

# UNDERSTANDING THE BUDGET PROCESS IN A TEXAS COUNTY

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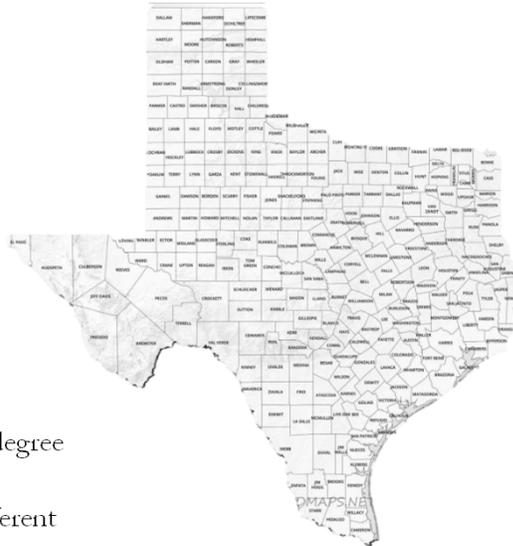
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## OVERVIEW

- 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
- 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 7<sup>th</sup> month or 10<sup>th</sup> 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 15<sup>th</sup> 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 0017-18**

## Budget & Tax Rate Planning Calendar

*Note: Deadlines apply to all counties, regardless of fiscal year.*

**By April 15** Deadline for chief appraiser to provide preliminary tax roll values. See Code 26.002.

**By July 15** Deadline for chief appraiser to certify appraised roll to Tax Assessor-Collector. See Code 26.0104.

**Before July 31** 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. EGC 152.013(c).

**By July 31** Budget officer files copy of proposed budget with County Clerk. Copy shall be available for public inspection and posted on website. EGC 111.006, 111.032, 111.066. *Note: This is a suggested date. Minutes do not qualify it as a deadline.*

**By August 1** Tax Assessor-Collector submits operational roll, and certifies an estimate of the collection rate for the current year, to Commissioners Court. See Code 26.041.

**By August 1** Calculation of collection and rollback tax rates. Typically done by Tax Assessor-Collector, but Tax Code states "no officer or employee designated by the governing body shall calculate..." The designated officer shall submit this data to Commissioners Court by August 7 or as soon thereafter as possible. See Code 26.041(d).

Publish newspaper notice of public hearing on the budget. Must be published not earlier than 30th day, nor later than 30th day, before date of hearing. EGC 111.0075, 111.0385, 111.0625.

If the salary, expenses or other allowances of any elected county or precinct officers are being increased, publish newspaper notice required by EGC 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. EGC 111.007(1) and Open Meeting Act.

**On or after August 1** Public Hearing on budget (after the 15th day of that month following the month the proposed budget was prepared). EGC 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. EGC 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 EGC Chapter 111 for more details 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. EGC 140.010.

**By Sept. 15** 45th by 30th day after receiving certified appraisal roll (Public Notice of Proposed Tax Rate to newspaper. Must be at least one-quarter page, headline at least 18 point type. Notice must also be posted on the county website. EGC 140.010. Note change by 2008 Legislature: If rate exceeds effective or rollback rate, notice must state portion of increase. See graphic starting in EGC 140.0395).

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 7 days after the first public hearing.

Meeting of Commissioners Court to adopt tax rate. Must be held within 3 to 14 days after date of second public hearing if the hearings are required. See Code 26.0602. 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) dollar amount and (2) maintenance and operations. See Tax Code 26.07 for required language and other details. At least four members of Court must be present and at least three must vote in favor. EGC 11.006.

THIS PUBLICATION IS A RESEARCH TOOL AND NOT THE COUNSEL OF AN ATTORNEY. THIS PUBLICATION IS NOT A SUBSTITUTE FOR THE ADVICE OF AN ATTORNEY. A separate written opinion of an attorney is not to be used but should be made available upon request. Minutes, tax rate opening grant program and other legal matters by your county attorney. Call public office to inquire for information before if the office is open. All questions regarding roll dates should be directed to computer logs used by a written opinion.

**LEGAL RESEARCH**  
Toll Free Helpline: (888) 775-8224 • TAC: (800) 456-5974  
or visit our website at [www.county.org](http://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

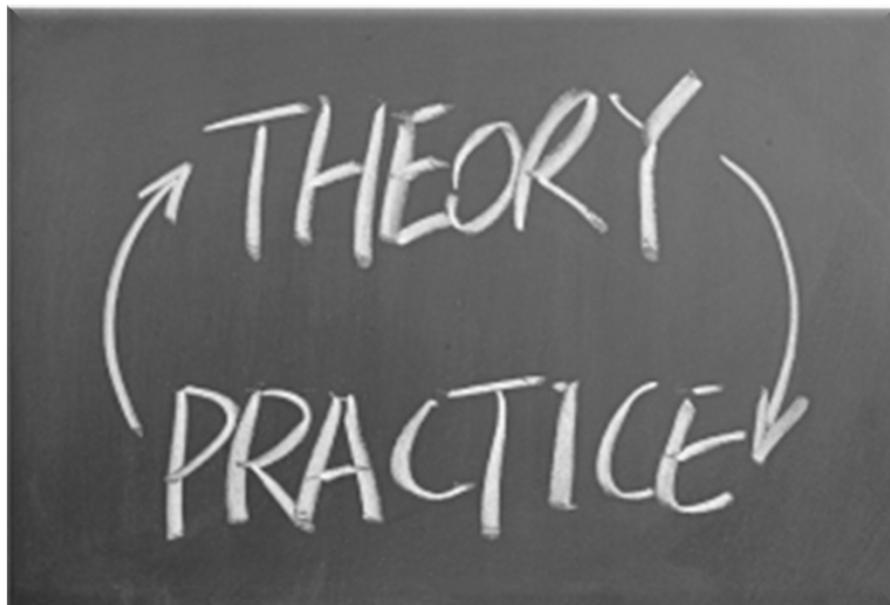
- Things to consider
  - Economy
  - Activities that generate fees in each department
  - Property Tax valuations (many times forecast at prior year levels initially)
  - Abatements
  - Interest Rates
  - Grants
  - Interlocal Agreements
  - Supplements from State

## 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



## 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