

## **About County Government, the County Budget, and the Property Tax**

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### **What is County Government?**

In the State of Texas, county government is a unit of state government often referred to as “an arm of the state.” However, county government also acts as a unit of local government. Consequently, county governments in Texas perform two basic functions:

- Carry out administrative and judicial responsibilities for the State of Texas.
- Carry out local government responsibilities for county residents.

County governments can only take those actions specifically authorized by state law. Equally important, Texas counties must do those actions required by state law. Unlike cities, counties have no general ordinance-making authority.

As a unit of state government, mandatory county government responsibilities include:

- Set budget and appropriate tax rate to fund local government.
- Conduct elections.
- Process and maintain voter registration.
- Provide for public safety.
- Maintain and operate the court and jail system including provision for indigent legal defense.
- Provide medical care for indigent county citizens.
- Facilitate the issuance and recording of public documents.
- Process motor vehicle registration and title transfers.
- Collect and remit state motor vehicle taxes.
- Provide local support for state agencies such as Texas Department of Mental Health and Mental Retardation, Department of Public Safety, Texas Parks & Wildlife, and the Alcoholic Beverage Commission.

As part of their commitment to the local community, Texas county governments traditionally seek to provide more than mandatory services. County governments also provide funding for authorized discretionary or optional services, such as parks, community centers, libraries, senior centers, emergency medical and family services, and county fairs. Funds also may be used to support tax incremental reinvestment zones, certain non-profits, and other special programs that enhance the quality of individual lives and the community as a whole.

### **Who is in Charge of County Government?**

County government is governed by the County Commissioners Court, comprised of one County Judge and four County Commissioners. A major responsibility of the Commissioners Court relates to setting the county budget. In counties with a population under 225,000, the County Judge serves as budget officer of the Commissioners Court. During budget development, the Judge and the Commissioners consider the funding necessary for county offices to carry out their mandatory duties. The Commissioners Court must fund these responsibilities first before deciding which discretionary services to provide.

### **Who Pays for County Government?**

The taxpayer funds the majority of county government via the property tax, or ad valorem tax, which is the largest revenue source for Texas counties. About half of Texas' 254 counties also receive funding from a local county sales tax, which when adopted allowed them to lower their property tax rate.

According to the Texas Constitution, the county cannot levy a tax rate in excess of \$.80 per \$100 of property value for the county's general fund, permanent improvement fund, road and bridge fund and jury fund. On top of the \$.80, the county is authorized to levy a \$.15 road and bridge tax and a \$.30 farm-to-market road/flood control tax; however, these taxes are subject to voter approval. In addition, counties on the Gulf of Mexico can levy a special tax for construction of sea walls, breakwaters, or sanitary purposes, not to exceed \$.50 per \$100 valuation. Counties are also authorized by several statutes to levy certain special purpose taxes. However, these taxes when combined with the general fund tax may not total more than \$.80 per \$100 assessed valuation. Property tax rates across the state are as varied as the counties themselves, with some counties hovering in the 20- to 30-cent range and others approaching or even reaching the maximum 80 cents.

In addition to the property tax and county sales tax, counties rely on fines and fees; intergovernmental revenue such as federal and state grants, contractual money, and statutory money from the State of Texas; miscellaneous revenues or transfers; and interest. However, the property tax is the most significant funding source.

Sometimes, the State of Texas provides counties the necessary funds to administer state-mandated services. However, this is not always the case. When the State of Texas requires a service of a county but does not provide the necessary funding, this is called an "unfunded mandate," whereby the county is forced to produce the necessary funding on its own. This can present a challenge to counties when working on the county budget, and could impact the final property tax rate.

The property tax rate is determined after county properties are appraised.

### **Who Conducts Property Appraisals?**

Property appraisals are conducted by appraisal districts, which are charged with identifying and listing the value of all property in the county for taxation. The appraisal district is not part of the city, county or school district. Rather the appraisal district is an independent government. While state law created “centralized” appraisal districts, many counties retain the word “county” in their title, sometimes creating the perception that appraisal districts are part of county government. Again, appraisal districts are not a part of county government.

After identifying, listing, and appraising all taxable property within the county, the appraisal district certifies the tax roll. When the roll is certified, it means the property value has been agreed to or has not been challenged by the property owner. The Commissioners Court is not involved in any portion of the appraisal process.

### **How Does the County Set the Tax Rate?**

The Commissioners Court approves the budget and sets the tax rate on the appraised properties to help fund the county budget and service any county debt.

Beginning in early August, taxing units take the first step toward adopting a tax rate by calculating and publishing the effective and rollback tax rates.

- **Effective tax rate.** The effective tax rate is a calculated rate that would provide the taxing unit with about the same amount of revenue it received in the year before on properties taxed in both years. If property values rise, the effective tax rate will go down and vice versa. The effective tax rate is a starting place. Commissioners Courts review how much money they required the previous year and determine if they need more or less.
- **Rollback tax rate.** The rollback rate is a calculated maximum rate allowed by law without voter approval. The rollback rate provides the taxing unit with about the same amount of tax revenue it spent the previous year for day-to-day operations, plus an extra 8 percent increase for those operations, in addition to sufficient funds to pay debts in the coming year. If a unit adopts a tax rate higher than the rollback rate, voters in the unit can circulate a petition calling for an election to limit the size of the tax increase.
- **Actual tax rate.** Commissioners Courts set the tax rate based on how much money they will need to fund the county budget and service any county debt. In some cases, this may be the calculated effective tax rate or the rollback rate, but not necessarily so.

A concept called “truth in taxation” requires the taxing entity to post proposed tax rates and conduct hearings if the proposed rate brings in any additional revenue to the entity.

This process is admittedly confusing and has created some common misperceptions:

Incorrect: The County conducts appraisals.

Correct: Central appraisal districts, which are not part of county government, conduct appraisals.

Incorrect: Taxpayers should contact the Commissioners Court if they have problems with their appraisal values.

Correct: Taxpayers should contact their central appraisal district.

Incorrect: If the appraised value of my property goes down, then my taxes will automatically go down.

Correct: If the county adopts the calculated effective tax rate, then the tax rate will be adjusted to bring in the same amount of money for the coming year that was on the tax roll in the last year. In this case, even though the appraised value went down, taxes would go up in order to bring in the same amount of revenue as the previous year.

Incorrect: An increase in appraisal values is an automatic windfall for counties and other taxing jurisdictions.

Correct: An increase in value is offset by an automatic lowering of the tax rate that the county must begin with, which is the effective tax rate.

Incorrect: Counties can raise taxes as high as they want.

Correct: The amount of taxes needed depends on how much the county needs to fund the county budget and service any county debt. If appraised values go down but budget needs go up, the tax rate will be adjusted to reflect this need. If a county adopts a tax rate higher than the rollback rate, voters can circulate a petition calling for an election to limit the size of the tax increase.