Review of
Appraisal
District
Appraisal
Standards,
Procedures and
Methodology

TARGETED APPRAISAL REVIEW PROGRAM

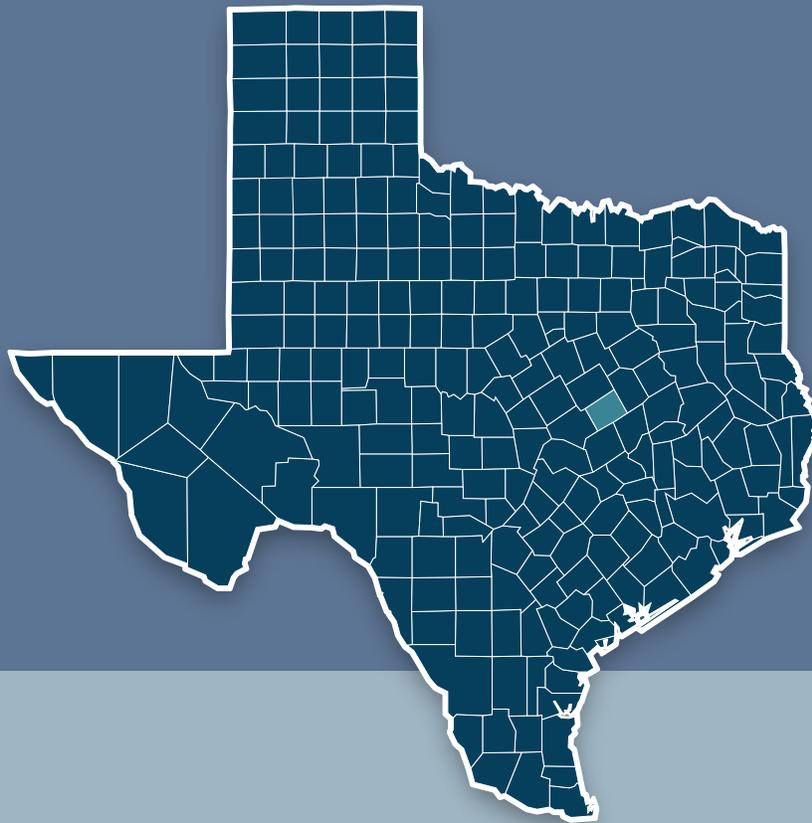## FALLS COUNTY APPRAISAL DISTRICT

GLENN HEGAR
Texas Comptroller of Public Accounts

2023 TARGETED APPRAISAL REVIEW

FALLS COUNTY APPRAISAL DISTRICT

Chief Appraiser: Martha Davis

Reviewer: Dwayne Andrews

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Executive Summary

In September 2023, the Texas Comptroller of Public Accounts identified Marlin Independent School District (Marlin ISD), located in Falls 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 Falls County Appraisal District (Falls).

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 Falls. Over the next year, TARP reviewers will work with Falls 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 Falls 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 Marlin ISD in Falls 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

Falls SDPVS Results 2020-2022

SDPVS Year	County	School District	Findings	Category*	Ratio
2020	Falls	Marlin ISD	Invalid	A	0.9154
2020	Falls	Marlin ISD	Invalid	E	0.8527
2020	Falls	Marlin ISD	Invalid	F1	0.9398
2021	Falls	Marlin ISD	Invalid	A	0.9006
2021	Falls	Marlin ISD	Invalid	E	0.8237
2021	Falls	Marlin ISD	Invalid	F1	0.8554
2022	Falls	Marlin ISD	Invalid	A	0.8681
2022	Falls	Marlin ISD	Invalid	E	0.9146
2022	Falls	Marlin ISD	Invalid	F1	0.901
2022	Falls	Marlin ISD	Invalid	J	0.9451

*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 Falls, PTAD makes the following recommendations, which are discussed in greater detail throughout this report:

- Evaluate the chief appraiser annually.
- Conduct ratio studies at timely intervals by market area, neighborhood, property class, or stratum and make appropriate adjustments based on results.
- Use Falls' local ratio study results to make reappraisal decisions necessary to produce accurate values.
- Review and update residential cost schedules annually.
- Maintain market value for vacant land properties and review and update land schedules annually.

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 Falls County from parts of Limestone and Milam counties in January 1850. The Legislature named the county in honor of the falls of the Brazos and Adams was chosen by the citizens as the county seat in January 1851. Adams was renamed Marlin shortly thereafter. Falls county is located on United States (US) Highway 77 and Texas State Highway 6, approximately 24 miles south of Waco and 121 miles south of Dallas and is bordered to the northwest by McLennan County, to the northeast by Limestone County, to the Southeast by Robertson and Milam Counties and the Southwest by Bell County.

The county includes the Bremond, Bruceville-Eddy, Chilton, Groesbeck, Lorena, Marlin, Mart, Riesel, Robinson, Rosebud-Lott, Troy and Westphalia Independent School Districts.

The county population in 2020, according to the United States Census Bureau, was 16,968. The major population center is the city of Marlin, having 5,462 residents and a variety of small town and unincorporated areas.

Based on the 2020 census population, PTAD classifies Falls 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

Falls became active in January 1980. As of July 2024, it has seven full-time staff positions and one part-time position, of which two positions are supervisory and five positions are full-time appraisers. The remaining positions are administrative. Falls contracts with a vendor for professional appraisal services. **Exhibit 4** presents Falls general organizational structure.

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

Falls Organization Structure

- **Board of Directors**
- **Chief Appraiser**
  - **Appraiser**
  - **Appraiser**
  - **Appraiser**
    - **Support Staff**

Source: Falls County Appraisal District

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.

Falls provides appraisal services for 22 taxing units, as shown in **Exhibit 5** and does not perform collection services.

EXHIBIT 5

Falls Taxing Units and Collections	
Name of Taxing Unit	**Appraisal District Collects Property Taxes**
Falls County	No
Troy Independent School District	No
Chilton Independent School District	No
Marlin Independent School District	No
Westphalia Independent School District	No
Rosebud-Lott Independent School District	No
Groesbeck Independent School District	No
Lorena Independent School District	No
Mart Independent School District	No
Riesel Independent School District	No
Bruceville- Eddy Independent School District	No
Robinson Independent School District	No
Bremond Independent School District	No
City of Lott	No
City of Rosebud	No
City of Marlin	No
City of Bruceville- Eddy	No
City of Golinda	No
Elm Creek Watershed District	No
Falls County ESD #1	No
Falls County ESD #2	No
Falls County ESD #3	No

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 Falls' 2022 budget versus the Tier 3 average 2022 budget (excluding collections) to show how Falls' budget aligns with the tier average.

EXHIBIT 6

Falls 2022 Budget, vs. Tier 3 Average

Falls County Appraisal District Budget (2022)	Tier 3 Average Budget (2022)
$784,582	$547,673

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

In 2022, Falls operated with a budget of $784,582, significantly higher than the 2022 Tier 3 average budget of $547,673. This budget comparison highlights relatively larger financial resources compared to other Tier 3 appraisal districts, as reported by Falls 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 Falls 2022 staffing and the 2022 Tier 3 staffing average (excluding collections) to determine how Falls staffing and salaries compare with the tier average.

EXHIBIT 7

Falls 2022 Staffing and Salaries vs. Tier 3 Average

	2022	2022 Tier 3 Average
Full Time Staff	6	4
Part Time Staff	1	N/A
Full Time Appraisers	3	3
Lowest Appraiser Salary	$42,009	$39,505
Highest Appraiser Salary	$42,009	$48,041

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

From 2019 to 2022, Falls has maintained a full-time staff of at least six employees, which is higher than the Tier 3 2022 average of four. There was one part-time staff member during this period. The appraisal district employed at least three full-time appraisers each year, which is similar to the 2022 Tier 3 average. The lowest appraiser salary decreased from $47,000 in 2019 to $42,009 in 2022, which is higher than the Tier 3 average of $39,505. The highest appraiser salary decreased from $47,000 in 2019 to $42,009 in 2022, which is lower than the 2022 Tier 3 average $48,041. The salary decreases were due to staff turnover in which more experienced staff were replaced with less experienced staff. A four-year staff and salary history and Tier 3 average comparison is available in **Appendix 2**.

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 Falls' 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

Falls Training Budget and Number of Trainings

	2022	2021	2020
Training Budget	$21,000	$33,893	$7,500
Number of Trainings Attended	1 to 2	1 to 2	1 to 2

Source: Falls County Appraisal District

In 2022, Falls' training budget was $21,000 but has fluctuated over past three years; and the number of trainings attended by appraisal district staff over past three years has remained at one.

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 Falls' chief appraiser.

EXHIBIT 9

Falls Chief Appraiser Information

Chief Appraiser

Is the Chief Appraiser permanent, temporary or interim?	Permanent
Does the Chief Appraiser perform appraisals?	Yes
2022 Base Salary	$58,092
Chief Appraiser – Years at appraisal district	14
Chief Appraiser – Years as a Chief Appraiser	1.5
Does the Chief Appraiser receive a car allowance?	No
What is the amount of the car allowance? (If applicable)	$0
Does the Chief Appraiser receive retirement benefits?	Yes
Does the Chief Appraiser receive medical insurance benefits?	Yes

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

🔍 FINDING

The Falls board of directors does not annually evaluate the chief appraiser.

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

IAAO's *Introduction to Assessment Administration*, Chapter 3, Organization for Assessment Administration, specifies that evaluating each employee's performance is a necessary and important function in office administration. Organizations and employees benefit from a regular performance evaluation process.

The current chief appraiser is a 14-year employee of the appraisal district. The board of directors terminated the previous chief appraiser in December 2021. A review of the board of director minutes from 2019 to 2022 indicated that while the board evaluated the chief appraiser in 2022, evaluations were not performed in 2020 or 2021.

Chief appraisers should regularly evaluate staff to ensure work completion and correct performance issues. Similarly, the board of directors should evaluate the chief appraiser's performance to ensure adequate performance of the position's duties and responsibilities.

⚲ RECOMMENDATION 1

Evaluate the chief appraiser annually.

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 Falls' contracts, which are discussed in more detail in throughout this report. Falls 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

Falls Contracts			
Type of Contract	Contract Dates	Years with Same Vendor	Does appraisal district actively monitor contract?
Appraisal Services	2019 - Current	4 years	Yes
Software	2014 - Current	9 years	Yes
Mapping	2017 - Current	2 years	Yes
GIS	2015 - Current	8 years	Yes
Pictometry	2019 - Current	4 years	Yes

Source: Falls 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 Falls Parcel Information vs. Tier 3 Average		
Parcel Information	Falls	Typical Parcel Per Appraiser (Rounded)
Parcel Count	19,549	10,001 – 70,000
Parcels per Appraisal Staff	6,963*	6,400**

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

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

In 2022, Falls managed 19,549 parcels placing it on the low side of appraisal districts with 10,001 to 70,000 parcels. Falls contracts for appraisal services in Categories B, F1, F2, J and L2. Parcels in these categories are removed from the total parcel count to determine the parcels per appraiser of 6,963. This indicates that Falls' parcels per appraiser is higher than the typical parcel per appraiser average, which includes all property categories.

From 2019 to 2022, Falls managed parcel counts ranging from 19,549 to 19,748 (including all properties) and the parcels assigned per appraiser for properties appraised in house ranged from 5,138 to 6,963. The total market value of certified parcels increased from $2,070,635,431 to $2,920,733,924 between 2019 and 2022. **Appendix 3** provides the appraisal district's parcel data over the four-year review period.

2.2 CONTRACTED APPRAISAL SERVICES

From 2019 to 2022, appraisal district staff appraised 75 to 95 percent of the total appraised value within the appraisal district, specifically for Categories A, C, D1, D2, E, M, O and S. From 2019 to 2022, Falls contracted for appraisal services for property Categories B, F1, F2, G, J, L1 and L2. Each year, these contracted firms appraised 5 to 25 percent of the total appraised value within the appraisal district. The cost of these services varied from $42,000 to $55,000 over four years. Additionally, the appraisal district uses a geographic information system (GIS) and aerial technology systems.

Exhibit 12 lists Falls' contracted appraisal services.

EXHIBIT 12

Falls' Contracted Appraisal Services

	2022	2021	2020	2019
Appraisal Services Contract	Yes	Yes	Yes	Yes
Contracted Property Categories	B, F1, F2, J and L2	B, F1, F2, G and J	B, F1, F2, G and J	B, G, J, L1 and L2
Percentage of total appraised value appraised by contracted appraisal firms	5%	5%	5%	25%
Appraisal Contract Cost	$44,000	$42,000	$53,000	$55,000

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

2.3 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.*

FALLS RATIO STUDIES

🔍 FINDING

Falls 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 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 taxing 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.

Falls did not perform proper ratio study analysis in 2021 and 2022. They only tracked sales via spreadsheets and performed an analysis. The CAMA system was not used for ratio studies. Falls had a low number of sales during these years, making the results questionable. Marlin ISD had 16 sales of improved properties in 2022 and 13 sales in 2021, primarily in Category A, with a mixture of 1-2 Category E and Category D sales. In comparison, Marlin ISD had 52 sales in 2019 and 33 sales in 2020. The appraisal district relied on historical or outdated information without recent sales data, leading to invalid findings. Using current data would have produced results that meet industry standards and are more reliable.

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 2

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 Falls in 2022.

EXHIBIT 14

PTAD's Appraisal District Ratio Study, Falls 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	194	307,938,729	*	*	*	*	*
B. MULTI-FAMILY RES	0	8,701,210	*	*	*	*	*
C1. VACANT LOTS	0	7,322,134	*	*	*	*	*
C2. COLONIA LOTS	0	0	*	*	*	*	*
D2. FARM/RANCH IMP	20	32,538,754	*	*	*	*	*
E. RURAL-NON-QUAL	122	405,628,566	1.04	24.84	27.87	63.11	1.05
F1. COMMERCIAL REAL	48	51,600,204	*	*	*	*	*
F2. INDUSTRIAL REAL	0	5,927,590	*	*	*	*	*
G. OIL, GAS, MINERALS	0	0	*	*	*	*	*
J. UTILITIES	11	209,953,360	0.94	9.50	81.82	90.91	0.96
L1. COMMERCIAL PER	0	125,361,310	*	*	*	*	*
L2. INDUSTRIAL PER	0	40,002,400	*	*	*	*	*
M. OTHER PERSONAL	0	14,637,280	*	*	*	*	*
O. RESIDENTIAL INV	0	0	*	*	*	*	*
S. SPECIAL INVENTORY	0	6,089,460	*	*	*	*	*
OVERALL	395	1,215,700,997	0.97	18.41	45.32	73.42	1.05

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

Falls 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 Falls has a good median level of appraisal (0.97) and in Category E (1.04), with a low median level of appraisal in Category J (0.94). These ratios indicate that Category J 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 Falls has a good overall COD (18.41) and in Category J (9.50), with a high COD in Category E (24.84), indicating uniformity issues across this property type. 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. 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 (1.05) and the Category E PRD (1.05) to be higher than the IAAO suggested PRD range, indicating regressivity or that lower valued properties are relatively over-appraised; however, the Category J PRD (0.96) is lower than the IAAO suggested PRD range, indicating progressivity or that low valued properties in that category are relatively under-appraised.

Because ADRS only reviews certain property categories, Falls 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 3

Use Falls local ratio study results to make reappraisal decisions necessary to produce accurate values.

Section 3 – Categories of Valuation in the SDPVS

PTAD found Marlin ISD's Categories A, E, F1 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, D, G and L1 in Marlin 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**
Marlin	A, E and F1	A, E and F1	A, E, F1 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.

🔍 FINDING

Falls does not annually review and update residential cost schedules based on ratio study results.

IAAO's *Standard on Mass Appraisal*, Section 4.2, The Cost Approach, states that the cost approach applies to virtually all improved parcels and, if used properly, can produce accurate valuations. The cost approach is more reliable for newer standard materials, design and workmanship structures. It produces an estimate of the value of the fee simple interest in a property.

Reliable cost data is imperative in any successful application of the cost approach. The data must be complete, typical and current. Current construction costs should be based on the cost of replacing a structure with one of equal utility, using current materials, design and building standards. In addition to specific property types, cost models should include the cost of individual construction components and building items to adjust for features that differ from base specifications. The appraisal district should incorporate these costs into a construction cost manual and related computer software. The software can perform the valuation function. The appraisal district can use the manual when nonautomated calculations are required and provide additional documentation.

The appraisal district can develop construction cost schedules based on a systematic study of local construction costs, obtained from firms specializing in such information, or custom-generated by a contractor. The appraisal district should verify the cost schedules for accuracy by applying them to recently constructed improvements of known cost. The appraisal district should also update construction costs before each assessment cycle.

Falls does not regularly conduct or review ratio studies. The current chief appraiser explained she could not recall a time when ratio studies were consistently run or used for updating cost schedules. Falls did not update or make adjustments to residential cost schedules from 2020 to 2022.

Due to a limited number of sales, Falls did not run or adjust ratio studies in the CAMA system county-wide or for Marlin ISD in 2021 to 2022. The chief appraiser stored sales information in spreadsheets and manually tracked changes and updates. The chief appraiser explained that while this was done occasionally, it was not done consistently or multiple times yearly to adjust the parameters.

Collecting sales data and performing ratio study analysis on a regular basis is essential for determining reliable market trends and updating cost schedules to reflect market values. Despite limited sales data, an appraisal district should still update cost schedules using available resources including published cost information or builder information. Multiple years of sales data can be combined to obtain a more accurate picture of current market values. Cost schedules should be adjusted to reflect 100 percent of market value, even if it requires substantial increases.

RECOMMENDATION 4
Review and update residential cost schedules annually.

3.2 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.

🔍 FINDING

Falls does not conduct ratio studies regularly for vacant land properties and does not review and update land schedules.

IAAO's *Standard on Mass Appraisal*, Section 4.5, Land Valuation, states that state or local laws may require the appraisal district to separate the value of an improved parcel into land and improvement components. When the appraisal district uses the sales comparison or income approach, an independent land value estimate can be subtracted from the total property value to obtain a residual improvement value. Some computerized valuation techniques separate total value into land and building components.

The appraisal district should annually review and adjust values. Each appraisal office must implement the plan for periodic reappraisal of property and the plan must provide for the reappraisal activities for all real and personal property in the appraisal district at least once every three years. The sales comparison approach is the primary approach to land valuation and is always preferred when sufficient sales are available. In the absence of adequate sales, the appraisal district can use other techniques in land appraisal including allocation, abstraction, anticipated use, capitalization of ground rents and land residual capitalization.

Falls did not perform regular ratio studies analysis for vacant land in 2021 and 2022. They tracked sales via spreadsheets and performed an analysis. However, the low number of sales made the results questionable. Falls did not update or make adjustments to land schedules in 2020 to 2022 and values stayed the same.

Falls did not run or adjust ratio studies in the CAMA system county-wide or for Marlin ISD in 2021 and 2022 due to limited sales. The chief appraiser stored manually tracked changes and updates in spreadsheets. Ratio study information provided to the reviewer from CAMA indicated only 16 sales in 2022 and 13 in 2021 in Marlin ISD. Most sales were Category A, with a mixture of one to two Category D and E sales. In comparison, Marlin ISD had 52 sales in 2019 and 33 sales in 2020.

Collecting sales data and performing ratio studies analysis regularly is essential for determining reliable market trends and developing market values.

💡 RECOMMENDATION 5
Maintain market value for vacant land properties and review and update land schedules annually.

3.3 CATEGORY F1 – COMMERCIAL REAL PROPERTY VALUATION

The Comptroller's *Texas Property Tax Assistance Property Classification Guide* states Category F property includes land and improvements associated with businesses that sell goods or services to the public. Businesses considered commercial businesses include wholesale and retail stores, shopping centers, office buildings, restaurants, hotels and motels, gas stations, parking garages and lots, auto dealers, repair shops, finance companies, insurance companies, savings and loan associations, banks, credit unions, clinics, nursing homes, hospitals, marinas, bowling alleys, golf courses and mobile home parks.

Falls' Category F1 property values were statistically invalid from 2020 to 2022. Falls undervalued Category F1 properties from 2020 to 2022, even though Falls followed steps outlined. The reviewer indicated a lack of sales and few schedule changes for this category during 2020 to 2022. A recommendation related to this category can be found earlier in this report under the Ratio Studies section.

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.

Falls' Category J property values were statistically invalid in 2022. The same appraisal services contractor has appraised Falls' mineral property for four years. Falls 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

APPENDIX 1

Appraisal District Budget

	2022	2021	2020	2019	Tier 3 Average 2019-2022	Tier 3 Average 2022
Total Budget (Excluding Collections)	$784,582	$758,588	$814,780	$770,790	$512,391	$547,673
Total Property Taxes Levied (All Jurisdictions)	$23,370,937	$20,079,675	$19,074,451	$17,886,051	$60,025,749	$50,025,925
Does the appraisal district collect taxes?	No	No	No	No	No	No
Number of Taxing Units Appraisal District Collects For (If Applicable)	N/A	N/A	N/A	N/A	N/A	N/A

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

APPENDIX 2

Appraisal District Staffing

Appraisal District Staff						
	2022	2021	2020	2019	Tier 3 Average 2019-2022	Tier 3 Average 2022
Full Time Staff	6	7	7	7	4	4
Part Time Staff	1	1	1	1	0	0

Appraisal Staff						
	2022	2021	2020	2019	Tier 3 Average 2019-2022	Tier 3 Average 2022
Full Time Appraisers	3	4	4	4	3	3
Lowest Appraiser Salary	$42,009	$41,000	$39,750	$47,000	$40,079	$39,505
Highest Appraiser Salary	$42,009	$41,000	$39,750	$47,000	$46,417	$48,041

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

APPENDIX 3

Appraisal District Parcel Information

Falls	2022	2021	2020	2019
Parcel Count*	19,549	19,499	19,665	19,748
Number Taxing Units	22	22	22	22
Parcels per Appraisal Staff**	6,963	5,183	5,138	5,340
Total Market Value Certified	$2,920,733,924	$2,524,953,017	$2,133,803,926	$2,070,635,431

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.