

Run Amuck

Travis Central Appraisal District and a Failed Experiment.

By Paul Pennington

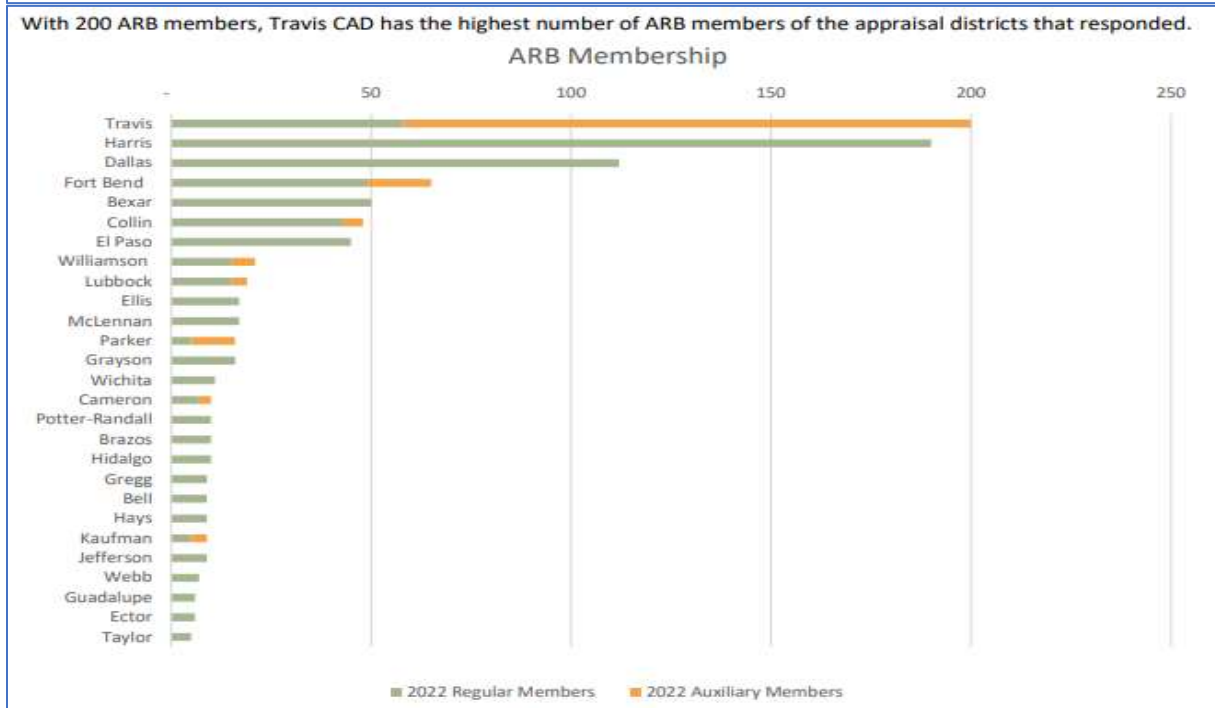
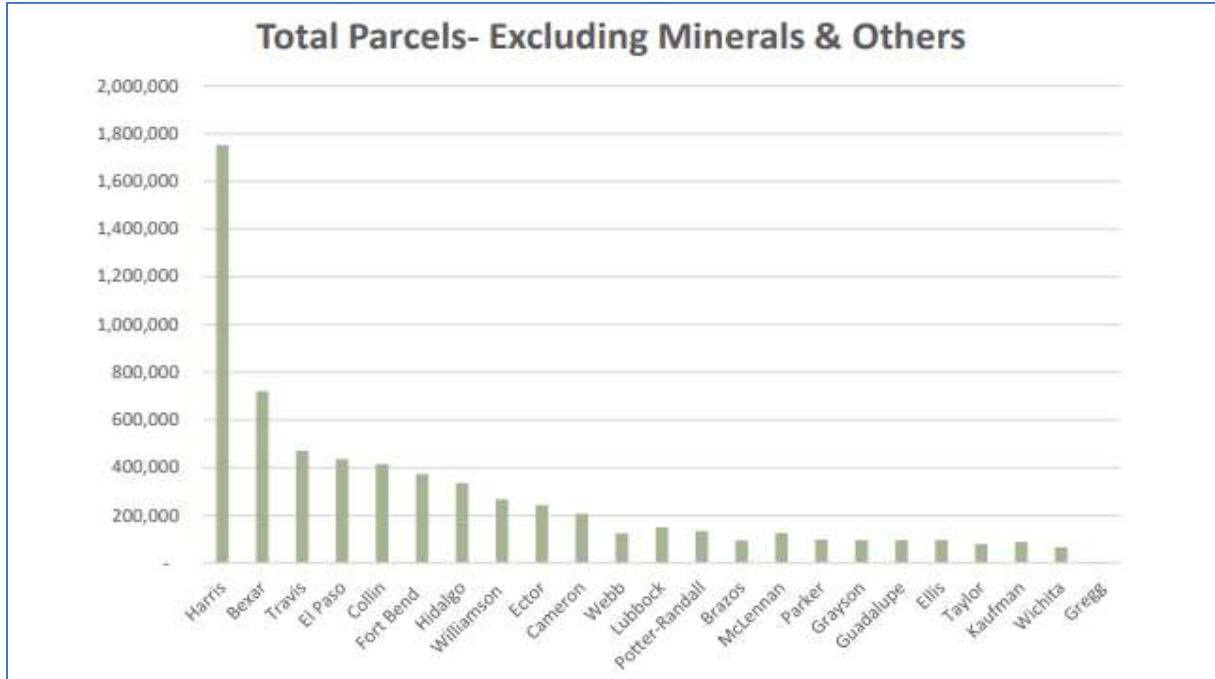
“It is a popular delusion that the government wastes vast amounts of money through inefficiency and sloth. Enormous effort and elaborate planning are required to waste this much money.” — P.J. O'Rourke

Property tax reappraisal and protests are an annual occurrence in Texas. Facing rising taxes, taxpayers undoubtedly flock to their local appraisal districts to enforce their constitutional right to protest the appraisal districts' annual valuations. It is important to note that the manner appraisal districts handle taxpayer protests is not consistent. This article comments on the performance and efficiency of Texas's largest appraisal districts and their organizational philosophies on handling taxpayer protests.

In my forty-two years of experience as a property tax consultant, I have found that most, if not all, appraisal districts typically encourage taxpayers to participate in informal negotiations in hopes of reaching a reasonable settlement without the need for a formal Appraisal Review Board (“ARB”) hearing. Sometimes, small appraisal districts might require special valuations or exemption appeals to go before ARB to be ratified but these would be outliers within the Texas property tax system.

A notable exception to this generally accepted approach was when Travis Central Appraisal District (“TCAD”) abandoned informal negotiations in 2019 and forced all taxpayer protests to the ARB to attempt to obtain a reduction in their assessments. It would later be discovered that this action was done without the advice and consent of the Travis Central Appraisal District Board of Directors. I learned more about the effects of this decision last fall as I was awaiting my turn to testify at a property tax hearing before the Texas Senate. A senator had asked a group of appraisal district panelists how many ARB members each of the districts had. The Chief Appraiser of Travis Central Appraisal District, Marya Crigler, stated that the TCAD ARB was made up of 200 members. This statement was followed by a representative of Harris Central Appraisal District (HCAD) stating they had 190 ARB members. These numbers shocked me because HCAD has more than three times the number of parcels as Travis County. Similarly, while Bexar County has 60% more parcels than Travis County, it functions with one-fourth the number of ARB members.

The charts noted below, which were created in 2022 by the TCAD staff, illustrate the disparities between TCAD and other appraisal districts throughout the state based on parcel count and the number of ARB members.



How did the TCAD's ARB get to this point? Originally, the disparity was based on the TCAD policy change in 2019 eliminating informal settlements, which clearly pivoted the appeal process straight to their ARB. This action was taken even though TCAD in the prior year had approximately 140,000 appeals that were filed by taxpayers of which roughly 66% were settled informally with the TCAD staff. Additionally, The International Association of Assessing Officers strongly recommended, *"The appeal process should begin with an informal consultation between the assessor and the property owner... The informal consultation may, at the option of the property owner, be a face-to-face meeting, telephone conference, or correspondence by mail, fax, or electronic mail."* (IAAO Standard on Assessment Appeal, p. 5 at 3.1 Informal Review by the Assessor.) The TCAD policy rejected that premise which triggered considerable pushback from taxpayers and resulted in their inability to timely certify their tax roll. This rejection also led to a request of new office space by TCAD for the growing number ARB members. The *Austin Bull Dog* reported on July 15, 2019, that the acquisition of a new office building was required due to Chief Appraiser Marya Crigler's claim, *"that the larger facility was needed because of increased numbers of property valuation protests required expansion of the Travis Appraisal Review Board and a larger space to accommodate the ARB's formal hearings."*

By the end of the year, the data points from this change in policy were astonishing. For example, the size of the ARB doubled from 75 members in 2018, to 150 members in 2019. The ARB budget increased 526% from \$256,425 in 2018 to \$1,606,425 in 2019, and the number of ARB hearings ballooned from 10,013 to 79,486. The TCAD ARB added to the hearing tsunami by employing 130 inexperienced new ARB members to hear a record number of appeals. Finally, the number of lawsuits increased 19.1% from 1,271 to 1,514 and the number of binding arbitrations increased 417 to 574, or an increase of 38%, in 2019.

By January of 2020, the TCAD Board of Directors ("BOD") began to intervene on this issue by insisting that informal hearings be reinstated to the process. Later, the matter was taken up by the Texas Legislature during the 2021 Session. Specifically, language was added to Section 41.445 of the Texas Property Tax Code guaranteeing taxpayers the right to have informal conferences with the appraisal district prior to their ARB hearings:

INFORMAL CONFERENCE BEFORE HEARING ON PROTEST. *"The appraisal office shall hold an informal conference with each property owner who files a notice of protest with the appraisal review board and requests an informal conference. An informal conference must be held before the hearing on the protest."*

An overview of the TCAD ARBs five-year operational figures, which are noted below, and were obtained through an open records request, gives us an insight into their operations over the last five years.

	2018	2019	2020	2021	2022
Protests	143,047	147,368	123,948	141,367	173,762
Hearings	10,013	79,486	48,794	39,456	32,201
Lawsuits	1,271	1,514	1,488	1,541	1,746
Budget	\$256,425	\$1,606,425	\$1,288,850	\$1,202,360	\$1,630,425
Members	75	150	150	200	200

Curiously, in reviewing the financial footprint of the TCAD ARB over these years, it raises more questions than answers. Setting aside tax years 2018 and 2019, we see some anomalies in tax years 2020, 2021, and 2022. In 2020, we saw a large decrease in the number of appeals (15.89%) and a dramatic decrease in the total number of ARB hearings and litigations (37.92%), which can be accounted for by the Covid Pandemic. Additionally, *The Austin Business Journal*, on February 17, 2020, reported, “TCAD is shelving appraisals for 2020 because of a dispute with the Austin Board of Realtors. The two sides have been feuding since the Realtor organization discovered last year that the appraisal district was using local multiple listing service data from CoreLogic to help appraise homes.” Even with these lower statistics, we see that the ARB budget remained 402% higher than in 2018.

In 2021, we see the number of appeals resume to the normal range. The ARB hearings trended downward; however, litigation rose higher. The ARB budget fell by 6.7% but remained 368% higher than tax year 2018. Finally, in tax year 2022 we see appeals rise by 22.9% over the prior year, ARB hearings fell 18.3%, litigations increased by 13.3%, and the ARB Budget increased by 35.6%. Interestingly, when we compare the TCAD ARB 2022 budget to four of the other largest appraisal districts in the state by parcel count and ARB budgets, it shows the TCAD ARB to be an outlier.

	2022 Budget	Total Parcels	2022 ARB Budget	ARB % of Budget
Harris	\$94,872,473	1,688,297	\$3,081,000	3.25%
Dallas	\$31,205,065	849,000	\$934,822	3.00%
Tarrant	\$26,790,117	746,961	\$675,000	2.52%
Bexar	\$20,238,268	720,250	\$753,425	3.72%
Travis	\$22,786,110	463,005	\$1,630,425	7.16%

The TCAD ARB budget is disproportionate when compared to the four other districts. Its ARB budget is 7.16% of TCAD's total budget. Their expenditures as a percent of budget are twice as high as other comparable appraisal districts.

Then in December of 2022, another piece of shocking news was disclosed at a TCAD BOD meeting. Pursuant to information obtained through an open records request, the BOD cut the number of ARB members from 200 in 2022 to 74 for tax year 2023, which is a 63% decrease from the prior year. Additionally, the ARB budget will be cut from \$1,630,425 for tax year 2022 to \$1,121,995 for 2023, which is 31% reduction compared to 2022 but remains 337% over the 2018 budget. As reported by the *Austin Bulldog* on December 22, 2022, *"The Travis Central Appraisal District's board of directors has approved a radical reduction in the number of people who will be tasked with conducting formal hearings of property valuation protests in 2023."*

What brought up the change in course by the TCAD BOD? Material provided by staff at the December 12, 2022, TCAD BOD meeting, showed that the staff conducted an internal survey to compare its ARB operations to those of other ARBs within the state. The staff concluded and recommended to the BOD, *"In the 2023 budget, Travis CAD reduced the proposed number of ARB members, which reduced the total ARB budget. This budget reduction lowered the ARB budget as a percent of total budget to 4.4% of the total budget. While this is more in line with other CADs, Travis CAD is still higher than the other comparable metro CADs."* Apparently, the BOD and TCAD staff concluded that a new strategy of emphasizing less reliance on ARB settlements and more on informal settlements with taxpayers and or their agents is more productive moving forward.

In conclusion, TCAD embarked on a policy to dramatically increase the number of appeals to be administered by the ARB starting in 2019. This action took taxpayers and their representatives by surprise. The number of ARB hearings increased by nearly 700% and its budget exploded. The TCAD BOD and later the Texas Legislature forced a change in policy, which began to show results in the following years. By 2022, the number of hearings fell by nearly 150% as compared to 2019. It appeared that TCAD was settling more appeals informally; however, at the same time were spending more on each hearing they heard. In 2019 they spent on-average \$20.21 per hearing and by 2022 they were spending \$50.63. In the end, it appears the TCAD BOD has intervened yet again by reducing the ARB's budget and the number members for 2023.

Looking at the trial and errors over the last four years there appears to be an attempt to bring the TCAD ARB closer to where it was in 2018. It's not clear if they will be successful in reaching that goal but it appears to be headed in the right direction.