Challenges for Fueling Individual County Budgets

Notie Lansford & Sherri Schieffer
County Officers & Deputies Assoc.
September 17, 2009
Fuel Supply and Requirements

- **Supply**
  - Local, State, & Federal
    - Local Sales and Property Tax
    - Local Fees
    - Gasoline, Diesel, Motor Vehicle, & Gross Production
    - Federal (including BIA) Matches, Grants, FEMA

- **Requirements**
  - Preserve the peace – sheriff & judicial
  - Repository of Records – county & court clerks
  - Transportation – commissioners
  - Other Operations – assessor, treasurer, elections, etc
Summary

- Something choked down the flow of fuel
- What can we do about it?

Objectives

1. What can we do about revenue?
2. What can we do about expenditures?
3. What can we do to get more bang for the buck?
Current Circumstances/Challenges

- What comes to mind?
  - 1.
  - 2.
  - 3.
  - 4.
  - 5.
  - 6.
  - 7.
State Tax Decline in Early 2009 Was the Sharpest on Record

Donald J. Boyd and Lucy Dadayan

Introduction

Tax data tend to be noisy and require careful interpretation. This is particularly true of data for the January-March quarter, the focus of most of this report. While we report data from the Census Bureau in Tables 8, 9, 10, and 11, throughout much of the discussion that follows we describe tax revenue growth or declines after reflecting adjustments that we believe are essential for proper interpretation. Since early data from the second quarter of 2009 indicate further widespread declines in revenue, we also provide an initial look at currently available reports, which represent tax revenue data for 45 states for the April and May months.

Overall State Taxes and Local Taxes

Total state tax collections as well as collections from three major revenue sources: sales tax, personal income, and corporate income...
Challenges

Figure 1. State Taxes Are Faring Worse Than Local Taxes

Year-Over-Year Percent Change in Real State Taxes and Local Taxes
Four-Quarter Average of Percent Change

Sources: U.S. Census Bureau (tax revenue) and Bureau of Economic Analysis (GDP price index).
Notes: (1) 4-quarter average of percent change in real tax revenue; (2) No adjustments for legislative changes.
Challenges

Figure 2. Both Income Tax and Sales Tax Declined Sharply

Year-Over-Year Percent Real Change in Major Taxes
Four-Quarter Average of Percent Change

Sources: U.S. Census Bureau (tax revenue) and Bureau of Economic Analysis (GDP price index).
Notes: (1) 4-quarter average of percent change in real tax revenue; (2) No adjustments for legislative changes.
State/Local Employment Up Slightly Since Start of Recession, But Cuts Are Now Underway

Donald J. Boyd

Government employment accounts for more than 22 million jobs — 17 percent of total U.S. employment — with state and local governments accounting for the vast majority of this (see Table 1). Assessing changes in state and local government employment is important because of its impact on education, public protection and other services, and because of its role in the overall economy, particularly during recessions. At the same time, state and local government payrolls are key elements in taxpayer costs, typically representing between a quarter and a third of state/local direct expenditures.

Private sector employment for the nation as a whole has fallen
NEW FISCAL YEAR BRINGS NO RELIEF FROM UNPRECEDENTED STATE BUDGET PROBLEMS*

By Elizabeth McNichol and Iris J. Lav

The unprecedented state fiscal problems brought on by the worst decline in tax receipts in decades show no signs of letting up. On July 1 — the start of the fiscal year in most states — an unusually high number of states were still struggling to adopt budgets for fiscal year 2010. Most states have adopted budgets that closed the shortfalls they faced with a combination of federal stimulus dollars, service reductions, revenue increases, and funds from reserves. But these budgets are already falling out of balance as the economy has caused state revenues to decline even more than projected. States will continue to struggle to find the revenue needed to support critical public services for a number of years.

The Center’s most recent survey of state fiscal conditions found many signs of the depth of the state budget crisis.

STATE FISCAL STRESS CONTINUES

- At least 48 states have addressed or still face shortfalls in their budgets for fiscal year 2010.
- Just two months into the new fiscal year, new shortfalls of $28 billion have opened up in the adopted 2010 budgets of at least 15 states and the District of Columbia. Shortfalls for fiscal year 2010 — those already addressed and those still open — total $168 billion.
- At least 36 states already anticipate deficits for 2011. Initial estimates of these shortfalls total almost $74 billion. As the full
<table>
<thead>
<tr>
<th>State</th>
<th>Initial Shortfall</th>
<th>Total Gap Anticipated*</th>
<th>% of General Bdgt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arkansas</td>
<td>$ 146 million</td>
<td>$ 146 million</td>
<td>3.20%</td>
</tr>
<tr>
<td>Colorado</td>
<td>$ 1.0 billion</td>
<td>$ 1.4 billion</td>
<td>18.60%</td>
</tr>
<tr>
<td>Kansas</td>
<td>$ 1.4 billion</td>
<td>$ 1.6 billion</td>
<td>25.60%</td>
</tr>
<tr>
<td>Missouri</td>
<td>$ 923 million</td>
<td>$ 923 million</td>
<td>10.30%</td>
</tr>
<tr>
<td>New Mexico</td>
<td>$ 345 million</td>
<td>$ 777.6 million</td>
<td>14.10%</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>$ 777 million</td>
<td>$ 777 million</td>
<td>13.60%</td>
</tr>
</tbody>
</table>

* At time of writing.
## Selected Taxes, FY 2010, OK

**OKLAHOMA**

As of Sept. 4, 2009.

<table>
<thead>
<tr>
<th>Division</th>
<th>This Year to Date</th>
<th>Last Year to Date</th>
<th>Increase or Decrease</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY 10</td>
<td>09/05/08</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DIESEL FUEL TAX</td>
<td>18,828,635</td>
<td>20,746,455</td>
<td>-1,917,820</td>
<td>-9</td>
</tr>
<tr>
<td>GASOLINE TAX</td>
<td>54,308,443</td>
<td>50,434,953</td>
<td>3,873,490</td>
<td>7</td>
</tr>
<tr>
<td>GROSS PRODUCTION TAX</td>
<td>118,404,312</td>
<td>327,545,036</td>
<td>-209,140,724</td>
<td>-63</td>
</tr>
<tr>
<td>INCOME TAX WITHHOLDING</td>
<td>422,667,598</td>
<td>463,186,261</td>
<td>-40,518,662</td>
<td>-8</td>
</tr>
<tr>
<td>SALES TAX</td>
<td>580,897,029</td>
<td>648,557,953</td>
<td>-67,660,924</td>
<td>-10</td>
</tr>
<tr>
<td>USE TAX</td>
<td>48,821,491</td>
<td>58,304,451</td>
<td>-9,482,960</td>
<td>-16</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,525,920,257</td>
<td>1,887,947,533</td>
<td>-362,027,276</td>
<td>-19</td>
</tr>
</tbody>
</table>

Source: http://www.oktax.onenet.net/rpt/p/rpd2415/rpdc420a/summaryr/2009090420090904193940.txt
County Govt Funds

- General Fund – primary concern today
- Road Fund – also a major fund
- Cash Funds – service driven

- These may impact each other

- Sales tax may play a role in one, two, or all three.
*All Other* includes fees for services, interest earnings, state and local government reimbursements, jail bed rental, state and federal grants, etc.
General Fund – Ad Valorem

- Stable over time relative to others
  - Slower to increase
  - Slower to decrease
- And, Less volatile in Oklahoma
- But, collection rate has slowed
“The average cost of a home in Oklahoma has decreased by 3.4 percent compared to Second Quarter 2008.”

Oklahoma Assoc. of Realtors,
http://oklahomarealtors.com/mlsstatistics/

- Wichita, KS down 0.4%
- Springfield, MO down 0.2%
- Little Rock, AR up 0.7%
- Dallas/Ft. Worth down 0.2%
- Amarillo, TX up 2.2%

National Association of Realtors,
http://www.realtor.org/rmonews_and_commentary/articles/2008/nar_research_maps_msa?LID=RONav0022
## Residential Values – OK

<table>
<thead>
<tr>
<th>Location</th>
<th>2nd Quarter 2008</th>
<th>2nd Quarter 2009</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Central</td>
<td>101,391</td>
<td>115,650</td>
<td>14.1%</td>
</tr>
<tr>
<td>NE Oklahoma</td>
<td>147,730</td>
<td>141,955</td>
<td>-3.9%</td>
</tr>
<tr>
<td>SE Oklahoma</td>
<td>116,367</td>
<td>113,235</td>
<td>-2.7%</td>
</tr>
<tr>
<td>Southern OK</td>
<td>111,356</td>
<td>112,260</td>
<td>0.8%</td>
</tr>
<tr>
<td>Western OK</td>
<td>116,235</td>
<td>118,781</td>
<td>2.2%</td>
</tr>
<tr>
<td>Muskogee</td>
<td>96,259</td>
<td>85,318</td>
<td>-11.4%</td>
</tr>
<tr>
<td>Duncan</td>
<td>104,681</td>
<td>115,126</td>
<td>10.0%</td>
</tr>
</tbody>
</table>

Oklahoma Assoc. of Realtors,  
http://oklahomarealtors.com/mlsstatistics/
U.S. Farm Land Value/Ac., 2009 vs 2008

http://usda.mannlib.cornell.edu/usda/current/AgriLandVa/AgriLandVa-08-04-2009.pdf
## What is happening to Property Tax Revenues?

<table>
<thead>
<tr>
<th>FY 2003 to FY 2008</th>
<th>Counties of Oklahoma</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average % Growth</td>
<td>31%</td>
</tr>
<tr>
<td>Maximum % Growth</td>
<td>86%</td>
</tr>
<tr>
<td>Minimum % Growth</td>
<td>3%</td>
</tr>
</tbody>
</table>

How does your county compare?
County Clerk Fees

- Fixed Fees
- Depend upon economic activity
  - Oil and Gas Industry Activity
  - Housing
    - Purchases, Mortgages, Foreclosures, Liens
  - Commercial property
  - Ag Property
  - Wind energy leases
## Change in County Clerk Fees (General Fund)

<table>
<thead>
<tr>
<th>FY 03 to FY 08, All Counties</th>
<th>% Change in Fess</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median</td>
<td>14%</td>
</tr>
<tr>
<td>Maximum</td>
<td>201%</td>
</tr>
<tr>
<td>Minimum</td>
<td>-27%</td>
</tr>
</tbody>
</table>

How does your county compare to other counties?

- Pontotoc County: 3%
- Grant County: 37%

How did document filings of deeds, mortgages, leases, etc. impact your county clerk fees collected for the General Fund?
What is happening to General Fund carry-over as a percent of total funds?

<table>
<thead>
<tr>
<th>All Counties</th>
<th>FY 2003</th>
<th>FY 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>23%</td>
<td>29%</td>
</tr>
<tr>
<td>Maximum</td>
<td>62%</td>
<td>64%</td>
</tr>
<tr>
<td>Minimum</td>
<td>0%</td>
<td>4%</td>
</tr>
</tbody>
</table>

How does your county compare?

- Washington County: 14% to 18%
- Woods County: 29% to 37%

How does your carry-over affect your interest earnings?
Change in General Fund Interest on Investments

<table>
<thead>
<tr>
<th>FY 03 to FY 08, All Counties</th>
<th>% Change in Interest Earned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median</td>
<td>114%</td>
</tr>
<tr>
<td>Maximum</td>
<td>685%</td>
</tr>
<tr>
<td>Minimum</td>
<td>-71%</td>
</tr>
</tbody>
</table>

How does your county compare to other counties?

Texas County 74%
Atoka County 221%
Interest Earnings

- Amount of Investment
  - General Fund
  - Road Fund
  - Cash Funds
- Interest Rate
- Length of Investment
Average County Highway Fund Revenue Source, FY 08

- Gasoline Tax: 23.30%
- Special Fuel Tax: 0.002%
- All Other: 23.37%
- Diesel Tax: 7.73%
- Motor Vehicle Tax: 21.97%
- Gross Prodn Tax: 23.64%
Legislation:

e.g. HB 2272, passed on the final day of the 2008 legislative session

- COUNTY IMPROVEMENT FOR ROADS AND BRIDGES FUND –
- FY ’08 receives 5% of motor vehicle revenue collections,
- FY ’09 10%
- FY ’10 15% and thereafter.
- These funds were previously apportioned to GR.

Source: OK Policy Institute, Okpolicy.org, June 2008
Road & Related Funds

- Taxes: Gasoline, Diesel, Motor Vehicle, Gross production
- Salaries for commissioners and road crews
  - General or road
- ODOT Road & Bridge Funds
- Tribal Funds
- FEMA Funds
- Stimulus Funds
- Grants, e.g. REAP
Cash Funds

- Do they contribute?
  - Service driven
- Can they contribute?
  - Yes, according to law
- How do they contribute?
  - Most are flexible
Which of the following is restricted in use within the department?

A. Sheriff Service Fee  
B. Mortgage Certification Fee  
C. County Clerk Lien Fee  
D. Assessor Copy Fee Revolving Fund  
E. Resale Property Fund  
F. Unrestricted Highway Fund  
G. Records Management and Preservation Fund  
H. Sheriff Training Fund
Which of the following is restricted in use within the department?

A. Sheriff Service Fee
B. Mortgage Certification Fee
C. County Clerk Lien Fee
D. Assessor Copy Fee Revolving Fund
E. Resale Property Fund
F. Unrestricted Highway Fund
G. Records Management and Preservation Fund
H. Sheriff Training Fund
Sales Tax

- More volatile source of govt funding
  - Cities more dependent than counties.
- Consumer Driven
  - Consumers Drive 70% of US economy
- Breadth of Tax and Exemptions
  - Number of exemptions
  - Grocery tax
What is happening with your county sales tax?

<table>
<thead>
<tr>
<th>FY 03 to FY 09, All Counties</th>
<th>Total % Change (1% equivalent)</th>
<th>Annual % Change (equivalent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Growth</td>
<td>69%</td>
<td>11%</td>
</tr>
<tr>
<td>Maximum</td>
<td>365%</td>
<td>61%</td>
</tr>
<tr>
<td>Minimum</td>
<td>7.4%</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

How does your county compare?

- Pawnee County: 33% 6%/yr
- McClain County: 84% 14%/yr

What is happening regarding employment, income, shopping?
How many county sales taxes decreased from FY 08 to FY 09?

- 18

- How will your county do in FY 2010?
Okmulgee County Sales Tax, July 07 – Sept. 09

FY 09 was 4.4% less than FY 08.
Quarter FY 10 is 16.1% less than 1st Quarter FY 09.
Haskell County Sales Tax, July 07 – Sept. 09

FY 09 was 5.4% less than FY 08.
1st Quarter FY 10 is 26.3% less than 1st Quarter FY 09.
Flip Side: the Requirements

- Inflation generally
  - Utilities, repairs, fuel costs, supplies
- Mandated Offices/Functions
  - All elected offices
- New Mandates
  - Jail Operations, OSHA, Retirement contributions, ...
- Insurance
  - Health and other employee benefits
  - Property and Liability
Series: GDPDEF, Gross Domestic Product: Implicit Price Deflator

Gross Domestic Product: Implicit Price Deflator (GDPDEF)
Source: U.S. Department of Commerce: Bureau of Economic Analysis

Shaded areas indicate US recessions.
2009 research.stlouisfed.org
Average County General Fund Expenditures, FY 2007

- General Government, 25.3%
- County Sheriff, 22.4%
- County Treasurer, 4.9%
- County Clerk, 7.0%
- Court Clerk, 6.1%
- County Assessor, 4.7%
- OK Coop. Extension, 1.7%
- County Commissioners, 2.8%
- Reval./Visual Inspect., 6.5%
- Other Expenditures, 14.8%
- Audit Charity Hospital Rural Fire Fair, etc. 0.3%
- District Attorney, 0.3%
- County Elections, 3.0%
- Excise / Equal, 0.3%
Future Outlook

- Don’t look for significant improvement before FY 2012.

- So, practically speaking, what can you do?
  - To maximize revenue
  - To minimize expenditure
  - To act wisely
Maximize your Revenues

- Investment policy
  - Do you have one?
- Transfer of Funds
  - transfers to avoid paying non-payable warrants
- Grants
  - REAP
  - Federal Justice
  - Stimulus (ARRA – American Recovery & Reinvestment Act)
- Use Tax
  - By Resolution of the Board after sales tax is passed
- Sales Tax maximum is 2%
  - By vote of citizens
- Assessment Ratio
  - 13.5% for Real Property
  - 15% on Personal Property
  - By vote of citizens
Maximize your Revenue

- Long term and Short term Goals
  - Jail or courthouse renovation
  - Balancing budget
- Understand your revenue sources
  - Transparency in reporting
- Maintain a “healthy” carryover
  - Is there sufficient funds to cover the “lean” time
**Expenditures**

- **Sharing Resources**
  - Equipment
  - Employees

- **Co–op Purchasing among**
  - Departments
    - Paper; internet service; office supplies
    - Purchasing in quantity – keep good consumable inventories
    - Blister (individuals wrapped) packs for medications
  - Counties
    - Pharmacy for Prisoners
    - Medical supplies
    - Joint road projects
Expenditures

Education for Employees
  ◦ Safety programs offered by ACCO
  ◦ Wellness programs offered by insurance company
  ◦ Employment/Management Programs with OSU

Insurance Deductibles

Conserve Energy
  • Turn off computers/lights
  • Energy efficient light bulbs

Labor Force Management
  ◦ Full Time vs. Part Time
  ◦ Contract for services
Be informed

- **Local**
  - Communicate with each other
    - Budgets are part of your everyday life
    - Meet to discuss budgets throughout the year
    - Understand goals for officer; keep the dialog open
    - Don’t assume the largest budget can take the largest cut
  - Be involved with local economic development
  - Seek input of constituents

- **Legislative**
  - Keep in touch with local legislators
  - Study the impact of pending legislation

- **State Associations/Government**
  - Attend meeting
  - Learn from your counter parts in other counties
  - Utilize technical assistance with SA&I, OTC, County Training Program
Think outside the box?

- What has your county done?
Follow-up

- Download this presentation by going to: http://agecon.okstate.edu/ctp/
- Contact Sherri or Notie
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  - Sherri.schieffer@okstate.edu
  - Notie.lansford@okstate.edu