



HARRIS COUNTY

OFFICE OF MANAGEMENT AND BUDGET

Standard Operating Procedures (SOPs): Budget Proposals

Last Update: March 2024

DRAFT



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OFFICE OF MANAGEMENT AND BUDGET

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1. PURPOSE

To establish a standardized process to develop, collect, and report budget proposals to Commissioners Court for review, revision, or possible adoption in the following year's budget. This is effective for FY25 and will be revised based on the strategic plan that will be adopted.

2. OBJECTIVES

- Connect the adopted budget to the County's strategic plan and Commissioners Court priorities.
- Create a transparent and data-driven process for departments to submit options for Commissioners Court review.
- Prepare Commissioners Court with an understanding of existing obligations.
- Provide Commissioners Court with options to limit a structural deficit through budget offsets.
- Assist Commissioners Court with public meetings and discussion of the county's budget.
- Establish a process for discussing and approving amendments to the proposed budget.
- Incorporate feedback from Commissioners Court to improve the budget process.

3. SCOPE

Budget Proposals are used to project expenses for major operating funds including Harris County's General Fund (Fund #1000), Flood Control's operating fund (Fund #2890), and the Toll Road Authorities operating fund (Fund #5302 and #5310).

Budget proposals for other funds such as: the Mobility, Parking, or fleet funds, may be considered during the budget amendment process, as explicitly directed by Commissioners Court or recommended from OMB.

4. DEFINITIONS

Budget Amendment Special Meeting – A meeting of Commissioners Court held to propose, discuss, and vote on amendments to the following year's proposed budget.



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Budget Offsets – Reduction scenarios developed by a department to identify discretionary budget based on a percentage of its CLS budget. If selected, the budget offset would be reduced from the following year's budget of the identified program and service. All departments are required to submit budget offsets, but Commissioners Court will make final determination to accept the proposed offset to reduce the existing deficit or fund other strategic priorities.

Budget Proposals – The county's budget development process that consists of 3 exercises: (1) budget proposals that include performance measures and narrative about alignment with the Strategic Plan, (2) required *budget offsets*, and (3) optional *Service Enhancements*.

Budget Town Halls – Public meetings hosted by Commissioners Court offices to inform the public of the county's budget process.

Current Level of Service (CLS) Projection – The initial estimate of the county's prior year adopted budget plus any known cost increases caused by inflation, legal mandates, or Court action, compared to next budget year's projected revenues. The CLS is a starting point, not a baseline budget, meant to help quantify the county's fiscal position, prior to the budget process and Commissioners Court deciding on budget proposals.

Department Budget Hearings – Hearings held by Commissioners Court staff to understand more about the department's budget proposals.

Department Build-Ins – Submissions from Harris County departments to adjust next year's budget appropriation to reflect unplanned changes due to inflation, unbudgeted legal mandates, cyclical costs, new facility costs, Commissioners Court approved programming, or reductions in grant funding.

Services and Programs – *Services* are governmental activities delivered to the public that address a specific community or governmental problem. A *program* is a group of services directed at achieving a common outcome.

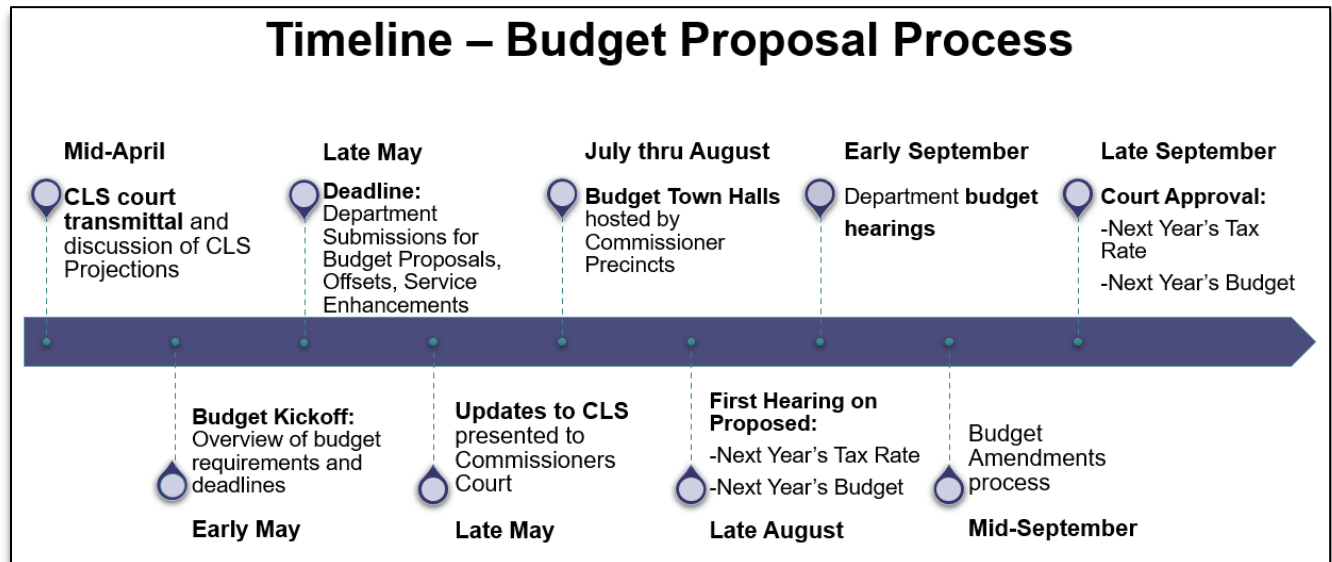
Service Enhancements – Requests for new investment by a department or Commissioners Court that either expand an existing service or create a new service.



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5. TIMELINE



6. CLS PROJECTIONS

Following the April presentation to Commissioners Court of CLS Projections, any requested changes or guidance will be made and presented to Court during the April or May transmittal of updates to CLS. As an example, in FY 24, Commissioners Court directed OMB to change its initial 3% cost-of-living-adjustment (COLA) and utilize a 7% COLA assumption.

OMB will use the CLS projections as the initial estimate of expenses for the next fiscal year, and all remaining assumptions like recurring transfers, inflation cost drivers, and department built-ins will remain unchanged. For budget proposals, a department's CLS budget will be considered 100% by which the set percentage of discretionary budget will be identified and transmitted to departments for use in the *budget offsets* exercise.

7. BUDGET PROPOSALS

Departments are required to respond to a standardized set of questions, by program, that details their alignment with Commissioners' Court priorities.

Questions may include:



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- What does the program do?
- How do you measure this program's performance?
- Which performance measures are most indicative of this program being successful?
- Which Court priority does this program most closely align to?
- Describe how your program aligns with that Court priority.
 - If this program does not closely align to a Court priority, please describe the importance of your program in terms of statutory or other requirements, community impact, and/or performance.
- Is this program (or an associated service) legally mandated?
- Have you made any changes to this program to better align with Court priorities?

Prior to budget kick-off, OMB will make recommendations to Commissioners Court on questions to be included in the budget proposal process, and Commissioners Court can amend or substitute as necessary.

8. BUDGET OFFSETS

Budget offsets are reduction scenarios developed by a department to identify discretionary budget based on a percentage of their CLS budget. If selected, the budget offset would be removed from the department's service in the following year's budget. Participation in the budget offset exercise is mandatory, but this does not mean that all budget offsets will be approved by Commissioners Court. However, if a department is out of compliance with the County's budget process, due to non-participation in the budget offset exercise, Commissioners Court directs OMB to automatically reduce the department's budget by the defined reduction percentage.

OMB will conduct internal reviews of all budget offset submissions before making final recommendations to Commissioners Court regarding which submissions to accept.

Internal Portfolio Team Review

Once departments have turned in their budget offset submissions, OMB Portfolio teams in coordination with OCA will internally review all submissions from their departments to determine:

- (1) **Reasonableness** – Portfolio teams will confirm if the identified discretionary budgets and expenses are verifiable. If, for example, the budget offsets are tied to non-labor expenses,



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OMB will verify that these funds are not needed to spend towards an existing purchase order. If needed, a historical review of end of year available balance and spending trends will be conducted.

- (2) **Good Faith** – Portfolio teams will confirm if the expenses are truly discretionary. Any legally or contractually mandated expenses would not be considered eligible submissions for the defined reduction percentage.
- (3) **Draconian Offsets** – Extreme reductions to a service(s), above and beyond the defined reduction percentage, will be viewed as a bad faith submission. If the department does not narrowly-tailor their submission, they will be viewed as non-compliant, and OMB will submit offsets on its behalf.
- (4) **Contradictory Offsets** – Offset submissions that reverse CLS adjustments recommended for a department's following year budget may be considered bad faith submissions. CLS adjustments are given to departments based upon a stated need to maintain current operations. Identifying a CLS adjustment as discretionary budget contradicts the stated need for the adjustment.

Finally, teams will make an overall recommendation to approve or not approve budget offset submission. However, all recommendations must be reviewed and approved by OMB's Executive Director and the County Budget Officer.

Form Submission Data

Budget offset forms will be focused on the department's program(s) identified to absorb the defined reduction percentage. The department shall submit the necessary background information to easily communicate what the program offers to the public and the impact of the reduction on service-level operations and performance measures.

Timeline

The department Budget Offset exercise will begin in early May and will be due at the end of the month. The timeline for Budget Offsets is as follows:

- ***CLS Projections Update – Early May***
 - CLS Projections presented in April will be updated with any Court-requested changes, setting the departments' 100% CLS budget for Offset submissions.
- ***Budget Offset Submissions – Late May***



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- Deadline for department Budget Offsets.
- *Court Office Transmittal – End of May*
 - Court Offices will receive a service-level breakdown of budget proposals, including Budget Offsets and Service Enhancements, in late-May. Additionally, OMB recommendations for Budget Offsets will be transmitted by mid-June.
- *OMB Recommendations – End of June*
 - Department submissions are reviewed by OMB based off established criteria and recommendations are transmitted to court offices, for Budget Offsets only.
- *Court Office Feedback – Late June thru End of July*
 - OMB Executive Director to meet with Court Offices to discuss their priorities and receive feedback on recommendations.

Examples of eligible/ineligible budget offset submissions are described below:

Eligible Submission Examples

- i. **Example #1** – OMB's Finance and Investment service had a funded Manager III position that was vacated halfway through the fiscal year. This is a funded position with a labor commitment of \$147K, including salaries and benefits. The Manager III position is responsible for monitoring and day trading for the county's cash investment. The anticipated impact from no longer funding the position is that there would be less revenue earned on investments by having one fewer individual responsible for actively managing the county's cash investment.
- ii. **Example #2** – Juvenile Probation re-negotiated a \$4M psychiatric service contract with the University of Texas Health Science Center for a lower costing service model. This allowed Juvenile Probation to plan to absorb a \$1.873M budget offset with their non-labor savings.
- iii. **Example #3** – The Engineering department planned to transfer 14 positions to their Fire Code fund (2326) that perform work specific to the fund. This transfer allows a \$1.6M budget offset to be absorbed within Engineering's General Fund labor budget.
- iv. **Example #4** – The Office of County Court Management will use the Language Access special revenue fund as an alternative funding source to offset the costs of interpreter's fees. This use of dedicated funding within the special revenue fund allows for submission of \$250K worth of savings for a budget offset.



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Ineligible Submission Examples

- i. Reasonableness criteria not met.
 - a. **Example #1** – Justice of the Peace 3-1 submitted a budget offset of \$41K entirely from their non-labor budget for postage. This offset would have reduced their non-labor budget by nearly 33% if accepted. This was not considered an offset using *discretionary* budget because postage is a necessary expense for the Justice Courts and typically tied to cases.
- ii. Good Faith criteria not met.
 - a. **Example #2** – The Public Defender’s Office submitted the budget for 7 positions as an offset of their FY24 budget. At the same time, Commissioners Court was supporting an expansion plan leading to 50% of County felony cases being assigned to the Public Defender’s Office, entailing an increase in personnel. This offset submission conflicts with a mandated goal of the Court and, as such, could not be evaluated in good faith.

9. SERVICE ENHANCEMENTS

Service Enhancements are requests for new investment by a department or Commissioners Court that either expand an existing service or create a brand-new service. If approved, funding for the Service Enhancement would be added to the department’s budget in the following year. All requests must identify: the name of the new or existing program/service, exact funding amounts for labor/non-labor budget, connection of the Service Enhancement to court priorities, performance measures connected to the service, and the impact on performance due to the new service or enhanced capabilities to the existing service. Participation in the Service Enhancement exercise is optional, but it is the primary means for a department to submit programmatic funding or service expansion requests to Commissioners Court for review. OMB makes final determination on the cost estimates for Service Enhancements in close collaboration with the department.

Internal Portfolio Team Review

Once departments have turned in their Service Enhancement submissions, OMB Portfolio teams in coordination with OCA, will internally review all submissions to prepare answers to clarifying questions from the OMB Executive Director or Court Offices. Final determination of Service



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Enhancements is made by Commissioners Court. Internal Portfolio teams review submissions to determine:

- (1) **Quality Submission**- Is the request clear and thorough enough to determine the purpose and costs of the request? Does it articulate a clear problem that it is trying to solve for? Is there a reasonable and detailed implementation plan if the request is approved?
- (2) **Court Priorities** – Does the new service or enhancement request better position the county to achieve Commissioners Court priorities? If needed a historical review of comparable services can be conducted to identify duplicative services.
- (3) **Performance Measures** – Does the impact on performance described in the request align with the funding amount requested? If needed a historical review of comparable service and performance data can be conducted to understand the scale of the investment.
- (4) **Budget Utilization**- Has the department historically spent most of or all of their current budget? Could this be funded with internal resources? Has the department reviewed their special revenues to fund this initiative?

Timeline

The department Service Enhancement exercise will begin in early May and will be due at the end of the month. The timeline for Service Enhancements is as follows:

- ***Service Enhancement Submissions – Late May***
 - Deadline for department Service Enhancements.
- ***Court Office Transmittals – End of May***
 - Court Offices will receive a service-level breakdown of budget proposals, including Budget Offsets and Service Enhancements.
- ***Court Office Feedback – Late June thru End of July***
 - OMB Executive Director to meet with Court Offices to discuss their priorities and receive feedback on recommendations.

Form Submission Data

Service Enhancement forms will be focused on the department's program(s) and the department shall submit the necessary background information to easily communicate what the program offers to the public and the impact of the investment on service-level operations and



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performance measures. Furthermore, the submission must identify which Commissioners Court priority it will help to advance, if funded.

Budget Rules

- I. **Submission Investment Range** – The investment range of Service Enhancement submissions must be between a minimum of \$75K to a maximum of \$5M.
- II. **Not to Exceed Amount** - The not to exceed amount for a department's total requests will be based around the size of the department's budget.
 - a. The table below identifies the maximum funding amount a department may request and receive for their cumulative Service Enhancement submissions:

Department Budget Size	Not to Exceed Amount (All Requests)
>\$200M	\$10M
\$81M - \$200M	\$5M
\$51M - \$80M	\$3M
\$10M - \$50M	\$2M
<\$10M	\$1M

- III. **Program Request Maximum** – Department's may submit a maximum number of two requests per program.
- IV. **Summary Budget Proposal Files** – OMB will provide Commissioners Court Offices with summary budget proposal files to easily review high-level details of the department's total submissions.
- V. **Court Office Sponsorship** - For a Service Enhancement to be considered during the budget amendment process, it must be sponsored by at least one Commissioners Court Office.

Examples of eligible/ineligible Service Enhancement submissions are described below:

Eligible Submission Examples

- i. **Example #1** – Public Health Services submitted a \$2.95M enhancement request for its Violence Prevention service with an expansion of their Holistic Assistance Response Team (HART). This request was determined to align with Court goals for expansion of this service and was approved.



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- ii. **Example #2** – The Sheriff’s Office was approved for a \$2.75M enhancement to their General Patrol Services that established a detective career path for their investigators. Providing a career progression for officers wishing to directly investigate criminal activity contributed towards the Court priority of reducing violent crime and was considered eligible and approved by Court.
- iii. **Example #3** – The Office of County Court Management received a \$658K enhancement to their Probable Cause Hearing Court/Magistrate Services for increased capacity for their 24-Hour Hearing Court. The request for additional personnel to both manage the increasing demand on this hearing court and to prepare for further expansions of probable cause/magistrate dockets increases the quality of court services and aids faster processing of related cases. Both outcomes are considered desirable for Court objectives.
- iv. **Example #4** – The Institute of Forensic Sciences received a \$388K enhancement to facilitate adding an additional Assistant Medical Examiner to their roster. This request contributed towards the Court’s goal for improving Justice and Safety outcomes, but also received consideration as this enhancement request would lead to less reliance on contractors for their Forensic Pathology service, and thus lead to operational savings.

Ineligible Submission Examples

- i. Although the Service Enhancement exercise is the opportunity for a department to make requests without eligibility criteria, there are some types of submissions that should be avoided:
 - a. Submitting requests for across-the-board increases to the salaries for employees in all of your department’s services.
 - b. Requests for additional budget that **a)** are not specific to a service or programming within your department and, **b)** are not clear on the impact to your department’s provided programming are not appropriate for the Service Enhancement process, or **c)** do not clearly tie to Commissioners Court priorities.
 - c. Submissions are incomplete or lack performance measures.

10. BUDGET TOWN HALLS

Budget Town Halls are public meetings hosted by Commissioners Court offices to inform the public of the county’s budget process. The Town Halls are an opportunity for the public to



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understand and weigh in on the proposed budget. OMB presents an overview of county finances to the participants, and then utilizes an interactive application called 'Balancing Act' to engage audience members. Through Balancing Act, the public has a simulation tool it can use to make adjustments for higher revenue collections or prepare reductions in department services.

Timeline

Commissioners Court budget Town Halls timeline is as follows:

- *Budget Town Halls – July thru August*
 - Public meetings hosted by Commissioners Court offices to inform the public of the county's budget process. OMB will use the Balancing Act tool to engage members of the public, and staff will be on-hand to assist.

11. DEPARTMENT BUDGET HEARINGS

Department budget hearings are held by Commissioners Court staff to understand more about the department's budget proposals for the following year. Departments are invited by Court offices to attend hearings on an as needed basis, the majority of questions will be asked beforehand, and there is no presentation given by departments. The hearing format includes: an opening statement by the Elected Official/Department Head, Commissioners Court questions, and a closing statement by the Elected Official/Department Head.

Timeline

Department budget hearings timeline is as follows:

- *Budget Hearings – Early September*
 - Held by Court Offices with departments to understand more about department budget proposals, including Service Enhancements.

12. BUDGET AMENDMENTS

The *Budget Amendment Special Meeting* is a meeting of Commissioners Court held to discuss and vote on amendments to the following year's proposed budget. Initial proposals may center around Service Enhancement submissions that received adequate sponsorship for discussion (described in the *budget rules* section above). In addition, court can use this process to propose



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reductions to programs and services within Departments. In this process, Commissioners Court can discuss and vote on any item within the amendment process so long as it is moved by a court member and has a second. During the budget amendment process OMB will provide court with live feedback on the availability of funding for approved amendments. After the special meeting ends, all approved amendments will be updated in the proposed budget for discussion in late September.

Timeline

Commissioners Court budget amendment timeline is as follows:

- *Budget Amendments – Mid September*
 - Special Court meeting held to discuss and vote on budget amendments to the proposed budget. Previously submitted Service Enhancements may be discussed and voted on if they receive adequate sponsorship.

13. EXPENDITURE CONTROL PROCESS

Throughout each fiscal year OMB's quarterly projection process serves as the county's expenditure control process¹. The quarterly projection process is a concise summary of material budget variances and the reasons for these forecasted changes. It tracks spending trends within the fiscal year and provides an update to Commissioners Court with the county's net position and makes recommendations for supplemental budget transfers when needed.

To better control supplemental budget appropriations, OMB uses quarterly projections as a tool to inform Commissioners Court of budget overruns, their cause, and whether departments will be required to submit a corrective action plan or be required to cut other services within the department.

¹ See Standard Operating Procedure – Quarterly Projections Process, link ([here](#)).