

Local Government Budget and Fiscal Control Act

**Budgeting in Local Government
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Annual balanced budget ordinance

- Each local government shall operate under an annual balanced budget ordinance, which is balanced when the sum of estimated net revenues and appropriated fund balance is equal to appropriations [G.S. 159-8(a)].

Fund balance

- Appropriated fund balance shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget year [G.S. 159-8(a)].

Budget inclusiveness

- All moneys, except for those accounted for in project ordinances (capital project ordinance or grant project ordinance), trust or agency funds, or internal service funds (financial plan), should be included in the budget ordinance [G.S. 159-8(a)].

Fiscal year and legal budget calendar

- The budget ordinance of a local government shall cover a fiscal year beginning July 1 and ending June 30 [G.S. 159-8(b)].
- Legal calendar
 - G.S. 159-10 - Departmental requests to budget officer before April 30 (includes budget requests and revenue estimates)
 - G.S. 159-11(b) - Budget and budget message submitted to governing board not later than June 1
 - G.S. 159-13(a) - Budget ordinance adopted not later than July 1

Budget officer

- Municipal government
 - In cities having the manager form of government, the manager is the budget officer. In cities without the manager form of government, the governing board may impose the duties of budget officer on any city officer or employee, including the mayor (G.S. 159-9).
- County government
 - In counties having the manager form of government, the manager is the budget officer. In counties without the manager form of government, the governing board may impose the duties of budget officer on the county finance officer or any other employee except the sheriff, or in counties having a population of more than 7,500, the register of deeds (G.S. 159-9).

Budget requests

- The budget request shall be an estimate of the financial requirements of the department for the budget year, and shall be made in such form and detail, with such supporting information and justifications, as the budget officer may prescribe (G.S. 159-10).
- The revenue estimate shall be an estimate of all revenues to be realized by department operations during the budget year (G.S. 159-10).

Budget requests

- Budget officer receives before April 30 the amount expended in each category of the budget ordinance for the prior fiscal year and the amount estimated to be expended for the current fiscal year (G.S. 159-10).
- Budget officer receives before April 30 the amount of revenue collected in each category of the budget ordinance for the prior fiscal year and the amount estimated to be collected for the current fiscal year (G.S. 159-10).

Preparation and submission of budget

- Unless the governing board requests an unbalanced budget, the budget officer shall prepare and present, together with a budget message, a balanced budget to the governing board no later than June 1 [G.S. 159-11(a) and G.S. 159-11(b)].

Budget message

- The budget, together with a budget message, shall be submitted to the governing board no later than June 1 [G.S. 159-11(b)].
- The budget message should address:
 - Organizational goals
 - Important features of the budget
 - Major changes in fiscal policy
 - Changes from the previous year in program goals and appropriations levels.

Revenue-neutral property tax rate

- In each year in which a general reappraisal of real property has been conducted, the budget officer shall include in the budget, for comparison purposes, a statement of the revenue-neutral property tax rate for the budget [G.S. 159-11(e)].

Filing and publication of the budget

- On the same day that the proposed budget is submitted to the board, a copy is filed with the office of the clerk for public inspection [G.S. 159-12(a)].
- The clerk shall make a copy available to all news media and a statement is published (newspaper of general circulation) that the proposed budget has been submitted to the board, including the time and place of the public hearing [G.S. 159-12(a)].

Adoption of annual budget ordinance

- Before adopting the budget ordinance, the board shall hold a public hearing at which time any persons who wish to be heard on the budget may appear [G.S. 159-12(b)].
- Not earlier than 10 days after the day the budget is presented to the board and not later than July 1, the government board shall adopt a budget ordinance [G.S. 159-13(a)].

Budget ordinance

- The budget ordinance may be in any form that the board considers most efficient, but it shall make appropriations by department, function, or project and show revenues by major source [G.S. 159-13(a)].
- The full amount estimated by the finance officer to be required for debt service during the budget year shall be appropriated [G.S. 159-13 (b)(1)].
- The full amount of any deficit in each fund shall be appropriated [G.S. 159-13 (b)(2)].

Budget ordinance

- A contingency appropriation shall not exceed five percent of the total of all other appropriations in the same fund [G.S. 159-13 (b)(3)].
- The estimated percentage of collection of property taxes shall not be greater than the percent of the levy actually realized in cash as of June 30 during the preceding fiscal year [G.S. 159-13 (b)(6)].

Budget ordinance

- Appropriations to a school administrative unit may not be reduced unless the school board agrees by resolution or unless a general reduction in county expenditures is required because of economic conditions [G.S. 159-13(b) (9)].
- No appropriation from an enterprise fund to another fund unless the total of all other appropriations in the fund equal or exceed the amount required for operating expenses, capital outlay, and debt service [G.S. 159-13(b) (14)].

Budget ordinance

- The budget ordinance of a local government shall levy taxes that will produce the revenues necessary to balance appropriations and revenues, after taking into account the collection percentage [G.S. 159-13(c)].

Financial plan

- If a local government operates one or more internal service funds, it need not include such a fund in its budget ordinance. However, at the same time it adopts the budget ordinance, the governing board shall approve a balanced financial plan for each internal service fund [159-13.1(a)].
- A financial plan is balanced when estimated expenditures do not exceed estimated revenues [159-13.1(a)].

Project ordinances

- A local government may authorize and budget for a capital project or a grant project either in its annual budget ordinance or in a project ordinance [159-13.2(b)].
 - A project ordinance covers the life of the project rather than a fiscal year
 - A project ordinance must be balanced
 - A project ordinance shall clearly identify the project, all revenues, and all appropriations

Budgets of special districts

- If the county or city governing board is vested by law with discretion as to what rate of tax it will levy on behalf of the special district, the governing board of the special district shall transmit its request to the city or county governing board on or before June 1 (G.S. 159-14).

Amendments to budget ordinance

- Except as otherwise restricted by law, the governing board may amend the budget ordinance at any time so long as it remains in balance (G.S. 159-15).
- However, no amendment may increase or reduce the property tax levy (tax rate) unless ordered by a court of competent jurisdiction or state agency with authority (G.S. 159-15).
- If after July 1, the local government receives revenues that are substantially more or less than the amount anticipated, the governing board may, before January 1, amend the budget ordinance to change the tax levy (tax rate) (G.S. 159-15).

Interim budget

- In case the adoption of the budget ordinance is delayed until after July 1, the government board shall make interim appropriations for the purpose of paying salaries, debt service payments, and the usual ordinary expenses (G.S. 159-16).

Budget ordinance procedures

- Any action with respect to the adoption or amendment of the budget ordinance or any project ordinance may be taken at any regular or special meeting of the governing board by a simple majority of those present and voting, a quorum being present [159-17(1)].
- No action taken with respect to the adoption or amendment of the budget ordinance or any project ordinance need to be published or is subject to any other procedural requirement governing the adoption of ordinances or resolutions by the governing board other than the procedures set out in this article [159-17(2)].

Vending facilities

- Money received from the operation of vending facilities shall be deposited, budgeted, appropriated, and expended in accordance with the provisions of this article (G.S. 159-17.1).

Capital reserve funds

- Any local government may establish and maintain a capital reserve fund for any purposes for which it may issue bonds (G.S. 159-18).
- The resolution or ordinance may be amended from time to time in the same manner in which it was adopted (G.S. 159-19).
- No withdrawal may be authorized for any purpose not specified in the resolution or ordinance establishing the fund or amending it (G.S. 159-22).

Questions

- What are the three ways in which local governments can spend money outside the budget ordinance?
- Can a local government or public authority operate on a fiscal year other than July 1 – June 30?
- What additional information must the budget officer provide when a board requests an unbalanced budget?
- After the proposed budget is given to the board, does it have to wait 10 days or 10 business days before adoption of the budget ordinance?

Questions

- Can a local government hold a public hearing and adopt the budget ordinance during the same meeting?
- Can a county reduce its appropriation to the school administrative unit?
- Can a local government use an aggregated financial plan for all internal service funds?
- During what period of time can a board change the tax rate?
- Can the resolution or ordinance of a capital reserve fund be amended for capital outlay purposes not originally stated?
