Review of Appraisal District Appraisal Standards, Procedures and Methodology

TARGETED APPRAISAL REVIEW PROGRAM

BAYLOR COUNTY APPRAISAL DISTRICT

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Texas Comptroller of Public Accounts

2023 TARGETED APPRAISAL REVIEW

BAYLOR COUNTY APPRAISAL DISTRICT

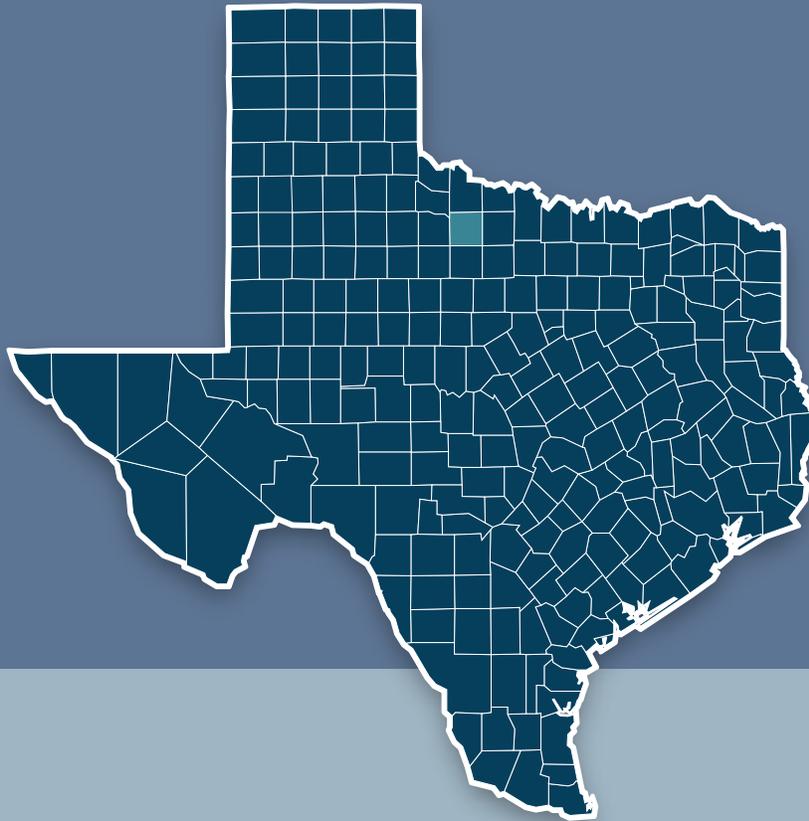Chief Appraiser: Mitzi Welch, Interim

Reviewer: Rosie Skiles

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Executive Summary

In September 2023, the Texas Comptroller of Public Accounts identified Seymour Independent School District (Seymour ISD), located in Baylor County, as one of 46 school districts meeting the criteria that initiates a Targeted Appraisal Review (TARP) of the appraisal district in which the school district is located. In 2023, the Property Tax Assistance Division (PTAD) conducted the review of the Baylor County Appraisal District (Baylor).

TARGETED APPRAISAL REVIEW PROGRAM OVERVIEW

If a school district receives invalid School District Property Value Study (SDPVS) findings for three consecutive years, Government Code Section 403.302(k-1) requires PTAD to conduct a review of the appraisal district to determine why a school district's values are statistically invalid and provide recommendations to the appraisal district regarding appraisal standards, procedures and methodologies.

PTAD reviewers used the _Targeted Appraisal Review Program Guidelines_ to perform this review. This report contains the findings of the 2023 TARP review of Baylor. Over the next year, TARP reviewers will work with Baylor to address and resolve recommendations outlined in this report. **Exhibit 1** provides a timeline for the TARP cycle.

Upon substantial compliance with all recommendations, PTAD will issue a formal letter of compliance to Baylor and its board of directors.

If the appraisal district fails to comply with recommendations provided in the report and PTAD finds the appraisal district board of directors failed to take remedial action reasonably designed to ensure substantial compliance with each recommendation before the first anniversary of the date the recommendations were made, PTAD will notify the Texas Department of Licensing and Regulation (TDLR), which takes action necessary to ensure the recommendations are implemented as soon as practicable.

EXHIBIT 1

TARP Process Timeline

NOTIFICATION

- PTAD sends TARP notification letters and preliminary data requests to affected appraisal districts.

REVIEWS

- Preliminary data is due to PTAD.
- TARP reviewers complete onsite visits.

RECOMMENDATIONS

- PTAD releases initial TARP reports.
- Appraisal districts have one year to work with their TARP reviewers to substantially comply with TARP report recommendations. PTAD mails formal compliance letters when appraisal districts have substantially implemented all recommendations.

REMAINING RECOMMENDATIONS

- PTAD notifies TDLR of remaining recommendations one year after the initial TARP report is released.
- Appraisal districts have one year to work with TDLR, who determines substantial compliance and reports to the chief appraiser and appraisal district board of directors.

INVALID SCHOOL DISTRICT PROPERTY VALUATION

PTAD identified Seymour ISD in Baylor as having invalid SDPVS findings for three consecutive years. **Exhibit 2** highlights the impacted school district and categories with local values that fell outside the SDPVS statistical confidence interval in the applicable three-year period. PTAD determines the confidence interval using a 5 percent or greater margin of error around PTAD's determined market value. PTAD considers local values valid, or statistically acceptable, when they are within the confidence interval. Values outside this confidence interval are statistically invalid.

EXHIBIT 2

Baylor SDPVS Results 2020-2022

SDPVS Year	County	School District	Findings	Category*	Ratio
2020	Baylor	Seymour ISD	Invalid	A	0.8419
2020	Baylor	Seymour ISD	Invalid	D1	1.074
2020	Baylor	Seymour ISD	Invalid	E	0.8306
2021	Baylor	Seymour ISD	Invalid	A	0.8754
2021	Baylor	Seymour ISD	Invalid	E	0.8908
2022	Baylor	Seymour ISD	Invalid	A	0.7243
2022	Baylor	Seymour ISD	Invalid	D1	1.2265
2022	Baylor	Seymour ISD	Invalid	E	0.7785
2022	Baylor	Seymour ISD	Invalid	J	0.9427

*Categories are defined in the *Texas Property Tax Assistance Property Classification Guide*.
Source: Texas Comptroller of Public Accounts, *School District Property Value Study*

RECOMMENDATIONS

Based on our findings in the TARP review of Baylor, PTAD makes the following recommendations, which are discussed in greater detail throughout this report:

- Hire additional staff to adequately support appraisal district operations.
- Hire a full-time chief appraiser to adequately perform appraisal district operations.
- Update appraisal district maps to reflect all properties.
- Present a cost/benefit analysis to the board of directors regarding the acquisition of aerial photography.
- Conduct ratio studies at timely intervals by market area, neighborhood, property class or stratum and make appropriate adjustments based on results.
- Use Baylor's local ratio study results to make reappraisal decisions necessary to produce accurate values.
- Complete reappraisals according to the schedule specified in the reappraisal plan.
- Amend the reappraisal plan to address problematic areas.
- Follow written quality control procedures to ensure work is completed accurately and timely.

Section 1 – Overview of County Appraisal District

1.1 COUNTY HISTORY AND DEMOGRAPHICS

According to *The Handbook of Texas Online*, the Texas State Legislature created Baylor County in 1858 from Fannin County, naming it after Henry W. Baylor, a surgeon during the Texas Revolution. It is in North Central Texas, bounded on the south by Throckmorton County, on the east by Archer County, on the north by Wilbarger County and on the west by Knox and Foard counties.

The county includes the Seymour and Olney Independent School Districts.

The county population, according to the United States Census Bureau, in 2020 was 3,465. Major population centers include the city of Seymour, which had 2,575 residents, along with smaller unincorporated communities such as Bomarton and Westover.

Based on the 2020 census population, PTAD classifies Baylor as Tier 3 for comparison with appraisal districts of similar population size. **Exhibit 3** shows the population brackets for each tier.

1.2 APPRAISAL DISTRICT ORGANIZATION AND STAFFING

Baylor became active in January 1980. As of July 2024, it has three full-time staff positions, of which one position is supervisory and two positions are full-time appraisers. Baylor contracts with a vendor for professional appraisal services. **Exhibit 4** presents Baylor's general organizational structure.

1.3 TAXING UNITS

Local taxing units, including the school districts, counties, cities, junior colleges and special districts, decide how much money they require to effectively provide public services. They adopt property tax rates based upon taxing unit financial needs (budget). Some taxing units have access to other revenue sources, such as a local sales tax. School districts must rely on the local property tax, in addition to state and federal funds.

Baylor provides appraisal services and collections services for six taxing units, as shown in **Exhibit 5**.

EXHIBIT 3

County Population by Tier

Tier	Total Population Range
1	120,000 +
2	Less than 120,000 to 20,000
3	Less than 20,000

Source: Texas Comptroller of Public Accounts

EXHIBIT 4

Baylor Organization Structure

- Board of Directors
- Interim Chief Appraiser
  - Chief Appraiser in Training
    - Chief Deputy Clerk

Source: Baylor County Appraisal District

EXHIBIT 5

Baylor Taxing Units and Collections

Name of Taxing Unit	Appraisal District Collects Property Taxes
Baylor County	Yes
Baylor County Hospital	Yes
Olney ISD	Yes
City of Seymour	Yes
Rolling Plains Groundwater District	Yes
Seymour ISD	Yes

Source: Texas Comptroller of Public Accounts

1.4 APPRAISAL DISTRICT BUDGET INFORMATION

Taxing units fund the appraisal district through an annual budgeting process. Tax Code Section 6.06 requires the chief appraiser to develop the budget and the board of directors to hold a public hearing to consider the budget. Each participating taxing unit in the appraisal district must contribute a portion of the budget amount equal to the proportional amount of taxes levied in the taxing unit.

Chapter 5 of the International Association of Assessing Officer's (IAAO's) *Assessment Administration* explains that the budget is the crucial link in an appraisal district's ability to make set rational priorities. A budget typically details how resources will be used to accomplish the appraisal district's goals and objectives. IAAO's *Standard on Property Tax Policy* states that to accomplish its responsibilities in a fair and professional manner, the appraisal district should have a budget that provides for a well-organized staff, sufficient computing recourses and necessary data.

Exhibit 6 provides a comparison between Baylor's 2022 budget (excluding collections) versus the Tier 3 average 2022 budget (excluding collections) to show how Baylor's budget aligns with the tier average

EXHIBIT 6

Baylor 2022 Budget vs. Tier 3 Average

Baylor County Appraisal District Budget (2022)	Tier 3 Average Budget (2022)
$284,320	$547,673

Source: Texas Comptroller of Public Accounts, *Appraisal District Operation Survey*

In 2022, Baylor operated with a budget of $284,320, significantly lower than the 2022 Tier 3 average budget of $547,673. This budget comparison highlights the significantly smaller financial resources, as reported by Baylor in the 2022 *Appraisal District Operation Survey*. A four-year budget history and tier average comparison is available in **Appendix 1**.

1.5 APPRAISAL DISTRICT STAFF INFORMATION

The geographic size of the appraisal district and number of parcels to be appraised directly reflect the number of staff necessary to perform the appraisal district's responsibilities. The complexity of the appraisals and the experience and expertise of the staff also impact appraisal district needs.

Exhibit 7 provides a comparison between Baylor's 2022 staffing (excluding collections) and the 2022 Tier 3 average (excluding collections) to determine how Baylor staffing and salaries compare with the tier average.

EXHIBIT 7

Baylor 2022 Staffing and Salaries vs. Tier 3 Average		
	2022	**2022 Tier 3 Average**
Full Time Staff	3	4
Part Time Staff	0	N/A
Full Time Appraisers	2	3
Lowest Appraiser Salary	$38,400	$39,505
Highest Appraiser Salary	$38,400	$48,041

Source: Texas Comptroller of Public Accounts, *Appraisal District Operation Survey*

From 2019 to 2022, Baylor has consistently maintained a full-time staff of three to four employees, which is similar with the 2022 Tier 3 average of four. For 2022, in the appraisal division, the appraisal district employed two full-time appraisers, which is lower than the 2022 Tier 3 average, and one collection position. From 2019 to 2022, both appraiser salaries remained steady at $38,400. This is comparable to the 2022 Tier 3 average salary of the lowest appraiser salary of $39,505 and smaller than the 2022 Tier 3 average salary of the highest appraiser salary of $48,041. A four-year staff and salary history and Tier 3 average comparison is available in **Appendix 2**.

🔍 FINDING

Baylor lacks adequate support staff, preventing appraisers from focusing on appraisals.

IAAO's *Standard on Mass Appraisal*, Section 6.2.1, Staffing, states that the staff should be a mix of individuals skilled in general administration, supervision, appraisal, mapping, data processing and clerical functions. It also highlights the importance of flexibility in the staffing structure, as the staffing needs can vary significantly based on factors such as the frequency of reappraisals.

Baylor lacks adequate staff to perform duties effectively. Baylor appraisers perform clerical functions which limits their time performing appraisal functions. The interim chief appraiser, who also serves as the chief appraiser in a neighboring county, is present in the office one day each week. Baylor should employ additional staff to complete the daily administrative responsibilities, leaving appraisers free to focus on appraisal efforts.

Maintaining adequate staffing levels is crucial for the accurate completion of appraisal tasks. Insufficient staffing disrupts daily operations, leaves tasks incomplete and contributes inaccurate appraisals.

💡 RECOMMENDATION 1
Hire additional staff to adequately support appraisal district operations.

1.6 TRAINING

IAAO's *Standard on Professional Development* follows the principle that "assessment jurisdictions benefit when they have knowledgeable and adequately trained personnel to preserve the public's trust; therefore, it is of the utmost importance." **Exhibit 8** provides Baylor's annual training budget and number of trainings attended for the past three years. Appraisal districts should maintain adequate training budgets to allow for certification and continued education of staff.

EXHIBIT 8

Baylor Training Budget and Number of Trainings

	2022	2021	2020
Training Budget	$750	$750	$750
Number of Trainings Attended	2	2	2

Source: Baylor County Appraisal District

Baylor's training budget and number of trainings remained consistent at $750 from 2020 to 2022. Two staff members in the office took training courses, one for appraisal training and one for collection training.

1.7 CHIEF APPRAISER

The board of directors is responsible for hiring and periodically evaluating the chief appraiser, who coordinates and oversees appraisal district operations. In organizing and administering an appraisal district, the chief appraiser is responsible for hiring, firing and training personnel; for ensuring compliance with a wide range of legal requirements; and for maintaining policies and procedures for the effective operation of the appraisal district. **Exhibit 9** provides detailed information regarding Baylor's chief appraiser.

EXHIBIT 9

Baylor Chief Appraiser Information

Chief Appraiser	
Is the Chief Appraiser permanent, temporary or interim?	Interim
Does the Chief Appraiser perform appraisals?	No
2022 Base Salary	$38,400
Chief Appraiser – Years at appraisal district	9
Chief Appraiser – Years as a Chief Appraiser	9
Does the Chief Appraiser receive a car allowance?	Yes
What is the amount of the car allowance? (If applicable)	$1,764
Does the Chief Appraiser receive retirement benefits?	No
Does the Chief Appraiser receive medical insurance benefits?	No

Source: Texas Comptroller of Public Accounts, *Appraisal District Operation Survey* and Baylor County Appraisal District

🔍 FINDING

Baylor has not employed a full-time chief appraiser for the past nine years and has relied on an interim chief appraiser under contract since 2015.

Tax Code Section 6.05(c) explains that the chief appraiser is the chief administrator of the appraisal office, appointed by the appraisal district board of directors.

The appraisal district board of directors by resolution may prescribe that specified actions of the chief appraiser relating to the finances or administration of the appraisal district are subject to board approval. The chief appraiser may employ and compensate professional, clerical and other personnel as provided by the appraisal district budget, with the exception of a general counsel to the appraisal district. The chief appraiser may delegate authority to his or her employees. The chief appraiser's primary duty is to discover, list, review and appraise all taxable property in the appraisal district using generally accepted appraisal techniques.

In 2015, the appraisal district board of directors contracted with the current interim chief appraiser on an hourly basis. Between 2015 and 2018, the appraisal district employed two individuals who were unable to meet the requirements to earn the required Registered Professional Appraiser (RPA) designation with the Texas Department of Licensing and Regulation. The lack of qualified appraisal staff complicated efforts to appraise during that time. In 2019, the appraisal district board of directors extended the interim chief appraiser's contract to require the chief's presence in the office one day per week.

As the chief administrator of the appraisal district, it is necessary for the chief appraiser to have regular engagement with employees and property owners in the appraisal district to develop and obtain long-term stability. The chief appraiser must understand the board of directors' expectations and responsibilities as well the local property categories and markets. A clear job description will improve communication, provide direction and assist in evaluating the chief appraiser's performance.

⚲ RECOMMENDATION 2
Hire a full-time chief appraiser to adequately perform appraisal district operations.

1.8 APPRAISAL DISTRICT CONTRACTS

PTAD reviews appraisal district contracts for compliance according to IAAO's *Standard on Contracting for Assessment Services*. **Exhibit 10** lists Baylor's contracts, which are discussed in more detail in throughout this report. Baylor generally goes out for bids for contracts every two years.

Project control is important for the stakeholders of both the government agency and the contractor. Having control can help the project manager/program manager compare actual performance against planned performance. The project manager can identify potential problems, evaluate alternative actions and plan for appropriate corrective action.

Project leaders typically create a project plan that includes the tasks to be performed, the project timeline, a budget and project resources. By monitoring the plan and the actual work performed, the project manager can measure both qualitative and quantitative progress.

If the project is deviating from the project timeline, corrective action may be necessary. Deviations can be caused by several issues such as change in the project scope or project resources or other setbacks. The corrective plan should be created with input from all project stakeholders.

An appraisal district is a political subdivision of the State of Texas and is subject to the same requirements and has the same purchasing and contracting authority as a municipality under Chapter 252, Local Government Code.

EXHIBIT 10

Baylor Contracts			
Type of Contract	Contract Dates	Years with Same Vendor	Does appraisal district actively monitor contract?
Appraisals of Minerals, Industrial, Utility and Personal Property	2020-2023	42 years	Yes
Appraisal of Real Property	2020-2025	4 years	Yes
Software	2021-2025	3 years	Yes
Mapping	2023-2024	1 year	Yes
GIS	2023-2024	1 year	Yes

Source: Baylor County Appraisal District

Section 2 – Appraisal Administration

2.1 APPRAISAL DISTRICT PARCEL DATA

PTAD collects appraisal district parcel data to determine the ratio of appraisers to parcel count and to compare it with the typical parcel per appraiser average in **Exhibit 11**.

EXHIBIT 11

2022 Baylor Parcel Information vs. Typical Parcel Per Appraiser Average		
Parcel Information	Baylor	Typical Parcel Per Appraiser (Rounded)
Parcel Count	6,931	Under 10,000
Parcels per Appraisal Staff	0*	5,300**

Source: Texas Comptroller of Public Accounts, *Electronic Appraisal Roll Submission*

  * Excludes parcels for contracted appraisal services:
 ** Includes all property categories

In 2022, Baylor managed 6,931 parcels placing it on the high side of appraisal districts in its typical parcel per appraiser range of under 10,000 parcels. Baylor contracted for appraisal services for all appraisal work in years 2020 to 2022. Baylor contracted for appraisal services in Categories F2, G1, J, L1, L2, M, O and S in 2019.

From 2020 to 2022, Baylor managed parcel counts ranging from 6,489 to 6,931. (including all property categories) and the parcels assigned per appraiser for properties appraised in house are zero. For 2019, Baylor managed 6,812 parcels (including all property categories) and the parcels assigned per appraiser for properties appraised in house was 4,580. The total market value of certified parcels increased from $1,070,823,227 to $1,284,133,553 between 2019 and 2022. **Appendix 3** provides the appraisal district's parcel data over the four-year review period.

2.2 CONTRACTED APPRAISAL SERVICES

In 2019, appraisal district staff appraised 76 percent of the total appraised value within the appraisal district, specifically for Categories A, B, C, D, E, F1, L1, M, O and S. From 2020 to 2022, Baylor contracted for appraisal services for all property categories within its jurisdiction. Each year from 2019 to 2022, these contracted firms appraised 24 to 100 percent of the total appraised value within the appraisal district. The cost of these services varied from $12,000 to $40,000 over four years. The appraisal district also uses a geographic information system (GIS), but not aerial technology systems. **Exhibit 12** lists Baylor's contracted appraisal services.

EXHIBIT 12

Baylor's Contracted Appraisal Services				
	2022	**2021**	**2020**	**2019**
Appraisal Services Contract	Yes	Yes	Yes	Yes
Contracted Property Categories	A, B, C, D1, D2, E, F1, F2, G1, J, L1, L2, M, O and S	A, B, C, D1, D2, E, F1, F2, G1, J, L1, L2, M, O and S	A, B, C, D1, D2, E, F1, F2, G1, J, L1, L2, M, O and S	F2, G1, J, L1, L2, M, O and S
Percentage of total appraised value appraised by contracted appraisal firms	100%	100%	100%	24%
Appraisal Contract Cost	$40,000	$38,500	$38,500	$12,000

Source: Texas Comptroller of Public Accounts, *Appraisal District Operation Survey*

2.3 MAPPING AND/OR AERIAL PHOTOGRAPH

IAAO's *Standard on Digital Cadastral Maps* and Parcel Identifiers (2015), Section 3.7, states basic information contained on maps should include parcel boundaries, identifiers, dimensions and area, subdivision or plat information, block and lot numbers, jurisdictional boundaries, locations and names of streets, railroads, rivers, lakes and other geographic features, situs addresses and geographic boundaries.

Comptroller Rule 9.3002 requires all appraisal offices and tax offices appraising property for ad valorem purposes to develop and maintain a system of tax maps covering the entire area of the taxing units for whom each office appraisees property. Tax maps should be drawn to scale and delineated for lot lines or property lines or both, with dimensions or areas and identifying numbers, letters, or names for all delineated lots or parcels. Each parcel must be assigned parcel identification numbers (PIN) and the PIN recorded on the corresponding appraisal card. The tax map system should be updated annually.

🔍 FINDING

Baylor's maps do not include all properties within its jurisdiction.

IAAO's *Standard on Digital Cadastral Maps*, Section 2, Introduction states cadastral maps for the entire jurisdiction, regardless of taxable status or ownership, are essential to the performance of assessment functions. Digital cadastral maps enable the assessor to access parcel location and information, reveal geographic relationships that affect property value and provide a platform for the visualization of data layers and analytical results more efficiently.

IAAO's *Standard on Digital Cadastral Maps*, Section 3.4, Parcel Identifiers, recommends that each parcel polygon should be attributed with a unique identifier. The parcel identifier provides a common index for all property records. Each parcel should be keyed to a unique identifier or code that links the cadastral layer with files containing such data as ownership, building and land value, use and zoning.

IAAO's *Standard on Digital Cadastral Maps*, Section 3.5, Map Products, advises the appraisal district to maintain a variety of additional map overlays which support the appraisal district's work and other users such as municipalities or other taxing units.

Out of 75 sampled properties, the reviewer was unable to locate ten (13 percent) on Baylor's maps.

💡 RECOMMENDATION 3

Update appraisal district maps to reflect all properties.

🔍 FINDING

Baylor lacks aerial photography and change detection capabilities.

IAAO's *Standard on Digital Cadastral Maps*, Section 3.2, Imagery, explains that vertical aerial photographs have long been an essential imagery product for developing the cadastral map. Imagery has greater value when all distortions have been removed, it is tied to a geodetic control network, can serve as a base map and meets the measurement tolerances required for use with a cadastral layer or as a base for the construction of the cadastral layer. Such images are called orthophotos, orthorectified images, or orthos. Orthophotos are most commonly provided in a digital form either in black and white or in color. Digital color orthophotos are the standard imagery product of most assessment agencies with digital mapping programs. At a minimum, appraisal districts should acquire new imagery of urban areas every five years and of rural areas every ten years. Appraisal districts experiencing rapid or slow growth or without construction permitting requirements should adjust this timetable.

Baylor has not performed a cost/benefit analysis or presented one to the board of directors regarding acquisition of aerial photography and/or change detection.

Baylor's chief appraiser reported the appraisal district only uses base map aerial images provided by its mapping contractor. It does not have a separate contract for updated aerial photographs or change detection to identify omitted or additional structures within its boundaries. Acquiring aerial photography would benefit Baylor in monitoring year-to-year changes.

💡 RECOMMENDATION 4

Present a cost/benefit analysis to the board of directors regarding the acquisition of aerial photography.

2.4 RATIO STUDIES

An appraisal district should perform ratio study analyses to evaluate appraisal performance. Per IAAO's *Standard on Ratio Studies*, there are several key uses of ratio studies including: measurement and evaluation of the level and uniformity of mass appraisal models, internal quality assurance and identification of appraisal priorities, determination of whether administrative or statutory standards have been met, determination of time trends and adjustment of appraised values between reappraisals. **Exhibit 13** presents Ratio Study Uniformity Standards indicating acceptable general quality.

EXHIBIT 13

Ratio Study Uniformity Standards

Type of property - General	Type of property - Specific	COD Range*
Single-family residential (including residential condominiums)	Newer or more homogeneous areas	5.0 to 10.0
Single-family residential	Older or more heterogeneous areas	5.0 to 15.0
Other residential	Rural, seasonal, recreational, manufactured housing, 2–4 unit family housing	5.0 to 20.0
Income-producing properties	Larger areas represented by large samples	5.0 to 15.0
Income-producing properties	Smaller areas represented by smaller samples	5.0 to 20.0
Vacant land	N/A	5.0 to 25.0
Other real and personal property	N/A	Varies with local conditions

Source: IAAO's *Standard on Ratio Studies*

These types of property are provided for guidance only and may not represent jurisdictional requirements.

* Coefficient of Dispersion (CODs) lower than 5.0 may indicate sales chasing or non-representative samples.

BAYLOR RATIO STUDIES

🔍 FINDING

Baylor does not conduct ratio studies at timely intervals during the valuation process. They do not run ratio studies by market area, neighborhood, property class or stratum and they do not use ratio study results to determine if adjustments should be made.

IAAO's *Standard on Ratio Studies and Frequency of Ratio Studies,* Section 4.2, recommends that the appraisal district conduct at least four ratio studies to establish the following:
   i.   a baseline of current appraisal performance
   ii.   preliminary values so that they can correct any significant deficiency
   iii. values used in assessment notices sent to taxpayers
   iv.   final values after completion of the first informal phase of the appeals process

The appraisal district can use the final study to plan for the following year. In addition, it can conduct ratio studies as needed to evaluate appraisal procedures, investigate a discrimination complaint, or answer a specific question.

IAAO's *Standard on Ratio Studies*, Section 2.3, Uses of Ratio Studies, states the critical uses of ratio studies are as follows:
   i.   measurement and evaluation of the level and uniformity of mass appraisal models
   ii.   internal quality assurance and identification of appraisal priorities
   iii. determination of whether the appraisal district has met administrative or statutory standards
   iv.   determination of time trends
   v.   adjustment of appraised values between reappraisals

IAAO's *Standard on Ratio Studies*, Section 3.3, Stratification states:
Stratification divides all the properties within the scope of the study into two or more groups or strata. Stratification facilitates a more complete and detailed picture of appraisal performance and can enhance sample representativeness.

Each type of property subject to a distinct level of assessment could constitute a stratum. Other property groups, such as market areas, school districts and tax units, could constitute additional strata.

The appraisal district should choose strata consistent with factors in the mass appraisal model. When the study's purpose is to evaluate appraisal quality, flexibility in stratification is essential. The general goal is for the appraisal district to identify areas where the assessment levels are too low or lack uniformity and property groups for which the appraisal district may require additional reappraisal work. In such cases, it is also highly desirable to simultaneously stratify based on more than one characteristic.

Stratification can help identify differences in appraisal levels between property groups. In large jurisdictions, stratification by market areas is generally more appropriate for residential properties. In contrast, stratification of commercial properties by either geographic area or property subtypes (e.g., office, retail and warehouse/industrial) can be more effective.

Baylor only conducts ratio studies in the spring before sending appraisal notices. Appraisal districts should also conduct ratio studies after certifying the appraisal roll to assess values post protest season. Conducting multiple ratio studies throughout the year can help the appraisal district identify areas needing correction, refine and improve schedules and better define submarkets.

An appraisal district is responsible for appraising property within its jurisdiction for ad valorem tax purposes for each taxing unit that imposes ad valorem taxes on property in the district (Tax Code Section 6.01(b)).

In 2020, 2021 and 2022, Baylor performed insufficient ratio study analyses. Baylor's ratio studies during that time were not conducted by market area, stratum or property class for Seymour ISD. Baylor conducted post-notice ratio studies with sales in 2020 and 2021 but they were not used for revaluation, indicating reliance on outdated information without current sales data, leading to inaccurate values.

Baylor provided a Category A ratio study report for 2021 that included sales from 2019 through November 2021. It showed a weighted mean of 0.80; however, this report was not used for revaluation and values remained low even after implementing a new schedule with the appraisal contractor. Category D properties in 2021 had a weighted mean of 0.41, with no changes applied. The reports reviewed contained measures of central tendency and uniformity, but they were not used effectively for adjustments.

In 2022, Baylor adjusted residential properties with a 10 percent increase, a modifier of 165 percent for M3+ properties and 145 percent for all others, but the basis for these adjustments could not be determined due to missing ratios studies for those categories. A ratio study report dated April 20, 2022, indicated a weighted mean of 0.79, with a 10 percent adjustment applied to residential properties. In contrast, Category D1 properties, with a weighted mean of 0.81 and no adjustment for lands.

It is crucial to collect regular sales data, conduct ratio studies and evaluate cost schedules based on these findings to accurately assess reliable market trends and establish developing market values.

⚲ RECOMMENDATION 5
Conduct ratio studies at timely intervals by market area, neighborhood, property class or stratum and make appropriate adjustments based on results.

PTAD'S APPRAISAL DISTRICT RATIO STUDY (ADRS)

Tax Code Section 5.10 requires PTAD to conduct a ratio study to measure the performance of each appraisal district in Texas at least once every two years and to publish the results.

The purpose of the Appraisal District Ratio Study (ADRS) is to measure the uniformity and median level of appraisals performed by an appraisal district within each major category of property.

To conduct the ADRS, PTAD applies appropriate standard statistical analysis techniques to data collected through the SDPVS required by Government Code Section 403.302.

The published report provides ratio study results for each appraisal district studied that year and includes:
- the median levels of appraisal for each major property category.
- the coefficient of dispersion (COD) around the median level of appraisal for each major property category; and
- other appropriate statistical measures.

Exhibit 14 shows the data from PTAD's Appraisal District Ratio Study for Baylor in 2022.

EXHIBIT 14

PTAD's Appraisal District Ratio Study, Baylor 2022

Category	Number of Ratios**	2022 CAD Reported Appraisal Value	Median Level of Appraisal	Coefficient of Dispersion	% Ratios within (+/ -) 10 % of Median	% Ratios within (+/ -) 25 % of Median	Price - Related Differential
A. SINGLE-FAMILY RES	63	93,905,780	0.79	29.75	17.46	53.97	1.09
B. MULTI-FAMILY RES	0	0	*	*	*	*	*
C1. VACANT LOTS	0	986,820	*	*	*	*	*
C2. COLONIA LOTS	0	0	*	*	*	*	*
D2. FARM/RANCH IMP	0	6,806,000	*	*	*	*	*
E. RURAL-NON-QUAL	22	39,478,845	0.85	36.52	9.09	54.55	1.16
F1. COMMERCIAL REAL	0	18,951,614	*	*	*	*	*
F2. INDUSTRIAL REAL	0	246,824,320	*	*	*	*	*
G. OIL, GAS, MINERALS	0	3,353,160	*	*	*	*	*
J. UTILITIES	3	129,540,530	0.99	1.35	100.00	100.00	1.02
L1. COMMERCIAL PER	0	11,537,800	*	*	*	*	*
L2. INDUSTRIAL PER	0	1,607,300	*	*	*	*	*
M. OTHER PERSONAL	0	592,670	*	*	*	*	*
O. RESIDENTIAL INV	0	0	*	*	*	*	*
S. SPECIAL INVENTORY	0	1,277,244	*	*	*	*	*
OVERALL	88	554,862,083	0.81	31.21	18.18	54.55	1.06

Source: Texas Comptroller of Public Accounts, *Appraisal District Ratio Study 2022 Tax Year Findings*

* Category result not calculated. Calculation requires a minimum of five ratios from either of the following:
- Categories representing at least 25 percent of total appraisal district category value.
- Five school districts or half the school districts in the appraisal district, whichever is less.

** Statistical measures may not be reliable when the sample is small.

🔍 FINDING

Baylor is not appraising property uniformly or equitably.

Ratio study standards provide a means of measuring whether appraisal efforts have met appropriate expectations. To determine reappraisal priorities, appraisal districts should use ratio studies to measure the level of appraisal and uniformity of appraisal for the overall jurisdiction, for individual mass appraisal neighborhoods or market areas, by types of properties, or any other significant segment that assists in that determination.

The median measures the accuracy of an appraisal district's appraisals in relation to the standard of 100 percent of market value. According to IAAO, the median is the appropriate measure of central tendency for evaluating appraisal performance. The median level of appraisal standard is 0.95-1.05 to indicate accurate market value appraisals. **Exhibit 14** shows Baylor has an overall low median level of appraisal (0.81) and a low median level of appraisal in Category A (0.79) and Category E (0.85). These low ratios indicate that properties are appraised below market value.

The Coefficient of Dispersion (COD) is a measure of appraisal uniformity. **Exhibit 13** shows the IAAO suggested COD standards. **Exhibit 14** shows that Baylor has a high overall COD (31.21) and a high COD in Category A (29.75) and Category E (36.52), indicating uniformity issues across major property types. These figures indicate higher variability in appraisal ratios, suggesting inconsistencies in valuation. This level of dispersion suggests the average deviation of the ratios from the median is excessive, potentially affecting the reliability of the appraisal assessments.

The Price-Related Differential (PRD) is a measure of vertical equity, comparing the appraisal of higher valued properties to the appraisal of lower valued properties. The IAAO states that anything outside of the PRD range of 0.98-1.03 indicates vertical inequity or treating higher and lower priced properties differently. **Exhibit 14** shows the overall PRD (1.06) and the PRD for Category A (1.09) and Category E (1.16) are higher than the IAAO suggested PRD range, indicating regressivity or that lower valued properties are over-appraised relative to higher valued properties.

Low median levels of appraisal, combined with high CODs and high PRDs indicates that a reappraisal of all property would be prudent. Because ADRS only reviews certain property categories, Baylor should perform its own ratio studies at a micro-level to determine which neighborhoods would benefit from full reappraisal or if a trend factor could be applied.

💡 RECOMMENDATION 6

Use Baylor's local ratio study results to make reappraisal decisions necessary to produce accurate values.

2.5 REAPPRAISAL PLAN

Tax Code Section 6.05(i) requires the appraisal district board of directors to develop a biennial reappraisal plan in even numbered years and to hold a public hearing to adopt the plan. The plan must indicate how the appraisal district will comply with Tax Code Section 25.18 which requires the reappraisal of all real and personal property in the appraisal district at least once every three years to ensure that all property is appraised at 100 percent of market value on Jan 1.

🔍 FINDING

Baylor did not complete inspections timely as specified in its reappraisal plan.

Tax Code Section 25.18 states:

(a) Each appraisal office shall implement the plan for periodic reappraisal of property approved by the board of directors under Section 6.05(i).

(b) The plan shall provide for the following reappraisal activities for all real and personal property in the appraisal district at least once every three years:

    (1) identifying properties to be appraised through physical inspection or by other reliable means of identification, including deeds or other legal documentation, aerial photographs, land-based photographs, surveys, maps and property sketches;

    (2) identifying and updating relevant characteristics of each property in the appraisal records;

    (3) defining market areas in the appraisal district;

    (4) identifying property characteristics that affect property value in each market area, including:

        (A) the location and market area of property;

        (B) physical attributes of property, such as size, age and condition;

        (C) legal and economic attributes; and

        (D) easements, covenants, leases, reservations, contracts, declarations, special assessments, ordinances, or legal restrictions;

    (5) developing an appraisal model that reflects the relationship among the property characteristics affecting value in each market area and determines the contribution of individual property characteristics;

    (6) applying the conclusions reflected in the model to the characteristics of the properties being appraised; and

    (7) reviewing the appraisal results to determine value.

Baylor's 2021 to 2022 reappraisal plan states that appraisers will update relevant property characteristics and look for changes such as fire damage, remodeling, additions, demolitions, or physical deterioration. New improvements must be inspected, measured, classified and added to the appraisal roll. The appraisal district began its inspections with rural property accounts in the Seymour ISD school district, starting in the southern half of the county. The 2021 to 2022 reappraisal plan specified that field inspections should be completed by April 30, 2022. However, a review of sample properties revealed that inspections were not completed on time as required. Nine properties in the sample had inspection dates later than April 30, 2022.

An appraisal district must complete inspections promptly to adhere to the schedule outlined in the reappraisal plan.

RECOMMENDATION 7
Complete reappraisals according to the schedule specified in the reappraisal plan.

FINDING
Baylor does not amend its reappraisal plan to address problematic or critical areas of need.

IAAO's *Standard on Mass Appraisal*, Section 4.8, Frequency of Reappraisals, states that the analysis of ratio study data can suggest groups or strata of properties in greatest need of physical review. Market adjustments can effectively maintain equity when appraisals are uniform within strata and recalibration can provide even greater accuracy. However, only physical reviews can correct data errors and, as stated in Sections 3.3.4 and 3.3.5, property characteristics data should be reviewed and updated at least every 4 to 6 years. The appraisal district can accomplish this in at least three ways:

    i.   Reinspecting all property at periodic intervals (i.e., every 4 to 6 years)

    ii. Reinspecting properties on a cyclical basis (e.g., one-fourth or one-sixth each year)

    iii. Reinspecting properties on a priority basis as indicated by ratio studies or other considerations while ensuring that they examine properties at least every sixth year.

Problematic areas within the appraisal district include Seymour ISD, which Baylor lists in the reappraisal plan as a market area. Baylor did not provide a ratio study analysis to determine whether the appraisal district addressed critical areas in Seymour ISD.

It is imperative to maintain and implement an effective reappraisal plan that addresses problematic areas and conduct ratio study analysis to maintain fair and uniform property values. Performing ratio study analysis is essential in determining reliable market trends and developing market values.

RECOMMENDATION 8

Amend the reappraisal plan to address problematic areas.

2.6 QUALITY CONTROL

An appraisal district should follow a quality control process to ensure that accuracy standards are achieved and maintained. Proper quality control analysis is essential in determining reliable market trends and developing market values. An appraisal district should have written procedures outlining how to perform a proper quality analysis to prevent errors in the process.

FINDING

Baylor has written a quality control process but does not use it to verify the accuracy and uniformity of property valuations.

IAAO's *Standard on Mass Appraisal*, Section 3.3.2.5, Data Collection Quality Control, states a quality control program is necessary to ensure data accuracy standards are achieved and maintained. The appraisal should perform independent quality control inspections immediately after the data collection phase begins. The inspections should review random samples of finished work for completeness and accuracy and keep tabulations of items coded correctly or incorrectly so that the appraisal district can use the statistical tests to determine whether accuracy standards have been achieved. Stratification by geographic area, property type, or individual data collector can help detect patterns of data error.

IAAO's *Standard on Mass Appraisal*, Section 5, Model Testing, Quality Assurance and Value Defense, states that mass appraisal allows for model testing and quality assurance measures that provide feedback on the reliability of valuation models and the overall accuracy of estimated values. Appraisal district staff must be familiar with these diagnostics to evaluate valuation performance properly and make improvements where needed.

IAAO's *Standard on Data Quality*, Section 3, Data Quality Management, states monitoring and reviewing data quality is fundamental to a successful mass appraisal process. The rate at which the quality of assessment data erodes is highly variable. However, the gap between what exists in the world and what is in the appraisal district's records grows over time. In addition to maintaining data to a specified standard and determining areas of strength and/or weakness of data, the results may be used to determine how raw data, stratification of data, data sources, or data collection efforts can be enhanced to produce better future performance.

The standard states the appraisal district should document all data quality management functions as part of a broader enterprise-level quality management framework that contains quality assurance and quality control elements related to (1) the quality of the data itself, (2) the quality of data collection and (3) the quality of data analysis:

Clear, up-to-date policy and procedures documentation that includes:

    i.   Specifications for the data elements to be collected and stored;

    ii.   Standard definitions for all data elements and related terms;

    iii. Acceptable methods for the uniform collection and recording of all assessment data;

    iv. Controls on the output for each data-related process or subprocess;

    v.   Standards for the ongoing testing and maintenance of existing data as they age;

    vi. Policy compliance testing and reporting function; and

    vii. Regular procedural reviews.

Baylor's quality control procedures indicate a process for reviewing the completion of work using ratio studies. Baylor conducted quality control ratio studies in 2022 but not in 2020 or 2021.

Conducting ratio studies analysis is crucial for identifying reliable market trends and establishing accurate market values. Adherence to written quality control procedures is necessary to ensure accuracy and completeness of valuations.

RECOMMENDATION 9

Follow written quality control procedures to ensure work is completed accurately and timely.

Section 3 – Categories of Valuation in the SDPVS

PTAD found Seymour ISD's Categories A, D1, E and J to be invalid in the years indicated in **Exhibit 15**. Because these property categories had invalid ratios in at least one of the three review years, these property categories are the basis of this TARP review.

PTAD found Categories B, C1, F, G and L1in Seymour ISD to be valid and they are *not* included in the scope of this TARP review.

EXHIBIT 15

SDPVS Invalid Property Categories 2020-22			
ISD	**2020**	**2021**	**2022**
Seymour	A, D1 and E	A and E	A, D1, E and J

Source: Texas Comptroller of Public Accounts, *School District Property Value Study Final Findings*

3.1 CATEGORY A – SINGLE-FAMILY RESIDENTIAL PROPERTY VALUATION

The Comptroller's *Texas Property Tax Assistance Property Classification Guide* states Category A property includes single-family residential improvements and land on which the improvements are situated. They may or may not be within the city limits or in close proximity to a city.

Baylor's Category A property values were statistically invalid in 2020 to 2022. Baylor undervalued appraisals during the rapidly appreciating market in 2020 to 2022. A recommendation related to this category can be found earlier in this report under the Ratio Studies section.

The same appraisal services contractor has appraised Baylor's single-family properties for four years. Baylor should actively monitor the proposed market values produced by the appraisal contractor to ensure the contractor is performing appraisal and related services for the appraisal district and that such appraisal services comply with Tax Code Section 23.01 relating to the Uniform Standards of Professional Appraisal Practice (USPAP) as it applies to the described properties in the appraisal services contract.

3.2 CATEGORY (D) D1 – QUALIFIED OPEN-SPACE LAND PROPERTY VALUATION AND CATEGORY D2 – FARM AND RANCH IMPROVEMENTS SPECIAL USE VALUATION

The Comptroller's *Texas Property Tax Assistance Property Classification Guide* states Category D1 includes all acreage qualified for productivity valuation under Texas Constitution, Article VIII, 1-d or 1-d-1 and Tax Code Chapter 23, Subchapters C, D, E and H.

It also states Category D2 includes improvements, other than residences, associated with land reported as Category D1. These improvements include all barns, sheds, silos, garages and other improvements associated with farming or ranching.

Baylor's Category D1 property values were statistically invalid in 2020 and 2022. Baylor's Category D1 values included additional income in their net-to-land calculations. Baylor states the land market values are small tract sales at higher dollar amounts and applied differently across the range of tract sizes. The difference is the values differ in hunting income and lease value used by the appraisal district.

The same appraisal services contractor has appraised Baylor's qualified open-space land properties for four years. Baylor should actively monitor the proposed market values produced by the appraisal contractor to ensure the contractor is performing appraisal and related services for the appraisal district and that such appraisal services comply with Tax Code Section 23.01 relating to the Uniform Standards of Professional Appraisal Practice (USPAP) as it applies to the described properties in the appraisal services contract.

3.3 CATEGORY E – RURAL LAND, NOT QUALIFIED FOR OPEN-SPACE APPRAISAL PROPERTY VALUATION

The Comptroller's *Texas Property Tax Assistance Property Classification Guide* states Category E includes only rural land that is not qualified for productivity valuation and the improvements on that land, including residences. Appraisal districts may report any size tract in Category E.

As always, primary use is the determining factor in classifying property. If the land is used as residential inventory, commercial, industrial, or other purposes, classify the property by that use. Likewise, if the land qualifies as open-space land for productivity appraisal, the use determines its classification as Category D1. If the land does not fit in these other categories, report it in Category E.

Baylor's Category E property values were statistically invalid in 2020 to 2022. Baylor undervalued appraisals during the rapidly appreciating market in 2020 to 2022. A recommendation related to this category can be found earlier in this report under the Ratio Studies section.

The same appraisal services contractor has appraised Baylor's rural land properties for four years. Baylor should actively monitor the proposed market values produced by the appraisal contractor to ensure the contractor is performing appraisal and related services for the appraisal district and that such appraisal services comply with Tax Code Section 23.01 relating to the Uniform Standards of Professional Appraisal Practice (USPAP) as it applies to the described properties in the appraisal services contract.

3.4 CATEGORY J – REAL AND PERSONAL PROPERTY: UTILITIES PROPERTY VALUATION

The Comptroller's *Texas Property Tax Assistance Property Classification Guide* states Category J property includes the real and personal property of utility companies and co-ops. Usually, utility companies supply continuous or repeated services through permanent physical connections between a plant and a consumer.

Baylor's Category J property values were statistically invalid in 2022. The same appraisal services contractor has appraised Baylor's utility properties for 42 years. Baylor should actively monitor the proposed market values produced by the appraisal contractor to ensure the contractor is performing appraisal and related services for the appraisal district and that such appraisal services comply with Tax Code Section 23.01 relating to the Uniform Standards of Professional Appraisal Practice (USPAP) as it applies to the described properties in the appraisal services contract.

APPENDICES

Appraisal District Budget

	2022	2021	2020	2019	Tier 3 Average 2019-2022	Tier 3 Average 2022
Total Budget (Excluding Collections)	$284,320	$264,320	$264,320	$193,372	$512,391	$547,673
Total Property Taxes Levied (All Jurisdictions)	$6,736,869	$2,587,347	$5,152,180	$5,190,741	$60,025,749	$50,052,925
Does the appraisal district collect taxes?	Yes	Yes	Yes	Yes	Yes	Yes
Number of Taxing Units Appraisal District Collects For (If Applicable)	6	6	6	6	N/A	N/A

Source: Texas Comptroller of Public Accounts, *Appraisal District Operation Survey*

Appraisal District Staffing

Appraisal District Staff						
	2022	2021	2020	2019	Tier 3 Average 2019-2022	Tier 3 Average 2022
Full Time Staff	3	4	4	4	4	4
Part Time Staff	0	0	0	0	N/A	N/A

Appraisal Staff						
	2022	2021	2020	2019	Tier 3 Average 2019-2022	Tier 3 Average 2022
Full Time Appraisers	2	1	1	1	3	3
Lowest Appraiser Salary	$38,400	$38,400	$38,400	$38,400	$40,079	$39,505
Highest Appraiser Salary	$38,400	$38,400	$38,400	$38,400	$46,417	$48,041

Source: Texas Comptroller of Public Accounts, *Appraisal District Operation Survey*

APPENDIX 3

Appraisal District Parcel Information

Baylor	2022	2021	2020	2019
Parcel Count*	6,931	6,489	6,754	6,812
Number Taxing Units	6	6	6	6
Parcels per Appraisal Staff**	0	0	0	4,580
Total Market Value Certified	$1,284,133,553	$1,138,756,524	$1,148,838,747	$1,070,823,227

Parcels per Appraisal Staff Averages	
Parcels	Parcels/Appraiser
Under 10,000	5,300 parcels/appraiser
10,001 – 70,000	6,400 parcels/appraiser
70,001 – 200,000	6,700 parcels/appraiser
Over 200,000	7,100 parcels/appraiser

Source: Texas Comptroller of Public Accounts, *Appraisal District Operation Survey and Electronic Appraisal Roll Submission*
  * Parcel count includes contracted appraisal services.
**Parcels per appraiser does not include contracted appraisal services.