How Missoula County calculates expenditures and revenue

Expenditures

In previous fiscal years, Missoula County required all department budgets to begin from the base budget established the prior year. For every increase to that base amount, departments had to submit a budget request to commissioners.

For example, if a department's budget was $200,000 for fiscal year 2017, its base budget would be $200,000 for fiscal year 2018. Then, if the commissioners approved a budget request in FY 2018 to add an ongoing expense of $10,000 to pay for new technology, the department's base budget would be $210,000 going forward. In this example, if the annual maintenance costs for that technology then increased by $200, the department would submit a budget request to increase their base budget by $200, setting it at $210,200 going forward. Increased costs to maintenance and service agreements, as well as changes to material and utility expenses, are all examples of what used to require individual budget requests.

This year, instead of requiring commissioner approval of individual requests, that $200 will automatically be included in the department's budget as part of what's now called the ***sustainment budget***. Essentially, the sustainment budget is what it will cost for a department to sustain its current operations. Requests for new funding, such as to hire another employee or buy new equipment, still require a budget request for commissioners to approve or deny.

Using the *sustainment budget* approach instead of the *base budget* approach allows the commissioners to more thoughtfully examine ***budget trends*** year over year. It also provides a clear picture of just how much money it takes to maintain the current levels of service county departments deliver.

The sustainment budget approach also differs in that budget staff take a much more detailed approach to ensuring departments aren't overbudgeting their line items. For example, if budget trends indicate a department's budget line item for office supplies is historically underspent/overbudgeted, the sustainment budget approach ensures that expenditure line is reduced to reflect what's actually required to cover office supplies for the year.

Revenue

In previous fiscal years, developing a preliminary budget in May and June involved the county estimating growth in property tax revenue from new construction and increased property values. The Department of Revenue provides certified taxable values to local governments based on these factors, but not until August. After those values were released, the county had to reconcile its estimate with the actual certified value to calculate the final budget.

So, what does this mean for property-tax payers? Growth in property tax revenue is based on the increase in newly taxable property – mainly new construction and improved buildings. This newly taxable property is what increases property tax revenue that local governments can rely on before they have to raise taxes on current property taxpayers. Some years, the growth in newly taxable property can cover the revenue needed to support incremental growth in the county budget. In years when it can't, property taxes go up.

In previous fiscal years, predicting revenue growth helped budget managers set their expenditures within the means of their anticipated revenue. But building revenue growth into a department's budget does little to incentivize reduced spending. This fiscal year, commissioners opted to maintain the amount of tax revenue from last year in the preliminary budget, so the additional dollars required to keep each budget sustainable was clearly stated. Removing the projected revenue increase from preliminary budgets means budget managers, the commissioners and, most importantly, taxpayers see how much money is needed to cover the increased costs of delivering the same levels of service to the public.