

# Changes Affecting the Comptroller's Property Value Study and School Districts

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- Major Legislative Changes in 2009 session regarding Comptroller's Property Value Study ("PVS")
- H.B. 8 by Otto
- Biggest Change – Biennial study for most districts instead of annual study
- MAP Reviews of CADs created – Methods and Assistance Program Reviews

- Subsequently, effective January 2011, Comptroller promulgated new rules for PVS appeals – significant changes; more formalized process
  - 1 TEX. ADMIN. CODE §§ 9.4301 – 9.4317
- New rule governing taxable value audits also under consideration at Comptroller's Office
  - 1 TEX. ADMIN. CODE § 9.103

- Why do we have study in the first place?
- Developed after early years of school finance litigation
- Dramatic disparities in the way schools were funded
- Equally dramatic differences in the way property was appraised from county to county

Government Code Sec. 403.301. PURPOSE. It is the policy of this state to ensure equity among taxpayers in the burden of school district taxes and among school districts in the distribution of state financial aid for public education. The purpose of this subchapter is to promote that policy by providing for uniformity in local property appraisal practices and procedures and in the determination of property values for schools in order to distribute state funding equitably.

- System has improved greatly since advent of the study
- Progressed to point that Legislature felt comfortable relaxing the study in 2009
- Follows similar action in 2003 when Legislature first provided “grace period” for “eligible school districts”

- Summary of Major Changes Enacted via H.B. 8
- Biennial Study instead of annual study – most districts to be studied every other year instead of every year per prior law
- Exception – if value is determined to be invalid, district is included in PVS again the next year. If value remains invalid, study is conducted annually until district achieves valid finding.

- Grace period provisions modified also
- Prior law – local value still certified to TEA despite invalid finding if valid in each of two years preceding current study
- New law – local value still certified despite invalid finding if (1) valid in two studies (not years) preceding current study and (2) CAD passed the most recent MAP review performed by Comptroller.
- MAP reviews important to ISDs and CADS

- “Off” years from PVS – local taxable value as reported by CAD is accepted as valid and certified to TEA
- CAD subject to MAP review by Comptroller’s Office
- MAP reviews include assessment of:
  - Governance
  - Taxpayer assistance
  - Operating standards
  - Appraisal standards, procedures and methods

- Basic structure of study unchanged by H.B. 8
- Comptroller uses same approach, analyzing sample of properties in each major category of a district
- Comptroller uses sales information where possible, and performs its own appraisals when necessary to have enough properties in its statistical analyses

- When H.B. 8 was under consideration, some raised question regarding effect on local values.
- PVS widely credited with encouraging CADs to keep values at or near market value
- Would easing up on PVS cause values to slide?

Factors cited as offsetting any inclination of CADs to relax values in off years:

- PVS one year followed by MAP review the next year provides consistent oversight
- “Freed up” Comptroller resources will allow for more intensive study of those districts in PVS
- Requirement of another PVS immediately following invalid finding also a deterrent

Recently released 2010 PVS is the first study under H.B. 8 – early results?

Local value > State value	9
State value assigned	13
Local – year 1 grace	17
Local – year 2 grace	<u>6</u>
Total with invalid findings	45 districts

## Another look at impact of H.B. 8:

Statewide	2008	2009	2010	
Cat. A Single Family Resid.	918.396b	936.884m	935.995b	+2%
Cat. B Multi-family Resid.	84.904b	86.493b	83.127b	- 2%
Cat F1 Commercial Real	282.974b	286.448b	274.717b	- 3%
Cat L1 Commercial Personal	122.495b	124.776b	118.666b	- 3%

Too early to tell, but further implementation of H.B. 8 merits our attention

- MAP reviews – comprehensive in nature
- Detailed review of four issue areas at each appraisal district:
  1. Governance
  2. Taxpayer assistance
  3. Operating procedures
  4. Appraisal standards, procedures and methodology

## Governance review includes:

- Appointment of chief appraiser, ARB, Ag Advisory Board – written job description and regular evaluation of chief, written policies for selection of ARB and complaints against ARB
- Procedures used in developing CAD budget – proper notice published, necessary detail included, public hearing correctly posted and conducted
- Nature of board oversight – board approve reappraisal plan, meet at least quarterly, open meetings/open records training, board select auditor

## Taxpayer assistance review includes:

- Policies for public comment at board meetings
- Plan to provide access to non-English speakers and disabled
- Procedures for handling taxpayer complaints
- Property owners given appropriate access to data and information to be used at ARB
- Notices timely sent, including notices of appraised value and notices denying/modifying/ canceling exemptions

## Operating procedures review includes:

- Formal planning per IAAO standards
- Written records retention plan, personnel policies manual, wage schedules, purchasing policies
- Written procedures for informal meetings and formal ARB hearings
- Written reappraisal plan with necessary detail re physical inspections, market areas, etc
- Exemptions properly tracked and applied

Appraisal standards, procedures and methodology review includes:

- Written procedures for identifying and listing new property
- Proper mapping procedures used
- Appropriate written procedures and manuals used in appraising property
- Appropriate schedules and techniques used for various categories of property -- e.g., land, personal property
- Does the CAD make appropriate use of ratio studies
- Does the CAD have appropriate procedures for gathering and using available sales information

**Methods and Assistance Program  
Final Results Summary  
January 2011**

**Number of Fails**

	No Fails	One Fail	Two Fails	More than Two Fails
All Reports	77%	8%	6%	9%

**Percentage of Types of Fails**

	Up-to-Date Maps	Property Inspections	Appraisal Procedures	Reproduction of Values	Timely Data Submission
All Reports	19%	6%	27%	38%	10%

**Governance**

	Exceeds	Meets	Needs Imp	Unsatisfactory
All Reports	71%	16%	7%	6%

**Taxpayer Assistance**

	Exceeds	Meets	Needs Imp	Unsatisfactory
All Reports	85%	9%	2%	4%

**Operating Procedures**

	Exceeds	Meets	Needs Imp	Unsatisfactory
All Reports	35%	44%	10%	10%

**Appraisal Standards, Procedures and Methodology**

	Exceeds	Meets	Needs Imp	Unsatisfactory
All Reports	21%	49%	8%	22%

**Average number of Recommendations (of CADs with Recommendations)**

All Reports	29
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**Percentage of CADs without any Recommendations**

All Reports	38%
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- Implications of Adverse Findings in MAP reviews
- Tax Code § 5.102 – Comptroller recommendations must be implemented within one year of report
- MAP review teams will return to CADs in December 2011 to review implementation
- Recommendations that are not substantially complete will result in referral to Texas Department of Licensing and Regulation.
- If recommendations still incomplete after another year, possible TDLR sanctions against chief appraiser.

# Conclusion

## PVS Changes

- Significantly fewer districts with adverse findings
- Unclear if this is result of market conditions, PVS changes, or a combination of both

## MAP Reviews

- Comprehensive in nature
- Most CADs reviewed favorably
- Primarily smaller CADS with problem findings

## Important to monitor changes going forward

- School finance changes in 2011 session can make values more impactful, possible move away from target revenue system