

UNDERSTANDING THE BUDGET PROCESS IN A TEXAS COUNTY

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OVERVIEW

- Budget Fundamentals
- Budget Officer
- Annual Budget Required
- Itemized Budget Contents
- Proposed Budget
- Public Hearings
- Adoption of Budget
- Filing the Budget
- Levy of Taxes and Budget Enforcement
- Changes in Budget
- Reserve Item
- County Auditor Budget

BUDGET FUNDAMENTALS

- 254 Counties in the State of Texas
- Populations range from 98 people to 4,700,000
 - 6 over 1,000,000
 - 18 between 200,000 and 999,000
 - 15 between 100,000 and 200,000
 - 26 between 50,000 and 100,000
 - 59 between 20,000 and 50,000
 - 130 under 20,000
- Every County's budget process varies to some degree
- Each County Auditor's participation will be different



PURPOSE OF THE BUDGET

- Expression of public policy
 - Tool to help control use of resources
 - Method to evaluate performance
 - Creates accountability
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- Much more than financial plan – Carries the force of *LAW*
 - It must be Strictly Followed Once it is Adopted

RESOURCES

- Texas Local Government Code Chapter 111
- Texas Local Government Code Chapter 152

- Texas Tax Code Chapter 26

- Truth in Taxation – Understand It

- Other Texas County Auditors
- Look at other County's Budgets Online

COMPREHENSIVE BUDGET

- Budget Policy with background information and graphics
- Statement as to mission, goals and objectives of county
- Analysis of economic conditions – past, present and future
- Organizational chart of the county government
- Budget calendar
- Analysis of tax rates to include appraised and taxable value
- Breakdown of operating budget by line item with comparables
- Breakdown of the capital budget
- Overview of special revenue funds
- Analysis of staffing needs, changes and related costs

COMPREHENSIVE BUDGET

- Should Include Historical Information
 - Revenues
 - Expenditures
 - Property Values
 - Debt
 - Adopted Financial Policies

THE REALITY

- As I said earlier – “There are 254 counties in the State of Texas”
- Financial Software
- Budget Software
- Staffing
- Technical Expertise
- Participants in the process
- What is actually required?



https://texas.public.law/statutes/tex._local_gov't_code_section_111.002

<https://statutes.capitol.texas.gov/Docs/LG/htm/LG.111.htm>

BUDGET OFFICER

- Subchapter A Population < 225,000 County Judge
- Subchapter B Population > 225,000 County Auditor
- Subchapter C Population > 125,000 Budget Officer

COUNTY JUDGE AS BUDGET OFFICER

Sec. 111.002

- 228 Counties < 225,000 in Population
- County Judge is Budget Officer
- County Auditor assists County Judge

ANNUAL BUDGET REQUIRED

Sec. 111.003

- During 7th month or 10th month – Court determines
- County Judge prepares Proposed Budget to cover all proposed expenditures of the county for the succeeding fiscal year
- If budget requires more revenue from property tax
 - This budget will raise more total property taxes than last year's budget by \$xxx,xxx which is a 3% increase, and of that amount \$xxx,xxx is tax revenue to be raised from new property added to the tax roll this year

ITEMIZED BUDGET CONTENTS

Sec. 111.004

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.

BUDGET CONTENTS CONTINUED

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

INFORMATION FURNISHED

Sec. 111.005

- County Judge may require any county officer to furnish existing information necessary to prepare the budget
- If county officer fails to furnish information
 - Judge may request commissioners court issue and order
 - Directing county officer to produce required information
 - Prescribing the form in which the county officer must produce the information

PROPOSED BUDGET FILED

Sec. 111.006

- When County Judge completes the Budget, a copy is filed with the County Clerk
- Proposed Budget shall be available for inspection by any person. If county has website, county clerk makes sure it is posted on website

PUBLIC HEARINGS

Sec. 111.007

- Commissioners Court shall hold a public hearing on Proposed Budget. Any person may attend and participate in the hearing.
- Commissioners Court shall set the hearing for a date after the 15th day of the month following the month in which the budget was prepared, but before the date on which taxes are levied by the court.

BUDGET & TAX RATE CALENDAR

TEXAS COUNTIES 2017-18

Budget & Tax Rate Planning Calendar

Note: Deadlines apply to all counties, regardless of Fiscal Year

By April 30 Deadline for chief appraiser to provide preliminary tax roll values. *Tax Code 26.01(e)*

By July 25 Deadline for chief appraiser to certify appraisal roll to Tax Assessor-Collector. *Tax Code 26.01(a)*

Before July 30 Before filing annual budget with county clerk, give written notice to each elected county and precinct officer of officer's proposed salary and personal expenses in the budget. *LGC 152.013(c)*

By July 30* Budget officer files copy of proposed budget with County Clerk. Copy shall be available for public inspection and posted on website. *LGC 111.006, 111.037, 111.066*
**Note: This is a suggested date. Statutes do not specify it as a deadline.*

By August 1 Tax Assessor-Collector submits appraisal roll, and certifies an estimate of the collection rate for the current year, to Commissioners Court. *Tax Code 26.04*

By August 7 Calculation of effective and rollback tax rates. Typically done by Tax Assessor-Collector, but Tax Code states "an officer or employee designated by the governing body shall calculate..." The designated officer shall submit the rates to Commissioners Court by August 7 or as soon thereafter as practicable. *Tax Code 26.04 (c), (e)*

_____ Publish newspaper notice of public hearing on the budget. Must be published not earlier than 30th day, nor later than 10th day, before date of hearing. *LGC 111.0075, 111.0385, 111.0675*

_____ If the salary, expenses or other allowances of any elected county or precinct officers are being increased, publish newspaper notice required by *LGC 152.013*. Must be published 10 days before the meeting at which officer salaries will be set.

_____ Post notice of budget hearing, at least 72 hours before meeting. *LGC 111.007(c) and Open Meetings Act*

On or after August 15 Public Hearing on budget (after the 15th day of the month following the month the proposed budget was prepared). *LGC 111.007*

_____ At regular meeting of Commissioners Court, vote to set salaries, expenses and other allowances of all elected county and precinct officers. (May be done at same meeting as budget hearing.) Following the meeting, provide written notice

to each elected official of his/her salary and personal expenses to be included in the budget. *LGC 152.013*

_____ Adoption of budget during Commissioners Court. May be done any time after the budget hearing – at that same meeting or at a later meeting. If you plan to adopt the budget at the same meeting, be sure to include a separate item on the agenda for the actual adoption. If you plan to adopt at a later date, include an agenda item to set the date for adoption of budget. The vote to adopt the budget must be a record vote. *See LGC Chapter 111 for more specifics about requirements of the vote and required language.*

_____ Meeting of Commissioners Court to discuss tax rate and vote on proposed tax rate. If proposed tax rate will exceed the rollback rate or the effective tax rate (whichever is lower), take record vote and schedule two public hearings. *LGC 140.010*

By Sept. 1* *(Or by 30th day after receiving certified appraisal roll.) Publish Notice of Proposed Tax Rate in newspaper. Must be at least one-quarter page; headline at least 24-point type. Notice must also be posted on the county website. *LGC 140.010*
Note change by 84th Legislature: If rate exceeds effective or rollback rate, notice must state purpose of increase. See specific wording in LGC 140.010(e).

_____ First public hearing on proposed tax rate. (Not required if proposed tax rate does not exceed the rollback rate or effective tax rate, whichever is lower). Cannot be held until at least 7 days after the notice is published in the newspaper.

_____ Second public hearing on proposed tax rate. (Not required if proposed tax rate does not exceed the rollback rate or effective tax rate, whichever is lower). Cannot be held until at least 5 days after the first public hearing.

_____ Meeting of Commissioners Court to adopt tax rate. Must be held within 5 to 14 days after date of second public hearing if the hearings are required. *Tax Code 26.06(e)*. Must be held before September 30 or 60 days after receiving certified appraisal roll, whichever is later. Record vote required if adopted rate exceeds effective tax rate. The rate must be broken down into two components: (1) debt service and (2) maintenance and operations. *See Tax Code 26.05 for required language and other specifics.* At least four members of Court must be present and at least three must vote in favor. *LGC 81.006*

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LEGAL RESEARCH

Toll Free Helpline: (888) 275-8224 • TAC: (800) 456-5974
or visit our website at www.county.org



ADOPTION OF BUDGET

Sec. 111.008

- At the conclusion of the public hearing, Commissioners Court shall take action on the proposed budget. A vote to adopt the budget must be a record vote
- Court may make any changes in proposed budget it considers warranted by the law and required by the interest of the taxpayers
- Adoption of a budget that will require more revenue from property taxes than in previous year requires a separate vote to ratify property tax increase in budget
- The vote must be separate from the vote to adopt or set tax rate required

APPROVED BUDGET FILED

Sec. 111.009

On final approval the budget is filed with County Clerk

- Post on website
 - Copy of Budget with cover page
 - Copy of Record vote on website
- Cover page shall be amended to include property tax rates, if not already on the budget filed with the clerk

LEVY OF TAXES / EXPENDITURES

Sec. 111.010

- Commissioners Court may levy taxes only in accordance with budget
- Commissioners Court may spend county funds only in strict compliance with budget, except in an emergency
 - Grave public necessity
 - Unusual and unforeseen condition that could not be included in original
 - Shall file a copy of amended budget with County Clerk
- Commissioners Court may amend the budget to transfer amounts from one budgeted item to another without authorizing an emergency expenditure

RESERVE ITEM

Sec. 111.014

- A county may establish in the budget a reserve or contingency item
- Must be included in the itemized budget

COUNTY AUDITOR BUDGET

Sec. 152.031

- Public Hearing
- Salary set by District Judge(s)
- Travel expenses and other allowances set
- Judge's order recorded in district court
- Judge's order certified to Commissioners Court for its observance and recorded in the minutes
- Salary paid to County Auditor

COUNTY AUDITOR BUDGET

Sec. 152.032

Limitations on the Auditor's Budget

- Operating budget may not exceed 5% of prior year's
- Excludes County Auditor salary and benefits in calculation
- Existing Assistant Auditor's salary may not increase $> 5\%$
- County Auditor's salary may not exceed the amount of compensation and allowances received from all sources by the highest paid elected county officer, other than judge of statutory court

COUNTY AUDITOR RESPONSIBILITY

- Assist the County Judge as required
- Provides certified revenue estimate for all funds
- Estimates the fund balance for all funds
- Certify revenue from grants & intergovernmental contracts

COUNTY AUDITOR RESPONSIBILITY

- MUST CONTAIN A COMPLETE FINANCIAL STATEMENT
 - Outstanding obligations of the county
 - Cash on hand to the credit of each fund of the county government
 - Funds received from all sources during the preceding fiscal year
 - Funds available from all sources during the ensuing (current) fiscal year
 - Estimated revenues available to cover the proposed budget
 - Estimated tax rate required to cover the proposed budget

COUNTY AUDITOR RESPONSIBILITY

AFTER BUDGET IS ADOPTED

- Open an appropriation account for each item per budget
- Ensure all encumbrances are properly charged
- Periodically report condition of all accounts to court
- Strictly enforce the budget

COUNTY AUDITOR RESPONSIBILITY

May perform a variety of other tasks

- Compile data
- Perform analysis
- Calculate payroll and benefits
- Enter budget information into financial system
- Prepare final budgets for filing

ESTIMATING REVENUE

- Create my budget worksheet
 - Pull 2 - 3 years of prior year budget and actual data
 - Pull current year's revenue year to date
 - Estimate current year's revenue through year end
 - Analyze actual to budgeted revenue from data set
 - Project revenues for next year

- Perform this exercise fund by fund
- General Fund, Road and Bridge Funds and Special Revenue Funds



ESTIMATING REVENUE

- Things to consider
 - Economy
 - Activities that generate fees in each department
 - Property Tax valuations (many times forecast at prior year levels initially)
 - Abatements
 - Interest Rates
 - Grants
 - Interlocal Agreements
 - Supplements from State

ESTIMATING EXPENDITURES

- Create my budget worksheet
 - Pull 2 - 3 years of prior year budget and actual data
 - Pull current year's expenses to date
 - Estimate current year's expenses through year end
 - Analyze actual to budgeted expenses from data set
 - Add departmental requests to budget
 - Project expenses for next year
 - Analyze variances – increases and decreases are important to explain

- Perform this exercise fund by fund
 - General Fund, Road and Bridge Funds and Special Revenue Funds

- BUDGET CLOSE TO ACTUAL AND ALLOW FOR CONTINGENCIES

ESTIMATING EXPENDITURES

- Things to consider
 - Economy
 - Increased costs
 - Employee benefits
 - Personnel additions
 - Insurance policies
 - Contracts and agreements
 - Fuel
 - Road Materials
 - Facilities repairs
 - Capital projects

THEORY
PRACTICE

IN PRACTICE

BUDGETING IS TEAM WORK

Communicate with County Judge and Commissioners to set expectations

- Pay and benefit increases / decreases
- Personnel additions / deletions
- Capital expenditures

IN PRACTICE

- Create a plan for the budget with the County Judge
- Prepare the calendar
- Prepare budget worksheets and distribute
- Gather data from department heads and elected officials
- Obtain historical data
- Accumulate and prepare the data into your financial system or worksheets

IN PRACTICE

- Budget workshops with court before or after Proposed Budget is filed
- Budget hearings with department head or official requesting changes
- Budget hearings for all department heads /EO

- Workshop presentation to court on projector or big screen instead of paper

SPECIAL CONSIDERATIONS

- General Fund
- Road & Bridge Funds
- Special Revenue Funds
- Capital Project Funds
- Debt Service Funds
- Grants

QUESTIONS

