

**MANAGERIAL ACCOUNTING
COUNTY GOVERNMENT**

THE BUDGET PROCESS

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The purpose of financial accounting is to report an entity's activities to interested parties *outside* of the entity. The purpose of managerial accounting is to supply information to interested parties *inside* the entity. This information is used for the planning and controlling the operations of the entity. Managerial accounting normally is divided into five areas of focus – pricing, performance measurement, integration with financial accounts, investment analysis, and budgeting. Governmental entities use budgets for a variety of reasons.

WHY WE HAVE BUDGETS

Budgeting is the process of allocating scarce resources to unlimited demands. A budget is a dollars and cents approach to a plan of operation for a specific period of time. At a minimum this plan would contain information about the types and amounts of proposed expenditures, the purposes for which they are to be made, and the proposed means of financing them. In Texas every governmental unit is required to adopt an annual budget. The establishment of the budget constitutes the initial step in the appropriation process. The adoption of a budget implies that decisions have been made, and the role the budget plays in the governmental funds from that point forward will usually fall into one or more of the following categories:

1. INFORMATION – budgets provide a means of communicating to management useful information regarding current use of funds as well as a means of comparing current activity to prior accounting periods.
2. PLANNING – budgets provide a means for management to establish time lines for the use of funding and for coordinating and scheduling programs.
3. ACCOUNTABILITY – the primary purpose of a governmental budget is to legitimize the expenditure of public funds, and to account for and control the usage of the public resources in the manner in which they were approved.
4. EVALUATION – the appropriate financial reports that compare the budget to actual for a period serve as a basis for evaluating the extent of compliance with the standards established. This is often considered the weakest of the budget

purposes, because of the failure of administrators to use the information correctly.

BUDGETING SKILLS

Unfortunately, most of the budget training one receives is on-the-job. Invariably as one moves through the management cycle they are going to reach the point where it is their turn to prepare the budget for the coming operational year. Many times this occurs as a right of passage. Even so, one needs to be aware that there are three aspects to this process that one needs to be fully aware of:

Technical Aspects

- Obtaining Back-Up Information
- Putting Numbers On Forms
- Getting Cost Estimates
- Performing Employee Evaluations
- Checking For Errors
- Compiling Forms
- Checking For Internal Consistency
- Computing Indirect Cost
- Making Estimates
- Computer Data Entry
- Describing Programs
- Documenting Justification

Managerial Aspects

- Departmental Identification
- Analyzing Finances and Programs
- Evaluating Results
- Devising Measurement Tools
- Anticipating Problems
- Recognizing Opportunities
- Implementing Objective systems
- Making Presentations
- Visioning

Political Aspects

Setting Priorities
Defending Budgets
Cutting and Adding Programs
Promoting New Programs
Marketing The Department
Dealing With Elected Officials
Rationalizing Budget Variances
Resolving Budget Conflict
PROTECT YOUR FLANKS

THE BUDGETING FRAMEWORK

The budget process consists of activities that encompass the development, implementation, and evaluation of a plan for the provision of services and capital assets. A good budget process:

- Incorporates a long term perspective
- Establishes linkages to broad organizational goals
- Focuses budget decisions on results and outcomes
- Provides incentives to government management and employees

The budget process should always be strategic in nature, encompassing a multiyear financial and operating plan that allocates resources on the basis of identified goals. A good budget process moves beyond the traditional concept of line-item expenditure control, providing incentives and flexibility to managers that can lead to improved program efficiency and effectiveness. The National Advisory Council on State and Local Budgeting (NACSLB) has established recommended budgeting principles¹:

Principal 1 – Establish Broad Goals To Guide government Decision Making

- ✓ Assess community needs, priorities, challenges, and opportunities;
- ✓ Identify opportunities and challenges for government services, capital assets and management; and
- ✓ Develop and disseminate broad goals.

Principal 2 – Develop Approaches To Achieve Goals

- ✓ Adopt financial policies;
- ✓ Develop programmatic, operating, and capital policies and plans;
- ✓ Develop programs and services that are consistent with policies and plans;
and,
- ✓ Develop management strategies.

Principal 3 – Develop A Budget Consistent With Approaches To Achieve Goals

- ✓ Develop a process for preparing and adopting a budget;
- ✓ Develop and evaluate financial options;
- ✓ Conduct sessions for long range financial planning;
- ✓ Prepare conservative revenue projections;
 - Prepare analysis of major revenue sources;
 - Prepare evaluations of changes in sources of revenue;
 - Document revenue sources;
- ✓ Prepare expenditure projections;
- ✓ Compare revenue and expenditure options;
- ✓ Develop a capital improvement plan (short-term, long-term); and,
- ✓ Make choices necessary to adopt a budget.

Principal 4 – Assess Performance And Make Adjustments

- ✓ Monitor, measure and assess performance; and,
- ✓ Make adjustments as needed.

APPROACHES TO EXPENDITURE BUDGETING

Unlike governmental accounting, there are no commonly accepted standards for preparing local government budgets. What the organization's budget should look like, how it should be prepared or what is included depends upon state and local mandates and those responsible for the budget's preparation. There are several general approaches to governmental budgeting, each of which has advantages and disadvantages.

Object Of Expenditure Approach

This approach to budgeting is often referred to as the “traditional approach.” It became popular as a means for the legislative branch of government to control the executive branch. In its simplest format it is referred to as line-item budgeting. Today it is the most widely used. In some instances you will see this approach expanded from a line item-budget to a classified budget. Each approach sets the level of expenditure control – either at the line-item level or at the classified level (Overhead A).

Advantages

Advocates of the object of expenditure approach always note its long standing use, its simplicity and the ease it provides for the preparation of the budget. It is often noted that this method facilitates the accounting controls in the budget execution process, and prior year trend comparisons are easily developed. It is commented that this form of budgeting by organizational unit fits the pattern of responsibility accounting.

In addition proponents will point out that in government (1) most programs are on going; (2) most expenditures are relatively unavoidable; (3) decisions must be made within the context of the real world, as changes take place; and, (4) that the object of expenditure method can be supplemented by interjecting other budgetary techniques.

Disadvantages

In its simplest form it does not provide a genuine information base for decision makers. It focuses on what is to be purchased and not on the services to be delivered. It is overly controlled centered, to the detriment of the planning and evaluation process. It can be restrictive to managers by putting too much emphasis on staying within individual accounts rather than focusing on accomplishing objectives.

Planning is neglected, in that budgets are based on requests based merely on present expenditure levels and related patterns. Detail is focused on expenditures and not on functions, activities, programs and anticipated output. There is little focus on performance.

And, it can be pointed out that this method encourages spending rather than economizing, and that department heads feel compelled to expend their full appropriation. The philosophy that this approach develops is (1) performance evaluation tends to be focused on spending and the manager that is able to spend within budget limitations is considered to be “good,” and (2) a manager’s subsequent budget may be reduced if they don’t spend all that was requested and allocated, for it is rationalized that the budget as presented must have been padded.

Comment – because of the budgetary control and accountability considerations in government, the object of expenditure approach will be with us for a long time. Due to the control orientation of the legislative branch and executive branch of government, it is unlikely that this approach will be reduced in dominance. However, what we are seeing – due to heavy criticisms – is supplemental approaches being introduced at several levels. Until government is willing to evaluate its performance the object of expenditure approach will prevail.

The Performance Approach

The concept of the performance approach to budgeting actually got its first breath around the early 1900’s, but it didn’t get any worth while publicity until the 1950’s. The first Hoover Commission (1949) in reporting on budgeting and accounting in the governmental sector noted, “that the whole budgetary concept being currently used by government (*especially the federal government*) should be refashioned by the adoption of a budget based on functions, activities, and projects – a performance budget².”

As could be expected confusion developed over the use of the term performance, since it was not specifically defined in the Commission’s document. This was corrected with the subsequent issuance of a Task Force Report. The second report noted that a program or performance budget should be substituted for the present budget, thereby presenting a document in terms of services, activities and work projects rather than simply in terms of expenditures. A performance budget bases expenditures primarily upon measurable activities and work programs – focus should be the activity performance, not expenditure level³.

The performance approach shifts the emphasis in budgeting from objects of expenditure to measurable performance of activities and programs of work. Its focus is evaluation of efficiency with which existing activities are being carried out. The tools that the performance approach uses are cost accounting and techniques of measuring work. This approach (1) classifies budgetary accounts by function and activity, as well as by organizational unit and object of expenditure, (2) investigates and measures existing activities in order to obtain

maximum understanding, efficiency and to establish cost standards, and (3) future budget then is a result of the unit cost standard multiplied by the expected number of units of activity estimated to be required during the period.

Advantages

The greatest contribution the performance approach has provided is the requirement for the department to provide a narrative description of the work to be performed with the proposed budget. The budget then is organized by activities, with requests based on estimates and related costs in terms of quantities. The performance approach moves the budget review focus away from paper clips and miles traveled towards what is anticipated to be accomplished. The approach focuses on a need to measure output as well as input. As a result the approach requires answers to questions:

1. What are the department's objectives?
2. For what reason does the department ask for appropriations?
3. What services does the department render to justify its existence?
4. What programs does the department use to achieve its objectives?
5. What volume of work is required in each of the activities?
6. What levels of service were achieved with past appropriations?
7. What level of service may be expected if the requested amounts are appropriated?

The performance approach provides the budget officer with an added avenue of control over the departments – rather than just being restricted merely to how much subordinates spend, the budget officer now has the ability to evaluate the department's performance related to some standard.

Disadvantages

The approach has never been adopted in its pure state. The approach requires sufficient budgetary controls and accounting staff to identify units of measure and to perform cost analysis. Many governmental services and activities have not been established to develop meaningful output units or methods to perform unit of cost calculations. Most governmental departments have historically been maintained on a budgetary expenditure basis and not on a full cost basis. Many governmental departments are not capable of providing budgets (as well as funding) on variable

service levels. In many occasions the conclusion is reached that half the output can be achieved on half the cost. Thus, ignoring the reality of fixed and variable costs.

Comment – the true performance or program budget cuts across departmental lines. This however creates a management control and accountability problem. The approach instills an attitude of cost consciousness in government. In many instances the outcome of the approach has been a political sledge hammer. Objective evaluation of governmental services needs to be pursued.

The Program and Planning Budgeting Approach

Often fiscal and budgetary purists will point out the real demise to the performance approach to budgeting was due to the swift shift in the late 1950s and the early 1960s to what was referred to as the program approach. By the late 1960s the Program Approach budgeting concept had been re-titled the *Program-Planning and Budgeting System*, or PPB or many times referred to as PPBS. As with most governmental focused issues terminology was a problem. The discussion for many years revolved around what was intended to be evaluated in the approach – was it a full program of work – was it the program broken down in segments for evaluation – or, was it a modified program only to be fully formulated once final appropriations were in place.

The following is the definition that is preferred by most budgeting theorists and fiscal officers:

Program budgets deal principally with broad planning and the costs of the functions or activities. A full program approach to budgeting would require that the full cost of a function, e.g., juvenile delinquency control, would be set forth under the program regardless of the organizational units that may be involved in carrying such programs into execution. Thus, the juvenile delinquency program would include activities of the welfare agency, juvenile department, juvenile court, sheriff's department, constables, and district attorney⁴.

Program budgeting refers to a planning-oriented approach that emphasizes programs, activities and functions – with much less emphasis on control. The PPB approach focuses on communication within the budgetary requests. The requests summarize the broad programs and expected results. The approach avoids the infinite detail associated with the object of expenditure approach.

Program planning and budgeting takes into consideration the long term effects of a decision and the related costs. It evaluates the full implications associated with an activity, the related costs and the benefits – short term and long term. And finally it allows the budget officer to inquire – what available alternative courses of action are there?

Advantages

Those who have followed the PPB concept to budgeting have seen the approach as one designed to overcome the criticisms related to the object of expenditure and performance budgeting techniques. PPB assumes that all programs are to be evaluated annually. It does not assume that programs funded in one period will also be funded in subsequent periods. Additionally it:

1. Focuses on identifying the fundamental objectives of the government and then relates all activities to these objectives;
2. Future cost/benefit analyses are examined;
3. All pertinent costs are considered to include indirect costs;
4. Alternatives are systematically examined – as to costs and benefits;
5. Does not assume that a program is a one year program;
6. Allows for broader policy terms to be established;
7. Allows for lump sum appropriations and not line-item;

Disadvantages

While on the surface the PPB approach may seem convincing, there are many natural barriers that impede its implementation:

1. Governments seem to find it difficult to formulate an explicit statement as to goals and objectives, which can be agreed upon;
2. Elected officials change and as such so do goals;
3. Elected officials prefer not to make explicit statements as to goals and objectives, which allows for them to change directions and positions as politics dictates;
4. Time periods to elected officials are more relevant than programs;
5. Many programs are funded by ad valorem taxes, which may fluctuate from year to year;
6. To fully understand the PPB approach assumes a high level of understanding related to cost accounting, financial accounting, relationships between departments, and economics;
7. The PPB approach assumes that the government has a sophisticated budgetary software system for assimilating the information and related changes there to;

8. The executive and legislative branches of the government give up a considerable amount of control;
9. Projecting of estimate costs several years ahead requires some precision, and such estimates may be understated in the beginning; and
10. No public official wants to be evaluated based upon performance other than staying within his or her prescribed expenditure budget.⁵

Comment – the PPB system is normally found as a planning tool and not as a budgetary tool. The approach requires a governmental entity to consider the government-wide impact of various programs and activities. Many governments only repeat that which has been. Trying to envision what might be would mean breaking the links to the past. This would require time and expense without any visible proof of assistance. And, no executive in government is going to give up their ability to control the purse strings.

Zero Base Budgeting Approach

The newest approach on the budget scene is zero based budgeting (ZBB). It was introduced in the 1970's in the for-profit sector of the economy. The technique was used with regards to multi-faceted manufacturing companies. During the Carter administration (1977-1980) the concept was popularized at the federal level, and subsequently incorporated into several state and local governmental budgetary systems. The essential idea of the ZBB approach is that the continued existence of programs, functions or activities is not taken for granted, and must be justified in its entirety every year. The approach's basic process is as follows:

1. All operations of a government are divided into decision units.
2. All programs, functions, and activities within each decision unit are defined.
3. The operations of each decision unit's programs, functions and activities are developed as a decision package (organizational sub-units, program goals, alternative activities are established and methods introduced for being carried out).
4. The best option for providing service based on cost-benefit – political basis – or other analysis is made.
5. Each decision package is ranked based on the governmental priorities (usually established at the executive level) – from the most relevant to the least relevant.

6. The original concept was that all programs would be “zeroed out,” but this became too burdensome, and today the approach uses packages with varying funding levels.

Advantages

The approach is designed to force an annual review of all programs, functions and activities. It is intended to allow the identification of outdated programs and unnecessary high levels of service. It allows officials the ability to concentrate attention on the costs and benefits of service. It forces officials in government to seek new ways to provide services at less cost. And it allows the executive and legislative branches of government to improve its funding decisions.

Disadvantages

ZBB requires a massive amount of paper work and sophisticated levels of accounting and budgetary understanding if implemented in total. The development of the decision packages results in a tremendous expansion of the record keeping system. The approach is subject to manipulation – departments in an attempt to shield their budgets from cuts will rank vulnerable programs high, while ranking politically important programs low.¹

Comment – ZBB does not mean that a budget is balanced. It means that all programs selected for funding were funded, and the funding occurred at the levels approved according to the ranking of the decision packages. And, since programs are submitted at varying funding levels, programs can be approved and funded at less than 100% of the prior year. ZBB allows for cutbacks to occur and for attrition to occur in a longer period of time.

PREPARING THE BUDGET

Once the budget officer has issued the budget instructions, the budget preparation phase begins in earnest. A helpful tool for all budgeters is a budget development file. This file should be kept current and up dated on a continual basis. It will be the source one needs to provide foundation for budget proposals. Here are some of the items one should keep in his/her budget development file:

¹ Foundation for State Legislatures and National Conference of State Legislatures; May 1995. *Fundamentals of Sound State Budgeting Practices*. Washington, D. C: National Conference of State Legislatures.

- Complaints about service
- Statistics on service levels
- Latest census data
- Latest salary survey for staff members in your office
- Anticipated staff needs
- Latest CPI data for your area (consumer price index)
- Newspaper and magazine articles related to your program
- Performance data related to work load; overtime requirements; procedures performed; clients served; etc.
- Any audit or committee recommendations related to your program area
- New technology available and how it will enhance your programs
- History and trend curves for all programs and services provided as well as related revenues
- Any letters of recommendation

All beginners and some seniors make mistakes in preparing budgets. Here are some of the oversights most frequently incurred and repeated:

1. Failure to read and follow the budget officer's instructions (even if you don't agree with them).
2. Failure to proof read information provided and failure to check all mathematical calculations and representations.
3. Failure to ask for adequate appropriations to meet and carry out the program.
4. Asking for excessive funding without sufficient justification.
5. Not recognizing the difference between routine (politically desired) and controversial proposals.
6. Failing to submit budgetary material on time.
7. Not asking clarifying questions for fear of appearing stupid (remember there is never a stupid question – only stupid answers).
8. Failing to examine past revenue trends.
9. Not recognizing that certain programs have dedicated funding sources, and what those sources may be used for.
10. Presenting numbers as unconnected figures and not taking the time to research related trends.

In many instances the budgeters spend the majority of their time focusing on dollars and spend very little time focusing on the programs the dollars are to serve. All programs should be evaluated prior to allocating dollars to their support. The evaluation process allows the budgeter to link the past performance to developing programs to more efficiently meet the needs of the customer and/or service area. In the evaluation process the budgeter should consider the following:

- ✓ What was accomplished last year?
- ✓ What disappointments did we encounter?
- ✓ What were our assumptions?
- ✓ Were our assumptions correct?
- ✓ Did we have any success in reaching program objectives?
- ✓ What do our performance measures suggest about service delivery and effectiveness?
- ✓ What adjustments had to be made in the budget due to unforeseen circumstances?
- ✓ Were we able to stay within the budget?
- ✓ Are we meeting our client's needs?
- ✓ Have there been any comments from non-users of our service?
- ✓ Are our direct costs effectively used?
- ✓ Is there room to introduce economy of efficiency in any of the programs?
- ✓ Did we make any improvement in the operation of any of the programs last year?

Before jumping into the number crunching process, budgeters should do some thinking about their customers, the organization and the entity's environment. This requires a visioning effort. The budgeter will need to look forward more so than backward. The budgeter needs to be able to see where they want to be two, three, four years into the future – then begin the process of building the bridge back to the present. The budgeter should not find himself or herself worrying about the future, instead they should concentrate on setting in motion those events that will allow the creation of the future. This focus is usually accomplished using strategic planning concepts, such as:

- What are our strengths – do they need to be reinforced?
- What are our weaknesses – do they need to be addressed?
- What opportunities should we be pursuing – will we lose the momentum if we don't pursue them now?
- What threats are we facing – do we need to deal with them now?

DOCUMENTATION and JUSTIFICATION

In developing the budget, budgeters need to make many assumptions. This process should be broken into two functions – first, general assumptions should be developed, and then specific assumptions about forces influencing your budget. In both instances you should consider the positive and negative factors. In many instances budgeters think about the underlying assumptions, but they never write them down or take the time to express them to their staff or to identify them specifically in their budget presentation.

Some general assumptions are:

- Salary increases – salary decreases – establish a percentage
- Personnel benefits will increase – will decrease
- Merit pay will be available – will not be available
- Level of pay to be established for temporary workers
- Level of overtime to be funded
- Anticipated increase in inflation
- Adjustments to professional contracts
- Increases in Utility expenses
- Increases in fuel costs
- Keeping current level of grant allotments
- Ability to expand current level of grant allotments

While documentation of costs and their relevance to a program is essential, the budgeter must also be aware that all programs and related costs need to be justified. When defending existing programs and functions and in justifying new ones, budgeter needs to consider:

- ✓ Is it mandated? Does a higher level of government mandate the programs and/or functions? If so, it will usually produce a higher claim on available

resources. Failure for an agency to fulfill a mandated requirement will usually carry some level of penalty for the failure.

- ✓ Will productivity be increased? One of the most powerful arguments for access to available resources is the ability to demonstrate productivity improvement. For new programs the budgeter will need to establish what the infrastructure costs for the program will be; what the organization can expect from the productivity gains; and, how the cost effectiveness can be evaluated.
- ✓ Will exposure be lessened? Providing evidence that an expenditure will lessen the organization's legal exposure is often an excellent justification. The problem that needs to be addressed needs to be developed so that the officials clearly understand the issue and what will happen if it were to occur. Preventive maintenance is an excellent justification – the budgeter needs to be careful not to be threatening.
- ✓ Focus on elected official's desires. Always implementing the desires of elected officials produces a strong call on resources. Elected officials prioritize programs and functions at a different level.
- ✓ Has there been an increase in the workload? Unavoidable increases in workload are also a method of defending budget requests. When addressing the issue the budgeter will need to be able to address what has caused the increase; the budgeter will need to document that the increase is a permanent event and not temporary; and, the budgeter will need to demonstrate that the increase can not be assumed within the existing budget.
- ✓ Has there been or will there be an increase in prices? The justification here is cost indexes that show an inflationary spiral. Consumer price information is good to have on hand.
- ✓ Can revenues be increased by the institution of the program? Demonstrating that program and/or function additional costs can be offset with increased revenues always develops a strong argument in the budgeter's favor. Always

be prepared to produce a break-even analysis and to be able to show that the revenue stream is ongoing.

There are emerging issues that require additional resources. New problems in government are constantly developing – nothing ever is ever constant. These issues can be created by citizen pressures, new legislation (every 2 years in Texas), court orders, shift in demographics, environmental impacts, and social issues. The key is to identify the issue and demonstrate a response and why resources are needed to impact the result.²

ORGANIZATIONAL GOALS and ESTABLISHING OBJECTIVES

Organizational goals are significant statements that document the elected body's visions, desires, platforms and promises. Overall organizational goals are set by the elected body to filter down through the entity as a whole. The public statement of policy establishes the guidance for the departmental preparation of programs and functions during the budget period. Many times the goals are clearly stated in the organization's mission statement. Normally, one finds that these goals:

1. Are key elected official policy statements that focus on the reason for the agency's existence;
2. Represent long range desired ends and/or outcomes for the organization as a whole;
3. Communicate an ideal end state or condition – a vision;
4. Extend beyond the current fiscal period, and may not ever be fully achieved; and,
5. Inspire and set the philosophical tone for the organization.

The budgeter needs to further understand and recognize that elected officials do not always wish to publicly state their goals. To do so may limit their flexibility to change their mind when faced with strong public or special interest. To do so may allow any opposition to formulate focused attacks on the elected official's position. And, it may be that the elected officials can not agree on the organization's top priorities.

Comment: When elected officials refuse to state their goals and objectives, staff is then forced into the bureaucratic role of having to fill the vacuum. Objectives should clearly describe targets for achievement within a specified time span that represents and interim step or measured progress toward a goal.

² National Advisory Council on State and Local Budgeting. 1998. *Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting*. Chicago, IL: Government Finance Officers Association.

When developing objectives there are certain criteria that the budgeter needs to follow in the assessing stage:

1. Does the objective tie in with the organization's goals?
2. Is the objective simply stated?
3. Is it stated in a form that provides a guide for action? (should contain action verbs like solve, identify or construct)
4. Is it achievable within a specified budget period?
5. Does it provide a means that allows for measurability?
6. Is it just pie-in-the-sky, or is it feasible?

Forms that objectives might take are:

- Keep administrative costs to less than 10% of direct program costs
- Respond to 95% of all citizen complaints within 4 hours
- Ensure that all food service facilities are inspected once every quarter
- Review all employee suggestions for cost saving and respond within three work days
- Insure that all children under three years old receive require immunizations
- Insure that all pre-natal clients receive physician attention with every appointment
- Raise \$1,000,000 for the elder Care Center
- Provide county wide education programs to reduce the industrial injury rate to no more than 1 per every 10,000 hours worked

While objective budgeting is a powerful tool and an excellent method for managing, their purpose can often be misunderstood. And, more often we see that the manager misusing the objective and related programs. Some of the more frequent complaints about objective systems of budgeting are:

- They are imposed from above with the joint input of the employees and staff
- There is no defined reporting system
- There is no established system for review
- There is no criteria for measuring the results
- There is no equitable system established for gathering data
- There are too many objectives

- The service mission of the organization seems to be obscured
- There is no priority assigned to the objectives
- The objectives seem to be used in a punitive manner, rather than as a management tool

Comment – a system that allows these types of problems to exist in the programs will only result in vague and non-challenging objectives. Thus, the objective as stated is usually so general and non-committal, that there is no benefit to the organization or to the community.

Objectives and programs are developed normally to fulfill the goals established by the entity. In some instances programs develop without a specific goal and if the program proves to be successful, then the elected officials will develop a goal to fit the program. Examples of what are considered goals would be:

- To Protect and enhance the Aesthetic and Environmental Quality of the Entire Community
- To Actively Recruit the Best Students in the State for the Best Education
- To Involve Citizens in the Local Government Process
- To Clear by Arrest 35% of All confirmed Burglaries During the Fiscal Year
- To Guarantee the Safety, Wellbeing and Protection of Local Residents and Their Property Rights
- To Strive to be a Balanced, Diversified and Economically Viable Community
- To Ensure That all Patients receive Quality Care
- To Solve Community Problems Through Greater Use of Private, Non-Profit and Public Partnerships

Comment – one of things that needs to be noted is that government historically has been good at stating goals and objectives, and government has been good at starting new programs. But, government has not been unable to fully quantify and measure success related to goals and objectives, nor has it found a way to stop programs – good or bad.

OTHER BUDGETARY ISSUES

Revenues

Prior to 1980 one of the curiosities of government was that the establishment of budgetary revenues was the exclusive right of a “central finance” unit in almost all state and local governments. There was really no accountability placed at any other level for the

achievement of revenue budgets. In the last 20 years we have seen some dramatic changes. Program managers are not only being asked to make more accurate projections, but they are also being held accountable for their projections. In many instances, departmental and program managers are even being asked to find new sources of revenue. Programs are being asked to be self-sufficient. Managers are being evaluated on their ability to manage, to provide funding and to collect for services. In many instances we are seeing programs being asked to insure that the users are paying for full service.

Budgeters need to be aware of what revenues are available for supporting their department, and they need to be aware of what funds are available from outside the system to provide funding. Budgeters need to be aware of what portion of their budget is self-sufficient and what portion is not. If a department is one that has a billing and collection function, the manager needs to be aware of what the costs for these functions are and how the service is to be paid for. A program manager needs to evaluate which of the increases in departmental costs can be passed on through increasing the level of fees. Service charges in a program need to be reviewed and recalculated at least every six months. And, finally the program manager needs to know what costs will need to be subsidized because of inadequate fees or the inability to charge a fee at all.

Rules Of The Game

Always be sure that if you are to be a “budgeter”, that you have a complete and accurate understanding of what the budget rules are for the organization. In many instances there is an espoused philosophy for the budget process, but in reality the process operates under some other format. The budgeter needs to know if the budget is viewed as a flexible spending plan, or a rigid commitment. The budgeter needs to understand if the base budget is subject to review or only the incremental increase requested. The budgeter needs to know if the budgets as presented are to be realistic or “assumed to be padded.” The budgeter needs to find out prior to submission of the budget whether or not supplemental funding is available. The budgeter needs to understand how budget decisions are made and at what level. The budgeter needs to find out how budget behavior is rewarded and how it is punished. Does the system have a spend it or lose it philosophy. The budgeter needs to understand what happens if you over spend your budget – what happens if you don’t spend you entire budget.

Controls

Every governmental organization has a system of budgetary control. To control the budget means to verify, restrain, regulate or influence. Within public agencies the need to keep a tight reign on public resources is a fundamental concept. The penalties can be high for allowing and/or making ill-advised or unauthorized expenditures ranging from exposure on the local front page to a silent termination. But, these same penalties do not exist for failure to achieve a performance goal.

In many instances elaborate control systems are developed which try to stop the misuse of public resources before it occurs. These are often referred to as internal controls. Many times managers will go about thinking the problem is under control once the internal controls have been put into place. The manager assumes the posture that prevention is the focus and fails to hold personnel accountable for their actions. Many times the controls take on a life of their own and become more important than the purpose of the control. In some instances the control becomes more costly than the function it was to control. Managers not only must control costs; they should also require performance. But, sad to say, the emphasis is always on dollar control and not on program accomplishment.

Program managers should be given sufficient authority to carry out their function and then be held accountable for achieving that function. This is much like the total quality management technique of doing away with the inspectors and holding the line managers accountable for their performance.

Controls need to be periodically reviewed to see if they are still relevant - if they are re-issue them - if they are not then let everyone know that they are being removed and why.

Padding The Budget

In 1993 a survey was done of 172 governmental organizations and their respective budgeters. The question was asked, "Is it acceptable in you organization to pad a budget?" The response was Yes – 72%. The same question was asked again in a similar survey in 1998. The answer once again was Yes – 65%⁶. The same research studies revealed that padding in individual budgets ranged from 0% to 40%, with the majority reflecting a 10 – 15% spread.

When asked to define the term "padding" one will usually get a variety of definitions, but it generally means to add extra dollars to the projected cost of an item or program. Many budget officers consider the addition of an increment for inflation as padding. While others may perceive this as a good budgetary technique, at the federal and state level it has become an art.

At these levels budgeting goes on in a world of reciprocal expectations that usually leads to self-fulfilling prophecies. Agencies pad their budgets to guard against anticipated cuts.

Budget officers, elected officials and supervisors all can be guilty of creating an atmosphere where padding is the norm. To know when you are in one these cultural situations here are some clear characteristics:

1. There are no written procedures for the budget process;
2. It is unclear how decisions are made during the budget process;
3. Pay increases are made across the board for everyone;
4. Budget decreases are based on a standard applied to everyone;
5. There is a strict adherence to line item control over expenditures;
6. There is no reward established for good managers and good budgeting practices;
7. New projects are placed on departments without additional funding; and,
8. There is a tendency within the organization to throw out the baby with the bath water.

Whatever the definition one chooses to use for padding, it appears that the degree of padding is related to (1) the amount of uncertainty about the budget process and how decisions are made, and (2) the lack of trust within the organization regarding how fairly resources are apportioned.

BASIC BUDGET BELIEFS

1. Given the freedom and the trust, people will do what is right.
2. Decisions about the best way to get things done are best made by those who are assigned to do them.
3. If given an incentive to save money, and operate more efficiently, people will do so.
4. Department managers and supervisors are paid to manage, not to be managed.
5. Department managers and supervisors can find more ways to do things more efficiently and with less money if given the freedom to innovate and the control over their own resources.
6. Self-imposed goals and deadlines are more powerful motivators than those imposed by others.
7. Interdepartmental competition is healthy.
8. Managers should concentrate on the bottom line.
9. The departmental manager better understands needs and priorities than the budget officer.
10. Most of the good ideas belong to other people who didn't bother to develop them.

LAST WORDS AND COMMENTS

Many times it has been said that budgeting is a black art that is practiced by bureaucratic magicians with fiscal slight of hand.

Budgeting is a means to an end – it is not an end in itself.

There is a basic law in budgeting that we all need to remember – you can only spend it once.

In this country we have defined statesmanship as – when everybody has money we cut taxes, when we are broke we raise taxes.

Everyone agrees that the method of budgeting used by the United States Government is something that Walt Disney and Mickey Mouse would have designed – but nothing is ever done to change it.

Never – no never, do you want to leave the room during a budget cutting session.

The spend it or lose it philosophy of use of budgetary funds is such a poor method of management, but the technique is followed at every level.

When a problem has been identified, it makes common sense to develop a method to solve the problem – and try it. If the solution doesn't work, then admit the failure and develop a follow up. But, you need to try something.

INFORMATION SOURCES

Government Finance Officers Association
180 North Michigan Avenue, suite 800
Chicago, IL 60601-7476
Tele: 312/977-9700

International City/County Management Association
777 North Capital street, N.E.
Suite 500
Washington, D. C. 20002-4806
Tele: 202/626-4600

Western Government Research Association
10900 Los Alamitos Boulevard
Suite 201
Los Alamitos, CA 90720
Tele: 310/795-6694

¹ "A Leap Forward for State and Local Budgeting," *Government Finance Review*, October 1997, p.38

² Commission on Organization of the Executive Branch of the Government, *Budgeting and Accounting* (Washington, D.C.: U.S. Government Printing Office, 1949), p. 8.

³ Task Force Report, *Fiscal Budgeting and Accounting Activities* (Washington D. C.: U.S. Government Printing Office, 1949), p. 43.

⁴ L. Moak and K. Killian, *Operating Budget Manual* (Chicago: Municipal finance Officer's Association, 1963), pp. 11-12.

⁵ Harry P. Hatry and John F. Cotton, *Program Planning for State, County, City* (Washington, D. C.: George Washington University, 1967) pp. 12-15.

⁶ Western Governmental Research Association; Len wood; Chicago, IL.

**SOME COUNTY, TEXAS
SAMPLE BUDGET CALENDAR**

<u>DATE</u>	<u>ACTION</u>	<u>PERSON</u>
2ND Week-April	Commissioner's Court adopts a Budget Calendar	Commissioners' Court
1st Week-May	Open Meeting – all elected officials And Department Heads to distribute Budget guidelines	Commissioners' Court Budget Director
2nd Week-May	Budget Worksheets distributed to All departments	Commissioners' Court Budget Director
1st Week- June	Preliminary revenue projections Presented to Budget officer	County Auditor
2nd Week-June	-Dead line for the budget request forms to be returned to the budget officer. -Initial budget hearings begin. -Appraisal district's proposed budget due to be filed with County Judge.	Department Heads Elected Officials Chief Appraiser
4th Week-June	Completion of budget hearings	Commissioner's Court/ Department Heads
2nd Week- July	Compiled budget requests compiled amendments	Budget Director County Auditor
3rd Week-July	Update to preliminary revenue estimates provided to CCt	County Auditor
July 26th	Certified appraisal roll is to be presented to the County Judge	Chief Appraiser
1st Week August or	The certified appraisal roll is Presented to the CCt	Tax Assessor
2nd Week August	Certified collection rate for the current year is presented	Tax Assessor
	Calculation of effective and roll back tax rates due to the paper for publication	Tax Assessor
	Proposed Budget presented to Comm. Ct.	County Judge
	Proposed tax rate presented To Comm. Ct.	County Judge

<u>DATE</u>	<u>ACTION</u>	<u>PERSON</u>
2nd Week August	Publish Notice of Public Hearing On Budget	Commissioners' Court
	Note: Before a public hearing can be held on the budget, notice must be published 10 – 30 days prior to the date of the hearing.	
3rd Week August	File proposed budget with the County Clerk	County Judge
	Note: After the public hearing on the budget and it has been determined that there is to be a increase in the tax rate then a second public notice must be published announcing a “Public Hearing on Tax Increase.” If the Commissioner’s Court is in agreement that there is to be a tax increase then one public hearing could be announced to announce the public hearing on the budget and the anticipated tax increase.	
1st Week September	Public Hearing on Tax Increase	Commissioners' Court
	Public Hearing on Proposed Budget	Commissioners' Court
2nd Week September	Commissioners' Court meeting to Set Tax Rate	Commissioners' Court

Note: A public hearing on a tax increase has to preceed the public hearing on the proposed budget. Tax rate has to be established in order to allow for the calculation of available revenue.

APPENDIX “ “
ATTORNEY GENERAL OPINIONS
BUDGET RELATED

Opinion No. JM-326 (June 1985)

Whether a commissioner's court may reduce a county attorney's salary after the annual budget has been adopted

Letter Opinion 89-003 (January 1989)

Can the Commissioners Court amend an adopted budget increasing the salaries of all elected county and precinct officers without complying with Section 152.013?

Opinion No. JM-1056 (June 1989)

Whether a county treasurer may charge a county judge for copies of records maintained by the county treasurer

Letter Opinion No. 90-040 (July 1990)

The authority of a commissioners' court to control salaries and promotions of employees of an elected official? The authority of a commissioners' court to set salaries for specific positions and the authority to set salaries for individual employees. Section 152.011 of the Local Government Code provides:

Opinion No. JM-1275 (December 1990)

Authority of a county auditor to prescribe a computerized accounting system for elected county officials

Opinion No. JM-1263 (December 1990)

Authority of a county auditor to prescribe the use of a county's federal employer identification number on all departmental depository bank accounts

Letter Opinion No. 92-44 (April 1992)

Responsibility of the commissioners' court with respect to district court order decreeing pay increases for district court personnel

Letter Opinion No. 92-050 (September 1992)

Authority of a county auditor (in a county under 25,000 in population) to prescribe accounting procedures and computerize accounting systems for elected or appointed officials

Opinion No. DM-357 (June 1995)

Whether a county auditor may require the county attorney to prepare and submit, for inclusion in the county budget, a projection of revenues and expenditures for the county attorney hot-check fund for the following fiscal year and related questions

Opinion No. DM-460 (December 1997)

Authority of the El Paso County Juvenile Probation Board to enter into contracts or authorize expenditures without the commissioners' court's approval

Letter Opinion No. 98-031 (March 1998)

Re: Whether a public hearing is required to replace an assistant county auditor

Opinion No. JC-0080 (July 1999)

Whether under article III, section 52 or article XI, section 3 of the Texas Constitution a county may pay registration fees for a county official or county employee to attend a state association conference, either mandatory or voluntary, and related questions

Opinion No. JC-0085 (August 1999)

Authority of a commissioners' court to set salaries for employees of a juvenile probation department and related questions

Opinion No. JC-0104 (September 1999)

Re: Whether a county may exchange surplus property for non-monetary consideration

Opinion No. JC-0543 (August 2003)

Whether a county that collects fees and costs under section 51.702 of the Government Code must, under section 25.0005 of the same code "set" an increased salary for statutory county court judges, and related questions

Opinion No. JC-0255 (July 2000)

Validity of salary increases for elected county and precinct officers that exceed the amounts stated in the notice of proposed salary increases provided to the public under section 152.013(b) of the Local Government Code

Opinion No. GA-0037 (March 2003)

County commissioners' court's authority over hiring and budgetary matters concerning an elected county officer

Opinion No. GA-0051 (March 2003)

Whether Attorney General Opinion JC-0471 (2002) correctly construes section 152.013(c) of the Local Government Code

Opinion No. GA-0081 (June 2003)

Budget amendment process

Opinion No. GA-0154 (February 2004)

Whether a commissioners' court may delegate its authority under Local Government Code section 111.070(c) to amend the county budget by transferring amounts between budgeted items

**LOCAL GOVERNMENT CODE
SUBTITLE B.
COUNTY FINANCES**

CHAPTER 111. COUNTY BUDGET

**SUBCHAPTER A. BUDGET PREPARATION IN COUNTIES WITH POPULATION OF
225,000 OR LESS**

**§ 111.001. SUBCHAPTER APPLICABLE TO COUNTIES WITH POPULATION OF
225,000 OR LESS; EXCEPTION.**

This subchapter applies only to a county that has a population of 225,000 or less and that does not operate under Subchapter C.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987. Amended by Acts 1989, 71st Leg., ch. 1, § 11(e), eff. Aug. 28, 1989.

§ 111.002. COUNTY JUDGE AS BUDGET OFFICER.

The county judge serves as the budget officer for the commissioners' court of the county.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987.

§ 111.003. ANNUAL BUDGET REQUIRED.

During the 7th or the 10th month of the fiscal year, as determined by the commissioners' court, the county judge, assisted by the county auditor or county clerk, shall prepare a budget to cover all proposed expenditures of the county government for the succeeding fiscal year.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987. Amended by Acts 1989, 71st Leg., ch. 117, § 1, eff. Sept. 1, 1989.

§ 111.004. ITEMIZED BUDGET; CONTENTS.

(a) The county judge shall itemize the budget to allow as clear a comparison as practicable between expenditures included in the proposed budget and actual expenditures for the same or similar purposes that were made for the preceding fiscal year. The budget must show as definitely as possible each of the projects for which an appropriation is established in the budget and the estimated amount of money carried in the budget for each project.

(b) The budget must contain a complete financial statement of the county that shows:

- (1) the outstanding obligations of the county;
- (2) the cash on hand to the credit of each fund of the county government;
- (3) the funds received from all sources during the preceding fiscal year;
- (4) the funds available from all sources during the ensuing fiscal year;
- (5) the estimated revenues available to cover the proposed budget; and
- (6) the estimated tax rate required to cover the proposed budget.

(c) In preparing the budget, the county judge shall estimate the revenue to be derived from taxes to be levied and collected in the succeeding fiscal year and shall include that revenue in the estimate of funds available to cover the proposed budget.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987.

§ 111.005. INFORMATION FURNISHED BY COUNTY OFFICERS.

(a) In preparing the budget, the county judge may require any county officer to furnish existing information necessary for the judge to properly prepare the budget.

(b) If a county officer fails to provide the information as required by the county judge, the county judge may request the commissioners' court to issue an order:

- (1) directing the county officer to produce the required information; and
- (2) prescribing the form in which the county officer must produce the information.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987. Amended by Acts 1997, 75th Leg., ch. 1197, § 1, eff. June 20, 1997.

§ 111.006. PROPOSED BUDGET FILED WITH COUNTY CLERK; PUBLIC INSPECTION.

(a) When the county judge has completed the preparation of the budget, the judge shall file a copy of the proposed budget with the county clerk.

(b) The copy of the proposed budget shall be available for inspection by any taxpayer.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987.

§ 111.007. PUBLIC HEARING ON PROPOSED BUDGET.

(a) The commissioners' court shall hold a public hearing on the proposed budget. Any taxpayer of the county may attend and may participate in the hearing.

(b) The commissioners' court shall set the hearing for a date after the 15th day of the month next following the month in which the budget was prepared in accordance with Section 111.003, Local Government Code, but before the date on which taxes are levied by the court.

(c) The commissioners' court shall give public notice that it will consider the proposed budget on the date of the hearing. The notice must state the date, time, and location of the hearing.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987. Amended by Acts 1989, 71st Leg., ch. 117, § 2, eff. Sept. 1, 1989.

§ 111.0075. SPECIAL NOTICE BY PUBLICATION FOR BUDGET HEARING.

(a) A commissioners' court shall publish notice before a public hearing relating to a budget in at least one newspaper of general circulation in the county.

(b) Notice published under this section is in addition to notice required by other law. Notice under this section shall be published not earlier than the 30th or later than the 10th day before the date of the hearing.

(c) This section does not apply to a commissioners' court required by other law to give notice by publication of a hearing on a budget.

Added by Acts 1993, 73rd Leg., ch. 268, § 26, eff. Sept. 1, 1993.

§ 111.008. ADOPTION OF BUDGET.

(a) At the conclusion of the public hearing, the commissioners' court shall take action on the proposed budget.

(b) The commissioners' court may make any changes in the proposed budget that it considers warranted by the law and required by the interest of the taxpayers.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987.

§ 111.009. APPROVED BUDGET FILED WITH COUNTY CLERK.

On final approval of the budget by the commissioners' court, the court shall file the budget with the county clerk.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987.

**§ 111.010. LEVY OF TAXES AND EXPENDITURE OF FUNDS UNDER BUDGET;
EMERGENCY EXPENDITURE; BUDGET TRANSFER.**

(a) The commissioners' court may levy taxes only in accordance with the budget.

(b) After final approval of the budget, the commissioners' court may spend county funds only in strict compliance with the budget, except in an emergency.

(c) The commissioners' court may authorize an emergency expenditure as an amendment to the original budget only in a case of grave public necessity to meet an unusual and unforeseen condition that could not have been included in the original budget through the use of reasonably diligent thought and attention. If the court amends the original budget to meet an emergency, the court shall file a copy of its order amending the budget with the county clerk, and the clerk shall attach the copy to the original budget.

(d) The commissioners' court by order may amend the budget to transfer an amount budgeted for one item to another budgeted item without authorizing an emergency expenditure.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987. Amended by Acts 1989, 71st Leg., ch. 167, § 1, 2, eff. May 25, 1989.

**§ 111.0105. BUDGET FOR EXPENDITURES FROM PROCEEDS OF BONDS OR
OTHER OBLIGATIONS.**

If a county bond issue is submitted at an election or other authorized obligations are to be issued against future revenues and a tax is to be levied for those obligations, the commissioners' court shall adopt a budget of proposed expenditures. On receipt of the proceeds of the sale of the bonds or other obligations, the county may make expenditures from the proceeds in the manner provided by this subchapter for expenditures for general purposes.

Added by Acts 1997, 75th Leg., ch. 1197, § 2, eff. June 20, 1997.

§111.0106. SPECIAL BUDGET FOR GRANT OR AID MONEY.

The county auditor or the county judge in a county that does not have a county auditor shall certify to the commissioners' court the receipt of all public or private grant or aid money that is available for disbursement in a fiscal year but not included in the budget for that fiscal year. On certification, the court shall adopt a special budget for the limited purpose of spending the grant or aid money for its intended purpose.

Added by Acts 1997, 75th Leg., ch. 1197, § 2, eff. June 20, 1997.

**§ 111.0107. SPECIAL BUDGET FOR REVENUE FROM INTERGOVERNMENTAL
CONTRACTS.**

The county auditor or the county judge in a county that does not have a county auditor shall certify to the commissioners' court the receipt of all revenue from intergovernmental contracts that is available for disbursement in a fiscal year but not included in the budget for that fiscal year. On certification, the court shall adopt a special budget for the limited purpose of spending the revenue from intergovernmental contracts for its intended purpose.

Added by Acts 1997, 75th Leg., ch. 1197, § 2, eff. June 20, 1997.

§ 111.0108. SPECIAL BUDGET FOR REVENUE RECEIVED AFTER START OF FISCAL YEAR.

The county auditor or the county judge in a county that does not have a county auditor shall certify to the commissioners' court the receipt of revenue from a new source not anticipated before the adoption of the budget and not included in the budget for that fiscal year. On certification, the court may adopt a special budget for the limited purpose of spending the revenue for general purposes or for any of its intended purposes.

Added by Acts 2001, 77th Leg., ch. 938, § 1, eff. Sept. 1, 2001.

§ 111.011. CHANGES IN BUDGET FOR COUNTY PURPOSES.

This subchapter does not prevent the commissioners' court from making changes in the budget for county purposes.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987.

§ 111.012. PENALTY.

(a) An officer, employee, or official of a county government who refuses to comply with this subchapter commits an offense.

(b) An offense under this section is a misdemeanor punishable by a fine of not less than \$100 or more than \$1,000, confinement in the county jail for not less than one month or more than one year, or by both fine and confinement.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987.

§ 111.013. LIMITATION ON BUDGET OF COUNTY AUDITOR.

An increase from one fiscal year to the next in the amount budgeted for expenses of the county auditor's office or the salary of an assistant auditor shall not exceed five (5) percent without approval of the commissioners' court.

Added by Acts 1991, 72nd Leg., ch. 600, § 3, eff. June 15, 1991;
Acts 1991, 72nd Leg., ch. 739, § 1, eff. Aug. 26, 1991.

§ 111.014. RESERVE ITEM.

Notwithstanding any other provision of this subchapter, a county may establish in the budget a reserve or contingency item. The item must be included in the itemized budget under Section 111.004(a) in the same manner as a project for which an appropriation is established in the budget.

Added by Acts 2003, 78th Leg., ch. 301, § 5, eff. Sept. 1, 2003.

**SUBCHAPTER B. BUDGET PREPARATION IN COUNTIES
WITH POPULATION OF MORE THAN 225,000**

§ 111.031. SUBCHAPTER APPLICABLE TO COUNTIES WITH POPULATION OF MORE THAN 225,000; EXCEPTION.

This subchapter applies only to a county that has a population of more than 225,000 and that does not operate under Subchapter C.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987.

§ 111.032. COUNTY AUDITOR AS BUDGET OFFICER.

The county auditor serves as budget officer for the commissioners' court of the county.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987.

§ 111.033. ANNUAL BUDGET REQUIRED.

On or immediately after the first day of each fiscal year, the county auditor shall prepare a budget to cover the proposed expenditures of the county government for that fiscal year.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987.

§ 111.034. ITEMIZED BUDGET; CONTENTS.

(a) The county auditor shall itemize the budget to allow as clear a comparison as practicable between expenditures included in the proposed budget and actual expenditures for the same or similar purposes that were made for the preceding fiscal year. The budget must show with reasonable accuracy each project for which an appropriation is established in the budget and the estimated amount of money carried in the budget for each project.

(b) The budget must contain a complete financial statement of the county that shows:

- (1) the outstanding obligations of the county;
- (2) the cash on hand to the credit of each fund of the county government;
- (3) the funds received from all sources during the preceding fiscal year;
- (4) the funds and revenue estimated by the auditor to be received from all sources during the preceding fiscal year;
- (5) the funds and revenue estimated by the auditor to be received from all sources during the ensuing fiscal year; and
- (6) a statement of all accounts and contracts on which sums are due to or owed by the county as of the last day of the preceding fiscal year, except for taxes and court costs.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987.

§ 111.035. LIMITATION ON EXPENDITURES BEFORE ADOPTION OF BUDGET.

Until a budget for a fiscal year is adopted by the commissioners' court, the county may not make payments during that fiscal year except for emergencies and for obligations legally incurred before the first day of the fiscal year for salaries, utilities, materials, and supplies.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987.

§ 111.036. INFORMATION FURNISHED BY OFFICERS.

In preparing the budget, the county auditor may require any district, county, or precinct officer of the county to provide information necessary for the auditor to properly prepare the budget.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987.

§ 111.037. PROPOSED BUDGET FILED WITH COUNTY CLERK; PUBLIC INSPECTION.

- (a) The county auditor shall file a copy of the proposed budget with the county clerk.
- (b) The copy of the proposed budget shall be available for public inspection by any taxpayer.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987.

§ 111.038. PUBLIC HEARING ON PROPOSED BUDGET.

- (a) The commissioners' court shall hold a public hearing on the proposed budget. Any taxpayer of the county may attend and may participate in the hearing.
- (b) The commissioners' court shall hold the hearing on a day within 10 calendar days after the date the proposed budget is filed but before the last day of the first month of the fiscal year.
- (c) The commissioners' court shall publish notice that it will consider the proposed budget on the date of the budget hearing. The notice must be published once in a newspaper of general circulation in the county and must state the date, time, and location of the hearing.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987. Amended by Acts 1999, 76th Leg., ch. 552, § 1, eff. June 18, 1999.

§ 111.0385. SPECIAL NOTICE BY PUBLICATION FOR BUDGET HEARING.

- (a) A commissioners' court shall publish notice before a public hearing relating to a budget in at least one newspaper of general circulation in the county.
- (b) Notice published under this section is in addition to notice required by other law. Notice under this section shall be published not earlier than the 30th or later than the 10th day before the date of the hearing.
- (c) This section does not apply to a commissioners' court required by other law to give notice by publication of a hearing on a budget.

Added by Acts 1993, 73rd Leg., ch. 268, § 27, eff. Sept. 1, 1993.

§ 111.039. ADOPTION OF BUDGET.

- (a) At the conclusion of the public hearing, the commissioners' court shall take action on the proposed budget.
- (b) The commissioners' court may make any changes in the proposed budget that it considers warranted by the facts and law and required by the interest of the taxpayers, but the amounts budgeted in a fiscal year for expenditures from the various funds of the county may not exceed the balances in those funds as of the first day of the fiscal year, plus the anticipated revenue for the fiscal year as estimated by the county auditor.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987.

§ 111.040. APPROVED BUDGET FILED WITH OFFICERS.

On final approval of the budget by the commissioners' court, the court shall file a copy of the budget with the county auditor and the county clerk.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987. Amended by Acts 1989, 71st Leg., ch. 584, § 100, eff. Sept. 1, 1989.

§ 111.041. EXPENDITURE OF FUNDS UNDER BUDGET; EMERGENCY EXPENDITURE; BUDGET TRANSFER.

(a) The commissioners' court may spend county funds only in strict compliance with the budget, except as provided by this section.

(b) The commissioners' court may authorize an emergency expenditure as an amendment to the original budget only in a case of grave public necessity to meet an unusual and unforeseen condition that could not have been included in the original budget through the use of reasonably diligent thought and attention. If the court amends the original budget to meet an emergency, the court shall file a copy of its order amending the budget with the county clerk, and the clerk shall attach the copy to the original budget.

(c) The commissioners' court by order may amend the budget to transfer an amount budgeted for one item to another budgeted item without authorizing an emergency expenditure.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987. Amended by Acts 1997, 75th Leg., ch. 1197, § 3, eff. June 20, 1997.

§ 111.0415. CHANGES IN BUDGET FOR COUNTY PURPOSES.

This subchapter does not prevent the commissioners' court from making changes in the budget for county purposes.

Added by Acts 1997, 75th Leg., ch. 1197, § 4, eff. June 20, 1997.

§ 111.042. BUDGET FOR EXPENDITURES FROM PROCEEDS OF BONDS OR OTHER OBLIGATIONS.

If a county bond issue is submitted at an election or other authorized obligations are to be issued against future revenues and a tax is to be levied for those obligations, the commissioners' court shall adopt a budget of proposed expenditures. On receipt of the proceeds of the sale of the bonds or other obligations, the county may make expenditures from the proceeds in the manner provided by this subchapter for expenditures for general purposes.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987. Amended by Acts 1997, 75th Leg., ch. 1197, § 5, eff. June 20, 1997.

§ 111.043. SPECIAL BUDGET FOR GRANT OR AID MONEY.

The county auditor shall certify to the commissioners' court the receipt of all public or private grant or aid money that is available for disbursement in a fiscal year but not included in the budget for that fiscal year. On certification, the court shall adopt a special budget for the limited purpose of spending the grant or aid money for its intended purpose.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987.

§ 111.0431. SPECIAL BUDGET FOR REVENUE FROM INTERGOVERNMENTAL CONTRACTS.

The county auditor shall certify to the commissioners' court the receipt of all revenue from intergovernmental contracts that is available for disbursement in a fiscal year but not included in the budget for that fiscal year. On certification, the court shall adopt a special budget for the limited purpose of spending the revenue from intergovernmental contracts for its intended purpose.

Added by Acts 1997, 75th Leg., ch. 1197, § 6, eff. June 20, 1997.

§ 111.0432. SPECIAL BUDGET FOR REVENUE RECEIVED AFTER START OF FISCAL YEAR.

The county auditor shall certify to the commissioners' court the receipt of revenue from a new source not anticipated before the adoption of the budget and not included in the budget for that fiscal year. On certification, the court may adopt a special budget for the limited purpose of spending the revenue for general purposes or for any of its intended purposes.

Added by Acts 2001, 77th Leg., ch. 938, § 2, eff. Sept. 1, 2001.

§ 111.044. LIMITATION ON BUDGET OF COUNTY AUDITOR.

An increase from one fiscal year to the next in the amount budgeted for expenses of the county auditor's office or the salary of an assistant auditor shall not exceed five (5) percent without approval of the commissioners' court.

Added by Acts 1991, 72nd Leg., ch. 600, § 4, eff. June 15, 1991;
Acts 1991, 72nd Leg., ch. 739, § 2, eff. Aug. 26, 1991.

§ 111.045. RESERVE ITEM.

Notwithstanding any other provision of this subchapter, a county may establish in the budget a reserve or contingency item. The item must be included in the itemized budget under Section 111.034(a) in the same manner as a project for which an appropriation is established in the budget.

Added by Acts 2003, 78th Leg., ch. 301, § 6, eff. Sept. 1, 2003.

SUBCHAPTER C. ALTERNATE METHOD OF BUDGET PREPARATION IN COUNTIES WITH POPULATION OF MORE THAN 125,000

§ 111.061. SUBCHAPTER APPLICABLE TO COUNTIES WITH POPULATION OF MORE THAN 125,000.

This subchapter applies only to a county that has a population of more than 125,000 and that chooses to operate under this subchapter instead of under Subchapter A or B.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987. Amended
by Acts 1989, 71st Leg., ch. 1, § 11(e), eff. Aug. 28, 1989.

§ 111.062. APPOINTMENT OF BUDGET OFFICER; ABOLITION OF OFFICE.

(a) The commissioners' court of the county may appoint a county budget officer to prepare a county budget for the fiscal year.

(b) A county that establishes the office of county budget officer may abolish that office only by a formal action of the commissioners' court. The court must take the action after the first day of the second month of the fiscal year and before the first day of the sixth month of the fiscal year. If the office is abolished, the duties of budget officer shall be performed by:

- (1) the county judge, if the county has a population of 225,000 or less; or
- (2) the county auditor, if the county has a population of more than 225,000.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987. Amended
by Acts 1993, 73rd Leg., ch. 593, § 1, eff. June 13, 1993.

§ 111.063. ITEMIZED BUDGET; CONTENTS.

(a) The budget officer shall itemize the budget to allow as clear a comparison as practicable between expenditures included in the proposed budget and actual or estimated expenditures for the same or similar purposes that were made for the preceding fiscal year. The budget must show with reasonable accuracy each of the projects for which an appropriation is established in the budget and the estimated amount of money carried in the budget for each project.

(b) The budget officer shall obtain from the county auditor any information necessary to prepare a complete financial statement for inclusion in the budget. The financial statement must show:

- (1) the outstanding obligations of the county;
- (2) the cash on hand to the credit of each fund of the county government;
- (3) funds received from all sources during the preceding fiscal year;
- (4) the funds and revenue estimated by the auditor to be received from all sources during the preceding fiscal year;
- (5) the funds and revenue estimated by the auditor to be received during the ensuing year; and
- (6) a statement of all accounts and contracts on which sums are due to or owed by the county as of the last day of the preceding fiscal year, except for taxes and court costs.

(c) If actual amounts for the information described by Subsection (b)(1), (b)(2), (b)(3), or (b)(6) are not available at the time the budget officer prepares the financial statement, the budget officer may use in the preparation of the statement estimates of that information made by the county auditor.

(d) Subsection (c) does not prevent the commissioners' court from adopting a budget before the beginning of the fiscal year for which the budget is prepared.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987. Amended by Acts 1989, 71st Leg., ch. 1044, § 1, eff. Sept. 1, 1989.

§ 111.064. LIMITATION ON EXPENDITURES BEFORE ADOPTION OF BUDGET.

Until a budget for a fiscal year is adopted by the commissioners' court, the county may not make payments during that fiscal year except for emergencies and for obligations legally incurred before the first day of the fiscal year for salaries, utilities, materials, and supplies.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987.

§ 111.065. INFORMATION FURNISHED BY OFFICERS.

In preparing or monitoring the budget, the budget officer may require the county auditor or any other district, county, or precinct officer of the county to provide any information necessary for the budget officer to properly prepare or monitor the budget.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987.

§ 111.066. PROPOSED BUDGET FILED WITH COUNTY CLERK AND COUNTY AUDITOR; PUBLIC INSPECTION.

(a) The budget officer shall file a copy of the proposed budget with the county clerk and the county auditor.

(b) The copy of the proposed budget shall be available for public inspection.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987.

§ 111.067. PUBLIC HEARING ON PROPOSED BUDGET.

(a) The commissioners' court shall hold a public hearing on the proposed budget. Any taxpayer of the county may attend and may participate in the hearing.

(b) The commissioners' court shall hold the hearing on a day within 10 calendar days after the date the proposed budget is filed but before the last day of the first month of the fiscal year.

(c) The commissioners' court shall publish notice that it will consider the proposed budget on the date of the budget hearing. The notice must be published once in a newspaper of general circulation in the county and must state the date, time, and location of the hearing.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987. Amended by Acts 1999, 76th Leg., ch. 552, § 2, eff. June 18, 1999.

§ 111.0675. COMMISSIONERS' COURT: SPECIAL NOTICE BY PUBLICATION FOR BUDGET HEARING.

(a) A commissioners' court shall publish notice before a public hearing relating to a budget in at least one newspaper of general circulation in the county.

(b) Notice published under this section is in addition to notice required by other law. Notice under this section shall be published not earlier than the 30th or later than the 10th day before the date of the hearing.

(c) This section does not apply to a commissioners' court required by other law to give notice by publication of a hearing on a budget.

Added by Acts 1993, 73rd Leg., ch. 268, § 28, eff. Sept. 1, 1993.

§ 111.068. ADOPTION OF BUDGET.

(a) At the conclusion of the public hearing, the commissioners' court shall take action on the proposed budget.

(b) The commissioners' court may make any changes in the proposed budget that it considers warranted by the facts and law and required by the interest of the taxpayers, but the amounts budgeted in a fiscal year for expenditures from the various funds of the county may not exceed the balances in those funds as of the first day of the fiscal year, plus the anticipated revenue for the fiscal year as estimated by the county auditor.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987.

§ 111.069. APPROVED BUDGET FILED WITH OFFICERS.

On final approval of the budget by the commissioners' court, the court shall file a copy of the budget with the county auditor and the county clerk.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987. Amended by Acts 1989, 71st Leg., ch. 584, § 101, eff. Sept. 1, 1989.

§ 111.070. EXPENDITURE OF FUNDS UNDER BUDGET; EMERGENCY EXPENDITURE; BUDGET TRANSFER.

(a) The commissioners' court may spend county funds only in strict compliance with the budget, except as provided by this section.

(b) The commissioners' court may authorize an emergency expenditure as an amendment to the original budget only in a case of grave public necessity to meet an unusual and unforeseen condition that could not have been included in the original budget through the use of

reasonably diligent thought and attention. If the court amends the original budget to meet an emergency, the court shall file a copy of its order amending the budget with the county clerk and the clerk shall attach the copy to the original budget.

(c) The commissioners' court by order may amend the budget to transfer an amount budgeted for one item to another budgeted item without authorizing an emergency expenditure.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987. Amended by Acts 1997, 75th Leg., ch. 1197, § 7, eff. June 20, 1997.

§ 111.0705. BUDGET FOR EXPENDITURES FROM PROCEEDS OF BONDS OR OTHER OBLIGATIONS.

If a county bond issue is submitted at an election or other authorized obligations are to be issued against future revenues and a tax is to be levied for those obligations, the commissioners' court shall adopt a budget of proposed expenditures. On receipt of the proceeds of the sale of the bonds or other obligations, the county may make expenditures from the proceeds in the manner provided by this subchapter for expenditures for general purposes.

Added by Acts 1997, 75th Leg., ch. 1197, § 8, eff. June 20, 1997.

§ 111.0706. SPECIAL BUDGET FOR GRANT OR AID MONEY.

The county auditor shall certify to the commissioners' court the receipt of all public or private grant or aid money that is available for disbursement in a fiscal year but not included in the budget for that fiscal year. On certification, the court shall adopt a special budget for the limited purpose of spending the grant or aid money for its intended purpose.

Added by Acts 1997, 75th Leg., ch. 1197, § 8, eff. June 20, 1997.

§ 111.0707. SPECIAL BUDGET FOR REVENUE FROM INTERGOVERNMENTAL CONTRACTS.

The county auditor shall certify to the commissioners' court the receipt of all revenue from intergovernmental contracts that is available for disbursement in a fiscal year but not included in the budget for that fiscal year. On certification, the court shall adopt a special budget for the limited purpose of spending the revenue from intergovernmental contracts for its intended purpose.

Added by Acts 1997, 75th Leg., ch. 1197, § 8, eff. June 20, 1997.

§ 111.07075. SPECIAL BUDGET FOR REVENUE RECEIVED AFTER START OF FISCAL YEAR.

The county auditor shall certify to the commissioners' court the receipt of revenue from a new source not anticipated before the adoption of the budget and not included in the budget for that fiscal year. On certification, the court may adopt a special budget for the limited purpose of spending the revenue for general purposes or for any of its intended purposes.

Added by Acts 2001, 77th Leg., ch. 938, § 3, eff. Sept. 1, 2001.

§ 111.0708. PLEDGING REVENUE AS SECURITY FOR BONDS AND OTHER OBLIGATIONS.

In preparing a county budget, a county may secure county bonds or other obligations by pledging for the term of the bonds or other obligations:

- (1) any security authorized by law; or
- (2) any revenue or receipts obtained by the county from the levy of a state tax if the state is required to pay the county the proceeds or receipts from the tax.

Added by Acts 1997, 75th Leg., ch. 1197, § 8, eff. June 20, 1997.

§ 111.0709. CHANGES IN BUDGET FOR COUNTY PURPOSES.

This subchapter does not prevent the commissioners' court from making changes in the budget for county purposes.

Added by Acts 1997, 75th Leg., ch. 1197, § 8, eff. June 20, 1997.

§ 111.071. BUDGET OFFICER'S ASSISTANCE TO COMMISSIONERS' COURT.

The budget officer may assist the commissioners' court in the performance of the court's duties relating to the efficiency and effectiveness of county operations.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987.

§ 111.072. DUTIES RETAINED BY COUNTY AUDITOR.

The duties given under Subchapter B to the county auditor that are not expressly conferred by this subchapter on the budget officer remain duties of the county auditor.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987.

§ 111.073. EMPLOYMENT OF PERSONNEL.

The commissioners' court may employ personnel necessary to assist the budget officer in the performance of the duties of that office.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987.

§ 111.074. LIMITATION ON BUDGET OF COUNTY AUDITOR.

An increase from one fiscal year to the next in the amount budgeted for expenses of the county auditor's office or the salary of an assistant auditor shall not exceed five (5) percent without approval of the commissioners' court.

Added by Acts 1991, 72nd Leg., ch. 600, § 5, eff. June 15, 1991; Acts 1991, 72nd Leg., ch. 739, § 3, eff. Aug. 26, 1991.

§ 111.075. RESERVE ITEM.

Notwithstanding any other provision of this subchapter, a county may establish in the budget a reserve or contingency item. The item must be included in the itemized budget under Section 111.063(a) in the same manner as a project for which an appropriation is established in the budget.

Added by Acts 2003, 78th Leg., ch. 301, § 7, eff. Sept. 1, 2003.

SUBCHAPTER D. BUDGET APPROPRIATIONS

§ 111.091. APPROPRIATION ACCOUNTS.

(a) On the adoption and certification of a general or special county budget, the county auditor shall open an appropriation account for each main budgeted or special item in the budget.

(b) The county auditor shall enter to an appropriation account each warrant drawn against that appropriation.

(c) The county auditor periodically shall inform the commissioners' court of the condition of the appropriation accounts.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987.

§ 111.092. DEPARTMENTAL EXPENSES NOT TO EXCEED APPROPRIATIONS.

The county auditor shall oversee the warrant process to ensure that the expenses of any department do not exceed the budget appropriations for that department.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987.

§ 111.093. APPROPRIATIONS FOR PURCHASES, CONTRACTS, SALARIES, OR LABOR EXPENSES IN COUNTY WITH POPULATION OF MORE THAN 225,000.

(a) This section applies only to a county with a population of more than 225,000.

(b) The county auditor shall charge all purchase orders, requisitions, contracts, and salary and labor allowances to the appropriation accounts.

(c) A requisition issued or a contract for work, labor, services, or materials and supplies that is entered into in the manner provided by law by a proper authority is not binding until the county auditor certifies that the budget contains an ample provision for the obligation and that funds are or will be available to pay the obligation when due.

(d) The amount allocated in the budget for a purchase order, requisition, contract, special purpose, or salary or labor account may not be allocated for any other purpose unless an unexpended balance remains in the account after full discharge of the obligation or unless the requisition, contract, or allocation is canceled in writing by the commissioners' court or a county officer for a valid reason.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987.

§ 111.094. ITEMIZED BUDGET.

The commissioners' court in preparing the county budget shall determine the amount of county funds to be spent for the juvenile probation department in the county budget.

Added by Acts 1997, 75th Leg., ch. 1197, § 9, eff. June 20, 1997.

§ 111.095. SPECIAL FUNDS.

(a) This section shall apply to all funds maintained and controlled by a county tax assessor-collector that are not included in the county budget.

(b) At least 60 days before the first day of the county's fiscal year, the county tax assessor-collector shall prepare a budget for the expenditure of the funds during that fiscal year and file a copy of that budget with the county budget officer. The county budget officer shall make a copy of the budget filed with the budget officer available to the public at all reasonable times. The budget filed with the county budget officer is not subject to approval by the

commissioners' court of the county, but any member of the public is entitled to speak for or against the budget during the county's budget process. Funds in the accounts under this section may be spent only in compliance with the budget filed with the county budget officer under this subsection.

(c) Funds in the accounts under this section may not be used to supplement the salary or cover the personal expenses of the county tax assessor-collector.

(d) The provisions of this section are cumulative with the provisions of other statutes pertaining to county funds.

Added by Acts 2001, 77th Leg., ch. 938, § 4, eff. Sept. 1, 2001.

LOCAL GOVERNMENT CODE

CHAPTER 112. COUNTY FINANCIAL ACCOUNTING

SUBCHAPTER A. GENERAL PROVISIONS

§ 112.006. GENERAL OVERSIGHT AUTHORITY OF COUNTY AUDITOR.

(a) The county auditor has general oversight of the books and records of a county, district, or state officer authorized or required by law to receive or collect money or other property that is intended for the use of the county or that belongs to the county.

(b) The county auditor shall see to the strict enforcement of the law governing county finances.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987.

§ 112.010. COUNTY FISCAL YEAR.

(a) The county fiscal year is the calendar year unless the commissioners' court of the county adopts a different fiscal year as provided by Subsection (b) or (c).

(b) At a regular meeting, the commissioners court of a county may by order adopt as the county fiscal year a one-year period that begins on October 1 of each year.

(c) At a regular meeting, the commissioners' court of a county with a population of 3.3 million or more may by order adopt as the county fiscal year a one-year period that begins on October 1 or March 1 of each year. In the order, the commissioners' court may provide for the transition from one fiscal year to another by designating an interim fiscal year that may be longer or shorter than a 12-month period.

(d) The commissioners' court of a county that has adopted a fiscal year under Subsection (b) or (c) may, by order adopted at a regular meeting, revert to a fiscal year that is the calendar year.

(e) If a law prescribes a certain date or month each year for an action relating to a county budget and the law is based on the assumption that the county fiscal year corresponds to the calendar year, in a county that has a fiscal year other than the calendar year the law shall be construed as prescribing a date or month that bears the same relationship to the beginning of the fiscal year that the specified date or month bears to January 1.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987. Amended by Acts 2001, 77th Leg., ch. 669, § 49, eff. Sept. 1, 2001.

LOCAL GOVERNMENT CODE

**CHAPTER 140.
MISCELLANEOUS FINANCIAL PROVISIONS AFFECTING MUNICIPALITIES,
COUNTIES, AND OTHER LOCAL GOVERNMENTS**

§ 140.003. PURCHASING AND FINANCIAL ACCOUNTING FOR DISTRICT ATTORNEYS, JUVENILE BOARDS, AND PROBATION DEPARTMENTS.

(a) In this section, "specialized local entity" means:

- (1) a district or criminal district attorney;
- (2) a juvenile board, juvenile probation office, or juvenile department established for one or more counties; or
- (3) an adult probation office or department established for a judicial district.

(b) A specialized local entity shall purchase items in accordance with the same procedures and subject to the same requirements applicable to a county under Subchapter C, Chapter 262. For the purposes of this section, a specialized local entity is treated as if it were a county. A specialized local entity may make a contract with a county under which the county performs purchasing functions for the entity.

(c) Within 30 days after the date the fiscal year of a district or criminal district attorney's office begins, the attorney shall:

- (1) file with the commissioners' court of each county in which the attorney has jurisdiction a complete financial statement of the office covering the preceding fiscal year; and
- (2) prepare a budget for the current fiscal year and file it with each commissioners' court.

(d) If a district or criminal district attorney's office regularly prepares its budget at a time different from the time prescribed by Subsection (c), the attorney shall prepare the budget at the regular time and file it with the commissioners' court within 10 days after the date of its adoption.

(e) The financial statement required by Subsection (c) must contain any information considered appropriate by the district or criminal district attorney and any information required by the commissioners' court of each county in which the attorney has jurisdiction.

(f) Each specialized local entity shall deposit in the county treasury of the county in which the entity has jurisdiction the funds the entity receives. The county shall hold, deposit, disburse, invest, and otherwise care for the funds on behalf of the specialized local entity as the entity directs. If a specialized local entity has jurisdiction in more than one county, the district judges having jurisdiction in those counties, by a majority vote, shall designate from among those counties the county responsible for managing the entity's funds.

(g) The county auditor, if any, of the county that manages a specialized local entity's funds has the same authority to audit the funds of the entity that the auditor has with regard to county funds.

Added by Acts 1989, 71st Leg., ch. 1250, § 1, eff. Sept. 1, 1989. Amended by Acts 1991, 72nd Leg., ch. 600, § 2, eff. June 15, 1991.

§ 140.004. BUDGETS OF CERTAIN JUVENILE BOARDS AND COMMUNITY SUPERVISION AND CORRECTIONS DEPARTMENTS.

(a) This section applies only to:

(1) a juvenile board, juvenile probation office, or juvenile department established for one or more counties; and

(2) a community supervision and corrections department established for a judicial district.

(b) Before the 45th day before the first day of the fiscal year of a county, a juvenile board and a community supervision and corrections department that each have jurisdiction in the county shall:

(1) prepare a budget for the board's or department's next fiscal year; and

(2) hold a meeting to finalize the budget.

(c) Before the 14th day before the juvenile board or community supervision and corrections department has a meeting to finalize its budget, the board or department shall file with the commissioners' court:

(1) a copy of the proposed budget; and

(2) a statement containing the date of the board's or department's meeting to finalize its budget.

(d) Before the later of the 90th day after the last day of the juvenile board's or community supervision and corrections department's fiscal year, or the date the county auditor's annual report is made to the commissioners' court, the board or department shall file with the commissioners' court a complete financial statement of the board or department covering the board's or department's preceding fiscal year.

(e) The financial statement required by Subsection (d) must contain any information considered appropriate by the juvenile board or community supervision and corrections department and any information required by the commissioners' court of each county in which the board or department has jurisdiction.

(f) The budget for a juvenile board or community supervision and corrections department may not include an automobile allowance for a member of the governing body of the board or department if the member holds another state, county, or municipal office. The budget may include reimbursement of actual travel expenses, including mileage for automobile travel, incurred while the member is engaged in the official business of the board or department.

Added by Acts 1991, 72nd Leg., ch. 600, § 1, eff. June 15, 1991.

Amended by Acts 1995, 74th Leg., ch. 713, § 1, eff. Sept. 1, 1995.

LOCAL GOVERNMENT CODE

**CHAPTER 152.
AMOUNT OF COMPENSATION, EXPENSES, AND ALLOWANCES OF COUNTY
OFFICERS AND EMPLOYEES**

**SUBCHAPTER B.
AMOUNT OF COMPENSATION, EXPENSES, AND ALLOWANCES
GENERALLY APPLICABLE**

§ 152.011. AMOUNT SET BY COMMISSIONERS' COURT.

The commissioners' court of a county shall set the amount of the compensation, office and travel expenses, and all other allowances for county and precinct officers and employees who are paid wholly from county funds.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987.

§ 152.012. MINIMUM AMOUNT OF SALARY.

The commissioners' court may not set the salary of an officer or employee at an amount less than the amount of the salary in effect on January 1, 1972. The court may not set the salary of a justice of the peace at an amount less than the amount of the salary in effect on May 25, 1973.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987.

§ 152.013. PROCEDURE FOR SETTING AMOUNTS FOR ELECTED OFFICERS.

(a) Each year the commissioners' court shall set the salary, expenses, and other allowances of elected county or precinct officers. The commissioners' court shall set the items at a regular meeting of the court during the regular budget hearing and adoption proceedings.

(b) Before the 10th day before the date of the meeting, the commissioners' court must publish in a newspaper of general circulation in the county a notice of:

- (1) any salaries, expenses, or allowances that are proposed to be increased; and
- (2) the amount of the proposed increases.

(c) Before filing the annual budget with the county clerk, the commissioners' court shall give written notice to each elected county and precinct officer of the officer's salary and personal expenses to be included in the budget.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987.

SUBCHAPTER C.
AMOUNT OF COMPENSATION AND EXPENSES OF COUNTY AUDITOR
AND ASSISTANTS

§ 152.031. COUNTY AUDITOR'S SALARY.

(a) At a hearing held in accordance with Section 152.905, the district judges appointing the county auditor shall set, by a majority vote, the auditor's annual salary as compensation for services and the auditor's travel expenses and other allowances. The action of the district judges must be taken by order and must be recorded as prescribed by Section 152.905 and in the minutes of the district court.

(b) The district clerk shall certify the order to the commissioners' court of the county for its observance. The commissioners' court shall cause the order to be recorded in its minutes.

(c) The salary shall be paid to the county auditor by monthly payments or by any other distribution at the option of the county.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987. Amended by Acts 1989, 71st Leg., ch. 1, § 11(c), eff. Aug. 28, 1989; Acts 1989, 71st Leg., ch. 1169, § 2, eff. Aug. 28, 1989; Acts 1991, 72nd Leg., ch. 874, § 1, eff. June 16, 1991.

§ 152.032. LIMITATIONS ON COUNTY AUDITOR'S COMPENSATION AND ALLOWANCES.

(a) Except as provided by Subsections (b) and (d), the amount of the compensation and allowances of a county auditor may not exceed the amount of the compensation and allowances received from all sources by the highest paid elected county officer, other than a judge of a statutory county court, whose salary and allowances are set by the commissioners' court.

(b) This subsection applies only to a county that employs an arena venue project manager hired as of March 7, 2001, and that has a population of less than 1.4 million in which a municipality with a population of more than one million is located. The amount of the compensation and allowances of a county auditor in a county subject to this subsection may not exceed the amount of the compensation and allowances received from all sources by the county budget officer. If the county hires a county budget officer at a salary lower than the salary of the previous county budget officer, the county auditor's salary may not be reduced on that basis.

(c) A county auditor who was in office on August 31, 1987, is entitled to be paid an annual salary not less than the annual salary the auditor was being paid on that date.

Text of subsec. (d) as added by Acts 2003, 78th Leg., ch. 581, § 1

(d) This subsection applies only to a county with a population of more than 800,000 that uses an automated system to enhance internal controls of county finances through the use of automated edit checks of its automated purchasing system and its comprehensive automated payroll system. The amount of the compensation and allowances of a county auditor in a county governed by this subsection may exceed the limit imposed by Subsection (a) if the compensation and allowances are approved by the commissioners' court. If a county is governed by this subsection and Subsection (b), the amount of compensation and allowances received by the county auditor may not exceed the limit imposed by Subsection (b).

Text of subsec. (d) as added by Acts 2003, 78th Leg., ch. 1225, § 2

(d) Except as provided by Subsection (b), in a county with a population of 500,000 or more the amount of the compensation and allowances of a county auditor may be set in an amount that exceeds the limit established in Subsection (a) if the compensation and allowances are approved by the commissioners' court of the county.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987. Amended by Acts 1989, 71st Leg., ch. 1, § 11(c), eff. Aug. 28, 1989; Acts 2001, 77th Leg., ch. 665, § 1, eff. Sept. 1, 2001; Acts 2003, 78th Leg., ch. 581, § 1, eff. June 20, 2003; Acts 2003, 78th Leg., ch. 1225, § 2, eff. July 1, 2003.

§ 152.034. SALARIES OF ASSISTANTS TO COUNTY AUDITOR.

The salaries of assistants to the county auditor are set in the manner prescribed by Section 84.021.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987.

§ 152.035. REIMBURSEMENT FOR MILEAGE EXPENSES.

(a) The commissioners' court of a county may reimburse the county auditor for expenses incurred in traveling to and from the county seat in the auditor's personal automobile to perform official duties and to attend conferences and seminars relating to the performance of official duties. However, the commissioners' court may not reimburse the auditor for expenses incurred in traveling between the auditor's personal residence and county office or for expenses incurred in any other travel of a personal nature.

(b) The commissioners' court of a county with a population of 3.3 million or more may reimburse an assistant of a county auditor for the assistant's expenses that are the same kind as those for which the county auditor may be reimbursed under Subsection (a).

(c) The commissioners' court by order shall set the reimbursement at a reasonable rate.

(d) Reimbursement shall be paid monthly on submission of a sworn expense report by the person seeking the reimbursement.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987. Amended by Acts 2001, 77th Leg., ch. 669, § 66, eff. Sept. 1, 2001.

SUBCHAPTER Z. MISCELLANEOUS PROVISIONS

§ 152.905. PROCEDURES FOR SETTING COMPENSATION BY DISTRICT JUDGES.

(a) This section applies only to the compensation of the county auditor, assistant auditors, and court reporters.

(b) Before setting the amount of annual compensation of the county auditor, assistant auditors, and court reporters, the district judge or judges shall hold a public hearing on the matter at which parties in interest and citizens have an opportunity to be heard.

(c) Not earlier than the 30th or later than the 10th day before the date of the hearing, notice of the time, place, and subject of the hearing must be published in a newspaper of general circulation in the county.

(d) At the hearing, the district judge or judges shall set the amount of compensation of the county auditor, assistant auditors, and court reporters considered at the hearing. The vote must be recorded, transcribed, and maintained as a public record.

Added by Acts 1989, 71st Leg., ch. 1169, § 1, eff. Aug. 28, 1989. Amended by Acts 2003, 78th Leg., ch. 1225, § 1, eff. July 1, 2003.

CODE OF CRIMINAL PROCEDURE

CHAPTER 59. FORFEITURE OF CONTRABAND

Art. 59.06. Disposition of Forfeited Property

(a) Except as provided by Subsection (k), all forfeited property shall be administered by the attorney representing the state, acting as the agent of the state, in accordance with accepted accounting practices and with the provisions of any local agreement entered into between the attorney representing the state and law enforcement agencies. If a local agreement has not been executed, the property shall be sold on the 75th day after the date of the final judgment of forfeiture at public auction under the direction of the county sheriff, after notice of public auction as provided by law for other sheriff's sales. The proceeds of the sale shall be distributed as follows:

(1) to any interest holder to the extent of the interest holder's nonforfeitable interest; and

(2) the balance, if any, after the deduction of court costs to which a district court clerk is entitled under Article 59.05(f) and, after that deduction, the deduction of storage and disposal costs, to be deposited not later than the 30th day after the date of the sale in the state treasury to the credit of the general revenue fund.

(b) If a local agreement exists between the attorney representing the state and law enforcement agencies, the attorney representing the state may transfer the property to law enforcement agencies to maintain, repair, use, and operate the property for official purposes if the property is free of any interest of an interest holder. The agency receiving the forfeited property may purchase the interest of an interest holder so that the property can be released for use by the agency. The agency receiving the forfeited property may maintain, repair, use, and operate the property with money appropriated for current operations. If the property is a motor vehicle subject to registration under the motor vehicle registration laws of this state, the agency receiving the forfeited vehicle is considered to be the purchaser and the certificate of title shall issue to the agency. The agency at any time may transfer the property to a municipal or county law enforcement agency for the use of that agency.

(c) If a local agreement exists between the attorney representing the state and law enforcement agencies, all money, securities, negotiable instruments, stocks or bonds, or things of value, or proceeds from the sale of those items, shall be deposited, after the deduction of court costs to which a district court clerk is entitled under Article 59.05(f), according to the terms of the agreement into one or more of the following funds:

(1) a special fund in the county treasury for the benefit of the office of the attorney representing the state, to be used by the attorney solely for the official purposes of his office;

(2) a special fund in the municipal treasury if distributed to a municipal law enforcement agency, to be used solely for law enforcement purposes, such as salaries and overtime pay for officers, officer training, specialized investigative equipment and supplies, and items used by officers in direct law enforcement duties;

(3) a special fund in the county treasury if distributed to a county law enforcement agency, to be used solely for law enforcement purposes; or

(4) a special fund in the state law enforcement agency if distributed to a state law enforcement agency, to be used solely for law enforcement purposes.

(d) Proceeds awarded under this chapter to a law enforcement agency or to the attorney representing the state may be spent by the agency or the attorney after a budget for the expenditure of the proceeds has been submitted to the commissioners court or governing body of the municipality. The budget must be detailed and clearly list and define the categories of expenditures, but may not list details that would endanger the security of an investigation or prosecution. Expenditures are subject to audit provisions established under this article. A commissioners' court or governing body of a municipality may not use the existence of an award to offset or decrease total salaries, expenses, and allowances that the agency or the attorney receives from the commissioners' court or governing body at or after the time the proceeds are awarded. The head of the agency or attorney representing the state may not use the existence of an award to increase a salary, expense, or allowance for an employee of the attorney or agency who is budgeted by the commissioners court or governing body unless the commissioners' court or governing body first approves the expenditure.