subcommittee, the Ad Valorem Division is completing work on revisions to the cost tables in the state CAMA system.

Members of the subcommittee are Debbie Collins, Cynthia Holtwick, and Wade Patterson. The subcommittee met with the Ad Valorem Division July 6 to discuss residential cost table modifications.

The subcommittee gave a report along with its recommendations to the OTC / SA&I Coordination Committee at its meeting July 10.

Another meeting to discuss metal home pricing, manufactured housing cost adjustments, and commercial index factors will take place prior to publication of this newsletter.

After final subcommittee recommendations are made to the Coordination Committee, the Ad Valorem Division will install the new table updates in state system counties.

The original cost numbers in the State System were developed with an effective date of May, 1992 and as such are outdated and in need of revision to reflect current replacement costs new for the state.

The cost figures provided by the Ad Valorem Division are a merely a starting point for county valuation. The numbers should be adjusted to each county based on detailed market analysis at the county and neighborhood levels.

The ultimate responsibility for establishing values is that of the county assessor, who should take into consideration local market conditions, sales activity and other local economic and market factors when arriving at a value determination.



SBOE CERTIFIES SUPPLEMENTAL PUBLIC SERVICE VALUES

The State Board of Equalization has met and certified the fair cash values of those public service companies valued as supplemental for 2001. Procedurally, assessed values will be apportioned to the respective taxing jurisdictions roughly five (5) days after the twenty day protest period has expired so that those who may protest can be identified.

This supplemental certification consisted primarily of fiber optic/telecommunication companies. These companies predominately operate in the major metro areas and/or along major thoroughfares (interstates, turnpikes...), and therefore will not have situs in every county. As is always the case when a county does receive public service values, please review the company names, the school districts, and the assessed values.

ELECTRIC RESTRUCTURING ADVISORY COMMITTEE MEETS

The Electric Restructuring Advisory Committee held its second meeting on September 19 at Cameron University in Lawton.

Seven members of the nine member Advisory Committee heard presentations related to electric restructuring issues. The primary focus of those presentations related to transmissions systems located in Oklahoma.

A general discussion of electric restructuring issues took place, with participation and involvement by the Oklahoma Corporation Commission, Public Utilities Commission. Ken Zimmerman represented the Corporation Commission. Mr. Zimmerman presented summary information to the advisory committee which identified Oklahoma's current electric providers. The information provided an overview of each entity's operating characteristics.

Three Oklahoma transmission owners/users made presentations to the Advisory Committee describing their systems. Western Farmers Electric Cooperative, AEP/Public Service Company of Oklahoma and the Southwestern Power Administration.

MESO/OMPA presented information to the Advisory Committee on a Transco/Gridco transmission proposal.

The Oklahoma Wind Power Initiative provided the Advisory Committee information on the potential of renewable energy as a source of electrical energy and the associated needs of that new industrial prospect.

Energetix provided information to the Advisory Committee about transmission issues faced by independent power producers constructing new facilities in Oklahoma.

Opportunities for public comment are also part of each Advisory Committee meeting. Representatives of Goodyear Tire Co., AARP and OIEC provided the Committee with information relating to their views during the public comment period.

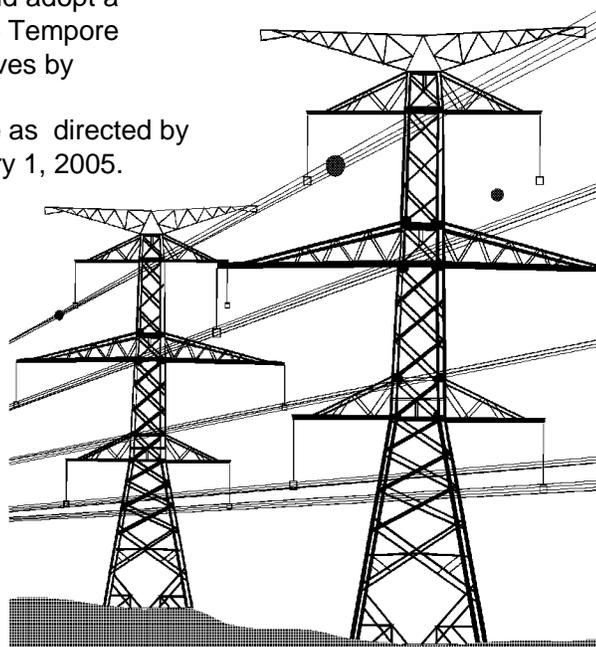
The Advisory Committee was created through Senate Bill 440 this past legislative session to continue to examine the electric industry restructuring issues.

The statutory charge of the Advisory Committee is to prepare an interim report relating to transmission issues by no later than December 31, 2001, and adopt a final report to be delivered to the Governor, the President Pro Tempore of the Senate and the Speaker of the House of Representatives by no later than December 31, 2002.

The Advisory Committee will remain in effect and operate as directed by statute until its termination, which will be no later than January 1, 2005.

The Advisory Committee is composed of nine members as follows:

1. Chair, Senate Energy Committee - Sen. Kevin Easley,
2. Chair, House Energy Committee - Rep. Larry Rice,
3. The Governor (or his designee) - Secretary of State Mike Hunter,
4. The Attorney General - Drew Edmondson,
5. A Corporation Commissioner (selected by the Commission) - Chair Denise Bode,
6. The Vice-Chair of the Oklahoma Tax Commission - Jerry Johnson,
7. The Superintendent of Public Instruction - Sandy Garrett,
8. House Minority Member - Rep. John Wright,
9. Senate Minority Member - Sen. Jerry Smith.



ATTORNEY GENERAL OPINION SUPPORTS CURRENT CONSTITUTIONAL VALUATION CAP PROCEDURES

A recent Attorney General Opinion affirms that county assessors are not only authorized to raise the taxable values of real property by as much as 5 percent a year, but are obligated to raise them each year until they reach actual fair cash value.

Opinion 01-36 was issued September 7 by Attorney General Drew Edmondson. This opinion was sought by five state lawmakers and the Oklahoma County district attorney after concerns were raised that the intent of a constitutional amendment meant to limit increases in property taxes was not being followed. The Oklahoma Constitution was amended in 1996 by a vote of the people.

A summary of the official opinion follows:

If the fair cash value of a parcel of locally assessed real property increases by more than five percent from one year to the next, Article X, Section 8B of the Oklahoma Constitution limits the increase in assessed fair cash value to a maximum of five percent for such assessment year.

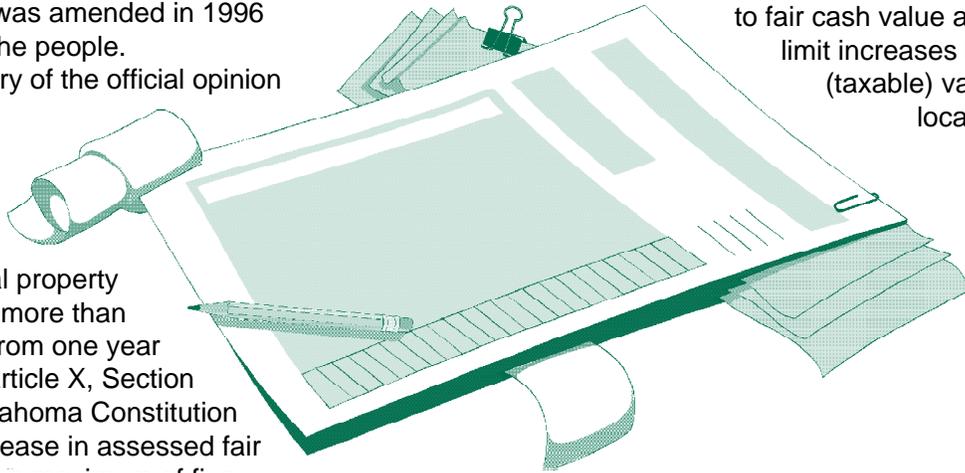
Pursuant to Article X, Section 8B of the Oklahoma Constitution, if the fair cash value of a parcel of locally assessed real property increases more than five percent in succeeding assessment years, a county assessor cannot increase the assessed fair cash value of that parcel by more than five percent of the assessed fair cash value for the parcel established during the preceding assessment year.

Article X, § 8 of the Oklahoma Constitution and 68 O.S. Supp. 2000 § 2817 require a county assessor to value taxable property at its fair cash value. An Assessor must increase the assessed fair cash value of a parcel of locally assessed real property which is subject to the provisions of Article X, Section 8B of the Oklahoma Constitution by five percent each year until the assessed fair cash value is within five percent of the actual fair cash value,

and in the following year by whatever percentage less than five percent is required to make the assessed fair cash value equal to the actual fair cash value.

It does not violate Article X, Section 8B of the Oklahoma Constitution and 68 O.S. Supp. 2000, § 2817.1, for an assessor to increase the assessed fair cash value of real property from a preceding year until the assessed fair cash value reaches the actual fair cash value.

The limitations found in Article X, Section 8B of the Oklahoma Constitution apply only to fair cash value and do not directly limit increases in the assessed (taxable) value of a parcel of locally assessed real property.



If the actual fair market value for a parcel of locally assessed real property increases by twenty percent in any taxable year, the Oklahoma Constitution and 68 O.S. Supp. 2000, § 2817 require a county assessor to increase the fair cash value of the parcel, for ad valorem tax purposes, at the five percent annual maximum prescribed by Section 8B of Article X until the twenty percent increases is reflected on the assessment roll.

Article X, Section 8B of the Oklahoma Constitution together with 68 O.S. Supp. 2000, §§ 2817 and 2817.1 mandate that a county assessor must increase the fair cash value of the relevant category of real property by *less than* five percent, if such an increase is required to assess the property at its actual fair cash value.

There can be no increase in the assessed fair cash value unless such increase is necessary to reflect the actual fair cash value.

CALIFORNIA TRIES TO TAKE PROPERTY TAX BASE TO “NEW HEIGHTS”

Talk about expanding the definition of taxable property. Los Angeles County Assessor Rick Auerbach wanted to tax eight satellites that hover 22,000 miles over the earth.

Auerbach came across the satellites during a routine audit of Hughes Electronics. He figured they were fair game, since they were owned by a business based in the county and no other jurisdiction was taxing them.

The California State Board of Equalization, however, decided to extend the doctrine of “no taxation without representation” into outer space. It blocked Auerbach’s proposal.

Not that Auerbach’s idea was totally pie-in-the-sky. In researching the issue, Auerbach noted a precedent in which a court allowed his office to tax property belonging to the Ice Capades, even though the skaters spend most of their time outside of Los Angeles County.

The county attorney’s office agreed with Auerbach’s reasoning, as did staff with the Board of Equalization, which oversees collection of

California’s sales and use taxes.

State Treasurer Kathleen Connell, however, who sits on the board, convinced a majority of its members “that there should be language adopted in the tax code, that satellites in outer space have no tax status in California,” according to a board spokesman.

The board will hold a public hearing on the matter soon, with final language to be developed. Auerbach is not expected to challenge the final rule.

“The county can’t provide any services to these satellites,” conceded an Auerbach assistant. “They’re not even over California.”

(From an article by Alan Greenblatt appearing in the September, 2001 issue of Governing Magazine).



“MAPPING MINUTE”

WITH TROY FRAZIER

I have good news and I have bad news.

The good news is that OU’s Geo Information Systems is making the school district maps more accurate. The bad news is that you will receive *another* set of school district maps sometime in November to replace the ones on the CD that you received in Tulsa.

I assumed that OU was mapping the school districts as accurately as possible. I assumed that these school districts would not be off more than the traditional 30-40 feet because OU was using the TIGER section lines.

I was wrong. Instead of creating the school district maps themselves, OU modified TIGER school district boundaries to match current boundaries. They did not move lines to better line up with quarter section lines.

The TIGER rate of error on the school districts is up to 300+ feet. Thanks to a couple of counties even more stubborn than me, this problem is now being corrected by OU. OU should have the corrected school district maps done by November.

It seems that even though by statute the assessors are supposed to use the maps created by OU under the direction of the Department of Education, no one gave consideration that the maps should be accurate enough to be actually used for that purpose.

Also with the new school districts, I will try to send you a copy of the FEMA flood planes map.

Remember: Beware of state employees offering gifts and good intentions.