

Talk

about Today's Public Schools

Editor's Note:

STRAIGHT Talk is a publication of Northside ISD (San Antonio, TX) that contains one of a continuing series of articles that is meant to enlighten the public and staff about a variety of issues. STRAIGHT Talk content is either written by NISD or copied with permission from other sources.

For more information, write info@nisd.net.

All taxpayers should pay their fair share

July 30, 2008

The following is a copy of testimony that was submitted by NISD Superintendent John Folks to the Select Committee on Property Tax Relief and Appraisal Reform, a state legislative group that met in Bexar County July 1, 2008.

For those of you who are unfamiliar with Northside ISD, it is located in the northwest quadrant of San Antonio, and now is the fourth largest school district in Texas. We are a fast-growth school district, and our enrollment, expected to be 88,596 this fall, is growing by 3,000 to 4,000 students each year. That's equivalent to a classroom of students every day.

Our growth isn't expected to slow down any time soon. The district is 355 square miles, of which only half is developed. Right now, one out of every two homes built in Bexar County is located in Northside ISD and the district is a destination for both residents and businesses. Located within the boundaries of Northside are giant economic generators such as the South Texas Medical Center, USAA, SeaWorld, Fiesta Texas and major corporations including the QVC Network, Citicorp, The American Funds, World Savings, Oberthur Gaming and Chase Manhattan. Currently, Microsoft is building a data center in Northside valued at \$550 million.


In fact, from 2006 to 2007, the district's assessed taxable valuation grew by 19.6 percent – or \$4.5 billion – to a total of \$27.3 billion. Residential properties represent 63.3 percent of the tax base, commercial properties represent 28.7 percent, and remaining undeveloped acreage makes up 8 percent.

This growth in our tax base is crucial to the financial stability of Northside because the current school finance system does not make any accommodations for fast-growth districts.

continued

Northside ISD

5900 Evers Road, San Antonio, Texas 78238, 210-397-8500



While our revenues for maintenance and operations, or M&O, are frozen at 2006-07 levels, we do benefit from a growth in the tax base on the I&S, or debt service side, which funds new schools and other capital improvements. Our ability to accommodate our quickly increasing enrollment is dependent on a growing tax base so that we can expand existing schools and build new schools. As a public school district we are required to provide an education to every student who comes through our doors whether we have space or not.

Therefore, we support a fair property tax system. All taxpayers should pay their fair share, no more and no less. I want to express my appreciation to legislators who voted for a constitutional amendment to extend tax relief to over-65 and disabled taxpayers. This had been an oversight in previous sessions and we are gratified that these residents now have the ability to “freeze” their property taxes.

Unfortunately, the appraisal system as it exists currently is not fair or equitable.

Mandatory Sales Disclosure

Currently, Texas is one of only five states that do not require disclosure of real estate sales prices. As you know, this doesn't really have an impact on residential homes - information about sale prices is readily available through the Multiple Listing Service. The same can not be said for commercial, multi-family, and high-end residential properties. The lack of sales price information reported to the county appraisal district has resulted in an undervaluation of these properties. Because of the undervaluation, government entities, including school districts, have lost billions of dollars in potential revenues that could have been used to provide necessary services to the public.

What's worse is, because of this, the property tax burden has shifted heavily from businesses to homeowners. Firms and organizations that collect sales price information about commercial properties are prohibited by property owners from sharing the information with appraisal districts. Therefore, the lack of commercial sales data and the aggressive annual protest of property value by owners of commercial property have resulted in significant undervaluation of real estate owned by businesses.

Commercial property owners are not paying their fair share of taxes, which means homeowners must pick up the slack. You can not argue with these numbers: In 1985, owners of single family residential property paid 32 percent of all property taxes in Texas. By 2004, their share of property tax payments had increased to 47 percent. This enormous growth in the tax burden of homeowners has been a major cause of the recent public outcry against property taxation. With mandatory sales price disclosure, appraisal districts will be able to determine the true market value of real estate owned by businesses. This is likely to produce higher values for commercial properties and trigger a reduction in tax rates. The reduced tax rates will in turn provide some tax relief for homeowners.



Value Study

Mandatory sales disclosure also is needed to ensure the accuracy of the property value study conducted annually by the state comptroller to estimate the taxable property value in each school district and to measure county appraisal district performance. In addition to the lack of disclosure, the comptroller and the county appraisal district use different methods to assess properties, sometimes resulting in large discrepancies between the two figures.

This can have a significant financial impact on school districts. Under some circumstances, if the comptroller's assigned value of a school district's property is significantly higher than the county appraisal district's, the district would be financially penalized for the amount of the discrepancy, which could be millions of dollars. For a high growth school district such as Northside with large debt payments, the result of the comptroller's property value study can force the District to raise the debt service tax rate.

Our issue is not that the comptroller's assessment is too high or the county appraisal is too low. It's that the discrepancy is too great between the assessments, and, without sales price disclosure, the accuracy of either value is questionable at best.

Below are actual results of NISD appeals:

| Tax Year | Preliminary Assigned Value (Before Appeal) | Final Assigned Value (After Appeal) | Difference |
|----------|--|-------------------------------------|----------------|
| 2003 | \$16,474,223,449 | \$16,365,236,516 | -\$108,986,933 |
| 2004 | \$17,518,437,708 | \$17,408,931,955 | -\$109,505,753 |
| 2005 | \$19,353,773,879 | \$19,173,846,385 | -\$179,927,494 |
| 2006 | \$22,881,960,592 | \$22,794,544,949 | -\$87,415,643 |
| 2007 | \$27,314,054,742 | \$27,251,725,350 | -\$62,329,392 |

I applaud Sen. Jeff Wentworth and Rep. Mike Villarreal, who have championed the passage of a law that would require real estate sales price disclosure. Unfortunately, many of their colleagues in the Legislature still are bowing to business and special interests. It's time to start heeding the law. The Texas Tax Code calls for all taxable property in the state to be appraised at market value, and the Texas Constitution requires that ad valorem taxes be imposed equally and uniformly. I respectfully urge you to support legislation that requires mandatory sales disclosure.

Alternative structure for Appraisal District Board of Directors

In addition, we support an alternative structure for the Appraisal District Board of Directors. The assessment of property value is a technical function, and the appraisal district board should be primarily composed of people who are knowledgeable in the fields of real estate and property valuation. Election of the board members is likely to politicize the assessment process and result in substantial inequities. The mission of the appraisal district should not be to arrive at the lowest value or the highest value.

Northside ISD

5900 Evers Road, San Antonio, Texas 78238, 210-397-8500

The mission should be to arrive at the most accurate value. In an election, a candidate who promises “the lowest values” is likely to defeat a candidate who promises “the most accurate values.”

Before the present appraisal districts were created in the early 1980s, the assessment process in Texas was political and resulted in highly inaccurate and unequal values. To ensure that board members have minimum knowledge of the mass appraisal issues, they should be required to take courses about the Texas property tax system, the three approaches to appraisal of property (sales comparison, cost, and income), mass appraisal concepts, and Texas property tax law. Also to make the Board more representative, it may help to have the County Tax Assessor Collector (who is an elected official) as a voting member of the appraisal district board of directors.

Election of Appraisal Review Board (ARB) members

Also, a metropolitan area like San Antonio needs a large number of Appraisal Review Board members which makes their election impractical and can result in “voting overload.” Electing the chairman of ARB and having the chairman and the County Tax Assessor Collector involved as members of the ARB selection committee may not be a bad idea. However, each member of ARB should be approved by the entire appraisal district board of directors. The training requirements I mentioned previously for the appraisal district board of directors would also be helpful for the ARB members.

Conclusion

We hope legislators and decision-makers are cognizant of how changes made to the tax appraisal process could impact public school funding, particularly for fast-growth school districts. Fast-growth districts like Northside rely heavily on property tax revenues to fund new schools that must be built to educate children. Determining tax appraisals must be a fair and non-political process to ensure that public schools are adequately funded and that everyone shoulders an equitable burden. In closing, we truly appreciate the time and energy spent by all involved to gather input and data on this important issue, which affects all property owners and school children in the state of Texas.

By John M. Folks, Ed.D.
Superintendent, Northside Independent School District



Northside ISD

5900 Evers Road, San Antonio, Texas 78238, 210-397-8500