



Property Tax Assistance Division
2023 Report

Review of
Appraisal
District
Appraisal
Standards,
Procedures and
Methodology

TARGETED APPRAISAL REVIEW PROGRAM

STARR COUNTY APPRAISAL DISTRICT



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Texas Comptroller of Public Accounts

2023 TARGETED APPRAISAL REVIEW

STARR COUNTY APPRAISAL DISTRICT

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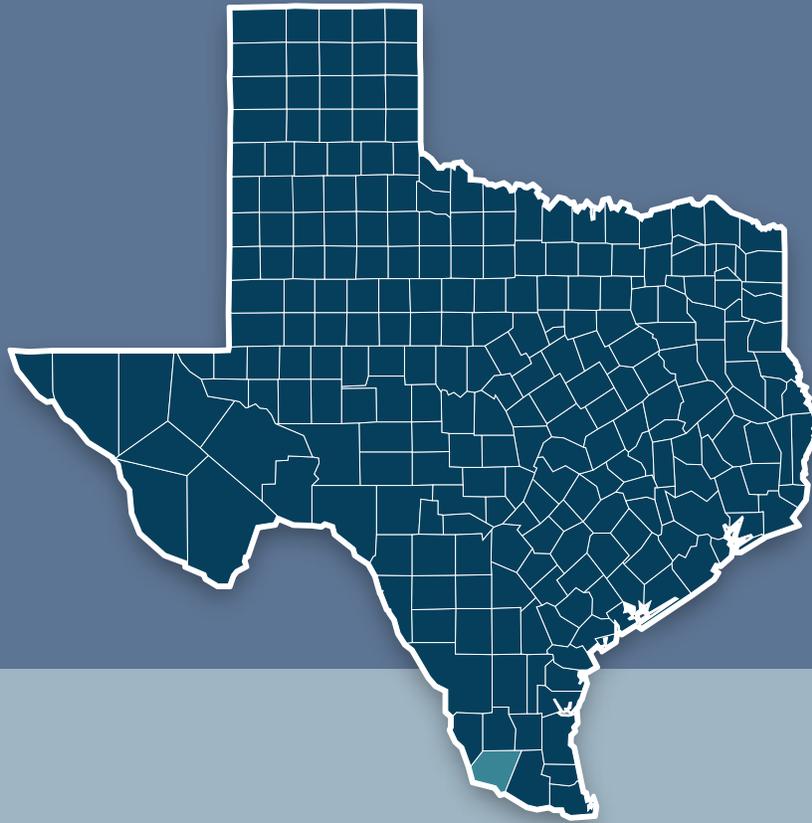




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Executive Summary

In September 2023, the Texas Comptroller of Public Accounts identified Rio Grande City Grulla Independent School District (Rio Grande City Grulla ISD) and Roma Independent School District (Roma ISD) located in Starr County, as two 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 Starr County Appraisal District (Starr).

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 Starr. Over the next year, TARP reviewers will work with Starr 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 Starr 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 Rio Grande City Grulla ISD and Roma ISD in Starr 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

Starr SDPVS Results 2020-2022

| SDPVS Year | County | School District | Findings | Category* | Ratio |
|------------|--------|----------------------------|----------|-----------|--------|
| 2020 | Starr | Rio Grande City Grulla ISD | Invalid | A | 0.7331 |
| 2020 | Starr | Rio Grande City Grulla ISD | Invalid | C1 | 0.8147 |
| 2020 | Starr | Rio Grande City Grulla ISD | Invalid | D1 | 0.8295 |
| 2020 | Starr | Rio Grande City Grulla ISD | Invalid | F1 | 0.8426 |
| 2021 | Starr | Rio Grande City Grulla ISD | Invalid | A | 0.7597 |
| 2021 | Starr | Rio Grande City Grulla ISD | Invalid | C1 | 0.8535 |
| 2021 | Starr | Rio Grande City Grulla ISD | Invalid | D1 | 0.7774 |
| 2021 | Starr | Rio Grande City Grulla ISD | Invalid | E | 0.5971 |
| 2021 | Starr | Rio Grande City Grulla ISD | Invalid | F1 | 0.928 |
| 2021 | Starr | Rio Grande City Grulla ISD | Invalid | G | 1.0743 |
| 2022 | Starr | Rio Grande City Grulla ISD | Invalid | A | 0.8027 |
| 2022 | Starr | Rio Grande City Grulla ISD | Invalid | C1 | 0.9373 |
| 2022 | Starr | Rio Grande City Grulla ISD | Invalid | D1 | 0.6772 |
| 2022 | Starr | Rio Grande City Grulla ISD | Invalid | E | 0.8351 |
| 2022 | Starr | Rio Grande City Grulla ISD | Invalid | F1 | 0.9282 |
| 2020 | Starr | Roma ISD | Invalid | A | 0.7401 |
| 2020 | Starr | Roma ISD | Invalid | C1 | 0.8572 |
| 2020 | Starr | Roma ISD | Invalid | D1 | 0.7338 |
| 2020 | Starr | Roma ISD | Invalid | E | 0.7561 |
| 2020 | Starr | Roma ISD | Invalid | F1 | 0.7052 |
| 2021 | Starr | Roma ISD | Invalid | A | 0.7175 |
| 2021 | Starr | Roma ISD | Invalid | D1 | 0.6956 |
| 2021 | Starr | Roma ISD | Invalid | E | 0.6419 |
| 2021 | Starr | Roma ISD | Invalid | F1 | 0.7953 |
| 2022 | Starr | Roma ISD | Invalid | A | 0.7495 |
| 2022 | Starr | Roma ISD | Invalid | D1 | 0.5976 |
| 2022 | Starr | Roma ISD | Invalid | E | 1.0502 |

*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 Starr, 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.
- Categorize property correctly according to the *Texas Property Tax Assistance Property Classification Guide*.
- Conduct ratio studies at timely intervals by market area, neighborhood, property class or stratum.
- Use Starr’s local ratio study results to make reappraisal decisions necessary to produce accurate values.
- Ensure accurate application of all factors impacting the agricultural value calculations in productivity values and ensure that the correct acreages for the different land categories are reported accurately.
- Update commercial cost schedules.

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 Starr County in 1848 from parts of Nueces and Hidalgo Counties. It is named for James Harper Starr, who served as secretary of the treasury of the Republic of Texas. Starr County is in South Texas, bordered by Hidalgo County to the east, Brooks County to the Northeast, Jim Hogg County to the north, Zapata County to the west and Mexico to the south.

The county includes the Rio Grande City, Roma and San Isidro Independent School Districts.

The county population in 2020, according to the United States Census Bureau, was 65,920. Major population centers include Rio Grande City, with 15,000 residents, along with other smaller towns such as Roma and La Grulla.

Based on the 2020 census population, PTAD classifies Starr as Tier 2 for comparison with appraisal districts of similar population size.

Exhibit 3 shows the population brackets for each tier.

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

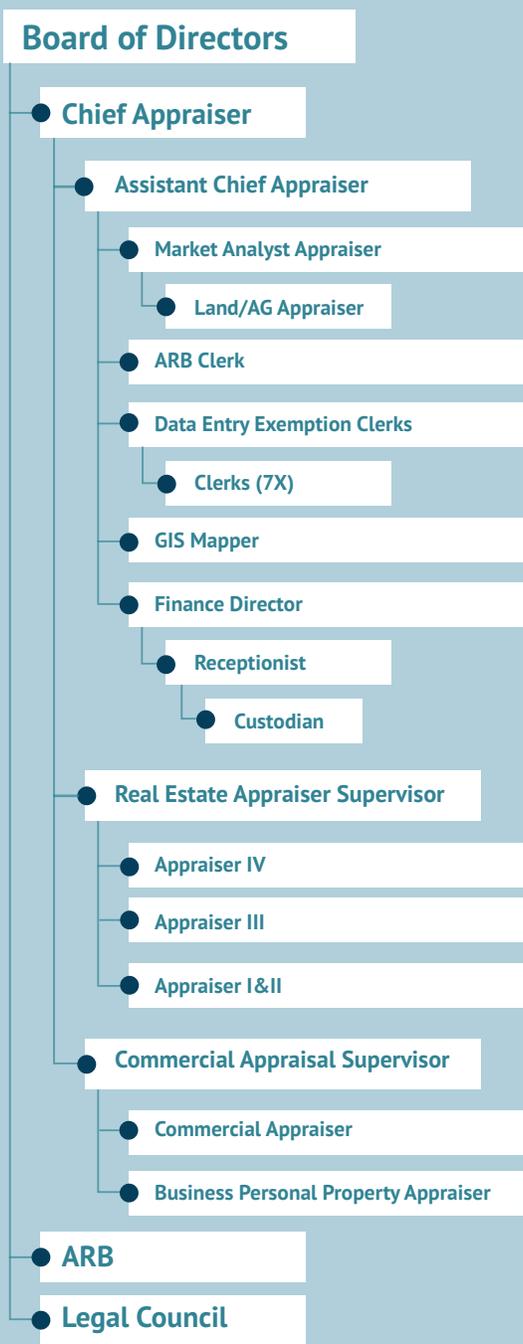
1.2 APPRAISAL DISTRICT ORGANIZATION AND STAFFING

Starr became active in January 1980. As of July 2024, it has 23 full-time staff positions and no part-time positions, of which four positions are supervisory and eleven positions are full-time appraisers. Starr contracts with a vendor for professional appraisal services. **Exhibit 4** presents Starr’s general organizational structure.



EXHIBIT 4

Starr Organization Structure



Source: Starr 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.

Starr provides appraisal services for 10 taxing units, as shown in **Exhibit 5** and does not perform collection services.

EXHIBIT 5

Starr Taxing Units and Collections

| Name of Taxing Unit | Appraisal District Collects Property Taxes |
|--|--|
| City of Escobares | No |
| City of Rio Grande City | No |
| City of Roma | No |
| Rio Grande City Grulla Independent School District | No |
| Roma Independent School District | No |
| San Isidro Independent School District | No |
| South Texas College | No |
| Starr County Drainage District | No |
| Starr County | No |
| Starr County Memorial Hospital 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 Starr’s 2022 budget versus the Tier 2 average 2022 budget (excluding collections) to show how Starr’s budget aligns with the tier average.

EXHIBIT 6

Starr 2022 Budget vs. Tier 2 Average

| Starr County Appraisal District Budget (2022) | Tier 2 Average Budget (2022) |
|---|------------------------------|
| \$1,747,264 | \$1,541,215 |

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



In 2022, Starr operated with a budget of \$1,747,264, slightly higher than the Tier 2 average budget of \$1,541,215. This budget comparison highlights the relatively larger financial resources, as reported by Starr 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 Starr’s 2022 staffing and the Tier 2 average (excluding collections) to determine how Starr staffing and salaries compare with the tier average.

EXHIBIT 7

Starr 2022 Staffing and Salaries vs. Tier 2 Average

| | 2022 | 2022 Tier 2 Average |
|--------------------------|----------|---------------------|
| Full Time Staff | 23 | 13 |
| Part Time Staff | 0 | N/A |
| Full Time Appraisers | 11 | 7 |
| Lowest Appraiser Salary | \$32,000 | \$40,040 |
| Highest Appraiser Salary | \$58,000 | \$59,181 |

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

From 2019 to 2022, Starr has consistently maintained a full-time staff of 21 to 23 employees over the past four years, significantly higher than the 2022 Tier 2 average of 13. There have been no part-time staff members during this period. From 2019 to 2022, the appraisal district employed between 10 to 15 full-time appraisers each year, also higher than the 2022 Tier 2 average. The lowest appraiser salary decreased from \$33,600 in 2019 to \$32,000 in 2022, which is below the 2022 Tier 2 average of \$40,040. The drop in salaries is due to less experience appraisers back filling more tenured and experienced appraiser positions. The highest appraiser salary rose from \$36,338 in 2019 to \$58,000 in 2022, which is comparable to the 2022 Tier 2 average of \$59,181. A four-year staff and salary history and Tier 2 average comparison is available in **Appendix 2**.

FINDING

Starr 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.

The Starr board of directors appointed a new chief appraiser on Jan. 1, 2024, who has served in the appraisal district for many years. The chief appraiser stated that she is not aware of any salary surveys conducted from 2019 to 2023.

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 Starr's annual training budget and number of trainings attended for the past three years. Appraisal districts should maintain adequate training budgets to allow for certification and continued education of staff.

EXHIBIT 8

Starr Training Budget and Number of Trainings

| | 2022 | 2021 | 2020 |
|------------------------------|----------|----------|----------|
| Training Budget | \$45,000 | \$45,000 | \$45,000 |
| Number of Trainings Attended | 30 | 30 | 30 |

Source: Starr County Appraisal District

In 2022, Starr’s training budget and trainings remained consistent at \$45,000 for the budget and 30 trainings per year over the three-year review period.

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 Starr's chief appraiser.

EXHIBIT 9

Starr Chief Appraiser Information

Chief Appraiser

| | |
|--|-----------|
| Is the Chief Appraiser permanent, temporary or interim? | Permanent |
| Does the Chief Appraiser perform appraisals? | Yes |
| 2022 Base Salary | \$79,753 |
| Chief Appraiser – Years at appraisal district | 8 |
| Chief Appraiser – Years as a Chief Appraiser | 1 |
| Does the Chief Appraiser receive a car allowance? | No |
| What is the amount of the car allowance? (If applicable) | N/A |
| 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 Starr County Appraisal District



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 Starr’s contracts, which are discussed in more detail in 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 alter-native 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.

EXHIBIT 10

| Starr Contracts | | | |
|--|----------------|------------------------|--|
| Type of Contract | Contract Dates | Years with Same Vendor | Does appraisal district actively monitor contract? |
| Appraisal of Minerals, Industrial, Utility and Personal Property | 2021-2023 | 6 years | Yes |
| Software | 2023-2024 | 6 years | Yes |
| Mapping | 2023-2024 | 6 years | Yes |
| GIS | 2023-2024 | 6 years | Yes |
| Pictometry | 2023-2024 | 6 years | Yes |

Source: Starr 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 Starr Parcel Information vs. Typical Parcel Per Appraiser Average

| Parcel Information | Starr | Typical Parcel Per Appraiser (Rounded) |
|-----------------------------|--------|--|
| Parcel Count | 76,367 | 70,001 – 200,000 |
| Parcels per Appraisal Staff | 4,573* | 6,700** |

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

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

In 2022, Starr managed 76,367 parcels placing it on the low side of appraisal districts in its typical parcel per appraiser range of 70,001 to 200,000 parcels. Starr contracts for appraisal services in Categories F2, G, J and L2. Parcels in these categories are removed from the total parcel count to determine the parcels per appraiser of 4,573. This indicates that Starr’s parcels per appraiser is lower than the typical parcel per appraiser range, which includes all property categories.

From 2019 to 2022, Starr managed parcel counts ranging from 65,668 to 76,367 (including all property categories) and the parcels assigned per appraiser for properties appraised in house ranged from 3,454 to 5,172. The total market value of certified parcels increased from \$4,115,244,348 to \$4,225,041,556 between 2019 and 2022. **Appendix 3** provides the appraisal district’s parcel data over the four-year review period.

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 EARS to PTAD. PTAD publishes the [Texas Property Tax Assistance Property Classification Guide](#) that includes property categories and examples.

FINDING

Starr 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 impact school funding.



A review of a random sample for Rio Grande City Grulla ISD and Roma ISD of 15 properties each from Categories A, C1, D1, E, F1 and G 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.

EXHIBIT 12

Incorrectly Categorized Property

| Category | No. of Accounts | Misclassification |
|----------|-----------------|---|
| D1 | 4 | <ul style="list-style-type: none"> account 999775 – improvement code does not match land code account 78333 – improvement code does not match land code account 94823 – improvement code does not match land code account 1113 – improvement code does not match land code |
| E | 5 | <ul style="list-style-type: none"> account 50821 – improvement code does not match land code account 93815 – improvement code does not match land code account 71776 – improvements with no associated land account 71950 – improvements with no associated land account 26452 – improvement code does not match land code |

Source: Starr Appraisal Cards

 **RECOMMENDATION 2**

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

2.3 CONTRACTED APPRAISAL SERVICES

From 2019 to 2022, Appraisal district staff appraised between 62 to 72 percent of the total appraised value in Starr, specifically for Categories A, B, C, D, E, F1, L1, M, O and S. From 2019 to 2022, Starr contracted for appraisal services for property Categories F2, G, J and L2. Each year, these contracted firms appraised from 28 to 38 percent of the total appraised value within the appraisal district. The cost of these services remained consistent at \$90,000 over four years. The appraisal district also uses a geographic information system (GIS) and aerial technology systems.

Exhibit 13 lists Starr’s contracted appraisal services.

EXHIBIT 13

Starr’s Contracted Appraisal Services

| | 2022 | 2021 | 2020 | 2019 |
|---|-----------------|-----------------|-----------------|-----------------|
| Appraisal Services Contract | Yes | Yes | Yes | Yes |
| Contracted Property Categories | F2, G, J and L2 |
| Percentage of total appraised value appraised by contracted appraisal firms | 28% | 31% | 33% | 38% |
| Appraisal Contract Cost | \$90,000 | \$90,000 | \$90,000 | \$90,000 |

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



2.4 RATIO STUDIES

An appraisal district should perform ratio study analyses to evaluate appraisal performance. Per IAAO's *Standard on Ratio Studies*, there are several key uses of ratio studies including: measurement and evaluation of the level and uniformity of mass appraisal models, internal quality assurance and identification of appraisal priorities, determination of whether administrative or statutory standards have been met, determination of time trends and adjustment of appraised values between reappraisals. Ratio Study Uniformity Standards indicating acceptable general quality are presented in **Exhibit 14**.

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.*

STARR RATIO STUDIES

FINDING

Starr 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.

IAAO's *Standard on Ratio Studies and Frequency of Ratio Studies*, Section 4.2, recommends that the appraisal district conduct at least four ratio studies to establish the following:

- i. a baseline of current appraisal performance
- ii. preliminary values so that they can correct any significant deficiency
- iii. values used in assessment notices sent to taxpayers
- iv. final values after completion of the first informal phase of the appeals process

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



IAAO's *Standard on Ratio Studies*, Section 2.3, Uses of Ratio Studies, states the critical uses of ratio studies are as follows:

- i. measurement and evaluation of the level and uniformity of mass appraisal models
- ii. internal quality assurance and identification of appraisal priorities
- iii. determination of whether the appraisal district has met administrative or statutory standards
- iv. determination of time trends
- v. adjustment of appraised values between reappraisals

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

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

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

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

Starr currently conducts ratio studies primarily before mailing value notices. However, ratio studies should also be conducted after certifying the appraisal rolls in July to evaluate post-protest season standings. Conducting multiple ratio studies throughout the year would allow the appraisal district to focus efforts on correcting problem areas, refining land and improvement schedules and better defining sub-markets within the appraisal district.

Starr's limited use of ratio analysis hinders its ability to update property values based upon the best available market data. Conducting multiple ratio studies throughout the year would provide the necessary time to adjust cost and land schedules and identify the strata needing the most attention.

Ratio studies are conducting with an Excel spreadsheet instead of using the available CAMA system's ratio program. This approach limits the statistical measures of uniformity that could be obtained by using the full capabilities of the CAMA system's ratio reports, which offer multiple reports by class, construction type, size, value, sub-markets and neighborhoods. The CAMA system also provides various measures of central tendency, including mean, median, weighted mean, mode, standard deviation, price related differential, coefficient of variation and coefficient of dispersion that the Excel spreadsheets do not.

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

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 3

Conduct ratio studies at timely intervals by market area, neighborhood, property class or stratum.

**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 data from PTAD's Appraisal District Ratio Study for Starr in 2022.

EXHIBIT 15

PTAD's Appraisal District Ratio Study, Starr 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 | 131 | 1,175,925,847 | 0.81 | 21.54 | 34.35 | 67.94 | 1.03 |
| B. MULTI-FAMILY RES | 0 | 80,809,470 | * | * | * | * | * |
| C1. VACANT LOTS | 38 | 107,589,324 | 0.97 | 25.47 | 36.84 | 65.79 | 1.10 |
| C2. COLONIA LOTS | 0 | 0 | * | * | * | * | * |
| D2. FARM/RANCH IMP | 0 | 1,566,840 | * | * | * | * | * |
| E. RURAL-NON-QUAL | 51 | 201,194,456 | 0.72 | 71.34 | 19.61 | 41.18 | 1.45 |
| F1. COMMERCIAL REAL | 112 | 310,922,139 | 0.98 | 7.60 | 72.32 | 96.43 | 1.06 |
| F2. INDUSTRIAL REAL | 0 | 29,147,170 | * | * | * | * | * |
| G. OIL, GAS, MINERALS | 59 | 227,459,970 | 1.02 | 1.05 | 100.00 | 100.00 | 1.00 |
| J. UTILITIES | 0 | 297,018,360 | * | * | * | * | * |
| L1. COMMERCIAL PER | 0 | 86,122,210 | * | * | * | * | * |
| L2. INDUSTRIAL PER | 0 | 862,775,420 | * | * | * | * | * |
| M. OTHER PERSONAL | 0 | 5,471,870 | * | * | * | * | * |
| O. RESIDENTIAL INV | 0 | 593,490 | * | * | * | * | * |
| S. SPECIAL INVENTORY | 0 | 6,261,840 | * | * | * | * | * |
| OVERALL | 391 | 3,392,858,406 | 0.96 | 21.25 | 49.36 | 75.45 | 1.00 |

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

Starr 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 Starr has a good median level of appraisal overall (0.96) and in Category C1 (0.97), Category F1 (0.98) and Category G (1.02), with a low median level of appraisal in Category A (0.81) and Category E (0.72). These low ratios indicate that these property types are appraised below market value.

The Coefficient of Dispersion (COD) is a measure of appraisal uniformity. **Exhibit 14** shows the IAAO suggested COD standards. **Exhibit 15** shows that Starr has a high overall COD (21.25) and a high COD in Category A (21.54), Category C1 (25.47) and Category E (71.34), with a low COD in Category G (1.05) 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 overall (1.00) and for Category A (1.03) and Category G (1.00) to be within the appropriate range, suggesting that Starr is treating higher and lower valued properties similarly in those categories. The PRD for Category C1 (1.10), Category E (1.45) and Category F1 (1.06) are higher than the IAAO suggested PRD range, indicating regressivity or that lower valued properties are relatively over-appraised in relation to higher valued properties.

Starr 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 4

Use Starr’s local ratio study results to make reappraisal decisions necessary to produce accurate values.

Section 3 – Categories of Valuation in the SDPVS

PTAD found Categories A, C1, D1, E, F1 and G in Rio Grande City Grulla ISD’s and Roma ISD 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, F2, J and L1 to be valid in Rio Grande City Grulla and Roma ISD’s in the years indicated in **Exhibit 16** and these categories are *not* included in the scope of this TARP review.



EXHIBIT 16

SDPVS Invalid Property Categories 2020-22

| ISD | 2020 | 2021 | 2022 |
|------------------------|---------------------|------------------------|---------------------|
| Rio Grande City Grulla | A, C1, D1 and F1 | A, C1, D1, E, F1 and G | A, C1, D1, E and F1 |
| Roma | A, C1, D1, E and F1 | A, D1, E and F1 | A, D1 and E |

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.

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

3.2 CATEGORY C1 – VACANT LOTS AND TRACTS PROPERTY VALUATION

The Comptroller’s [Texas Property Tax Assistance Property Classification Guide](#) states Category C1 property is generally small vacant tracts of land that are typically most suited for use as a building site and do not have the potential to qualify for agricultural use. These properties may be idle tracts in some stage of development or awaiting construction, tracts planned for residential structures, recreational lots or commercial and industrial building sites. Because property use determines classification, there is no minimum or maximum size requirement for Category C1.

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

3.3 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.

FINDING

Starr does calculate correct net to land values, but their productivity values remain low.

Tax Code Section 23.51(4) states that the chief appraiser shall calculate net to land by considering the income that would be due to the owner of the land under cash lease, share lease, or whatever lease arrangement is typical in that area for that category of land and all expenses directly attributable to the agricultural use of the land by the owner shall be subtracted from this owner income and the results shall be used in income capitalization.



Starr collects income and expense data on agriculture land through surveys and consultations with their Agricultural Advisory Board, accurately calculating net to land values. However, accurate application of all factors impacting the agricultural value calculations in productivity values and acreages for the different land categories are being reported inaccurately.

Starr must collaborate closely with the surrounding appraisal districts to ensure accurate productivity valuation and indexing. In addition, they need to verify the correct acreage reported for each category land.

RECOMMENDATION 5

Ensure accurate application of all factors impacting the agricultural value calculations in productivity values and ensure that the correct acreages for the different land categories are reported accurately.

3.4 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.

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

3.5 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.

FINDING

Starr 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.

Starr conducts ratio studies using limited commercial sales data and reviews commercial cost schedules, but it does not consistently make updates when necessary. As inflation increased the cost of material and labor over the past four years, the appraisal district did not update its schedules with increased construction costs.



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 6

Update commercial cost schedules.

3.6 CATEGORY G – OIL AND GAS, MINERALS AND OTHER SUBSURFACE INTERESTS PROPERTY VALUATION

The Comptroller’s [*Texas Property Tax Assistance Property Classification Guide*](#) states Category G property includes the non-exempt value of oil and gas, other minerals and certain interests in subsurface land. Mines, quarries, limestone, sand, caliche, gravel and other substances that are part of the land are not minerals, but they are classified in Category G as subsurface interests in land.

Starr’s Category G property values were statistically invalid in 2021. The same appraisal services contractor has appraised Starr’s oil and gas, minerals and other subsurface interests for 6 years. Starr 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 2 Average 2019-2022 | Tier 2 Average 2022 |
|--|--------------|--------------|--------------|--------------|-----------------------------|------------------------|
| Total Budget (Excluding Collections) | \$1,747,264 | \$1,747,264 | \$1,747,264 | \$1,718,297 | \$1,404,998 | \$1,541,215 |
| Total Property Taxes Levied (All Jurisdictions) | \$64,500,116 | \$48,737,404 | \$54,800,971 | \$54,146,203 | \$114,774,433 | \$181,548,903 |
| Does the appraisal district collect taxes? | No | No | No | No | N/A | N/A |
| Number of Taxing Units Appraisal District Collects For (If Applicable) | 0 | 0 | 0 | 0 | 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 2 Average 2019-2022 | Tier 2 Average 2022 |
|-----------------|------|------|------|------|-----------------------------|------------------------|
| Full Time Staff | 23 | 22 | 22 | 21 | 13 | 13 |
| Part Time Staff | 0 | 0 | 0 | 0 | N/A | N/A |

Appraisal Staff

| | 2022 | 2021 | 2020 | 2019 | Tier 2 Average 2019-2022 | Tier 2 Average 2022 |
|--------------------------|----------|----------|----------|----------|-----------------------------|------------------------|
| Full Time Appraisers | 11 | 10 | 15 | 12 | 7 | 7 |
| Lowest Appraiser Salary | \$32,000 | \$32,000 | \$32,000 | \$33,600 | \$41,834 | \$40,040 |
| Highest Appraiser Salary | \$58,000 | \$57,069 | \$55,407 | \$36,338 | \$57,417 | \$59,181 |

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



APPENDIX 3

Appraisal District Parcel Information

| Starr | 2022 | 2021 | 2020 | 2019 |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|
| Parcel Count* | 76,367 | 75,405 | 74,269 | 65,668 |
| Number Taxing Units | 10 | 10 | 10 | 10 |
| Parcels per Appraisal Staff** | 4,573 | 5,172 | 3,454 | 4,307 |
| Total Market Value Certified | \$4,225,041,556 | \$4,592,274,658 | \$4,426,310,385 | \$4,115,244,348 |

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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