

COOK COUNTY BUSINESS CASE

PROJECT PROPOSAL TITLE: Board of Review PTAB Defense Division

INVESTMENT COSTS (IF ANY): \$1,039,186

2017 ESTIMATED SAVINGS/REVENUE:

Currently all taxing bodies in Cook County have a tax refund exposure of \$520 million (Cook County's share \$34.5 million). In 2015 our current efforts saved the taxing bodies **\$125 million (\$9.3 million for Cook County and Forest Preserve).**

BASED ON 2015 NUMBERS ESTIMATED ANNUAL SAVINGS/REVENUE:

Year one: 10% increase of recovered funds of closed cases—\$12.5mil/ \$1mil

Year two: 15% increase of recovered funds of closed cases--\$18mil/\$1.5mil

Year three: 20% increase of recovered funds of closed cases--\$25 mil/\$2mil

Year four: 30-40% increase of recovered funds of closed cases--\$37.5mil-\$50mil/\$3mil-\$4mil

Over 10 years the total savings with additional investment to new PTAB Defense Division will be \$1.37 Billion for taxing bodies and \$140 Million for Cook County.

Please see attachment A for year over year details.

IMPACTED FUND: Every taxing body in the county

DEPARTMENT/BUREAU: Cook County Board of Review

PREPARED BY: Board of Review

DATE: October 28, 2016

1. SUMMARY OF THE PROPOSAL

The Board of Review is proposing the creation of a separate division within the Board of Review focused on PTAB defense. A dedicated division will allow the Board to better defend the County's property tax base and maximize the savings on the total liability of all taxing bodies' currently at \$520 Million. The Board will create long and short-term strategies to minimize

future volume of frivolous PTAB appeals, reduce the dollar amount of refunds from current and future appeals, reduce the backlog of cases pending and shorten the lifecycle of PTAB dockets.

The Board's short and long term strategies will include providing specialized, dedicated analysts to defend Board of Review decisions at PTAB, educating and engaging taxing bodies on process and role in PTAB defense, and effecting legislative change in Springfield to even the playing field in the PTAB process.

The combined tactics will provide a coordinated defense of the Cook County property tax base and act as a deterrent to frivolous filings at PTAB. With the caseload reduction, the exposure to the County and other taxing bodies will be reduced and the Board of Review can concentrate on defending appeals in the hearing process and significantly reduce the loss of funds and interest. Our goal of this project is to reduce the loss of property tax dollars thru PTAB decisions thus reducing the tax revenue exposure not only for the County but all taxing bodies.

2. BACKGROUND

The Property Tax Appeal Board (PTAB) was created by Illinois Statute (35 ILCS 200/7-5). In 1996, the State of Illinois extended PTAB's jurisdiction to Cook County. (35 ILCS 200/16-160). The purpose of the Property Tax Appeal Board was to provide residents a venue to appeal Boards' of Review decisions. There is no filing fee at PTAB and all cases are reviewed "de novo." Both parties have the right to a hearing or have the case decided on the evidence are heard by Administrative Law Judges (ALJs) retained by PTAB to hear all cases.

Currently, Cook County Board of Review (CCBOR) analysts, whose primary responsibility is to analyze assessment appeals, also defend PTAB cases. Therefore, the defense of PTAB is a secondary function of the Board. The majority of the PTAB work is spread across 20 analysts from the three Commissioners' staffs. However, as the number of BOR appeals has increased exponentially (e.g. from 130,000 appeals in 2005 to a record 476,000 appeals in 2015-2016), CCBOR analysts have been required to focus on their statutory duty of analyzing assessment appeals. The CCBOR has less time and fewer resources to process PTAB responses, thereby increasing the interest liability. In addition, CCBOR analysts are only able to do the statutory minimum requirements, i.e. provide copies of the CCBOR's written work product, which significantly increases the chance for loss of funds without legal briefs, appraisal reports and other evidence and support at PTAB. Without a dedicated staff and improved evidence responses, taxing bodies and Cook County are risking millions of tax dollars.

3. POTENTIAL BUDGET IMPACT

2017 BUDGET IMPACT

Currently the defense of PTAB is paid for through the BOR's annual budget. We are proposing creating a new budget line item and shifting the cost of PTAB to that division and then adding funding. Below is an outline of the current cost of PTAB:

Personnel—FTEs

Administration- 6	\$352,680 ¹
Defense ²	\$301,486

Administrative Costs

Co-Star License \$25,627	
Postage \$20,000	
Surveys & Sidwell	\$2,802
Office Supplies \$15,612	

Total current BOR investment: \$718,207

Our proposal is to supplement the division with new attorneys, analysts and real estate specialists to be dedicated to PTAB defense year round.

Personnel--FTEs

Senior analysts (Attorneys) (Grade 23)	6	\$458,664
Appeals Specialists (Grade 20)	3	\$181,410
Analysts (Grade 18)	3	\$150,840

Total: 12 \$790,914³

Evidence Resources

Appraisal budget	\$150,000
Co-star licenses (4)	\$15,000
Total:	\$165,000

¹ Does not include benefits

² An estimated 7,960 hours a year is spent by BOR analysts preparing evidence, going to hearings, writing briefs etc..

³ Does not include benefits

<u>Capital</u>	
Office space and equipment (12)	\$40,000
Computers (13)	\$25,740
OnBase Licenses (12)	\$17,532
Total:	\$83,272

Total Annual New Investment **\$1,039,186**

ANNUAL BUDGET IMPACT:
\$955,914

FOR RATE OF RETURN INFORMATION, PLEASE SEE ATTACHMENT A

4. STAKEHOLDERS

All taxing bodies within Cook County as well as all taxpayers.

5. PROJECT PROS:

This project will reduce \$520 million tax liability for taxing bodies such as schools, libraries, and municipalities throughout Cook County. Every Cook County resident will benefit either through a relief in property tax burden or taxing bodies' ability to fund programs to benefit communities.

Cook County will benefit directly. Through the first 5 years of this program, the PTAB tax losses will be reduced by over \$10 million, allowing the County to use those funds for core functions such as criminal justice or health care.

PROJECT CONS: N/A

6. PROCUREMENT CONSIDERATIONS: NONE

7. LEGAL REQUIREMENTS: Budget amendment to fund the Division

8. TIMING AND IMPLEMENTATION PLAN The BOR will launch the division in the first quarter of the 2017 fiscal year. Three distinct actions and phases will be initialed:

- First phase—defense of the existing caseload with dedicated resources. This should improve the defense of the standing cases and allow for better settlement conference outcomes. We will target the 12,000 commercial and industrial cases, raising tax retention from 10% to 40%.
- Second phase—improved evidence collection for commercial and Industrial properties (on cases we have not submitted evidence). This phase will start to show a return in 3-5 years.
- Third phase—outreach taxing bodies/Legislature. Educate taxing bodies on their rights and responsibilities of defending the assessment at PTAB. Coordinate a legislative strategy with stakeholders to make changes to Property Tax code to make evidence, appellant rules and hearing procedures fairer to taxing bodies and those who rely on property taxes. The goal would be to decrease the number of frivolous filings thus decreasing the County's and the taxing bodies' property tax revenue exposure.

9. BEST PRACTICES AND BENCHMARKING OTHER COUNTIES

This is the first of its kind in Illinois. Because of the size of the Board of Review (largest in the Country) it is difficult to compare to other offices or projects.