

# Issue Paper — FY 2026–27 Budget: Start with the Penny

A Framework for Strategic Allocation

Prepared for the County Commission | 11 May 2026



## RECOMMENDATION

**That the Commission make penny apportionment the first substantive item of the FY 2026–27 budget cycle — scheduled and decided before departmental budget review begins.**

*Apportionment sets the revenue ceiling for every fund. That decision belongs at the front of the process, not the back.*

**\$97,167**

what one penny is worth this year

**\$734,900**

more than last year — ready to apportion

**3 funds**

each with its own needs and its own claim on the penny

*Now that we have the penny value, the first order of business is deciding how to split it — before departmental line items shape the conversation.*

## WHAT IS THE PENNY?

The penny is the revenue generated by one cent of property tax rate per \$100 of assessed value. This year's total penny revenue is \$22.4 million.

The Commission decides each year how to split that money across three primary funds — general operations, schools, and roads. In years past, the Commission has backed into this decision instead of making it a preeminent financial decision.

## WHY THIS MATTERS NOW

For years, the county covered budget shortfalls by drawing on reserves — fund balances and capital maintenance accounts — instead of making hard decisions about apportioning funds. That habit is no longer an option. Reserves are lower. Capital accounts have been drawn down. One-time federal funds are gone. Last year it took a 16% tax increase just to sustain annual operations, and that didn't fully close the gap.

This makes penny apportionment the most important financial decision the Commission will make this year — especially for those who are disinclined to raise taxes. There is a legitimate question as to whether more revenue is needed, especially since none of the anti-tax commissioners have identified \$1.8M in budget cuts. The leading question, then, is whether the money we already have is going to the right places. If it isn't, reapportionment may help close the gap, or minimize a potential tax increase.

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That conversation should happen before departmental line items get scrutinized, and before anyone talks about new revenue. And it must look at all pertinent funds — not just county general, which absorbed most of the scrutiny last year. No category is exempt.

## THE QUESTION FOR EACH FUND

Here's what the Commission should be asking about each category before any budget review starts:

Fund	26–27 Yield	Change	The question commissioners should ask
County General	\$11,524,735	+\$378,115	Is this enough to cover the county's structural shortfall?
Schools	\$7,075,731	+\$232,148	Has school need grown? What do the school fund balances show? What is overcollection?
Highway	\$3,799,246	+\$124,649	Are roads getting better, staying the same, or quietly deteriorating?
Highway Capital Projects	\$0	No change	Currently unfunded.
Debt Service	\$0	No change	Funded by sales tax apportionment — currently adequate. No action required.
Other Capital Projects	\$0	No change	Funded through sales tax apportionment to Fund 189. Fund 189 should remain intact.

**Note:** Fund 189 (capital projects) and debt service are funded through a separate sales tax apportionment — those zeros reflect a different funding mechanism, not a gap. Highway capital projects has no dedicated revenue source. Finance will report fund balances and overcollection for every penny-funded category. If a fund has been collecting more than it spends year after year, that's money that could be working harder somewhere else. Every fund gets the same scrutiny.

## WHY APPORTIONMENT COMES BEFORE THE BUDGET REVIEW

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Department heads are rightly advocates for their own budgets. But once the Commission begins reviewing individual line items, the larger question of whether the penny is correctly apportioned gets lost. The Commission ends up micromanaging department lines instead of determining big-picture financial policy.

Deciding the penny split first reverses that dynamic. It gives every department a clear ceiling to work within, and it gives the Commission the only clean moment it will have to ask hard questions about each fund.

The right order is:

- apportion the penny first
- assess whether revenue is adequate
- then review departmental budgets.

Skipping the first step is how the Commission ends up debating a tax increase — or cutting services — without ever asking whether the existing revenue is correctly apportioned.

## RECOMMENDED ACTIONS

- Schedule a dedicated penny apportionment discussion as the first item of the FY 2026–27 budget cycle — before departmental budget reviews begin.
- Request Finance to bring fund balance and overcollection figures for every penny-funded category to that session, not just the general fund.
- Vote on the apportionment and record the decision. Use those rates as the revenue ceiling for each department’s budget.
- Only after apportionment is settled: assess whether total revenue is adequate, then review departmental requests within each fund’s allocation.

Respectfully,

A handwritten signature in blue ink, appearing to read "G. S. Stowe", is written over a light blue horizontal line.

G. S. Stowe

County Executive