

Discussion of
**“The Role of Property Assessment Oversight in School
Finance Inequality”**
by Alex Combs, John Foster, and Erin Troland

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What does the paper do?

- ▶ Spectacular paper measuring how state intervention in measuring *assessed values* impacts property tax outcomes
 - ▶ **Context:** “adequacy” school finance reforms direct resources to less funded schools → grant more state money to lower-wealth school districts
 - ▶ Similar reforms across many states from the 1990s through today
 - ▶ Trying to support school funding across state and encourage schools to raise their own revenue when possible
 - ▶ In Kentucky around 1990, an adequacy reform coupled with state intervention in assessing property values:
 1. 25 counties with “Emergency Reassessment”
 2. 68 counties with “Technical Assistance”
 3. 27 counties with no intervention

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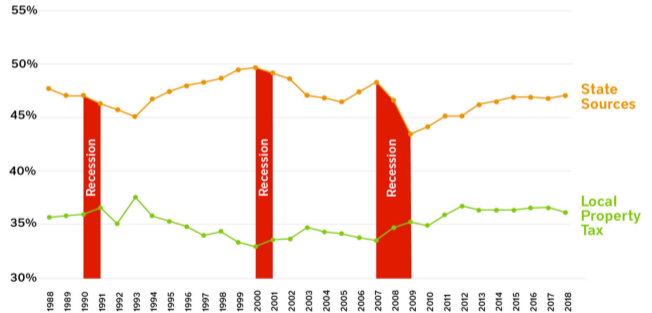
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 - ▶ Similar reforms across many states from the 1990s through today
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 - ▶ In Kentucky around 1990, an adequacy reform coupled with state intervention in assessing property values:
 1. 25 counties with “Emergency Reassessment”
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 - ▶ **Method:** Difference-in-differences with different levels of treatment surrounding the KY reform (Average treatment on the treated)

Why do we care?

- ▶ There has been a policy movement over 50 years trying to reduce the school finance reliance on property taxes (Kenyon, Paquin, and Munteanu, 2022), still over 35%
- ▶ Policies to support net revenue, relatively less attention to bases (beyond education finance: Suárez Serrato and Zidar, 2018)

Figure 1

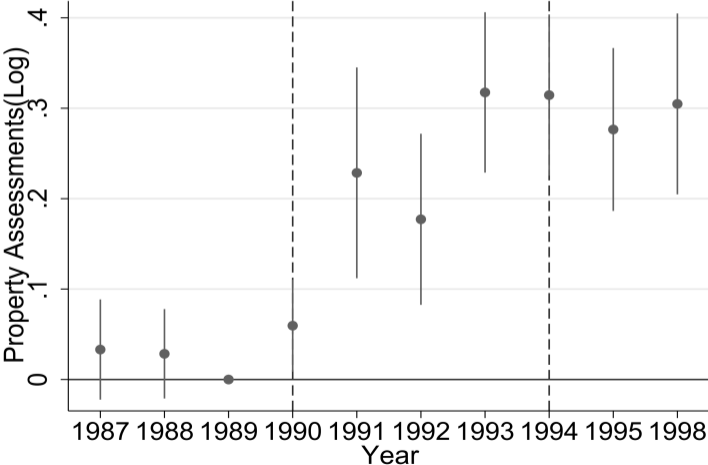
State Aid and Local Property Tax as a Share of United States K–12 Education Revenues, FY1989–FY2019



Source: Kenyon, Paquin, and Munteanu, 2022, Lincoln Land Institute

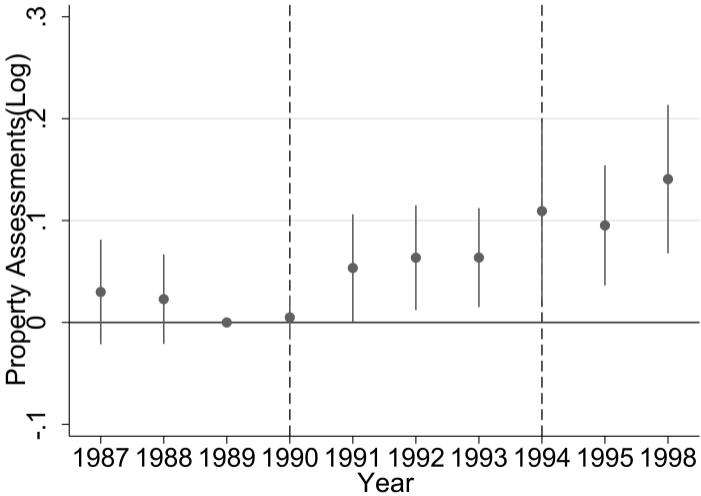
What do we learn?

Panel A – Emergency Reassessment Counties



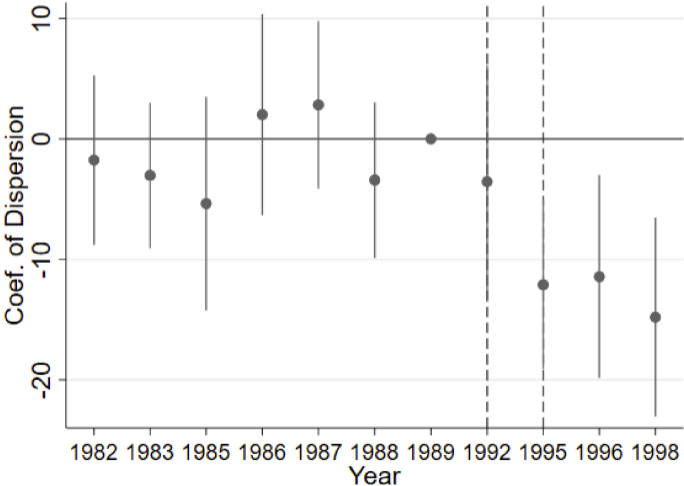
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Panel B – Technical Assistance Counties



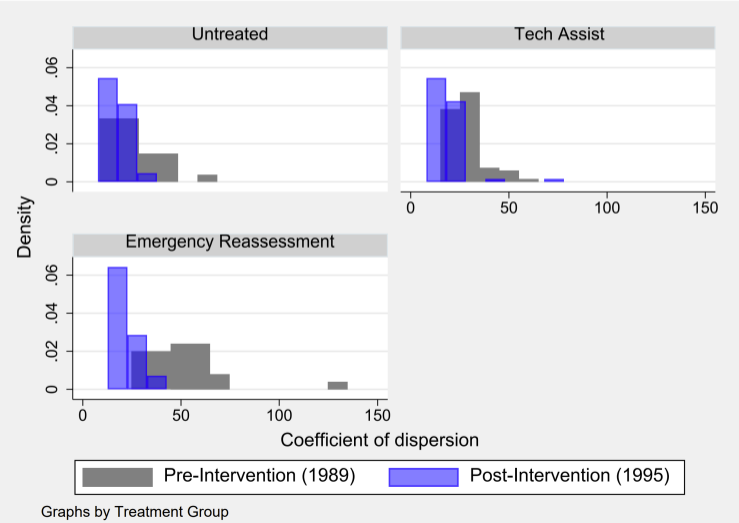
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What do we learn?

Figure 6: Coefficient of Dispersion Pre- and Post-Intervention, by Treatment Group



- 1 Comment #1: Information in ER to TA comparison
- 2 Comment #2: Is assessed value to sale ratio a sufficient gauge?
- 3 Comment #3: Functional form and identification threats
- 4 Miscellaneous comments and future ideas

Comment #1: Information in ER to TA comparison

- ▶ The two different treatments are really cool! Some get explicit state intervention, some get information.
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- ▶ The two different treatments are really cool! Some get explicit state intervention, some get information.
- ▶ The information leads to slightly higher assessments, but no differential impact on COD!!
- ▶ Does this really imply that the state **needs** to active intervention in order to lead to more accurate outcomes?
 - ▶ Going further: is it the carrot of complying or the stick of potential state intervention in assessor's business (test with counties that have to increase rates to comply?)
- ▶ I learned a lot from the discussion of political motives, and this impact of **active state intervention** also shows up in the public finance/banking lit (Cestau, Green, Hollified, and Schürhoff 2020, Garrett 2021)

Comment #2: Is assessed value to sale ratio a sufficient gauge?

- ▶ At risk of criticizing Berry (2021), it's not obvious that lower/more dispersed assessed value to sale ratio necessarily indicates under assessment
- ▶ Forgive me for a stylized matching example:
 1. People A and B own houses that both have fundamental value ν
 2. A buyer has idiosyncratic value $x \sim F$ with expectation ν for both of these houses and matches to one randomly
 3. Person A has a liquidity shock and will sell at price $p_a < \nu$
 4. Person B has liquidity and will not sell unless $\nu \leq x$
 5. For $p_a < x \leq \nu$, only person A would sell the house, no sale observed for B
- ▶ In this simple model, observed sales for constrained owners will have relatively lower prices relative to assessment than the unconstrained owners where less sales are observed (idea similar to Keys and Mulder 2020)

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- ▶ In this simple model, observed sales for constrained owners will have relatively lower prices relative to assessment than the unconstrained owners where less sales are observed (idea similar to Keys and Mulder 2020)
- ▶ (*potentially naive*) What is necessary to infer less dispersion in ratios is indicative of more accurate assessments and is that true here?

Comment #3: Functional form and identification threats

- ▶ The paper spends a lot of space on a specific identification threat: **maybe Appalachian counties in KY are having a renaissance of value in 1990-1994 unrelated to reform.**

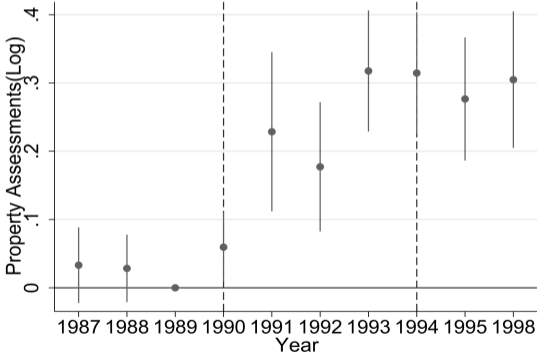
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- ▶ Given flat pretrends from 1982-1990 on available outcomes and having lived in Appalachia in surrounding years, this is **not the compelling threat in my mind**
- ▶ Instead, this education finance reform has lots of moving pieces!! Lot's of new money being allocated to rural (treatment) counties. Is it more money/support or is it assessment intervention?
- ▶ Currently have linear control for median home value (which determines transfers), but are the transfers actually linear?
- ▶ Further, a not-careful reader could get the wrong impression that results are sensitive to other functional form decisions...

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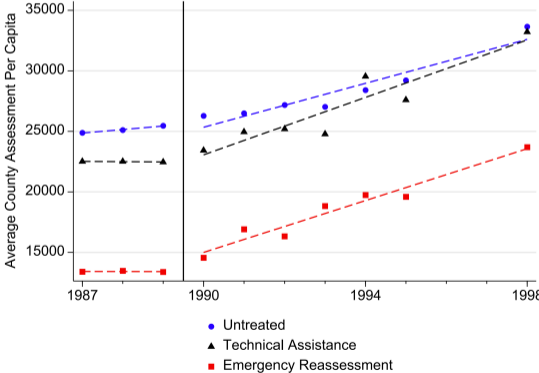
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Panel A – Emergency Reassessment Counties



Per Capita:

Figure 4: Trends in Real Property Assessments Per Capita by Treatment Group



Miscellaneous Comments

- ▶ Do the data have standard errors around these objects being used in regressions where inverse weights would be appropriate?
- ▶ The notation in equation 1 is hard to parse since β_1 and β_2 are time varying
- ▶ How persistent is the impact on these outcomes? Do these counties revert or does this relative change in assessment accuracy continue to today?
- ▶ 1987 COG county gov officials per capita could be messy due to different counting of city and county duties across space (county schools vs. city schools counting for different units in the CoG), widely used, but maybe QCEW in 1990 could do the trick and aggregate these groups?
- ▶ How did real home prices only grow by 3% over 5 years (from HUD estimates) given the results in figure 4? (evidence of action for control?)

Conclusions

- ▶ Interesting paper with substantial warning about incomplete education finance reforms
- ▶ Nice natural experiment and lots of detail on mechanisms that suggests (to me) that the state guidance in reassessing properties is key to equitable outcomes
- ▶ I can't wait to read the next version!