

**Beckham County Government
Analysis of Revenue and Expenditures**

Requested by

Beckham County Board of County Commissioners

Provided by

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Beckham County Government

Analysis of Revenue and Expenditures

Objective:

Provide useful information and analysis to assist with county budgeting, specifically the General Fund Budget.

Primary Methods of Analysis:

1. General Guidance from the Oklahoma Statutes
2. Comparison to Similar Counties

Sources of Information:

Annual County Budgets, i.e. State Auditor and Inspector Form # 2631R97, the annual County Estimate of Needs and Financial Statement

Payroll Paycode Report, OneAmerica CP, data range: 9/1/2018-9/30/2018

Payroll Paycode Report, OPERS CP, data range: 9/1/2018-9/30/2018

Payroll Paycode Report, CP OPEH&W, data range: 9/1/2018-9/30/2018

County Treasurer's Ledger 6/30/15 – 6/30/15

2018 Beckham Assessor's Office Report to the Excise Board

Appropriation Ledger, Account 23-70: Fixed Charges, data range: 9/1/2018-9/30/2018

Personal Income and Employment by Major Component, Bureau of Economic Analysis, 2014-2017

General Guidance from the Oklahoma Statutes:

The Statutes provide for line items of appropriation by department. This is provided for by State Auditor and Inspector Form # 2631R97, the annual County Estimate of Needs and Financial Statement, commonly referred to as the “county budget form.” Exhibit A is the General Fund and Schedule 8 shows most recent fiscal year appropriations (budget) and expenditures plus the current fiscal year budget. Schedule 8 shows this for each department. Within each department are the line items of appropriation for that department. For example, department 04 is the County Sheriff and the line items are Personal Services, Part Time Help, Travel, Maintenance and Operation, Capital Outlay, and so on.

Salaries and Benefits:

Compensation of personnel is a large component of county general fund expenditures in most, if not all, counties in Oklahoma. Elected official salaries are prescribed by statute to be within a certain range.

Employee salaries may not exceed elected official salaries. The number of employees is not prescribed by law. Each official should hire the number needed to accomplish the duties of the office. So, amount of salary paid and number of employees hired are a big part of the budget.

In addition to salary or wages, the county must pay the employer's responsibility with respect to social security and medicare (7.65%). In addition, most, if not all, employees will also have Oklahoma Public Employees Retirement System (OPERS) benefits. OPERS requires at least 20% of salary be contributed. The employee must contribute a minimum of 3.5%. The county must contribute at least 11.5% but may contribute up to 16.5%. If the county requires an employee to contribute the minimum, then the county must contribute 16.5%, the maximum. This is a burden on the county budget. If the county provides a lesser percent, then the employee must pay a larger percent and this lightens the burden on the county by putting a larger burden on the individual. Currently, Beckham County pays the maximum 16.5%. One way to reduce the budget is to reduce this contribution within the range allowed by law.

Health insurance is provided by most counties and is provided by Beckham County. There is no statutory requirement. Based on the September 2018 payroll, Beckham County provides health insurance in an amount equal to 20% of the total payroll. Beckham County government could reduce the budget by paying a lesser amount of health care insurance benefit.

Beckham County also pays a relatively small amount to a deferred retirement program for employees (and employees may also contribute from their paycheck). In September 2018, the \$25 employer contribution amounted to just 0.8% of the total payroll. So, this is a relatively minor amount, yet a county expense that is not required.

Summary, when considering the budget for personnel, the county currently pays about 45% in benefits. In other words, for every dollar of salary paid, another 45 cents must be budgeted for benefits. Put another way, a \$50,000/year salary requires another \$22,500 for the various benefits, some required and some not. This is not uncommon but it is a significant consideration in the county budget. For fiscal year 2018, "Personal Services" (including benefits) composed 73% of the General Fund expenditures.

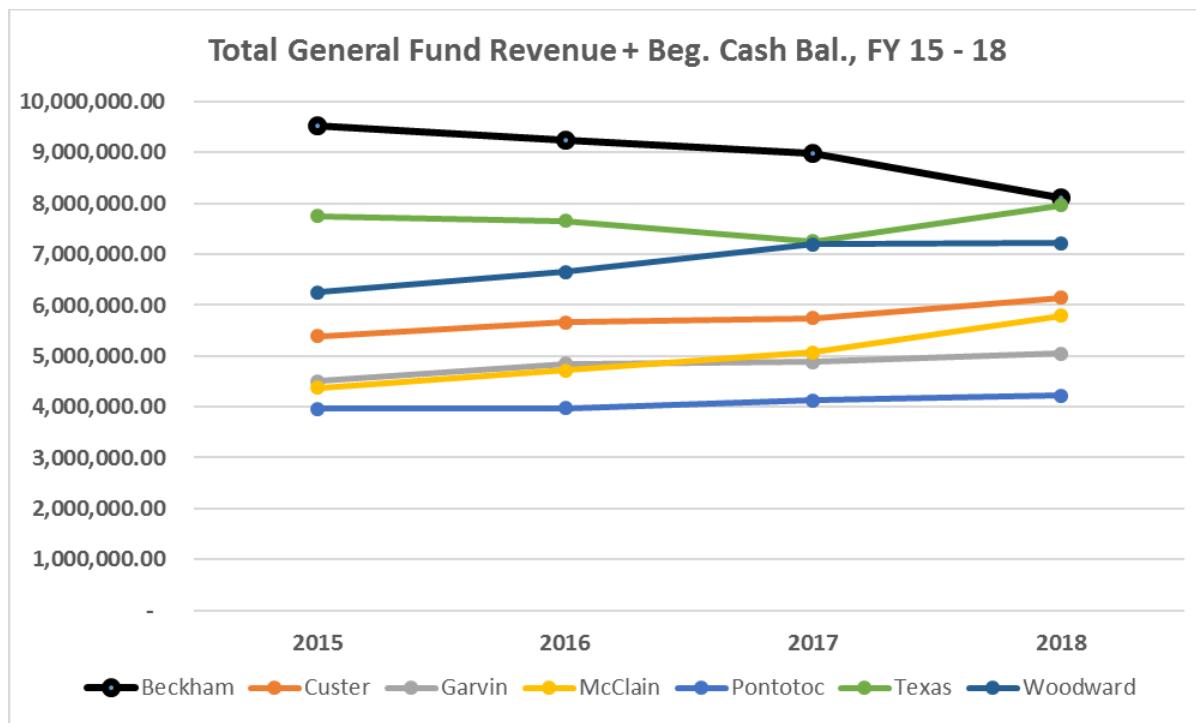
Other county options are to pay commission and road crew salaries from dedicated road revenue rather than the general fund. Similarly, cash funds may be used to pay some employee salaries or some expenses as allowed by law. An example is the Resale Property Fund.

Comparison to Similar Counties:

It seems appropriate to compare the operation of Beckham County to similar counties in order to discover differences that may shed light on revenues or expenditures, which in turn, may provide ideas for budget modification. In order to select a set of counties with which to compare Beckham County, three parameters were used. One was population. A second was net assessed valuation. The third was amount of sales tax generated (adjust to 1% equivalent). Based on 2017 population projections, six counties were found to be within a range of population from 5,000 less than Beckham to 5,000 more than Beckham. Based on 2017 valuations (fiscal year 2018), six counties were found to be within a range of \$40,000,000 less or more than Beckham. Only two of the six were the same as the six within the population range. Finally, nine counties were found to be within a sales tax collections range of \$500,000 plus or minus Beckham (after adjusting each county's actual collections in 2018 to a 1% equivalent). In other words, since counties often have different sales tax rates, it is hard to compare their sales tax revenue fairly without estimating what each would be if was at a 1% rate. When this was done, five of the nine counties were found to be among the same counties meeting at least one of the other criteria. Ultimately, six counties were identified by meeting at least two parameters. These comparison counties are:

Custer, Garvin, McClain, Pontotoc, Texas, and Woodward

Several different comparisons were made. These comparisons provide interesting information but also raise questions. First, let's look at a figure that pretty clearly shows the motivation for this analysis. Beckham County's revenue and cash balance have been declining whereas the comparison county revenue plus cash balance have not. Beckham starts well ahead (larger) than the group but has been declining. See the figure below:



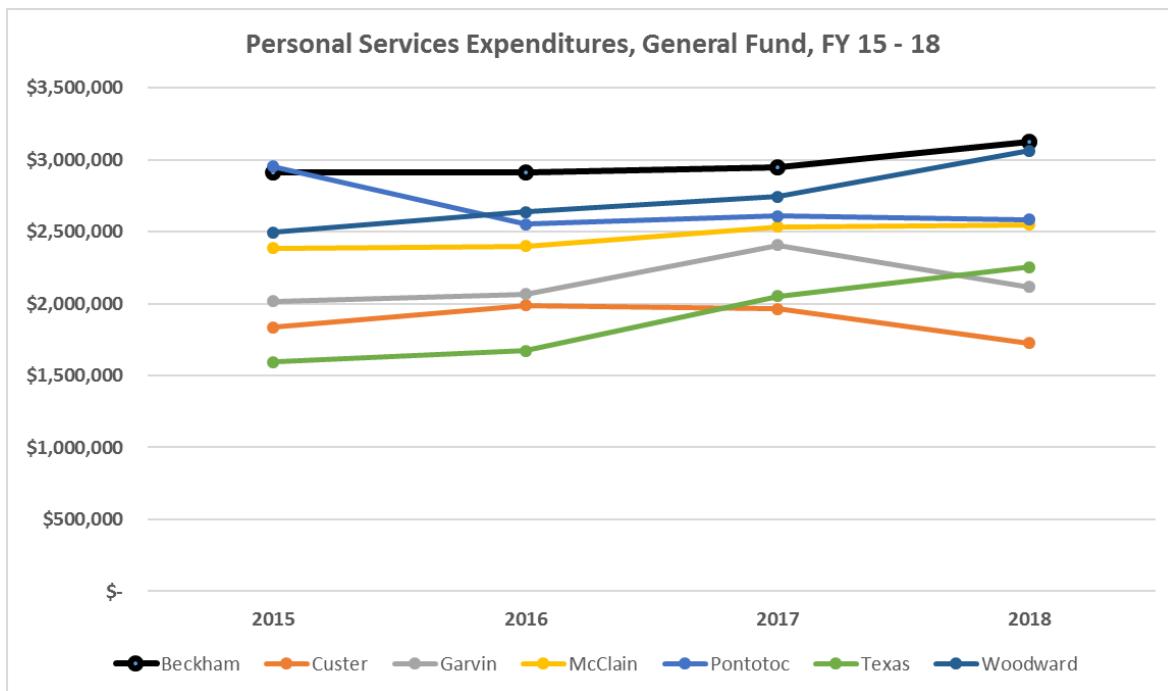
Expenditures:

Now let's start with the % of the General Fund Budget spent on Personal Services in fiscal 2018:

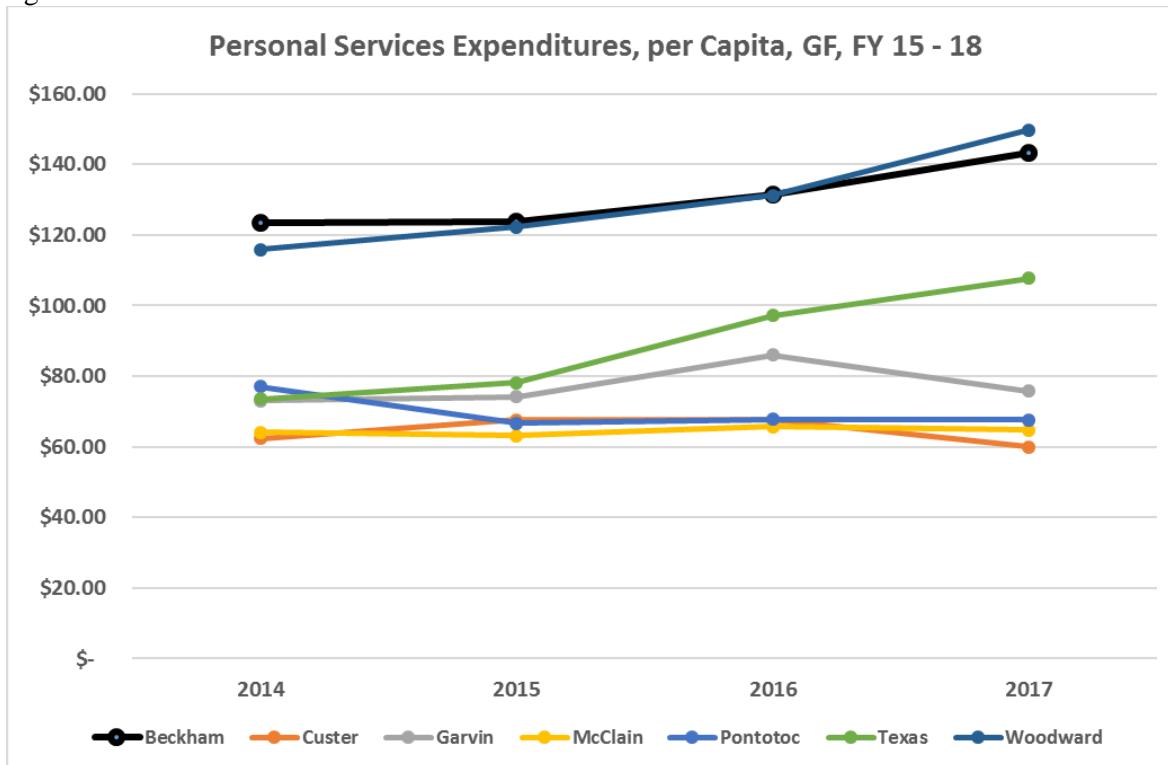
County	Percent of General Fund Budget Spent on Personal Services
Beckham	73%
Custer	56%
Garvin	64%
McClain	69%
Pontotoc	75%
Texas	59%
Woodward	75%

So, for four of the six counties, personal services is a noticeably smaller percent of the budget yet two of the six were very similar to Beckham.

If one compares the personal services expenditures in each of the seven counties for fiscal years 2015 – 2018, it is interesting to note that Beckham was largest every year except 2015 when Pontotoc was slightly larger. See the figure below.



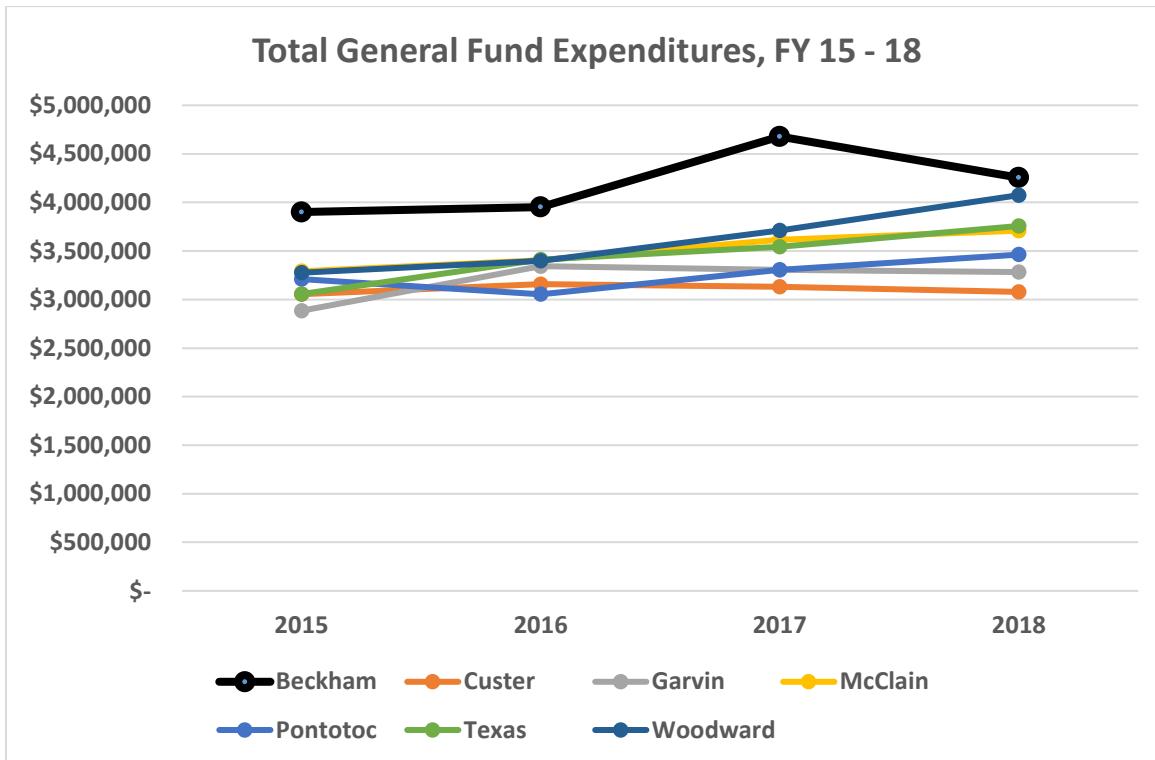
Since the dollar amount of expenditure may vary with number of people, we can divide each year's expenditure for each county by the county's estimated population. The data is displayed in this next figure:



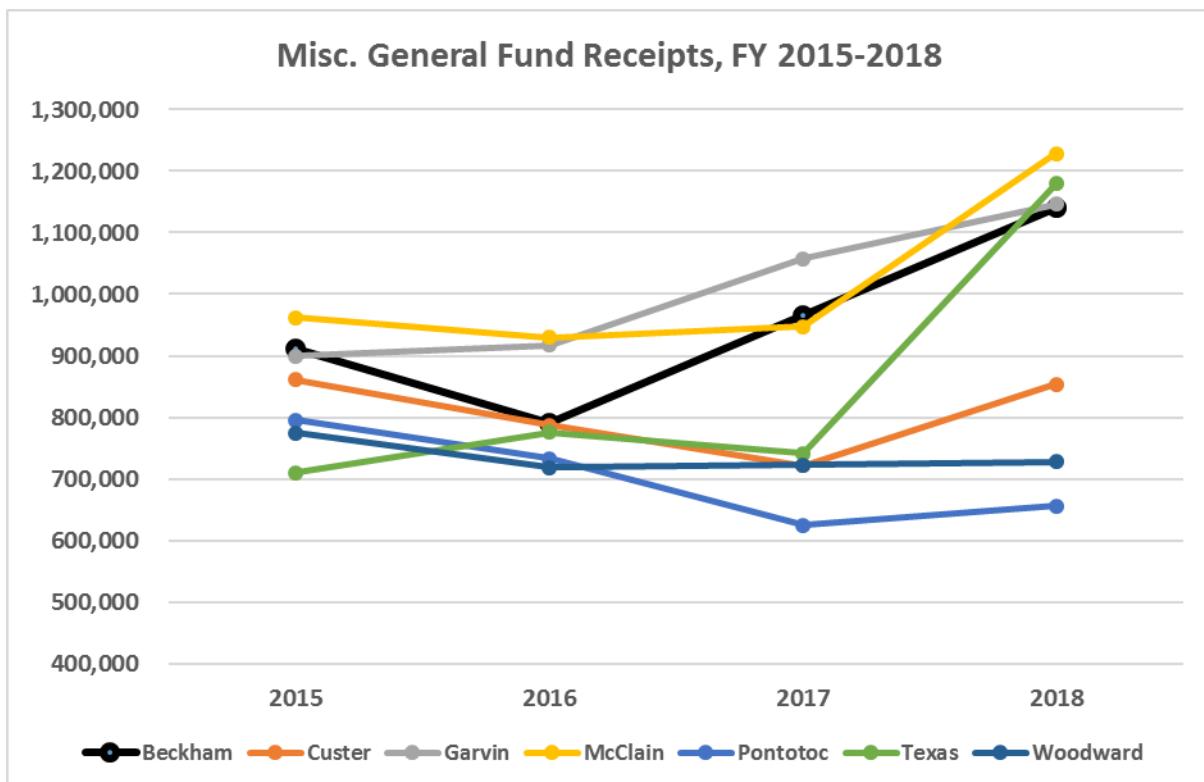
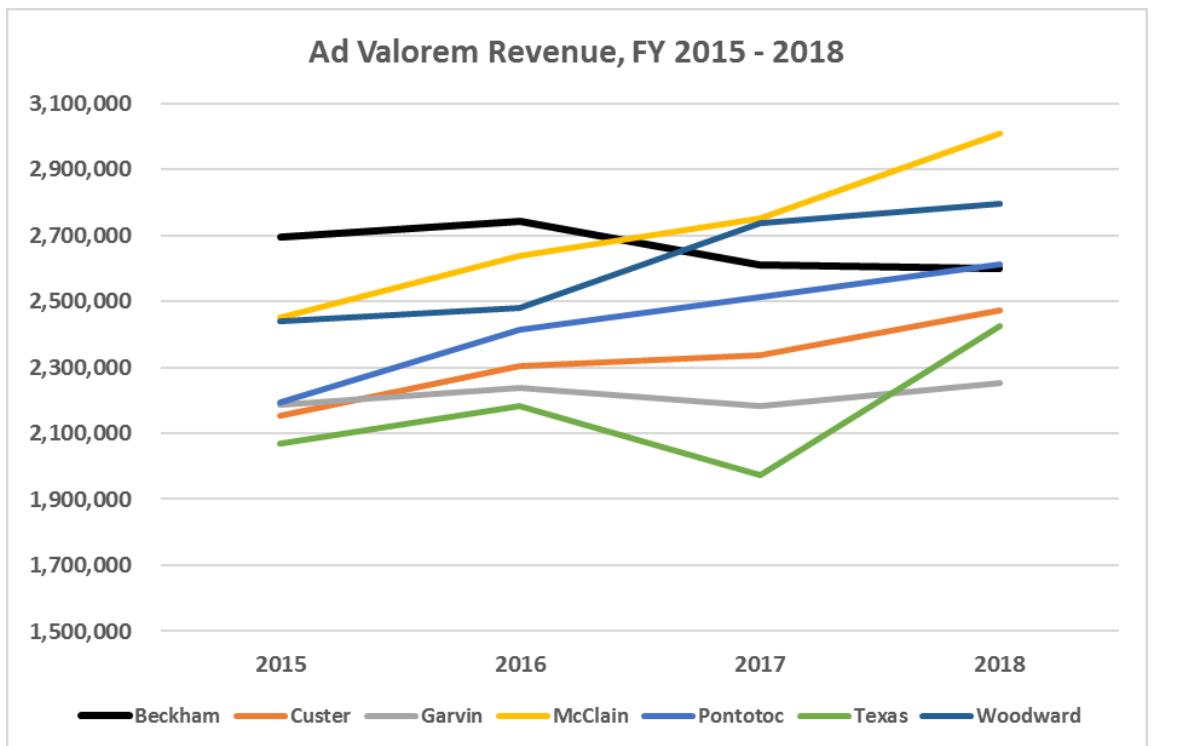
In this second figure, it is clear that expenditure on personal services per citizen is significantly larger in Beckham and Woodward Counties. It should also be noted that Beckham, Texas, and Woodward Counties have the smaller populations in the group. The next closest population size county is Custer.

with 700 more people. So, it appears that the larger counties in this comparison group are able to spread the cost of personal services across more people, hence lowering the cost per person.

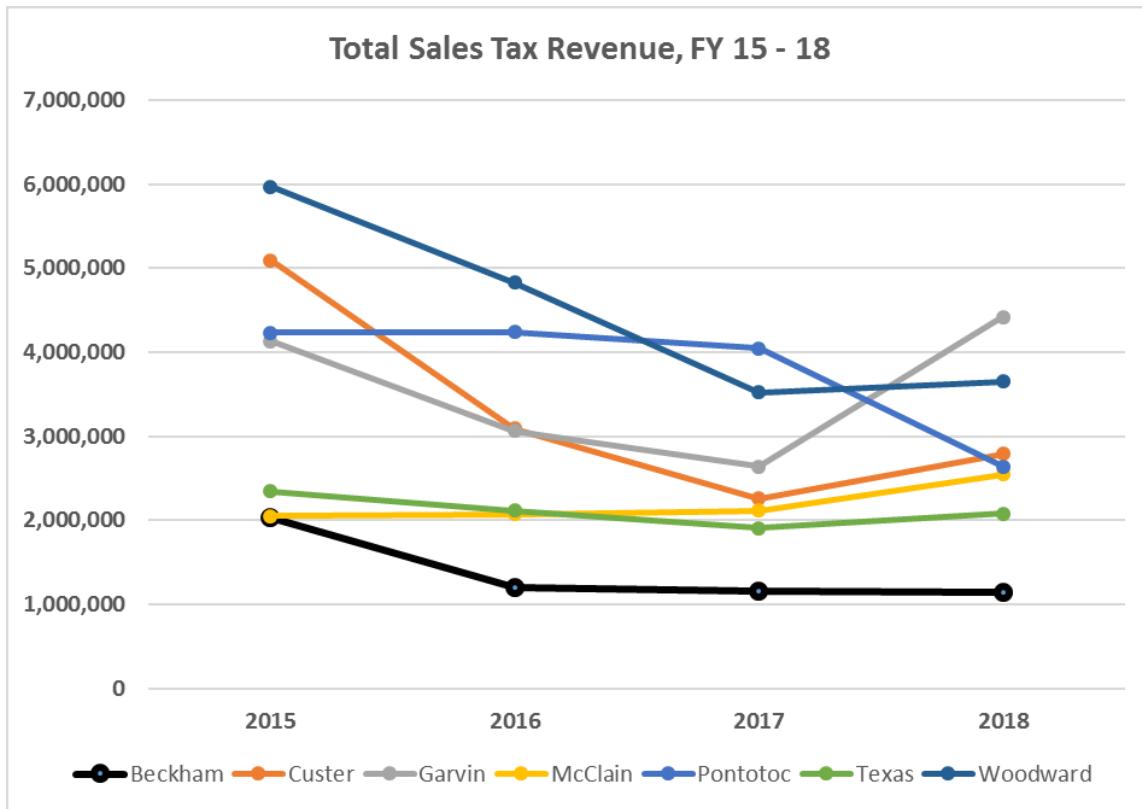
Total Expenditures, not just personal services, is another way to compare the group. This next figure clearly shows a greater level of expenditure in Beckham County over the four years.



The other side of the coin, so to speak, is revenue. Obviously, counties cannot spend more than they bring in, at least not for very long, since a balanced budget is required. So, we now show some comparative revenue figures.



Although all of the seven counties (Beckham and the six comparison counties) have a sales tax and in every case the sales tax all goes into cash funds, it is true that sometimes cash funds are used by counties to help lighten the load on the county general fund. A good example is paying commissioner and road crew salaries from the highway fund or a sales tax for roads and bridges fund. Another example is paying for jail operations from a sales tax fund rather than from the general fund. For these and other reasons, it can be useful to look at sales tax revenue even though it is going into cash funds.

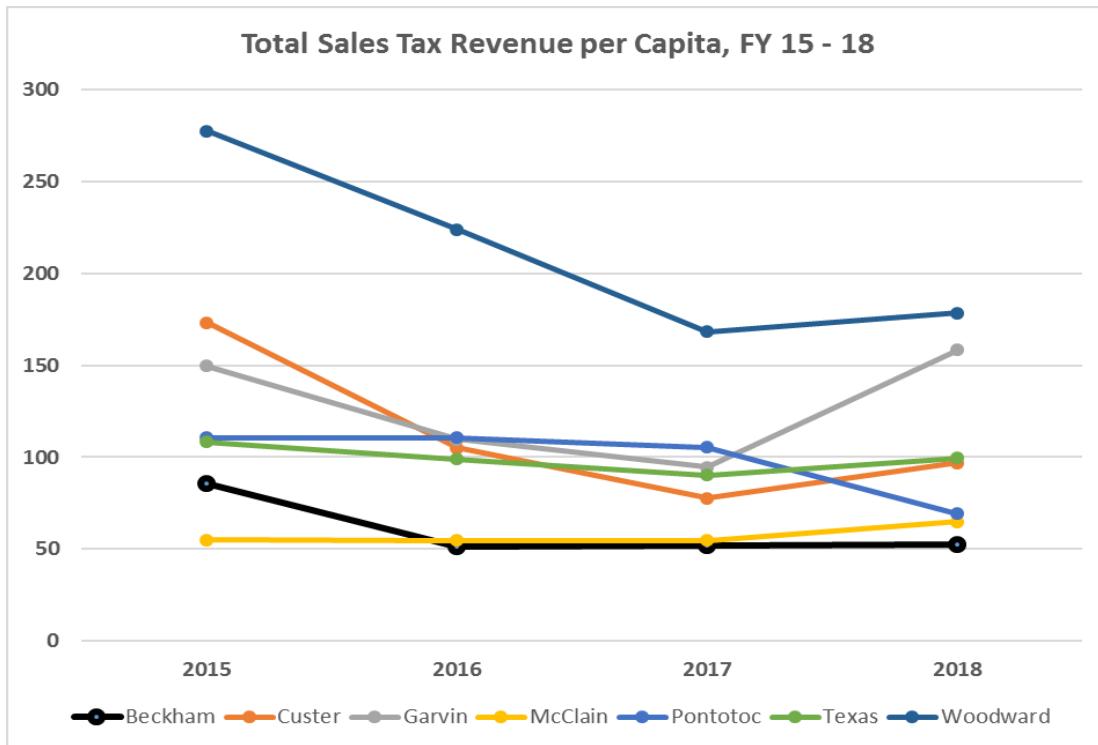


All of the counties had a higher sales tax rate than Beckham. The rates at the end of FY 2018 were:

County	Beckham	Custer	Garvin	McClain	Pontotoc	Texas	Woodward
Rate	0.25%	0.5%	0.75%	0.5%	0.313%	1.0%	0.9%

(Pontotoc's sales tax drops markedly between 2017 and 2018 because the rate was reduced.)

With the lowest rate, we may expect the per capita cost to citizens to be lowest also. In three of the four years, the average cost per citizen is lower in Beckham than in the others.



In summary (for now), some basic questions:

Why does Beckham have greater general fund expenditures than the other counties?

Why is personal services (salaries and benefits) such a large share of the total expenditures?

Misc. Facts (for now)

2018 Elected Official Salaries:

County	Beckham	Custer	Garvin	McClain	Pontotoc	Texas	Woodward
Salary	55,276	47,940	55,737	55,728	52,800	57,805	54,850

