



Property Tax Assistance Division  
2023 Report

Review of  
Appraisal  
District  
Appraisal  
Standards,  
Procedures and  
Methodology

# TARGETED APPRAISAL REVIEW PROGRAM

LAMB COUNTY APPRAISAL DISTRICT



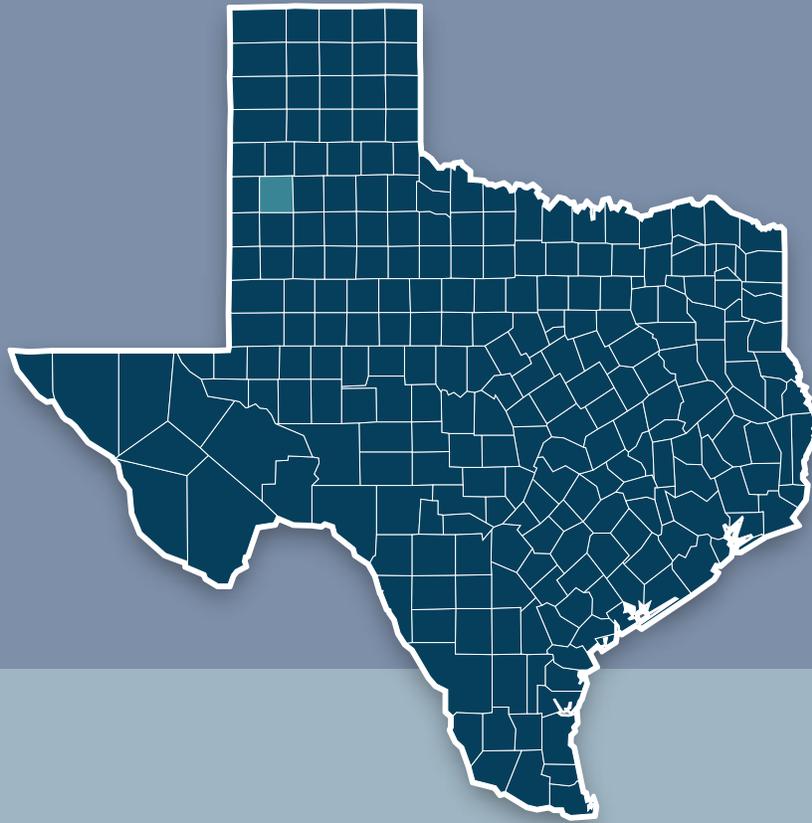
**GLENN HEGAR**  
Texas Comptroller of Public Accounts

# 2023 TARGETED APPRAISAL REVIEW

## LAMB COUNTY APPRAISAL DISTRICT

Chief Appraiser: Lesa A. Kloiber

Reviewer: Rosie Skiles





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# Executive Summary

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

## 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 TARP review of Lamb. Over the next year, TARP reviewers will work with Lamb 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 Lamb 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 Littlefield ISD in Lamb as having invalid SDPVS findings for three consecutive years. **Exhibit 2** highlights the impacted school districts 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

#### Lamb SDPVS Results 2020-2022

SDPVS Year	County	School District	Findings	Category*	Ratio
2020	Lamb	Littlefield ISD	Invalid	A	0.8336
2020	Lamb	Littlefield ISD	Invalid	D1	1.1985
2020	Lamb	Littlefield ISD	Invalid	E	0.6998
2020	Lamb	Littlefield ISD	Invalid	F1	0.9422
2020	Lamb	Littlefield ISD	Invalid	J	0.9489
2021	Lamb	Littlefield ISD	Invalid	A	0.8107
2021	Lamb	Littlefield ISD	Invalid	D1	1.2251
2021	Lamb	Littlefield ISD	Invalid	E	0.495
2022	Lamb	Littlefield ISD	Invalid	A	0.7663
2022	Lamb	Littlefield ISD	Invalid	D1	1.3031
2022	Lamb	Littlefield ISD	Invalid	E	0.7168
2022	Lamb	Littlefield ISD	Invalid	F1	0.8996

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

- Conduct a salary survey to establish competitive salaries for the local job market.
- Develop and follow a training plan for appraisal district employees.
- Evaluate the chief appraiser annually.
- Categorize property correctly according to the *Texas Property Tax Assistance Property Classification Guide*.
- Authorize and train staff to fully use the appraisal software system.
- Update appraisal district maps to reflect all properties and to include all components addressed in IAAO's *Standard on Digital Cadastral Maps and Parcel Identifiers*.
- Present cost/benefit analysis to the board of directors regarding the acquisition of aerial photography.
- Develop and follow written guidelines for sales verification.
- Perform independent analysis to determine necessary value changes.
- Conduct ratio studies at timely intervals by market area, neighborhood, property class, or stratum and make appropriate adjustments based on results.
- Use Lamb's local ratio study results to make reappraisal decisions necessary to produce accurate values.
- Amend the reappraisal plan to address problematic areas.
- Follow written quality control procedures to ensure work is completed accurately and timely.
- Review and update residential cost schedules annually.
- Develop valuation procedures and cost schedules for manufactured homes and use ratio study results to annually review and update the schedules.
- Use calculated values for land designated as agricultural use.
- Maintain market value for vacant land properties and review and update land schedules annually.
- Document land valuation procedures.
- Update commercial cost schedules.
- Collect income and expense information for use in the income approach.

# 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 Lamb County from portions of Bexar County in 1876. The Legislature named the county in honor of George A. Lamb, a soldier in the Battle of San Jacinto and named Littlefield the county seat in 1946. Lamb County is on the southern edge of the Panhandle, in the South Plains of the state, bordered on the east by Hale County, on the south by Hockley County, on the west by Bailey County, and on the north by Castro and Parmer counties.

The county includes the Amherst, Anton, Littlefield, Muleshoe, Olton, Springlake-Erath, Sudan and Whiteface Consolidated Independent School Districts.

The county population in 2020, according to the United States Census Bureau was 13,049. Major population centers include the cities of Littlefield with 6,238 residents and Olton with 2,124 residents and a variety of small town and unincorporated areas.

Based on the 2020 census population, PTAD classifies Lamb 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

Lamb became active in January 1980. As of July 2024, it has five full-time staff positions and three part-time positions, of which two positions are supervisory and three positions are full-time appraisers. Lamb contracts with a vendor for professional appraisal services.

**Exhibit 4** presents Lamb’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. Lamb provides appraisal services for 16 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



Source: Lamb County Appraisal District



## EXHIBIT 5

## Lamb Taxing Units and Collections

Name of Taxing Unit	Appraisal District Collects Property Taxes
Lamb County	Yes
City of Amherst	Yes
City of Earth	Yes
City of Littlefield	Yes
City of Olton	Yes
Town of Springlake	Yes
City of Sudan	Yes
High Plains Water District	Yes
Amherst Independent School District	Yes
Anton Independent School District	No
Littlefield Independent School District	Yes
Muleshoe Independent School District	No
Olton Independent School District	Yes
Springlake-Earth Independent School District	Yes
Sudan Independent School District	Yes
Whiteface Independent School District	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 Lamb's 2022 budget (excluding collections) versus the Tier 3 average 2022 budget (excluding collections) to show how Lamb's budget aligns with the tier average.

In 2022, Lamb operated with a budget of \$825,680, significantly higher than the tier average Tier 3 budget of \$547,673. This budget comparison highlights the relatively larger financial resources, as reported by Lamb in the 2022 *Appraisal District Operation Survey*. A four-year budget history and tier average comparison is available in **Appendix 1**.



## EXHIBIT 6

**Lamb 2022 Budget vs. Tier 3 Average**

Lamb County Appraisal District Budget (2022)	Tier 3 Average Budget (2022)
\$825,680	\$547,673

Source: Texas Comptroller of Public Accounts, *Appraisal District Operation Survey***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 Lamb's 2022 staffing (excluding collections) and the Tier 3 average (excluding collections) to determine how Lamb staffing and salaries compare with the tier average.

Lamb has consistently maintained a full-time staff of five employees over the past four years, aligning closely with the previous year's Tier 3 average of four. There have been no part-time staff members during this period. In the appraisal division, the appraisal district employed three full-time appraisers each year, matching both the Tier 3 average and the previous year's Tier 3 average. The lowest appraiser salary increased from \$33,667 four years ago to \$37,452 last year, slightly below the Tier 3 average of \$39,505. The highest appraiser salary rose from \$48,875 four years ago to \$54,369 last year, surpassing the previous year's Tier 3 average of \$48,041. A four-year staff and salary history and Tier 3 average comparison is available in **Appendix 2**.

## EXHIBIT 7

**Lamb 2022 Staffing and Salaries vs. Tier 3 Average**

	2022	2022 Tier 3 Average
Full Time Staff	5	4
Part Time Staff	0	N/A
Full Time Appraisers	3	3
Lowest Appraiser Salary	\$37,452	\$39,505
Highest Appraiser Salary	\$54,369	\$48,041

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

Lamb board of directors has not conducted a salary survey in the previous five years. IAAO's *Introduction to Assessment Administration*, Chapter 3, Organization for Assessment Administration, recommends that salary schedules be competitive with the market, if the budget permits and that salaries are equitable.

Appraisal districts can gather salary information through operations surveys and comparisons with other appraisal districts to establish competitive salaries.

Discussions with the chief appraiser revealed that she did conduct a salary survey but did not present it to the board of directors within the past five years. However, the chief appraiser did implement raises in 2020 and 2022 based on inflation and to retain employees.



## RECOMMENDATION 1

**Conduct a salary survey to establish competitive salaries for the local job market.**

### 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 Lamb’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.

In 2022, Lamb’s training budget remained steady at \$4,500, consistent with the previous two years. The number of trainings attended by appraisal district staff, however, declined by 70 percent over the three-year review period.

#### EXHIBIT 8

Lamb Training Budget and Number of Trainings			
	2022	2021	2020
Training Budget	\$4,500	\$4,500	\$4,500
Number of Trainings Attended	6	17	20

Source: Lamb County Appraisal District

## FINDINGS

**Lamb has no employee training plan or procedures in place.**

IAAO’s *Standard on Professional Development*, Section 8, Administrative Authority and Responsibilities, explains the appraisal profession is responsible for providing in-service training and continuing education. The appraisal district must include the appraisal staff in planning its professional education program. The appraisal district should obtain funding to develop and conduct training programs, which may be obtained from various sources. The appraisal district should prioritize adequate funding of programs and provide for proper administration of the training program.

Discussions with the chief appraiser indicates the appraisal district does not have an employee training plan or procedures in place, though certificates indicated staff do attend some training. An appraisal district should have a plan or procedures for training employees. The training plan should be followed to maintain adequate training for certification and continuing education of staff.

## RECOMMENDATION 2

**Develop and follow a training plan for appraisal district employees.**



## 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 Lamb’s chief appraiser.

### EXHIBIT 9

#### Lamb Chief Appraiser Information

##### Chief Appraiser

Is the Chief Appraiser permanent, temporary or interim?	Permanent
Does the Chief Appraiser perform appraisals?	Yes
2022 Base Salary	\$70,796.88
Chief Appraiser – Years at appraisal district	32
Chief Appraiser – Years as a Chief Appraiser	21
Does the Chief Appraiser receive a car allowance?	Yes
What is the amount of the car allowance? (If applicable)	\$6,000
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 Lamb County Appraisal District

## FINDINGS

The Lamb board of directors does not annually evaluate the chief appraiser. A review of the board of directors meeting minutes indicates the two most recent chief appraiser evaluations occurred on May 30, 2019 and March 25, 2021.

Tax Code Section 6.05(c) explains the chief appraiser is the chief administrator of the appraisal office 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 necessary and important in office administration. Organizations and employees benefit from a regular performance evaluation process.

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 3

**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 Lamb’s contracts, which are discussed in more detail throughout this report.

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 a number of 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. Lamb does not regularly go out for new contract bids and allows existing contracts to roll over each year.

### EXHIBIT 10

Lamb Contracts			
Type of Contract	Contract Dates	Years with Same Vendor	Does appraisal district actively monitor contract?
Appraisal of Minerals, Industrial, Utility and Personal Property	2018-2022	21 years	Yes
Appraisal of Real Property	2019-2024	8 years	Yes
Software	2005	18 years	Yes
Mapping	2017-2023	20 years	Yes
GIS	2017-2023	20 years	Yes

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



## 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**.

In 2022, Lamb managed 15,118 parcels placing it on the low side of appraisal districts with 10,001 to 70,000 parcels. Lamb contracts for appraisal services in Categories A, B, C, D2, G1, J and L2. Parcels in these categories are removed from the total parcel count to determine the parcels per appraiser of 2,485. This indicates that Lamb’s parcels per appraiser is considerably lower than the typical parcel per appraiser average, which includes all property categories.

From 2019 to 2022, Lamb managed parcel counts ranging from 15,060 to 15,169 (including all property categories) and the parcels assigned per appraiser for properties appraised in house ranged from 2,485 to 2,537. The total market value of certified parcels increased steadily from \$1,475,732,041 to \$1,709,291,636 between 2019 and 2022. **Appendix 3** provides the appraisal district’s parcel data over the four-year review period.

#### EXHIBIT 11

#### 2022 Lamb Parcel Information vs. Typical Parcel Per Appraiser Average

Parcel Information	Lamb	Typical Parcel Per Appraiser (Rounded)
Parcel Count	15,118	10,001 – 70,000
Parcels per Appraisal Staff	2,485*	6,400**

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

\* Excludes parcels for contracted appraisal services

\*\* Includes all property categories

### 2.2 PROPERTY CLASSIFICATION

Appraisal districts should consider current property use to determine the appropriate property classification. Misclassified property leads to inaccurate taxable value estimates. Appraisal districts should review property classifications annually and make corrections within their systems prior to submitting their Electronic Appraisal Roll Submission to PTAD. PTAD publishes the [Texas Property Tax Assistance Property Classification Guide](#) that includes property categories and examples.

### FINDINGS

Lamb incorrectly categorizes property according to the *Texas Property Tax Assistance Property Classification Guide*.

The *Texas Property Tax Assistance Property Classification Guide* assists appraisal districts in classifying property for value analysis and use in the biennial SDPVS. EARS, a process of submitting appraisal roll data on electronic media, has improved reporting accuracy. Proper use of the classification guide also improves reporting accuracy.

In conducting the SDPVS and estimating value, PTAD analyzes property by category. Appraisal district reporting of misclassified local value – value reported in the wrong category – may lead to inaccurate taxable value estimates. The Texas Education Agency (TEA) uses the Comptroller’s taxable value estimates in determining state funding for school districts. Consequently, misclassification by appraisal districts could impact school funding.



A review of a random sample for Littlefield ISD of 15 properties each from Categories A, D1, E, F1 and J indicated the appraisal district is not in compliance with the *Texas Property Tax Assistance Property Classification Guide*. **Exhibit 12** shows the incorrectly categorized property found in the review.

**RECOMMENDATION 4**

**Categorize property correctly according to the *Texas Property Tax Assistance Property Classification Guide*.**

EXHIBIT 12

Incorrectly Categorized Property		
Category	No. of Accounts	Misclassification
A	1	<ul style="list-style-type: none"> <li>account 17970 land is classified as D, improvement A</li> </ul>
D1	1	<ul style="list-style-type: none"> <li>account 15149 land is classified as D, improvement A</li> </ul>
E	4	<ul style="list-style-type: none"> <li>account 11788 improvement D2</li> <li>account 11764 improvement A</li> <li>account 11811 improvement A</li> <li>account 48780 improvement A</li> </ul>

Source: Lamb County Appraisal District

**2.3 CONTRACTED APPRAISAL SERVICES**

From 2019 to 2022, appraisal district staff appraised 15 percent of the total appraised value within the appraisal district, specifically for Categories D1, E, F1, F2, L1, M, O and S. From 2019 to 2022, Lamb contracted for appraisal services for property Categories A, B, C, D2, G1, J and L2. Each year, these contracted firms appraised 85 percent of the total appraised value within the appraisal district. The cost of these services varied, from \$59,860 to \$75,812 over four years ago. Additionally, the appraisal district uses a geographic information system (GIS), but not an aerial technology system. Lamb’s contracted appraisal services are listed in **Exhibit 13**.

EXHIBIT 13

Lamb’s Contracted Appraisal Services				
	2022	2021	2020	2019
Appraisal Services Contract	Yes	Yes	Yes	Yes
Contracted Property Categories	A, B, C, D2, G1, J and L2	A, B, C, D2, G1, J and L2	A, B, C, D2, G1, J and L2	A, B, C, D2, G1, J and L2
Percentage of total appraised value appraised by contracted appraisal firms	85%	85%	85%	85%
Appraisal Contract Cost	\$59,860	\$84,860	\$72,360	\$75,812

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



## 2.4 COMPUTER ASSISTED MASS APPRAISALS (CAMA)

IAAO’s *Standard on Mass Appraisal*, Section 6.3.2, Software, explains the appraisal district can internally develop CAMA software, adapted from software developed by other public agencies, or purchase (in whole or in part) from private vendors. The appraisal district must tailor it to adapt externally developed software to the requirements of the user’s environment. Each alternative has advantages and disadvantages. The appraisal district should have software designed to be easily modified and well-documented at both the appraiser/user and programmer levels.

CAMA software works simultaneously with various general-purpose software, typically including word processing, spreadsheet, statistical and GIS programs. These programs and applications must be able to share data and work together cohesively.

### FINDINGS

Lamb staff is not authorized to perform queries, ratio studies, or quality control reports using the CAMA software. This is a duty only performed by management.

Lamb has contracted with the same CAMA software provider since 2005. According to Lamb’s chief appraiser, staff is trained and proficient at using the software, however only she and the deputy chief appraiser can run any type of appraisal queries, ratio studies or change reports.

### RECOMMENDATION 5

**Authorize and train staff to fully use the appraisal software system.**

## 2.5 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.

### FINDINGS

Lamb’s maps do not provide the information specified in IAAO’s *Standard on Digital Cadastral Maps and Parcel Identifiers*.

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.

Lamb’s maps include school district boundaries, abstract names, subdivision names, street names, highways, parcel identifiers and scale; however, they lack parcel dimensions, a north arrow and block and lot numbers. Out of 75 sampled properties, the reviewer was unable to locate eight (11 percent) on Lamb’s maps.

 **RECOMMENDATION 6**

**Update appraisal district maps to reflect all properties and to include all components addressed in IAAO’s *Standard on Digital Cadastral Maps and Parcel Identifiers*.**

 **FINDINGS**

Lamb lacks aerial photography and change detection capabilities.

IAAO’s *Standard on Digital Cadastral Maps*, Section 3.2, Imagery, explains 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.

Lamb’s chief appraiser stated that the appraisal district has not performed a cost/benefit analysis or presented one to the board of directors regarding the acquisition of aerial photography and/or change detection services.

The appraisal district currently contracts for appraisals and inspections. According to the chief appraiser, the appraisal district relies entirely on physical inspection and does not receive building permits or documentation from the city regarding new construction or water meters. Acquiring aerial photography would benefit Lamb in monitoring year-to-year changes.

 **RECOMMENDATION 7**

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

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## 2.6 RATIO STUDIES

An appraisal district should perform ratio studies 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. Ratio Study Uniformity Standards indicating acceptable general quality are presented in **Exhibit 14**.



## LAMB RATIO STUDIES

### FINDINGS

Lamb does not properly verify sales.

IAAO's *Standard on Ratio Studies*, Section A.3.1, Importance of Confirmation of Sales, states the appraisal district should routinely confirm sales data or verify the sales data by contacting buyers, sellers, or other knowledgeable participants. The usefulness of sales data is directly related to its completeness and accuracy.

IAAO's *Standard on Verification and Adjustment of Sales*, Section 6, Adjustments states the appraisal district should adjust sales to represent only the value of the real property as of the appraisal date prior to model calibration and ratio studies. Adjustments to sale price can result from factors underlying the transaction, property conditions at the time of the sale and market trends.

The chief appraiser states Lamb does not have sales verification procedures or guidelines in place and does not verify sales.

Lamb's chief appraiser indicates personal property has not been included in sales in the previous four years. If a sale that includes personal property occurs, the appraisal district excludes an opinion of value of the personal property from the sale price. The appraisal district codes sales as arm's length transactions but has no procedures or guidelines in place for validating sales.

### RECOMMENDATION 8

**Develop and follow written guidelines for sales verification.**

#### EXHIBIT 14

### 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.*



## FINDINGS

The appraisal district relies on the SDPVS to adjust values rather than performing independent analysis.

The appraisal district and the SDPVS have different purposes. 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 appraisal district (Tax Code Section 6.01(b)).

Government Code Section 403.301 indicates that the purpose of the SDPVS is to help ensure equity among taxpayers in the burden of school district taxes and among school districts in the distribution of state financial aid for public education.

The SDPVS is performed on school districts in the year following the tax year for which an appraisal district certified taxable values to the school district. SDPVS results are certified for the prior year, well after an appraisal district has certified its appraisal roll for that year. The SDPVS is backward looking and should not be relied upon to demonstrate current market values.

Continuing to rely on prior tax year data from the SDPVS will result in continued inaccurate market values.

## RECOMMENDATION 9

**Perform independent analysis to determine necessary value changes.**

## FINDING

Lamb 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.

Lamb did not provide ratios studies for review for 2019—2022 to determine if the appraisal district conducted them at appropriate intervals during the valuation process.

Ratios reviewed for 2023 were run on March 22, 2023, to demonstrate compliance for the Methods and Assistance Program review. The date of sales included in the ratio study were January 2021 through April 2022. The chief appraiser indicated that ratio studies are not conducted annually. Instead, the chief appraiser indicated that valuation changes are made based upon referring to SDPVS results.

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 appraisal district (Tax Code Section 6.01(b)).

In 2023, Lamb conducted ratio studies on March 22, before sending appraisal notices on May 12. The appraisal district analyzed ratios in the CAMA system for Sudan ISD, Amherst ISD, Littlefield ISD and Springlake-Earth ISD, but not for Olton ISD. The designated market areas include Amherst, Earth, Olton, Springlake and Sudan.

Lamb’s reappraisal plan lists market areas as the ISDs, cities and additional areas within the city of Littlefield that include subdivisions such as Cannon Terrace, Cannon Terrace #2, Crescent Park, Duggan Annex, Westwood Addition and the balance of older neighborhoods within the city limits. The appraisal district only coded six sales as in-city in the overall report for Littlefield ISD, while no specific report for the City of Littlefield was available for review.

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 10**

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

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**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 15** shows the results from PTAD’s Appraisal District Ratio Study of Lamb in 2022.

The Lamb ADRS shows an overall low ratio due to a low median level of appraisal in Categories A and E. It also indicates an issue with uniformity in Category A due to the high COD, meaning the average deviation of the ratios from the median is excessive, indicating an issue with appraisal uniformity within these categories. It further indicates an issue with vertical equity in Category E and overall due to a low Price Related Differential (PRD), suggesting appraisal progressivity, meaning high valued properties in this category are appraised higher than low valued properties in relation to market value. All other variables seem to be in acceptable range per IAAO’s *Standard on Ratio Studies*.

EXHIBIT 15

**PTAD’s Appraisal District Ratio Study, Lamb 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	233	254,179,988	0.85	18.33	36.48	75.54	0.98
B. MULTI-FAMILY RES	0	3,670,612	*	*	*	*	*
C1. VACANT LOTS	0	2,195,640	*	*	*	*	*
C2. COLONIA LOTS	0	0	*	*	*	*	*
D2. FARM/RANCH IMP	0	6,976,861	*	*	*	*	*
E. RURAL-NON-QUAL	62	76,192,873	0.81	23.52	19.35	59.68	0.95
F1. COMMERCIAL REAL	30	42,045,811	*	*	*	*	*
F2. INDUSTRIAL REAL	0	267,054,811	*	*	*	*	*
G. OIL, GAS, MINERALS	8	25,332,160	*	*	*	*	*
J. UTILITIES	1	561,757,701	*	*	*	*	*
L1. COMMERCIAL PER	31	24,806,730	*	*	*	*	*
L2. INDUSTRIAL PER	0	32,471,550	*	*	*	*	*
M. OTHER PERSONAL	0	6,499,980	*	*	*	*	*
O. RESIDENTIAL INV	0	8,870	*	*	*	*	*
S. SPECIAL INVENTORY	0	1,361,270	*	*	*	*	*
OVERALL	365	1,304,554,796	0.87	18.12	34.52	76.99	0.93

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.



## FINDINGS

Lamb 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 15** shows Lamb has an overall low median level of appraisal (0.87) and a low median level of appraisal in Category A (0.85) and Category E (0.81). These low ratios indicate that properties are appraised below market value.

The COD is a measure of appraisal uniformity. **Exhibit 14** shows the IAAO suggested COD standards. **Exhibit 15** shows that Lamb has a high overall COD (18.12) and a high COD in Category A (18.33) and Category E (23.52), 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. 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 15** shows the PRD for Category A (0.98) to be within the appropriate range, suggesting that Lamb is treating higher and lower valued properties similarly. The overall PRD (0.93) and the PRD for Category E (.95) are lower than the IAAO suggested PRD range, indicating progressivity or that high valued properties are relatively over-appraised.

Low median levels of appraisal, combined with high CODs and low PRDs indicates that a reappraisal of all property would be prudent. Because ADRS only reviews certain property categories, Lamb 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 11

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



## 2.7 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 as on Jan. 1.

### FINDINGS

Lamb 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 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.

Lamb addressed problematic areas in their reappraisal plan but failed to conduct and analyze ratio studies to indicate that the problematic areas were addressed. Problematic areas in the reappraisal plan include specific subdivisions and market areas. The chief appraiser revealed that the appraisal district only generated sales ratio reports for its Methods and Assistance Program reviews and not for local reappraisal efforts.

The reviewer identified problematic areas including subdivisions in Littlefield ISD but did not observe any ratio analysis to indicate the appraisal district addressed the problematic areas. The chief appraiser indicated that ratio studies are not conducted annually.

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 12

**Amend the reappraisal plan to address problematic areas.**



## 2.8 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.

### FINDINGS

Lamb 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 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:

- i. Clear, up-to-date policy and procedures documentation that includes:
- ii. Specifications for the data elements to be collected and stored;
- iii. Standard definitions for all data elements and related terms;
- iv. Acceptable methods for the uniform collection and recording of all assessment data;
- v. Controls on the output for each data-related process or subprocess;
- vi. Standards for the ongoing testing and maintenance of existing data as they age;
- vii. Policy compliance testing and reporting function; and
- viii. Regular procedural reviews.

The Lamb chief appraiser provided a spreadsheet from the CAMA cloud showing all the accounts and changes to be made to the appraisal district's database. The appraisal district, however, did not review ratios, which are the chief measure of assessment, as stated in the appraisal district's quality control procedures.

A review of Lamb's quality control procedures instructs appraisal district staff to go into the field with contract appraisers to ensure the quality of work. In discussion with the chief appraiser, the reviewer discovered that does not go out in the field with contract appraisers.



Lamb’s quality control procedures includes a process for reviewing the completion of work designated through ratios, but, there is no data or ratios to indicate the staff is following the procedures.

### RECOMMENDATION 13

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

## Section 3 – Categories of Valuation in the SDPVS

PTAD found Littlefield ISD’s Categories A, D1, E, F1 and J to be invalid in the years indicated in **Exhibit 16**. 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, G and L1 in Littlefield ISD to be valid and they are *not* included in the scope of this TARP review.

EXHIBIT 16

### SDPVS Invalid Property Categories 2020-22

ISD	2020	2021	2022
Littlefield	A, D1, E, F1 and J	A, D1 and E	A, D1, E and F1

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.

### FINDINGS

Lamb does not update residential cost schedules.

IAAO’s *Standard on Mass Appraisal*, Section 4.2, The Cost Approach states 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 are 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.

No ratio study results were available for review for 2019 to 2023.



In 2023, Lamb conducted ratio studies on March 22, 2023, which included sales data from Jan. 1, 2021 to April 1, 2022. These sales dates are not within a sufficient time frame for 2023 valuations. The chief appraiser indicated the ratio studies are not conducted annually.

A review of cost schedules from 2019 to 2022 shows the appraisal district updated them with changes in 2022 and 2021, but not in 2020 and 2019.

Collecting sales data and performing ratio studies 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 14**

**Review and update residential cost schedules annually.**

### **FINDINGS**

Lamb does not have procedures in place for the valuation of mobile/manufactured homes.

IAAO's *Standard on Mass Appraisal*, Section 4.6.2, Manufactured Housing, states the appraisal district can value manufactured or mobile homes in several ways depending on the local market and ownership status. Often, mobile homes are purchased separately and situated in a rented space in a mobile home park. In this case, the best strategy is to model the mobile homes separately from the land. At other times, mobile homes are situated on individual lots and bought and sold similarly to stick-built homes. The mobile homes may be intermixed with stick-built homes, particularly in rural areas. In these cases, they can be modeled like that for other residential properties and included in the same models, as long as the model includes variables to distinguish them and recognize any relevant differences from other homes (e.g., mobile homes may appreciate at a rate different from that for stick-built homes).

The Lamb chief appraiser indicated that the appraisal district does not have procedures for the valuation of manufactured homes. The appraisal district values manufactured homes using the cost approach and uses the residential schedules. The appraisal district lacks separate valuation tables, formulas, or adjustments for manufactured homes.

The appraisal cards describe the improvements as double-wide mobile homes, but the appraisal district is classifying them as residential.

### **RECOMMENDATION 15**

**Develop valuation procedures and cost schedules for manufactured homes and use ratio study results to annually review and update the schedules.**



### 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.

#### FINDINGS

Lamb does not use its calculated values for land designated as agricultural use.

Tax Code, Section 23.41 states land designated for agricultural use is appraised at its value based on the land’s capacity to produce agricultural products. The value of land based on its capacity to produce agricultural products is determined by capitalizing the average net income the land would have yielded under prudent management from production of agricultural products during the five years preceding the current year.

A review of sample of properties designated as agricultural use indicated Lamb did not use the calculated productivity value for all Category D1 properties.

An appraisal district should use calculated values on properties designated for agricultural use.

#### RECOMMENDATION 16

Use calculated values for land designated as agricultural use.

### 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.

#### FINDINGS

Lamb 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.

Lamb was unable to provide ratio studies for review for 2019—2023 to verify that the appraisal district conducts ratio studies annually.



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.

A review in CAMA of Category E, vacant land, properties shows that the last land adjustment was made in 2016. The chief appraiser indicated that ratio studies are not conducted annually.

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

 **RECOMMENDATION 17**

**Maintain market value for vacant land properties and review and update land schedules annually.**

 **FINDINGS**

Lamb does not clearly document land valuation procedures.

IAAO's *Property Assessment Valuation*, Chapter 7 on Land Valuation, states that land valuation is a vital step in the assessment process. Accurate land values form the base of an effective appraisal system. In the cost approach, land values are determined separately and added to estimated building values to produce an appraisal. In the sales comparison and income approaches, the appraisal district should use land values to allocate the total estimated value between land and improvement.

The Lamb appraisal manual notes some components of the land valuation process in place; however, it does not mention the years of sales used or land appraisal in areas with few vacant land sales. The appraisal district is not clearly documenting its land valuation procedures.

 **RECOMMENDATION 18**

**Document land valuation procedures.**

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### **3.4 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.

 **FINDINGS**

Lamb does not annually review and update commercial cost schedules.

IAAO's *Standard on Mass Appraisal*, Section 4.2, The Cost Approach states 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.



A review of commercial accounts in the CAMA system indicates changes to the commercial schedule varied based on the sample reviewed. Discussion with the Lamb chief appraiser indicates when new commercial buildings are added, they use Marshall and Swift and creating a new code. The chief appraiser indicated that ratio studies are not conducted annually.

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 in-house 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.

 **RECOMMENDATION 19**

**Update commercial cost schedules.**

 **FINDINGS**

Lamb does not maintain automated income data to analyze reported sales, revenue and expense data to develop typical market rents and other income, vacancy ratios, expense ratios, capitalizations rates, or gross rents.

IAAO's *Standard on Mass Appraisal*, Section 4.4, The Income Approach, states that mass appraisal applications of the income approach begin with collecting and processing income and expense data. (This data should be expressed on an appropriate per-unit basis, such as per square foot or per apartment unit.) Appraisers should then compute normal or typical gross incomes, vacancy rates, net incomes and expense ratios for various homogeneous strata of properties. These figures can be used to judge the reasonableness of reported data for individual parcels and to estimate income and expense figures for parcels with unreported data. Actual or reported figures can be used as long as they reflect typical figures (or typical figures can be used for all properties).

The appraisal district should have a process for maintaining automated income data. This includes gathering income and expense information to calculate values using the income approach to value.

Lamb's chief appraiser stated that sales survey letters are sent out to mini-storage owners and apartment owners with no responses received. Western Evaluation calculates values on the hotels on the income approach as part of its contract.

 **RECOMMENDATION 20**

**Collect income and expense information for use in the income approach.**



### **3.5 CATEGORY J – REALAND 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.

Lamb’s Category J property values were statistically invalid in 2020. The same appraisal services contractor has appraised Lamb’s utility property for 21 years. Lamb 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)	\$825,680	\$814,355	\$814,355	\$772,090	\$512,391	\$547,673
Total Property Taxes Levied	\$25,593,479	\$22,662,573	\$21,422,288	\$21,439,499	\$60,025,749	\$50,052,925
Does the appraisal district collect taxes?	Yes	Yes	Yes	Yes	N/A	N/A
Number of Taxing Units Appraisal District Collects For (If Applicable)	13	13	13	13	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	5	5	5	5	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	3	3	3	3	3	3
Lowest Appraiser Salary	\$37,452	\$36,361	\$46,361	\$33,667	\$40,079	\$39,505
Highest Appraiser Salary	\$54,369	\$52,785	\$52,785	\$48,875	\$46,417	\$48,041

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



## APPENDIX 3

**Appraisal District Parcel Information**

Lamb	2022	2021	2020	2019
Parcel Count*	15,118	15,072	15,169	15,060
Number Taxing Units	16	16	16	16
Parcels per Appraisal Staff**	2,485	2,537	2,518	2,530
Total Market Value Certified	\$1,709,291,636	1,598,202,358	\$1,508,211,224	\$1,475,732,041

**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.

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