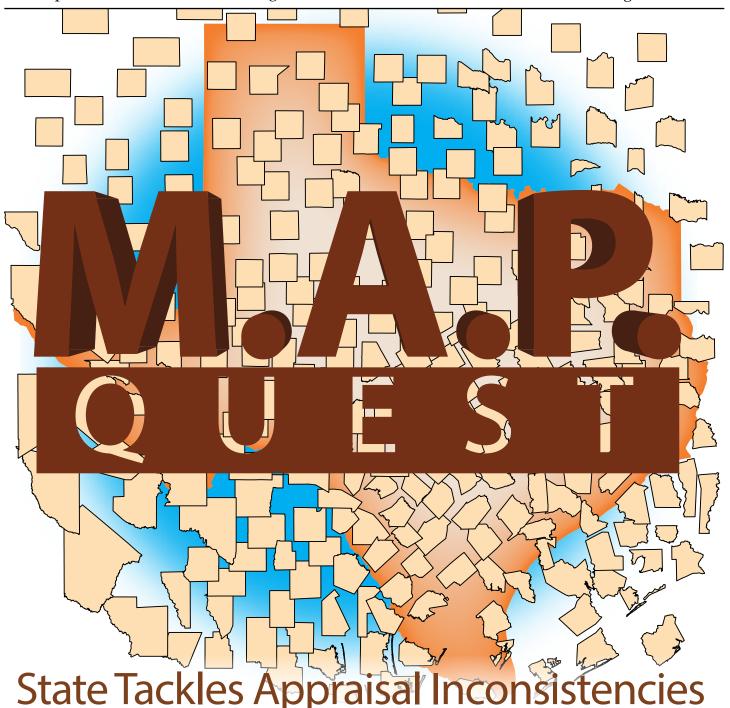
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By Charles E. Gilliland and Michael Oberrender

Administration of Texas' property tax system relies on 253 chief appraisers operating local central appraisal districts (CADs). Potter and Randall Counties share a single appraisal district; the remaining counties each have their own. These districts shoulder responsibility for appraising millions of properties for taxation. While chief appraisers have access to guidance from the Property Tax Assistance Division (PTAD) of the Texas Comptroller's office, they have historically retained a substantial degree of authority to interpret and apply Texas property tax laws. Consequently, property owners may encounter differences in how local appraisal districts set values.

Some appraisal districts have been using inconsistent methods for determining market value. According to the Texas Taxpayers and Research Association, these offices have, for many years, operated with "inadequate oversight." The inconsistencies resulted in appraisals that frequently differed from market value, the standard specified in Texas property tax law. To remedy this situation, the Texas Legislature in 2009 enacted a provision requiring the comptroller to review operations in each appraisal district every other year (Section 5.102 of the Texas Property Tax Code). Dubbed the Methods and Assistance Program (MAP), this initiative seeks to ensure that appraisal

district operations conform to a reasonable level of professional standards.
Under MAP, the PTAD reviews CADs in four dimensions of operations:

- governance,
- taxpayer assistance provided,
- · operation and procedures and
- appraisal standards, procedures and methodology.

ppraisal district reviews began in 2010, with 128 counties reviewed that year. The remaining 125 counties were reviewed in 2011. The review process consisted of a two-part assessment. The first part focused on a set of five mandatory pass-fail questions followed by 196 yes-no questions (183 regular and 13 bonus).

At completion of the initial analysis at the beginning of the year, PTAD reported their findings to each appraisal district along with recommendations for improvement. After receiving the recommendations, each appraisal district worked with PTAD to correct as many problems as possible before the final PTAD report was written at the end of the year.

The second phase of the process started after the final report and allowed the CAD one year to correct the remaining issues. Failure to address the remaining issues prompted PTAD to refer CADs to the Texas Department of Licensing and Regulation (TDLR) for remedial action designed to ensure implementation of the remaining recommendations.

The first part of the initial assessment contained five required tests to ensure that a CAD could efficiently establish taxable values. The goal was to examine the effectiveness and transparency of the

CAD's appraisal process. The questions concentrated on:

- current appraisal maps (69 CADs failed initially and 24 at final review),
- property inspections that matched appraisal district records (27 failed initially and 12 at final review),
- written procedures for appraisals (79 failed initially and 23 at final review),
- values that are reproducible using the CAD's procedures and records (91 failed initially and 41 at final review) and
- timely submission of all requested documents to the PTAD reviewer (five failed initially and six at final review).

After the final review, any CAD that failed any categories was required to correct the problems within one year or face sanctions from TDLR. When this article was written, the only CADs facing sanctions are from the group assessed in 2010. CADs that took the assessment in 2011 and failed any categories will receive sanctions from TDLR this year.

At the end of the first round of assessments for all appraisal districts (2010 and 2011), the PTAD made 11,115 preliminary recommendations (5,336 for 2010 and 5,779 for 2011). These recommendations were for the 196 yes-no questions that were asked. By year's end, for all counties, 7,454 of the recommendations had been resolved (3,073 in

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2010 and 4,381 in 2011). Although substantial corrections were made, a total of 3,661 issues went unresolved (2,263 in 2010 and 1,398 in 2011).

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Final graded recommendations also were assigned in taxpayer assistance, governance, operating procedures, and appraisal standards and procedures. In the taxpayer assistance category 95 percent of the CADs either exceeded or met the requirements. In governance the percentage dropped to 89; operating procedures, 82 percent; and appraisal standards and procedures,

76 percent. Forty-one CADs were rated unsatisfactory, with scores ranging from 1 to 74. By the end of the assessment year, the number of unresolved recommendations ranged from 31 to 141.

The first full results of the program were released in 2012. After receiving one full year to comply with recommendations, eight CADs failed (Armstrong, Borden, Collingsworth, Dallam, Live Oak, McMullen, Sterling and Trinity) and were reported to TDLR. Six of these failed to correct the mandatory passfail questions and six failed to correct a substantial number of comptroller recommendations as well.

he CADs that failed share similar characteristics. All have a population fewer than 10,000. Much of their land is rural. All have limited taxable value (four have less than \$500 million). Additionally, they have small budgets (six have a budget less than \$200,000). They have a small number of employees (six CADs have a staff of fewer than four), limited appraisal expertise, and low pay (three CADs pay the chief appraiser a salary of \$15,000 as of 2009).

Texas has 253 central appraisal districts. Potter and Randall Counties share a district, while the remaining counties have their own.

MOTLEY WICHITA FLOYD MONTA-DICKENS KNOX BAYLOR ARCHER COOKE GRAYSON STONE WALL HASKEL YOUNG JACK WISE DENTON COLLIN BORDEN KENT FISHER ARKER TARRAN' SCURRY IOHNSON NOLAN TAYLOR EASTLAND HILL RUNNELS COLEMAN MILLS CORYELL TOM GREEN IRION CONCHO SAN SABA SCHLEICHER MENARD PECOS LLANO MASON GILLESPIE VAL VERDE KERR EDWARDS BREWSTER BANDERA BEXAR LIVALDE KINNEY MEDINA ZAVALA FRIO ATASCOS ASALLE Three surveys were DUVAL conducted for all appraisal districts. Currently, however, the only information ZAPATA that is available is for the 128 CADs surveyed in 2010. The surveys were: • Appraisal Review Board (ARB) Information Survey, Appraisal District Board of Directors (BOD) Informational Survey and

Appraisal District Hardware and Software Informational
 Survey

Survey.

The first survey was conducted to determine if ARBs have acceptable procedures in place to determine the percentage of

acceptable procedures in place to determine it ARBS have acceptable procedures in place to determine the percentage of protests being filed by homeowners and the average value reduction for all properties; determine the total hours each ARB worked in 2009; and determine an itemization of values for the properties being protested.

Results from the survey indicate that 96 percent of ARBs have written procedures in place. Twenty-three percent do not provide firmly enforced hearing times. Additionally, results showed that 34 percent of protests were filed by homeowners, and average values dropped by 11 percent. In larger CADs,

ARBs worked an average of 1,772 hours, while 50 hours was average in smaller CADs.

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The second survey sought to determine if board of directors members have a

background in appraisal; how many taxing units were nominating board members; the average number of years each board member serves; and how many board members had served ten years or more (MAP2010 Report Finding).

Results indicate that in larger CADs, 70 percent of board members were nominated by more than one taxing unit; in smaller CADs, 50 percent were nominated by more than one unit. In large CADs, 30 percent of BOD members had a background in appraisal, whereas for smaller CADs the figure was 22 percent. The average term for BOD members for all sizes of CADs was six

years. Among all CADs, 20 percent of BOD members had served a term of ten years or longer.

The final survey, hardware and software, was conducted to determine the resources available to each appraisal district and how much they devote to information technology. It was also used to determine the average cost of a computer assisted mass appraisal (CAMA) system, whether geographic information system (GIS) is being used, and if each CAD had a functioning website.

Results show that 80 percent of large appraisal districts have a GIS, compared with 53 percent for smaller CADs. Only 43 percent of smaller CADS maintained a website.

PTAD has begun the second round of MAP studies. This effort promises to standardize CAD operations throughout Texas. As the process identifies deficiencies, and recommendations help CADs adopt more effective and transparent practices, the system will become a more level playing field for all taxpayers.

Dr. Gilliland (c-gilliland@tamu.edu) is a research economist and Oberrender a research assistant with the Real Estate Center at Texas A&M University.

# THE TAKEAWAY

To address inconsistencies in methods of determining market value, the Texas Comptroller of Public Accounts now reviews operations in each of the state's appraisal districts every other year. After the first two-year cycle, many identified problems were resolved.



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Texas A&M University 2115 TAMU College Station, TX 77843-2115 http://recenter.tamu.edu 979-845-2031

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