

Budget Planning

A. When should the entity start budget planning?

Accounting and budget staff should have clearly defined roles in the budget preparation process, including written job duties. Part of their duties will be to develop a budget “calendar” with timelines and deadlines for budget completion. Due to the varying number of publication and public inspection days, starting the process at least 6 months before the budget is to be adopted is a good rule of thumb. However, each entity should consult with their general counsel and/or accounting firm to decide what timeline fits best for them.

B. What documents does the entity need to begin planning the budget?

- 1) Last two or three year’s budgets
- 2) Insurance documents
- 3) Bank Statements
- 4) Proces verbals (millages)
- 5) Other (e.g., if the entity has grants, it will need the grant documents; if the entity has bonds, it will need the bond documents; or, if the entity has loans, it will need the loan documents, etc.)

C. What are the entity’s projected expenses? The amount of money the entity expects to spend in the coming *fiscal year*, broken down into the categories the entity expects to spend it in - payroll, operating costs, capital expenses, debt services, etc.

- 1) Should develop ways of estimating all expenses, especially those that are not fixed
- 2) Determine/estimate fixed expenses
- 3) Note fixed expenses, fluctuating expenses and emergencies.

Budget Planning

- D. What is the entity's projected revenues?** Sometimes referred to as "income," revenue is the amount of money the entity expects to take in for the coming fiscal year. For budget planning, revenue must be broken down by source (i.e., the amount the entity expects from each funding source). Last year's figures are usually a baseline.
- E. What is the interaction of expenses and revenues? What gets funded from which sources?** It is important to list all sources of income and any restrictions. If income such as millages or grant funds comes with restrictions, it's important to build those restrictions into the budget, so that the entity can make sure to spend the money as required.
- F. What are the entity's goals?** The entity should have a clear idea of their short term and long term goals when creating the budget to ensure that money is properly appropriated. Goals may be developed by the council, committee or advisory group.
- G. What about unexpected expenses? How will the entity plan for that?** It is important to take into account that unexpected expenses will occur, such as with weather events, and to plan accordingly. Please note, if such events occur, the budget will need to be amended.
- H. What are the entity's long-term projections (inclusive of revenues & expenses)?** The entity should plan its current fiscal year budget with an eye towards upcoming years, which is called "long term projections." Long-term projections take into account such things as the entity's capital improvement and maintenance programs, existing and upcoming debt service, debt limit, bonds and tax renewals as well as economic trends.

Preparing the Budget

A. Who has responsibility for preparing the budget?

The chief executive or administrative officer of the political subdivision is responsible for preparing the budget.

For Example:

Municipalities – Mayor;

Drainage District – Board President or Chief Financial Officer;

Sheriff – Sheriff or Chief Finance Officer.

R.S. 39:1305(B)
LGBA FAQ Question #19
Best Practices

1. What is the role of the mayor?

As the chief executive, the mayor is responsible for preparing and submitting the budget to all members of the governing board.

2. What is the role of the finance committee?

Often the finance committee is tasked with assisting the Mayor in preparing the budget.

3. What is the role of the police jury/board of alderman/city council/parish council?

As the legislative body, they are responsible for adopting the budget through the budget adoption instrument (i.e., ordinance or resolution).

B. Are there any steps to take before preparing the budget document?

1. Gather documents necessary:

- Latest adopted budget;
- Current expenditures;
- Current fund balances; and
- Debt service schedules.

2. Determine when to start:

- Work backwards from deadline date; and
- Be sure to factor in any hearing and notice requirements.

Best Practices

Preparing the Budget

C. What must the budget include?

1. A budget message that is signed by the budget preparer (Mayor, CEO, Board President, CFO, etc.) and containing:
 - a summary description of the proposed financial plan, policies, objectives, assumptions, budgetary basis; and
 - a discussion of the most important features.
2. A statement for the general fund and each special revenue fund* showing:
 - Prospective fund balances;
 - A clearly presented side-by-side detailed comparison of such information for the current year, including:
 - i. Fund balances at beginning of year;
 - ii. Year-to-date actual receipts and revenues received;
 - iii. Estimates of all receipts and revenues to be received the remainder of the year;
 - iv. Estimated and actual revenues itemized by source;
 - v. Year-to-date actual expenditures and estimates of all expenditures to be made the remainder of the year itemized by agency, department, function and character;
 - vi. Other financing sources and uses by source and use, both year-to-date actual and estimates for the remainder of the year; and
 - vii. The year-to-date actual and estimated fund balances as of the end of the fiscal year.
 - The percentage change for each item of information from current fiscal year to upcoming year.
3. Budget adoption instrument (Ordinance or Resolution)

* A special revenue fund is a fund used within a government entity to record the proceeds from certain revenue sources for which fund usage is restricted, i.e. dedicated taxes for recreation, roads, maintenance, etc.

LLA LGBA FAQ Questions #20
Best Practices: LGBA Reporting Template

Preparing the Budget

D. What if the entity has a surplus?

1. If a surplus occurs during the year, the budget must be amended in order to expend the additional funds. (Only dollars appropriated and budgeted may actually be spent.); and
2. Any surplus funds remaining at the end of the year would be included in the fund balance for the following budget year.

R.S. 39:1305

E. What if the entity has a deficit?

1. The total of proposed expenditures shall not exceed the total of estimated funds available for the ensuing fiscal year. (R.S. 39:1305E)
2. When revenue expectations are lower than expected by 5% or more, the governing authorities must amend the budget to bring it back into balance.
3. In order to address a prior year's deficit that has occurred, the governing authority shall develop a plan to utilize funds and estimated revenues to reduce and eliminate the deficit while continuing to fund operations.

LGBA FAQ Q. #40

F. What should be done concerning the Capital Outlay Budget?

1. Only the budget for general fund and special revenue funds are subject to the LGBA. However, a public entity should still budget out any capital outlay expenditures.
2. As a practical matter, capital outlay budgets are often addressed and adopted along with the general operating budget.

R.S. 39:1305

Public Participation in Budget Process

A. Does the entity's proposed budget need to be published?

No, there is no requirement under the Local Government Budget Act (LGBA) that an entity's proposed budget be published. However, the LGBA does require that proposed budgets be made available for public inspection at the office of the public entity.

R.S. 39:1308

For purposes of **R.S. 39:1308**, "office" is:

1. For municipalities, the office of the mayor or municipal governing authority;
2. For school boards, the school board office;
3. For special districts, at the office of the district's governing authority; and
4. For all other political subdivisions, at the office of the individual political subdivision.

*See, Q.31 of the **LGBA FAQs***

B. What amount of expenditures triggers additional public participation?

Entities with total proposed expenditures of \$500,000 or more from the general fund and any special revenue funds in a fiscal year (or similar budgetary period) shall afford the public an opportunity to participate in the budgetary process prior to the adoption of the budget.

R.S. 39:1307(A)

This additional public participation includes the requirement that a notice be published stating that the budget is available for public inspection and a public hearing on the budget is to be held on a specified date and time.

To meet these additional public participation requirements, an entity that proposes to spend \$500,000 or more from the general fund or any special revenue fund must, upon completion of the proposed budget, publish a notice stating that the budget is available for public inspection. This notice must also state that a public hearing on the proposed budget shall be held with the date, time, and place of hearing specified in the notice. This notice must be published at least 10 days prior to the public hearing.

R.S. 39:1307(B)

Public Participation in Budget Process

However, even those political subdivisions and school boards that propose to spend less than \$500,000 from the general fund or any special revenue fund in a fiscal year (or similar budgetary period) must adopt the budget and any amendments at a public meeting and provide the opportunity for public inspection.

R.S. 39:1307; 39:1308;

See also AG Op. Nos. 87-190 and 89-512

Independently elected officials, such as sheriffs, must provide the opportunity for public inspection, but are not required to adopt their budgets at a public meeting. Independently elected official adopt their budget through a letter authorizing the implementation of the budget, which is published in their official journal.

See, Q.17, 18, 30 and 31 of the **LGBA FAQs**

C. Is the entity required to have a public hearing?

Any entity, political subdivisions, school boards and independently elected officials, that propose to spend \$500,000 or more from the general fund or any special revenue fund in a fiscal year (or similar budgetary period) must have at least 1 public hearing prior to adopting the budget.

R.S. 39:1307(C)

Entities that propose to spend less than \$500,000 from the general fund or any special revenue fund in a fiscal year (or similar budgetary period) are not required to have a public hearing.

See, Q 17, 18, 31 and 33 of the **LGBA FAQs**

D. Are committee hearings public?

Yes, according to the open meetings law “any committee or subcommittee” is considered a public body and their meeting are required to be public.

R.S. 42:13

E. Are public hearings and public meetings the same?

No. The LGBA states that they are two separate events.

See, Q.30 of the **LGBA FAQs**

Public Participation in Budget Process

F. Can the entity have a public hearing within a public meeting?

The public hearing and the public meeting must be two separate events with the public hearing occurring apart from the public meeting. Therefore, there has to be a notice of the public hearing and a separate notice for the public meeting.

However, the two events could occur on the same day, with the public meeting directly following adjournment of the public hearing. Or, the public hearing may occur within the public meeting as long as it is clearly delineated on the agenda as the public hearing. If the entity chooses this second method, they must ensure they “open the public hearing” take questions and then “close the public hearing” before continuing the public meeting. In both cases, the agenda of the public meeting must clearly reflect that the public body is going to adopt the budget for that entity in question.

Adoption of the Budget

A. Does the budget have to be adopted as initially proposed and published?

For Lawrason Act municipalities, the governing authority may adopt amendments prior to adopting the budget so long as they do not substantially change the budget that was presented and made available for public inspection. If substantial revisions are needed to the proposed budget, the governing authority should reject the budget and restart the budget adoption process.

[Act 96 of the 2019 Regular Session](#)

For other public entities (Parish governing authorities, school boards, municipalities operating under a home rule charter, etc.), the governing authority may adopt amendments to the proposed budget in an open meeting prior to adopting it.

B. Does adoption require a public hearing?

Political subdivisions or elected officials that propose expenditures of \$500,000 or more must conduct at least one public hearing prior to adoption of the proposed budget.

Political subdivisions that propose to spend less than \$500,000 are not required to advertise and conduct public hearings, but must still make the proposed budget available for inspection prior to adoption.

[**R.S. 39:1307**](#)

C. Does adoption require a public meeting?

Except for independently elected officials, adoption of the proposed budget, and any amendments thereto, must occur in an open meeting.

Independently elected officials adopt their budget through a letter published in their official journal. However, the independently elected official is still subject to the requirement of holding a public hearing prior to adoption pursuant to R.S. 39:1307, if their budget proposes to expend \$500,000 or more.

[**R.S. 39:1309**](#)

Adoption of the Budget

D. Can the entity adopt its budget by resolution?

For independently elected officials: the budget adoption instrument shall consist of a letter authorizing the implementation of the adopted budget, which shall be published in their official journal.

For municipalities, parishes, school boards, or special districts: the budget adoption instrument shall be an appropriation ordinance, adoption resolution, or other legal instrument.

For Lawrason Act municipalities: budget adoption must be accomplished by ordinance, R.S. 33:406.

**[LLA FAQ:
Steps Necessary for Adoption and
Implementation of an Annual Budget...](#)**

Amending the Budget

The budget amendment process in the LGBA addresses the respective roles of an entity exercising the legislative function for the political subdivision (defined in [R.S.39:1302](#)); and the chief officer exercising the executive functions for the political subdivision. The LGBA also ensures that political subdivisions do not expend more funds than they have available. The law requires the budget to be balanced.

Following is a list of questions that entities must consider during the fiscal year in order to determine whether the budget must be amended:

A. Are revenues lower or expenditures higher by 5% or more of budgeted amounts for the fund?

This is a “Yes” or “No” question. If the answer is “Yes” then the LGBA requires amendment of the budget.

[See, Q 40, 42, 43, 44 of the LGBA FAQs](#)

B. Is written notification to the governing authority required before amending the budget?

[R.S. 39:1311](#) requires the chief executive or administrative officer of a political subdivision with budgets having anticipated expenditures of \$500,000 or more from the general fund or any special revenue funds in a fiscal year (or similar budgetary period) to advise the governing authority in writing when:

(1) **Total** revenue and other sources plus projected revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more.

(2) **Total** actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more.

(3) Actual beginning fund balance, within a fund, fails to meet estimated beginning fund balance by five percent or more and fund balance is being used to fund current year expenditures.

Amending the Budget

Once the governing authority has been notified of a 5% variance or a change in operations upon which the original budget was developed, the governing authority must amend the budget. The LGBA does not specify the time in which the governing authority must amend the budget, but it is recommended that the amendment occur as close as possible to when the variance or change in operations occurs.

This requirement of written notice does not apply to governing authorities and independently elected officials with budgets having anticipated expenditures of less than \$500,000 from the general fund or any special revenue funds in a fiscal year (or similar budgetary period). However, both independently elected officials and political subdivisions with budgets less than \$500,000 must still amend their budgets when there is a 5% variance or change in operations.

[See, Q 43 of the LGBA FAQs](#)

C. Do additional funds need to be appropriated?

If the answer is “yes,” then the budget must be amended. Funds of a political subdivision must be appropriated before they may be expended; therefore, any additional revenue must be appropriated through the budget amendment process before it may be spent.

[See, Q 40 of the LGBA FAQs](#)

D. Have any situations arisen which require expenditures that were not budgeted?

If the answer is “yes,” then the budget must be amended. Situations may arise during the course of the fiscal year that were not expected when planning the budget – such as an emergency weather event. In such cases, the budget must be amended in order to appropriate funds for those unexpected expenditures or to increase any existing appropriation of funds.

[See, Q 40 of the LGBA FAQs](#)

Amending the Budget

E. What type of instrument is required to adopt amendments for the budget?

Most governing authorities make budget amendments through resolution or ordinance that is introduced and adopted in a public meeting. A resolution is sufficient if the entity is not a Lawrason act entity, and the charter (or other law) does not require an ordinance. However, a Lawrason act entity is required to make budget amendments through ordinance.

[See, Q 41 of the LGBA FAQs](#)

F. Are amendments adopted at an open meeting?

For political subdivisions and school boards, any budget amendment must be adopted at a public meeting after publication of the agenda in accord with the normal open meetings notice requirements (that is, 24 hours notice). No additional separate public hearing is required.

For independently elected public officials, such as sheriffs, adoption of the amendment is made by publication of notice of same in the official journal. No public meeting and no public hearing is required.

[See, Q 41 of the LGBA FAQs](#)

G. Will budget be balanced with adopted amendments?

Yes. When amending the budget, the entity must take into account that the law requires the budget to be balanced. Governing authorities that do not meet revenue expectations must reduce expenditures, because it is unlawful to pass a deficit budget in Louisiana. There can be no deficit spending. (R.S. 39:1305E. - *The total of proposed expenditures shall not exceed the total of estimated funds available for the ensuing fiscal year.*)

[See, Q 40 of the LGBA FAQs](#)

Amending the Budget

H. Is an amendment required or has the chief executive/administrative officers been authorized to make changes within a budget without governing authority approval?

In some cases, the chief executive/administrative officer has authority to make transfers within a budget department. Such authority is usually provided in the budget adoption instrument or other sources of law (i.e., Charter or ordinance). Such transfers can be made without amending the budget. However, in all other cases – i.e. transfers between departments, absence of authority to transfer within a department and increasing appropriations --an amendment is required.

[See, Q 41 and 43 of the LGBA FAQs](#)

Monitoring/Implementation of Budget

After the budget is adopted, it is important to monitor its implementation to ensure all appropriations are adequate and no deficit spending occurs. Following are questions to ask when monitoring the adopted budget:

A. Are reports on expenditures and revenues being reconciled to the budget at least monthly?

As a best practice, the LLA recommends a budget-to-actual comparison on a monthly basis.

R.S. 39:1309B

R.S. 39:1311

Best Practices: Budgeting

B. Are revenues lower or higher than expected?

Reminder: If revenues are lower than expected/budgeted for the entire fund by 5% or more, the public entity shall amend its budget to bring it back into balance.

Additionally, for budgets that expend \$500,000 or more, a written notification of the revenue shortage shall be sent by the Chief executive or administrative officer (i.e. Mayor, CFO, CEO, etc.) to the governing authority (council, board, etc.) or independently elected official.

R.S. 39:1311

C. Are expenditures higher or lower than expected?

Reminder: If expenditures are higher than expected/budgeted for the entire fund by 5% or more, the public entity shall amend its budget to bring it back into balance.

Additionally, for budgets that expend \$500,000 or more, a written notification of the excess expenditures shall be sent by the Chief executive or administrative officer (i.e. Mayor, CFO, CEO, etc.) to the governing authority or independently elected official.

R.S. 39:1311

Monitoring/Implementation of Budget

D. Are revenues lower or expenditures higher by 5% or more of budgeted amounts for the fund?

If so, the entity must amend the budget to bring it back into balance.

Additionally, for budgets that expend \$500,000 or more, a written notification of the revenue shortage and/or excess expenditures shall be sent by the Chief executive or administrative officer (i.e. Mayor, CFO, CEO, etc.) to the governing authority or independently elected official.

R.S. 39:1311

E. Are expenditures matched to appropriations?

The answer to this question should always be “Yes.” The LGBA requires that except in cases where the chief executive officer is responding to a declared disaster, all expenditures shall require a corresponding appropriation within the public entity’s budget.

If the answer is “No” then the budget must be amended, as the budget provides the appropriation authority for the expenditure of funds.

R.S. 39:1314

LGBA FAQ Q. #54

F. How do payroll and personnel changes affect the budget?

Increases or decreases in payroll and personnel may increase or decrease budgeted expenditures.

Changes in personnel needs, during the budget year, may also constitute a “change in operations” that triggers a required budget amendment.

R.S. 39:1310 &

LGBA FAQ Q. #45

Monitoring/Implementation of Budget

G. How does a beginning fund balance that is 5% lower than budgeted affect the budget?

The public entity is required to amend its budget to bring it back into balance, addressing the shortage in revenue and anticipated funds.

For those political subdivisions with total proposed expenditures of \$500,000 or more, a written notification of the shortfall shall be sent to the governing authority or independently elected official in addition to the required budget amendment.

For independently elected public officials, such as sheriffs, adoption of the amendment is made by publication of notice of same in the official journal. No public meeting or public hearing is required.

[R.S. 39:1310 & 1311](#)
[LGBA FAQ Q. #44](#)

H. Are there any ordinances or charter provisions which require additional procedures?

Public entities should review its charter or adopted ordinances to determine if any additional requirements have been placed on amending the budget or in notifying of revenue shortfalls and excess expenditures.

[LGBA FAQ Question #44](#)
[Check your ordinance/charter](#)

[LLA's LGBA Reporting Template:](#)
[Best Practices](#)

Miscellaneous Budget Issues

A. What should the entity do if a budget is not adopted before the end of its fiscal year?

The entity may by statute continue to operate on 50% of the amounts appropriated in its last validly adopted budget. There can be no transfers between budget departments. No additional funds may be expended without adoption of a budget.

R.S. 39:1312

B. What should the entity do if a budget is still not adopted after 50% of the prior adopted budget has been expended?

No additional expenditures or debt may be incurred beyond the 50% appropriated by statute.

C. How should the entity handle fund deficits from prior years in subsequent fiscal years?

All public entities must amend their budgets whenever revenues and expenditures rise or fall after the budget has been adopted to avoid deficits.

However, if a deficit occurs in a fund, the public entity shall establish a plan to resolve the deficit while maintaining operations. Any such plan should seek to resolve the deficit as quickly as possible and avoid incurring any additional deficits.

LGBA FAQ Q#40

D. Does the entity need to amend its budget after the fiscal year is over to correct errors?

The LGBA does not contemplate the amendment of a budget after the fiscal year has ended.

The budget serves to appropriate funds for the current fiscal year.

Further, the law mandates that public entities must amend their current budgets timely to avoid deficits.

R.S. 39:1310
LGBA FAQ Q#42