

Property Value Study

Government Code Section 403.302

Values Reported to the Commissioner of Education

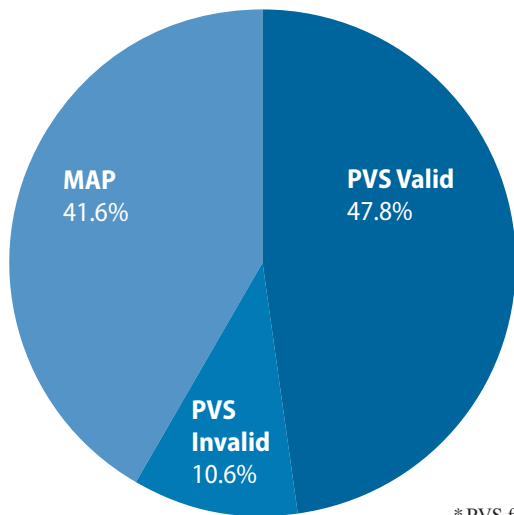
State Value

The comptroller's office reports state values to the commissioner of education for studied school districts that have values lower than state values and are not eligible for the grace period.

Local Value

The comptroller's office reports local values to the commissioner of education for studied school districts that receive local value, are in Year 1 or Year 2 of the grace period, and have local values higher than state values. School districts that were not studied also receive local value.

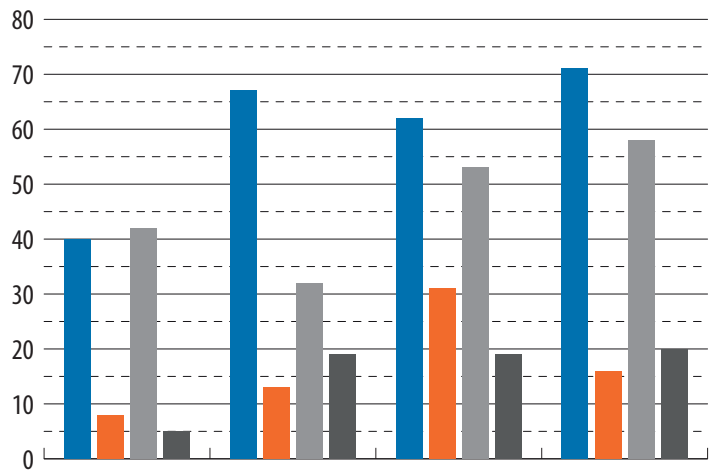
2019 Statewide Results, by School District*



Primary Purpose:

to help ensure equitable distribution of state funding for public education

Invalid PVS Findings, by School District*



	2016 Final (838 splits)	2017 Final (857 splits)	2018 Final (876 splits)	2019 Final (908 splits)
Grace Year 1	40	67	62	71
Grace Year 2	8	13	31	16
State Value	42	32	53	58
State lower than local	5	19	19	20

* PVS findings are reported by school district. If a school district's boundary overlaps two or more appraisal districts, the school district's findings are split to only include the property located within a single appraisal district.

History of PVS

1970s

State Property Tax Board mandated to conduct study each legislative session

1990s

Moved to Comptroller's office; IAAO standards implemented, including stratification, margin of error and random sampling

2010

Changed to biennial study, alternating with MAP review

1980s

Changed to annual study

2003

Grace period implemented

2020

Added targeted MAP review after three consecutive invalid studies

Property Value Study

What is the property value study?

As part of its response to court challenges about unfair distribution of school funding, the Legislature required an independent estimate of taxable property value in each school district to ensure fair school funding. The state wants to ensure that local districts are appraising at market value. The state determines this independent estimate of taxable value through the PVS.

How does the PTAD determine taxable property value?

PTAD analyzes certain property categories, according to generally accepted sampling and statistical techniques, to estimate their property value, which is usually market value. Certain property, including industrial property, special inventory property, taxable nonbusiness personal property and most property categories with 5 percent or less than a school district's tested categories' value, is excluded from the PVS.

What is a valid finding versus an invalid finding?

PTAD considers locally appraised values to be valid, or acceptable, when the values are within a statistical margin of error. PTAD's goal is to obtain a property sample that results in a statistical margin of error of 5 percent, but depending on the characteristics of the sample, the margin of error may be greater. This means that, for the property categories included in the study, the local value must be within 5 percent (or the larger margin of error) of PTAD's value. PTAD considers locally appraised values outside this margin of error to be invalid.

If the locally appraised value in a school district (local value) is within an acceptable range of the adjusted value (state value), PTAD certifies the local value to the Commissioner of Education. If the local value is outside the acceptable range, PTAD certifies the state value, unless the school district's value is higher than the acceptable range or the school district is eligible for a grace period—a period during which state law allows local value to be used even though the school district's property values are not at market value.

Does an invalid PVS finding affect local property values?

No. Invalid PVS findings do not directly affect local property taxes, which are based on the local appraised values provided by each appraisal district.

What is the grace period?

It is a two-year period during which state law allows local value to be used even though the school district's property values are not at market value (Government Code Section 403.302(1)). It is intended to help a school district avoid the loss of funding that usually results when state funding is based on state value.

A school district is only eligible for a grace period if:

- (1) in the current PVS year, the local value is invalid and does not exceed the state value;
- (2) in the two preceding PVSes, the local value was valid;
- (3) in the current PVS year, the aggregate local value of all studied categories is not less than 90 percent of the lower limit of the margin of error; and
- (4) the CAD that appraises property for the school district was in compliance with the most recent review of the appraisal district's governance, taxpayer assistance, operating procedures and appraisal standards, procedures and methodology.

What is a targeted MAP review?

If PTAD determines that a school district's local value is not valid for three consecutive years, PTAD conducts an additional MAP review of the appraisal district that appraises property for that school district, called a targeted MAP review. PTAD provides recommendations to the appraisal district regarding appraisal standards, procedures and methodologies. The appraisal district must comply with the recommendations or be referred to the Texas Department of Licensing and Regulation.

Does the PTAD tell appraisal districts to raise values?

No. Appraisal districts are required to appraise property at market value as of Jan. 1. PTAD is also required to appraise property at its market value. Ideally, both PTAD and the appraisal districts should end up with close to the same values on the tested properties. PTAD does not have authority to require appraisal districts to change property values.

How does the property value study affect school districts?

Texas funds public education through state and local funds. Local funding comes from property taxes. The chief appraiser of each appraisal district determines local property values and school districts set tax rates that determine the amount of local tax revenue. Texas bases its funding on the total taxable property value within each school district, as determined by the PVS. PTAD certifies the taxable value of each school district to the Texas Education Agency's (TEA) Commissioner of Education each year.

The Commissioner of Education uses the PVS to ensure equitable distribution of education funds so school districts have roughly the same level of funding, regardless of the school district's property wealth. In very general terms, a school district with less taxable property value receives more state dollars than if the school district's taxable value were higher.

The Education Code describes how the Commissioner of Education uses the findings of the PVS in the school funding formula to determine state aid. Contact TEA for questions about state aid or the funding formula.

For more information, visit our website: comptroller.texas.gov/taxes/property-tax