# Chapter 5

*Financing County Government*

Anderson County Courthouse

# Chapter Five:

# Financing County Government

Developmental Assets: 8. Youth responsibility
32. Planning and Decision Making

Life Skills: Wise Use of Resources, Decision Making

TEKS: Grade 7, 113.23 (5B), identify major sources of revenue for state and local governments
Grade 7, 113.23 (21), apply critical-thinking skills to organize and use information acquired from a variety of sources, including electronic technology
Grade 12, 113.35 (6B), identify the sources of revenue and expenditures of the U. S. government and analyze their impact on the U.S. economy

Objectives: Students will:
-identify the sources of income for county government
- practice allocating funds for the different functions of county government

County *revenues* come primarily from taxes, fines and fees. The commissioners court decides which of the available taxes can be used and what tax rate is within statutory or constitutional restrictions. The types of taxes a county can levy are determined by the Texas Legislature. Fines and fees are collected by counties and then a portion goes to the state of Texas.

***Revenue—income or money received or collected***

## Property Tax

Property tax is the main source of revenue for county governments. Property tax is an *ad valorem* tax, which means that property is taxed according to its value. The property tax is levied on all real property, such as land, buildings, home improvements and some personal property used or held for business purposes. In Texas, a county keeps 100 percent of the property tax it collects. Counties may contract to collect taxes for schools, cities or other jurisdictions also.

***Ad valorem—in proportion to value***

The value of real property is determined by the *central appraisal district*. (There is an appraisal district in each county.) The appraisal district is required to appraise property at 100 percent of its market value. The market value is determined by comparing a property with the values of similar properties in the same vicinity. The central appraisal district determines the value of all property in the district. The central appraisal district and the commissioners court operate independently. Property owners who believe their properties have been given too high an assessed value can protest to the appraisal district.

***Central appraisal district— the entity responsible for appraising property in the district for the purpose of levying an ad valorem tax***

The appraised value of a property is used by each taxing unit (county, city, school) to calculate the amount of tax owed. The county commissioners court sets the rate at which property in the county will be taxed. The tax rate is the percentage per $100 of appraised value that will be assessed as property tax.

Some property is exempt from property tax or is taxed at a lower rate because of the way it is used.

The commissioners court has to collect enough money to serve the county's needs, but must balance its need for funds with the property owners' desire for lower taxes.

## Other Sources of Income

A county has other sources of income besides property taxes, including fines, fees and vehicle registrations.

Fines and fees are deposited into the general operating funds of the county. Fines and fees can come from:

- criminal defendants who pay fines and court costs
- fines, civil fees and small claims fees levied by justices of the peace
- fees for the services of constables
- registering birth certificates and marriage licenses with the county clerk
- fines and fees levied by the county court
- passport fees, civil fees and felony fees paid to the district clerk
- bond forfeitures and arrest fees

Owners of motor vehicles and trailers must register their vehicles and pay a fee in the county tax assessor-collector's office. The county gets to keep the first $50,000 of these fees plus an amount determined by multiplying the number of miles of county roads by a certain amount set by the state. The county tax assessor also keeps a certain percentage of fees before turning the remainder over to the state of Texas.

Some county revenue occasionally comes from a percentage of sales tax and the sales of alcoholic beverages, rent from property, oil and gas revenues, contracted jail services, intergovernmental transfers through particular departments, and state and federal grants.

## Budgeting

Counties must decide how to *appropriate* their revenue. The county commissioners court has to determine how much money to give each county department to pay for its operations during the year. A *budget* is a financial plan of action for a fiscal year. The commissioners court establishes the county budget. Depending on the size of the county, the budget officer may be the county judge, county auditor or someone appointed to do the job.

***Appropriate—to set apart for or assign to a particular purpose or use***

***Budget—a financial plan of action for a fiscal year***

Although counties can set their budgets in any way they choose, the following is a general method of setting a budget.

***Budget policy—assumptions and priorities used in planning a budget***

***Indebtedness—the condition of owing money***

1. At the first commissioners court meeting in March, an item should be placed on the agenda to adopt the *budget policy* for the upcoming budget process. Policy items could include the budget calendar, *indebtedness*, general level of spending, salaries and benefits, and program priorities. The court may want to develop a financial forecast. The financial forecast may be prepared by the budget officer and

will give the commissioners court an idea of the total resources available and the general needs of the county.

2. The budget officer develops an estimate of revenue for the next year based on revenue from the past year. Departmental budget request forms are distributed to each county office. The budget officer collects requests from officials and departments. Using the revenue estimate and departmental requests, the budget officer compiles the initial budget proposal. The court can amend the budget by majority vote.

3. The budget officer presents the initial budget to the commissioners court. It is the responsibility of the commissioners court to conduct a hearing so that the department heads can justify their budget requests. The commissioners consider and amend the budget by majority vote. The tax assessor publishes notice of the effective tax rate. Generally, the *effective tax rate* is the rate necessary to generate the same amount of tax revenue as in the previous year's budget. If a tax increase is proposed, the public must be notified and a public hearing must be held.

***Effective tax rate—the rate necessary to generate the same amount of tax revenue as in the previous year's budget***

4. The budget officer writes up and reproduces the budget as adopted. The budget officer files the budget with the county clerk and posts public notice that the budget is available for inspection. The county will receive tax rolls and distribute tax statements. Statements must be mailed by October 1.

5. The county tax rate will be set by the commissioners court after the budget is approved.

## Using the Money

Once the budget is passed, each department must make its budgeted amount or *appropriation* last for the fiscal year. How does your family keep from spending too much money? Most families try to find the best deal for their dollar. Counties have a process for bidding and disbursement that helps them do the same thing.

***Appropriation—sum of money in a budget for a specific purpose***

Supplies, merchandise, most services, and road and bridge materials costing more than a certain amount per year must be purchased on a competitive bid basis. If the bid is for a service (building a new office, for example), the commissioners court has to decide which bidder can do the most complete job for the least amount of money. In an emergency, purchases costing less than a specified amount (such as $1,000) may be made upon requisition and don't have to be advertised for competitive bids. All payments made for services or purchases that are bid must be approved by the commissioners court. In most counties, the county treasurer is responsible for the *disbursement* of all county funds and for paying money from the county treasury according to the directions of the commissioners court.

***Disbursement—a payment of money, especially from a fund***