



LOCAL GOVERNMENT MANAGEMENT GUIDE

# Understanding the Budget Process



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# Table of Contents

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Who is Responsible?.....	2
Information Used to Prepare the Budget .....	3
Budget Preparation Process .....	4
Putting the Tentative Budget Together.....	6
Implementing the Budget .....	15
Monitoring the Budget.....	16
Conclusion.....	17
Appendix A.....	18
Appendix B .....	19
Appendix C.....	24
Appendix D.....	25
Regional Office Directory .....	26
Central Office Directory .....	27



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# Understanding the Budget Process

This guide is a resource for those governing bodies and officials who are responsible for preparing, developing, and monitoring the annual budget. The information contained in this guide will be helpful to chief executive officers, budget officers, business officials, finance officers, department heads, board members, and the public. This guide provides the groundwork for the development, preparation, and monitoring of the annual budget.

An annual budget, sometimes referred to as the operating budget, is the document that details the financial plan of the local government or school district for a fiscal year. The annual budget is perhaps an entity's most vital document and should be developed using all of the most current and accurate information available. The budget is not just a financial plan; it also has legal implications, which are delineated in the "Implementing the Budget" section of this guide. Furthermore, the budget process does not end with the adoption of the budget. Instead, the budget is a document that must be monitored and amended from time to time, as needed.

The following is an overview of the information contained in this guide:

- Who is Responsible?
- Information Used to Prepare the Budget
- Budget Preparation Process
- Putting the Tentative Budget Together
- Implementing the Budget
- Monitoring the Budget

In addition, the appendices to this guide include the following important information: designation of the budget officer (Appendix A), budget calendars for various localities (Appendix B), contingency limitations (Appendix C), and definition of terms (Appendix D).

**This guide provides the groundwork for the development, preparation, and monitoring of the annual budget.**

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In local governments, the governing board generally has the authority and responsibility to adopt realistic, structurally balanced budgets and to monitor the budget continually.

## **Who is Responsible?**

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Budget development is not a “one-person show.” Instead, it is a team effort with the budget officer<sup>1</sup> leading the charge. While the budget officer is responsible for preparing the final budget document, the budget officer needs to work closely with department heads and the chief fiscal officer to develop a realistic blueprint for the upcoming fiscal year. The budget officer generally is responsible for the preparation of the tentative/proposed budget and presenting it to the governing board. In local governments, the governing board generally has the authority and responsibility to adopt realistic, structurally balanced budgets and to monitor the budget continually. The chief fiscal officer is responsible for providing accurate financial information to the budget officer. Department heads are responsible for providing the budget officer with accurate financial information relevant to the operation of their department. Employees are responsible for providing input to the department heads about the operation of their individual departments.

In a school district, the superintendent is typically designated by the board as the budget officer and is responsible for developing the annual budget. The superintendent is generally assisted by the school’s business official in preparing the budget. Instead of the board of education approving the budget, district residents are responsible for approving school budgets.

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<sup>1</sup> See Appendix A for who can act as the budget officer in various entities.

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## Information Used to Prepare the Budget

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A good annual budget begins with sound estimates and well-supported budgetary assumptions. Spending levels and financial resources must be accurately gauged at budget preparation time to ensure that planned services are properly funded. To develop sound estimates, budget officers should avail themselves of as much pertinent data as possible. While valuable information is available from a number of sources, the budget officer should also work closely with department heads to develop a realistic annual budget.

Sources of information used in preparing the budget:

- Modified budgets for prior and current year
- Prior year's financial reports
- Current year revenue and expenditure information to date
- Debt service requirements, contracts, and other commitments
- Current economic conditions affecting revenue generation
- Cash flow reports and revenue projections
- State and federal aid information
- Collective bargaining agreements
- Service contracts with other governments
- Multiyear capital plans
- New and pending legislation
- Rate of inflation
- Current interest rates
- Tax and debt limit information – if applicable
- Strategic plans
- Input from stakeholders including taxpayers and other interested groups.

Spending levels and financial resources must be accurately gauged at budget preparation time to ensure that planned services are properly funded.

The budget that is finally approved needs to be balanced: the total financing sources from estimated revenues, appropriated fund balance, and appropriated reserves equaling the amount of appropriations for expenditures.

## Budget Preparation Process

Although local governments and school districts will differ on their exact method for budget preparation, there are steps that are typical to most budget processes.<sup>2</sup>

1. The budget preparation process starts with the setting forth of the budget calendar.<sup>3</sup>
2. The budget officer distributes budget forms and instructions to all the department heads of the local government or school district. The forms should include all revenue and expenditure account codes used in the previous two years along with the actual and budgeted estimates for the previous fiscal year and year-to-date totals for the current year. The form should also contain space for the department head to explain or justify new types of proposed revenues or expenditures or to further explain large increases or decreases in the amounts proposed for the following year.
3. Department heads submit their estimates and discuss their requests with the budget officer.
4. The budget officer uses the information from the budget forms to prepare the tentative/proposed budget. This will generally involve assessing whether the total departmental estimates of appropriations are greater than the estimated financial resources and then developing a tentative/proposed budget that provides necessary appropriations within the limits of those resources. The budget officer should also ensure that the tentative/proposed budget meets all legal requirements, consulting with the local government or school district's legal counsel as necessary.
5. The budget officer presents the tentative/proposed budget to the governing board for its consideration and approval. At this time, it may be necessary for the budget officer to provide backup documentation for some of the estimated appropriation and revenue figures. Alterations and revisions may be necessary before approving the budget. The budget that is finally approved needs to be balanced: the total financing sources from estimated revenues, appropriated fund balance, and appropriated reserves equaling the amount of appropriations for expenditures.

<sup>2</sup> The budget process in cities is governed by provisions of the city's charter, many of which set forth procedures analogous to those discussed here.

<sup>3</sup> See Appendix B for guidance on budget calendars.

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6. The local government or school district publishes a notice, and a public hearing on the budget is held. Again, alterations and revisions to the budget may be necessary after completion of the public hearing.
  7. The governing board adopts the final budget by resolution. If a town, village or county governing board fails to adopt a final budget by the deadline date set forth in the Town, Village or County Law, respectively, the preliminary budget of a town or the tentative budget of a village or county, with such changes, alterations, and revisions as may have been made by the board will constitute the final budget for the following fiscal year.

In most school districts, the budget is subject to voter approval. If the voters reject the original budget, the district may present the original budget or a revised budget to the voters a second time for approval. If the second vote is not approved or the district decides not to present the budget a second time, the district must operate under a “contingency budget.”

8. The final step of the budget preparation process is the calculation of the real property tax levy.

**In most school districts, the budget is subject to voter approval. If the voters reject the original budget, the district may present the original budget or a revised budget to the voters a second time for approval.**

**Underestimating revenues and/or overestimating expenditures could result in the collection of more real property taxes than are necessary.**

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## **Putting the Tentative Budget Together**

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Because the budget is such a key instrument in the day-to-day operations of the local government or school district, it is essential that it is properly constructed. A significant error contained within the document could have severe consequences. For example, overestimating revenues and/or underestimating expenditures could result in shortfalls that threaten the delivery of essential services. Underestimating revenues and/or overestimating expenditures could result in the collection of more real property taxes than are necessary. Using non-recurring, one-shot revenues to support recurring expenditures may appear to offer a solution to establish a balanced budget; however, the strategy is a short-term solution and only temporarily defers the need to address structural budget imbalances. Therefore, it is important to prepare the budget using realistic estimates based on the most current and accurate information available and not to rely on one-shot revenues to support recurring expenditures.

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### **Expenditure Estimates**

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After the various departments have submitted an estimate of their costs of operations for the next fiscal year, the budget officer should review them to ensure they are complete, reasonable, and mathematically accurate. If a program is being offered for the first time or a major change to an existing program is anticipated, the department head should provide sufficient documentation for the governing board to consider when approving or disapproving the change. Based upon the governing board's decision, the board may need to approve the imposition of a new fee or the addition/deletion of services.

In addition to the department estimates and requests, there are certain items that can affect an entire fund and may or may not have been specifically addressed by a department.

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- **Debt Service** – Debt service schedules should be reviewed to determine the principal and interest expenditures for the upcoming year. In addition, recent governing board resolutions regarding current or pending debt issuances should also be reviewed, so that all debt service costs can be incorporated in the budget.
  - **Employee Salaries** – The payroll or human resources department<sup>4</sup> should provide a listing of current employees with their salary estimates. When reviewing employee listings, the budget officer should verify that all employees and positions are included. Salary schedules and collective bargaining agreements will generally determine the rates of pay for the upcoming year. Similarly, the employer’s share of Social Security costs can be estimated by applying the applicable rate to the anticipated personal service costs for next year. Amounts that might be used to fund pay increases occurring after the commencement of the fiscal year may be placed in the contingent line item.
  - **Employee Benefits** – In order to estimate the cost of employee benefits, the budget officer must first review the various collective bargaining agreements and personnel policies adopted by the governing board to determine what employee benefits must be funded. Health care benefit costs can be estimated by reviewing current policies and programs and applying projected rates to the probable make-up of next year’s workforce. Retirement benefit costs can be estimated by using projected rates for employer contributions received from the New York State and Local Retirement System and the Teachers’ Retirement System. Workers’ Compensation costs can best be projected by reviewing current policies and past history.

Other expenditures that local governments and school districts should take into consideration include fuel and energy costs, possible costs for real property tax certiorari refunds and contractual payments due to employees in the upcoming year for compensated absences, retirement, or separation from service. School districts should also consider the impact on their budgets of “charter school basic tuition” payments to charter schools, where applicable.

In addition to the department estimates and requests, there are certain items that can affect an entire fund and may or may not have been specifically addressed by a department.

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<sup>4</sup> For local governments or school districts without payroll departments, department heads should provide the payroll information for the budget.

In many governments, the budget officer and the chief fiscal officer, in consultation with appropriate personnel, will have the task of forecasting many of the revenue estimates.

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### Appropriations for Contingencies

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Because budgeting is not an exact science, most local governments<sup>5</sup> are authorized to include an amount in their budget for unforeseen circumstances. This amount is referred to as the contingency account and is subject to limitations established by various laws. No direct expenditure can be charged to this account. Instead, the balance is transferred to other appropriation accounts that are at risk of becoming overdrawn as needed. A breakdown of contingency limits by type of local government is included in Appendix C.

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### Revenue Estimates

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In many governments, the budget officer and the chief fiscal officer, in consultation with appropriate personnel, will have the task of forecasting many of the revenue estimates. For this reason, knowledge of the local economy, State and federal aid programs, contracts with other governments, and any other information on revenue generation is essential. With current and accurate information from these key sources and an understanding of the nature of the local government's or school district's revenues, the budget officer can develop realistic estimates. In addition, department heads should provide estimates of revenue derived from the activities of their departments to help in the budget process.

The process of estimating revenues usually begins with a historical analysis. Looking at revenues over time often is a fair indicator of future results, a three- to five-year period is usually sufficient. The Finance Department or Treasurer should be able to provide accurate historical data to start the estimating process. In addition, accurate year-to-date numbers with estimates to year end are necessary for the process. Although many of the following categories are not applicable to all types of governments, additional guidance is provided below for developing revenue estimates for each of the general categories.

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<sup>5</sup> The Education Law does not contain provisions relative to a contingency account in school district annual budgets.

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## Non-Property Taxes

Non-property taxes, such as sales and use taxes, utility gross receipts taxes, mortgage recording taxes, and various other relatively volatile taxes are difficult to predict. Although rates rarely change, the revenue base can be highly erratic. Many of these items are based on consumer usage and therefore dependent on the state of the local, regional, and national economies. Past experience can provide some guidance, but current and future economic trends are better to use in estimating these revenues.

## Departmental Income

Departmental income generally involves fees charged to customers for various services provided and should be included in the revenue estimates received from the department heads. These revenues can be significant, particularly if your local government operates facilities and provides services such as airports, buses, parking lots, skating rinks, and other types of authorized services financed by user fees. Home and community services, such as providing water, sewer, refuse disposal, and other similar services financed by rents or fees are also included in this category. User fee revenue is based on consumer demand for the applicable service and the local government's ability to supply it. Consumer demand may fluctuate based on current economic conditions as well as the quality of the services provided. Past trends can provide useful data and department head predictions are also helpful. Changes in fee schedules should also be considered, particularly if the services are intended to be self-sustaining. Any changes in local conditions may also impact these revenue items.

## Intergovernmental Charges

Intergovernmental charges are hybrid revenues. Although often subject to set contractual rates, total revenues generated from other local governments can vary with the level of services provided. That level of service is the crux of the forecast. Some service levels (and revenues) are fixed by contract and easily forecasted. Other services are per-unit type arrangements, and revenues will vary based on demand and usage. Department heads may be in the best position to provide valuable information on the level of expected service. Check applicable contracts and consult with key personnel in each government involved in the services.

Looking at revenues over time often is a fair indicator of future results, a three- to five-year period is usually sufficient.

Analyzing past experience and communicating with local court personnel could provide useful information to help with budget estimates.

### **Use of Money and Property**

This category includes interest earnings on investments and income from rental property or equipment. Estimated interest earnings should be based on current yield rates and expected investment amounts. Estimated rental income should be based on rental agreements.

### **Fines and Forfeitures**

Fines and forfeitures represent revenues derived from fines, penalties, forfeitures and fees imposed by local courts. This revenue category also includes forfeitures of bail and forfeitures of crime proceeds, which in some instances must be restricted to specific uses. Since these revenues are based on law enforcement and judicial activities, they may not be easily predictable. Analyzing past experience and communicating with local court personnel could provide useful information to help with budget estimates. For towns and villages, the receipt of fine and forfeiture revenues could be expedited if the town and village justices participate in the Invoice Billing Program and file their monthly reports electronically with the Comptroller's Justice Court Fund.

### **Sale of Property and Compensation for Loss**

These revenues are highly volatile. Amounts received can range from insignificant to substantial. The good news is that they are relatively controllable by the local government and school district. Minor sales of unneeded supplies and equipment are generally not significant, while sales of unneeded land or buildings can generate significant revenues. The selling price and the timing of the sale can often be negotiated. The budget officer should confirm sales information. Generally, insurance recoveries for damage to property are not included in the initial budgets because the losses are usually sustained from unexpected events. For most local governments and school districts, the proceeds may be appropriated to repair or replace the loss when the money is received. Because of the sporadic nature of this class of revenues, care should be taken when budgeting for them. These one-time revenues, particularly larger amounts generated from the sale of real property, should not be used to finance day-to-day operations. Instead, they should be restricted to one-time expenditures, such as capital acquisitions or contributions to debt reduction. In some cases, the amounts may be required to be restricted for debt service or other specified uses.

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## Miscellaneous

Miscellaneous revenues include refunds of prior year expenditures, gifts and donations, and certain other revenues not classified elsewhere. Generally, such revenues are insignificant and vary from year to year. Local and school officials should include these revenue categories in their estimates when they have suitable information that such revenues will be realized during the year. Reviewing and identifying amounts realized in prior years can also be helpful.

## Interfund Revenues

Interfund revenues are derived from goods and services provided by one fund to another during the year. Generally, such charges are similar to quasi-external transactions and usually involve internal service funds, enterprise funds and other situations where significant services are provided to operations accounted for in different funds. Revenues should be based on the level of services to be provided and the charges to be made. Reviewing services provided and amounts charged in prior years would also be helpful. These revenues should not be confused with interfund transfers, which are discussed below.

## State and Federal Aid

State and federal aid revenues can represent a significant portion of local government and school district annual budgets. Because of their significance, fluctuations in aid levels can have a considerable impact on revenues realized. While much of this aid is based on decisions made at the State and federal levels, other aid can be controlled to some extent at the local level depending on the type of programs, the category of reimbursable expenditures, and the claim filing process. Budget officers should be completely familiar with all State and federal aid programs included in their annual budget estimates. For reimbursable aid figures, check with department heads and project managers for anticipated expenditures. Filing aid claims timely and accurately should help to expedite the aid receipt process. State aid estimates and payments for local governments provided for in the enacted State Budget (Aid and Incentives to Municipalities, AIM) and schools (school aid) can be monitored on the Division of Budget website.

**State and federal aid revenues can represent a significant portion of local government and school district annual budgets.**

At budget time, the challenge for local government and school district budget officers is to calculate year-end fund balance months in advance.

### Interfund Transfers

Interfund transfers represent contributions of resources from one fund to another, generally for expenditure in the receiving fund. These operating transfers, although included in estimated revenues, are considered a financing source. Transfers should be based on management's decisions and be within applicable legal authority. They should be easily quantified for budgetary purposes. In total, transfers in should equal transfers out. When budgeting for these revenues, keep in mind that taxpayer equity and fairness should be maintained when applicable, and that not making approved transfers can have negative financial consequences for the intended receiving fund.

When estimating revenue, conservatism is the key. It is far better to underestimate a particular revenue by a small amount, than to plan on a revenue that does not materialize.

### Estimates of Available Fund Balance

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Another important financing source for the annual budget is available fund balance. The key to using this as a funding source is the proper estimation of its value. At budget time, the challenge for local government and school district budget officers is to calculate year-end fund balance months in advance.

The calculation of year-end fund balance is as follows: start with fund balance at the beginning of the year, add revenues to date, and subtract expenditures to date. This calculated amount represents the fund balance as of the last completed month. To this amount, add projected revenues and subtract projected expenditures for the remainder of the fiscal year. The final figure is a reasonable estimate of fund balance available at year-end. The same procedure should also be used to determine the amount of any reserve balances available at year-end for each applicable fund.

In particular, a school district's fund balance projections should be started in February, and revised projections should be calculated each month until next year's budget is adopted. Such information is critical because the total amount of unappropriated fund balance, above the amount to be used to reduce the tax levy in the next fiscal year, is limited by law to 4 percent of the current school year budget.

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The law permits towns, villages, and counties to retain a “reasonable amount” of any remaining estimated unappropriated, unreserved fund balance for each fund, consistent with prudent budgeting practices, necessary to ensure the orderly operation of their government.<sup>6</sup>

Each town, village and county must assess what would be considered “reasonable” for its particular situation. When making the determination of a “reasonable” amount, a town, village or county must take into account certain factors:

- The size of the fund (a set percentage may not be appropriate)
- Cash flow requirements (the timing of receipts and disbursements in ensuing fiscal year)
- The certainty with which revenues and expenditures may be estimated (the greater the uncertainty, the greater the need may be for unappropriated funds)
- The government’s experience in prior fiscal years.

Other factors that should be taken into consideration include:

- The amount of contingency appropriations in the budget
- Reserve balances that may be available for certain purposes.

**The calculation of year-end fund balance is as follows: start with fund balance at the beginning of the year, add revenues to date, and subtract expenditures to date.**

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<sup>6</sup> Cities generally would be governed by their own city charters with regard to the retention of unappropriated, unreserved fund balance.

The final piece of the budget process, the piece often generating the most interest to governing board members and taxpayers alike, is the determination of the amount of real property taxes that will be necessary to balance the budget.

## Real Property Taxes

The final piece of the budget process, the piece often generating the most interest to governing board members and taxpayers alike, is the determination of the amount of real property taxes that will be necessary to balance the budget. A balanced budget is intended to ensure that a local government or school district does not spend beyond its means. At this point, local governments subject to a tax limit (especially those approaching their limit) should prepare a preliminary tax limit calculation to determine whether the real property taxes needed to balance the budgets put the local government over its tax limit.

The amount to be raised by taxation is called the tax levy. In general, the amount of the tax levy is raised by computing a tax rate and then applying that tax rate to the assessed value of real property subject to taxation. The tax rate is computed by dividing the amount of the tax levy by the total taxable assessed value of the real property, and is usually expressed as an amount per thousand dollars of assessed value (e.g., \$1.23 per thousand). The taxable assessed value of most types of real property is determined by the local assessor. The basic formula for the tax levy is as follows:

### **Total Appropriations**

Less: Estimated Revenue

Less: Appropriated Reserves

Less: Appropriated Fund Balance

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**Equals: Amount To Be Raised By Taxation**

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## Implementing the Budget

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Once the budget has been adopted there must be a systematic accounting process in place to determine that sufficient revenues are realized and money is available for expenditure for each purpose enumerated in the budget. Without properly accounting for revenues and expenditures, officials cannot be reasonably assured that the budget that they approved is, in fact, being complied with.

Listed below are recommended accounting procedures and, in some cases, legal requirements for implementing the budget. These may not be applicable to all local entities:

- A separate account should be kept for each appropriation showing the amount appropriated, the amount encumbered, the amounts expended, and the unencumbered balance.
- A separate account should be kept for each revenue item showing the amount estimated to be earned and recognized as revenue, the actual amounts recorded to date, and the balance expected to be realized.
- As a rule, no expenditure may be made, or any liability incurred, unless an amount has been appropriated for the particular purpose and is available or is authorized to be borrowed pursuant to the Local Finance Law.
- Whenever it appears that resources will not be sufficient to meet appropriations, the budget officer should notify the governing board stating the probable amount of the deficiency. The budget officer should provide recommendations regarding possible actions to be taken.
- If, during the fiscal year, the governing board determines that sufficient revenues will not be generated to finance the total appropriations provided for in the original budget, the governing board generally may reduce appropriations to prevent making expenditures in excess of money available. An appropriation may not be reduced below the minimum amount required by law, nor generally be reduced by more than the unexpended balance less outstanding and unpaid claims chargeable to it.

Once the budget has been adopted there must be a systematic accounting process in place to determine that sufficient revenues are realized and money is available for expenditure for each purpose enumerated in the budget.

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After the budget has been approved, it is generally the responsibility of the governing board, budget officer, and department heads to see that services are delivered within the limits provided in the budget.

- As a general rule, the governing board may make supplemental appropriations. These may be provided by transfer from the unexpended balance of an appropriation, from the appropriation for contingencies within a fund, or by borrowing pursuant to the Local Finance Law. For towns, villages and counties, the unappropriated, unreserved fund balance may be utilized for this purpose only to the extent that the total of all revenues of a fund, recognized or reasonably expected to be recognized in the current fiscal year, together with unappropriated, unreserved fund balance, exceeds the total of all revenues of the fund and appropriated fund balance as estimated in the budgets.
- Under certain statutes, the governing board may appropriate certain revenues that were not included in the original budget at any time for the applicable objects or purposes. These revenues include grants received from the State and federal governments, gifts that are required to be expended for particular objects or purposes, and certain insurance proceeds.

### **Monitoring the Budget**

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After the budget has been approved, it is generally the responsibility of the governing board, budget officer, and department heads to see that services are delivered within the limits provided in the budget. They should closely monitor the progress of actual revenues and expenditures throughout the year, and identify any variances that might cause the local government or school district to end the year with a significant surplus or deficit.

The preparation of budget reports facilitates the monitoring of the adopted and amended budget. A budget report shows the original budget, any authorized amendments, actual transactions to date (i.e., revenues, expenditures, and encumbrances listed by account code) and the differences between the amended budget and actual transactions (shown as variances). Budget reports should be prepared and reviewed as of the end of each month during the fiscal year. The reports can also be enhanced with information that compares the amended budget to a projected estimate of actual revenues and expenditures through the end of the year. These projections can be prepared using historical data from prior years, quarterly estimates contained in the original budget, input from department heads, or any other relevant and reliable information.

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The budget officer can also prepare a narrative explaining the numbers in the budget report and recommending corrective actions if shortfalls are indicated. By using these reports, local policymakers, administrators, and taxpayers can identify financial trouble spots in advance. Such reports also help them to assess the performance of departments and activities. To help monitor the progress of individual departments, it might also be desirable to develop quarterly expenditure plans for major departments based on the department's budget and historical patterns.

The timely detection of projected budget shortfalls allows actions to be taken early to address the shortfall, when only relatively small adjustments may be required. Waiting until the close of the fiscal year, after the situation has deteriorated significantly, can result in the need to take more drastic action with fewer options available. Timely detection can also lead to the taking of appropriate action in the succeeding year's budget if the shortfall is seen to be an ongoing problem and not just a temporary situation.

The following actions (although not appropriate for all entities) should be considered if a problem arises:

- Transfer between appropriations, where appropriate
- Use of contingency funds, where allowed
- Appropriation of fund balance, when appropriate
- Use of budget notes.

## Conclusion

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A significant amount of time and effort is expended in preparing the annual budget. It is often a very busy and stressful time. Often, computer-generated information is used. Although technology is ever evolving, it is still prudent to double check the numbers that you are presenting. For example, sit and read the final document to see if it makes sense. Then, get an adding machine and manually add the columns and the rows—making sure that the final product is accurate, realistic and makes sense. The additional effort spent on preparing an accurate and realistic budget generally reduces the risk of having to make adjustments later in the year or in future years.

The timely detection of projected budget shortfalls allows actions to be taken early to address the shortfall, when only relatively small adjustments may be required.

## Appendix A – Budget Officer Designation

Entity	Who May Serve As Budget Officer
Town	The supervisor, or eligible person appointed by the supervisor to serve at his/her pleasure; cannot be a member of the town board.
Village	The mayor or, in a village which has adopted the village manager plan, the village manager. Either may designate another village officer or employee to be budget officer, to serve at his/her pleasure.
County	Generally, the chief fiscal officer or any eligible person appointed by the governing board, to serve at the pleasure of the governing board; cannot be a member of the governing board other than the chair of the board or the chair of a committee of the board designated or created to review the tentative budget.
City	No State statutory designation; generally, provided for in a city's charter. Depending on pertinent charter provisions, the duties of the budget officer may be performed by those serving in positions or offices such as the manager, mayor, commissioner of finance, comptroller, or the finance committee of the city council, the board of estimate and apportionment or the city council itself may perform the functions of a budget officer.
School District	No State statutory designation; typically, the board of education designates the chief school officer (superintendent) as budget officer.
Fire District	No State statutory designation; the board of fire commissioners is charged with the duty of preparing the proposed budget.

## Appendix B – Budget Calendars

<b>County Budget Calendar (County Law, Article 7)</b>	
1. The budget officer notifies the heads of administrative units, in writing, of the final date for submitting estimates or requests on prescribed forms.	Not less than 20 days prior to the final date for submitting estimates or request. (County Law Section 353)
2. The administrative unit heads submit estimates to the budget officer.	On or before October 1st or a date specified by budget officer which may not be earlier than September 1st nor later than October 1st. (County Law Section 353)
3. The budget officer files the tentative budget with clerk of the governing board.	Not later than November 15th, but the governing board may by local law, require filing by a date not earlier than October 1st. (County Law Section 354)
4. A standing committee of the governing board reviews the tentative budget and may send report of proposed changes, alterations or revisions to the clerk of the governing board.	Within 15 days after receipt, unless extended or reduced by local law but cannot be reduced to less than 10 days or extended to more than 20 days after receipt. (County Law Section 357)
5. The governing board makes revisions to the budget.	After the standing committee's report or the expiration of the time prescribed for filing the report, but prior to public hearing. (County Law Section 358)
6. A public hearing is held.	Date set by resolution of board (at least five days must elapse between the first publication of notice and the date specified for the hearing). Hearing may be adjourned but not later than December 20th. (County Law Section 359)
7. Final revision of the tentative budget by the governing board.	After public hearing but prior to adoption. (County Law Section 360)
8. The budget is adopted.	Not later than December 20th. (County Law Section 360)
9. Adoption of appropriation resolution by the governing board.	Immediately after adoption of budget. (County Law Section 360)
10. The taxes are levied.	Not later than December 31st. (Real Property Tax Law Section 900)
<p><b>Note: In general, counties are governed by the budget calendar set forth in the County Law; however, several counties are governed by budget calendars set forth in other enactments (e.g., county charters).</b></p>	

## Appendix B – Budget Calendars

### Town Budget Calendar

(Dates in parentheses apply to towns in Westchester and Monroe counties)

1. The budget officer furnishes the heads of administrative units with the prescribed forms	We recommend the estimate forms be furnished to the units no later than September 1st (October 1st).
2. The administrative unit heads submit estimates to the budget officer.	On or before September 20th (October 20th). Budget officer prepares estimate for each administrative unit that fails to submit an estimate. (Town Law Section 104)
3. The budget officer files the tentative budget with the town clerk.	Not later than September 30th (October 30th). (Town Law Section 106)
4. The town clerk presents the tentative budget to town board.	On or before October 5th (November 10th). (Town Law Section 106)
5. The town board makes revisions and prepares the preliminary budget; preliminary budget filed with town clerk.	Prior to public hearing. (Town Law Section 106)
6. Notice of public hearing.	At least five days shall elapse between the date of first publication and the date specified for public hearing. (Town Law Section 108)
7. The public hearing is held	On or before the Thursday immediately following the general election (December 10th). The hearing may be adjourned from day to day but not beyond November 15th (December 15th). (Town Law Section 108)
8. Final revisions to the preliminary budget are made.	After public hearing but prior to adoption. (Town Law Section 109)
9. The budget is adopted by the governing board.	Not later than November 20th (December 20th). (Town Law Section 109)

## Appendix B – Budget Calendars

<b>Village Budget Calendar</b>			
<b>For Fiscal Year Beginning</b>	<b>June 1st</b>	<b>August 1st</b>	<b>March 1st</b>
1. The budget officer notifies the heads of administrative units in writing of the necessity for and form of estimates of revenues and expenditures for the ensuing fiscal year. (Village Law Section 5-502[1])	By February 8th	By April 8th	By November 8th
2. The heads of administrative units submit estimates to the budget officer. (Village Law Section 5-502[2])	By March 1st	By May 1st	By December 1st
3. The budget officer prepares the tentative budget, furnishes a copy to each member of the board of trustees, reproduces copies for public distribution and files the tentative budget with the village clerk. (Village Law Section 5-504)	By March 20th	By May 20th	By December 20th
4. The village clerk presents the tentative budget to the board of trustees and the board reviews and modifies the tentative budget. (Village Law Section 5-508[1])	By March 31st	By May 31st	By December 31st
5. Notice of public hearing on tentative budget; at least five days shall elapse between first publication and date specified for the hearing, which is to be held not later than. (Village Law Section 5-508[3])	April 15th	June 15th	January 15th
6. Public hearing may be adjourned from day to day, but not beyond. (Village Law Section 5-508[3])	April 20th	June 20th	January 20th
7. Final revision of tentative budget. (Village Law Section 5-508[4])	After public hearing but prior to adoption	After public hearing but prior to adoption	After public hearing but prior to adoption
8. Adoption of budget. (Village Law Section 5-508[4])	By May 1st	By July 1st	By February 1st

## Appendix B – Budget Calendars

<b>City Budget Calendar*</b>	
For fiscal years beginning January 1st	
1. The budget officer notifies the heads of administrative units in writing of the necessity for and form of estimates of revenues and expenses for the ensuing fiscal year.	August 1st
2. The submission of estimates to the budget officer.	September 1st
3. Preparation and filing of the tentative budget with the city clerk.	October 1st
4. Review and preliminary alteration of the tentative budget by the governing body.	Before November 1st
5. Notice of public hearing on the tentative budget.	At least five days prior to hearing
6. A public hearing is held.	On or before November 15th
7. Final revision of tentative budget.	After public hearing but prior to adoption
8. Adoption of the budget.	By December 1st
* Note: This is a sample schedule only, based on a fiscal year that follows the calendar year. For each city, consult the city charter for the applicable budget schedule.	

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## Appendix B – Budget Calendars

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### School District Budget Calendar

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For a school district budget calendar and additional information pertaining to the nuances of school district budgeting, please visit the State Education Department’s website at [www.emsc.nysed.gov/mgtserv/budgeting.shtml](http://www.emsc.nysed.gov/mgtserv/budgeting.shtml).

### Fire District Budget Calendar

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- Board of fire commissioners prepares and adopts a proposed budget on or before the twenty-first day prior to the public hearing (i.e., 21 days before the third Tuesday in October) (Town Law Section 181[2][a]).
- Upon adoption of the proposed budget, file a copy with the fire district secretary; secretary reproduces copies for public distribution and posts on website, if any (Town Law Section 181[2][c]).
- Fire district secretary posts notice of budget hearing on fire district website and signboard, if any, and provides copy of notice to the town clerk of town(s) in which the fire district is located, and to the town clerk and secretary of town(s) and fire district(s) with which the district contracts, at least 15 days, but not sooner than 20 days, before public hearing on the budget (Town Law Section 175-c[2]).
- Publish notice of hearing—at least five days must elapse between the first publication of the notice of hearing and the date specified for the hearing (the published notice also must be posted on fire district website, if any, and copies of proposed budget and published notice must be provided to town clerk(s) of town(s) in which the fire district is located) (Town Law Section 181[3][a]).
- Public hearing must be held on the third Tuesday of October (Town Law Section 181[3][a]).
- Board may make changes to the proposed budget, subject to certain restrictions, after the public hearing but before November 4th (Town Law Section 181 [3][b]).
- Adopt final budget on or before November 4th (Town Law Section 181 [3][b]).
- File budget with town clerk within three days after adoption (no later than November 7th) (Town Law Sections 105, 181[3][c]).

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## Appendix C – Statutory Limits on General Contingency Appropriations\*

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### Counties

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#### A. General Fund

Maximum of \$35,000 plus 3 percent of the amount by which the estimated expenditures for general county purposes for the ensuing fiscal year, exclusive of amounts appropriated for debt service, exceed \$500,000.

#### B. Special district or other funds for which taxes to meet appropriations are raised only on taxable real property in less than the entire county

Maximum of 10 percent of the total of the amounts otherwise appropriated for the purposes for which the fund is established.

### Towns

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#### A. General Fund–Town-wide

Maximum of 10 percent of total amount estimated as necessary to provide for operation of town government excluding debt service, judgments, estimates for special district purposes, estimates for repair and improvement of highways, and estimates for purposes for which real property taxes are required to be levied on an area less than the entire town.

#### B. General Fund–Town Outside Village

Maximum of 10 percent of total amount estimated as necessary to provide for operation of town government and for which real property taxes are required to be levied on the area of the town outside of villages excluding debt service, judgments, estimates for special district purposes, and estimates for highway repairs and improvements.

#### C. Special Districts

In general, maximum of 10 percent of the amount estimated as necessary to meet the expense of maintaining the district excluding debt service and judgments.

### Villages

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Maximum of 10 percent of the total of other appropriations excluding debt service and judgments.

### Cities

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Pursuant to city charter or, in the absence of an express charter provision, generally an amount reasonable in relation to the size and character of the city and the total amount of the city's annual budget, to the extent not inconsistent with the charter.

\* The Education Law does not contain provisions relative to a contingency account in school district annual budgets.

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## Appendix D – Terminology

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The following explanations are presented to aid in understanding the terminology generally used in governmental accounting, auditing, financial reporting and budgeting.

**Appropriations** – An allocation or designation of money by the governing board to be spent on a particular type of item. Appropriations are often referred to as expenditure line items in the annual budget.

**Appropriated Fund Balance** – The portion of fund balance estimated to be available that is designated to help finance operations of that fund for the subsequent year.

**Appropriated Reserves** – The portion of amounts reserved for stated purposes estimated to be available and designated to finance specific, authorized budgetary appropriations.

**Estimated Revenues** – All sources of funds estimated to be earned and recognized as revenue during a fiscal year to finance appropriations contained in the annual budget.

**Fiscal Year** – One complete 12-month cycle of financial activity. For towns, most counties, and most cities, the fiscal year coincides with the calendar year, January 1st to December 31st. For most villages, the fiscal year begins June 1st and ends May 31st. For school districts the fiscal year begins July 1st and ends June 30th.

**Tentative/Proposed Budget** – The budget as prepared by the budget officer and initially presented to the governing board.

**Unappropriated Unreserved Fund Balance** – A portion of fund balance that is not reserved or appropriated to finance operations of that fund in the subsequent year

For additional financial terms, refer to your entity’s respective *Accounting and Reporting Manual* (ARM).<sup>7</sup>

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<sup>7</sup> ARMs can be found on our website at [www.osc.state.ny.us](http://www.osc.state.ny.us).

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