



Citizens' Guide to Local Budgets

Every citizen of New York State is a resident of some local government unit, and usually of several overlapping governmental units (county, city, town, village, school district, fire district). While the federal and State governments get a lot of attention for the laws, regulations, and policy decisions they make, it is local governments that administer programs and services that usually have the most direct day-to-day impact on people's lives. Local governments are responsible for public education, police, fire protection, road maintenance, parks, health programs, and much more. One good way to get a picture of your local government's activities is to look at its budget.

A local government budget can be difficult to understand for the average citizen who may not have a background in accounting or a familiarity with budgeting. However, with some basic knowledge about what budgets contain, why they are important, and how they are presented, every citizen of every local community in New York State should be able to decipher the budget document.

With the resources in this guide, interested citizens should be able to understand what is contained in their local government's budget. This in turn will allow citizens to understand the challenges facing their local government, what it is doing to manage them, and – perhaps most importantly – what it is doing with their tax dollars. The guide is intended to enable concerned citizens to evaluate how well the budget has been formulated.

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What Is a Budget?

A local government *budget* is a financial plan that details the government’s projected revenues and expenditures for a defined period of time. Local governments typically have operating budgets and capital budgets. An operating budget is a plan of current (annual) spending and the means to pay for it (taxes, fees, etc.). A capital budget contains long-term spending for the acquisition of assets and the means to pay for them, including borrowing.¹ This guide will examine operating, or annual, budgets. The operating budgets of all of New York State’s local governments cover a fiscal year; the beginning and end dates vary from government to government. The operating budget is not just a financial plan, but – once adopted by the governing board – a binding legal document that can only be changed through a formal process similar to the adoption of the operating budget itself.

Local Government Fiscal Years	
	Fiscal Year Ends
County	December 31st
City	December 31st (Or as established by City Charter)
Town	December 31st
Village	February 28th, May 31st, or July 31st
School District	June 30th

Anything that requires resources from the local government must be paid for out of the budget. Therefore, the budget will contain all of the programs administered by the local government, and the allocation of resources among these programs will reflect the program commitments and policy choices of its elected leaders. In this way, the budget is not only of the local government’s financial plan but also its main policy document.

A local government will demonstrate its priorities by setting the funding levels for different programs and by allocating the spending within each program area. The budget also shows how the policy commitments of the local government are constrained by available resources. Because local governments are limited in how much they may raise through revenues – legally through tax limits, and politically by tax and fee levels that are acceptable to the voters – they must balance the demands of different programs. Usually local governments do not have sufficient resources to fund everything to the extent that they might like or that the users of government services might desire.

¹ See Office of the State Comptroller, Local Government Management Guide, *Multiyear Capital Planning*, www.osc.state.ny.us/localgov/pubs/lmgm/capital_planning.pdf

Different Kinds of Governments, Different Kinds of Budgets

There are many different kinds, or classes, of government units in New York State, including counties, cities, towns, villages, school districts, fire districts, and other special districts. This guide will largely focus on “general purpose governments” – namely counties, cities, towns, and villages. Along with school districts, these municipalities collect most of the local taxes and fees and do most of the spending that affects people at the local level. School district budgets have many of the same features as municipal budgets, with some important variations (see the Appendix). Each class of government has different functions and organizations, leading to different kinds of budgets.

Outline of Local Governments				
	County	City	Town	Village
Number in State	57*	62	932	555
Population Range (2000)	5,379 to 1,419,369	3,147 to 8,008,278	38 to 755,924	11 to 56,554
Budget Officer (prepares tentative budget)	County Executive, Administrator, Manager, or other designated officer.	Mayor, City Manager, or other designated officer or committee.	Supervisor, or other designated officer.	Mayor, Village Manager, or other designated officer.
Body That Adopts Final Budget	County Legislature or Board.	City Council or other legislative body.	Town Board.	Village Board.
Major Revenue Sources	Sales and property taxes, State and federal aid.	Property tax, city sales tax or share of county sales tax, State and federal aid. Two cities (New York City and Yonkers) have income taxes.	Property tax; some get share of county sales tax.	Property tax; some get share of county sales tax.
Major Spending Areas	Medicaid, welfare, health, sheriff's department and jail, nursing homes, highways and other public works.	Police and fire departments, water and sewage, parks, and street maintenance. Five cities (Buffalo, New York City, Rochester, Syracuse, and Yonkers) have dependent school districts.	Highways. Larger towns have police, parks. Towns which contain villages have separate budgets for services provided outside villages. Towns may have Special Districts for water, sewage, lighting, fire protection, ambulance, etc.	Similar to cities, but smaller villages often have no police or fire departments, contracting with other governments for these services. The same may be true of water and sewage services.
* The five boroughs of New York City are also considered counties for certain purposes, but they do not have their own separate budgets. Therefore for the purposes of this guide, “counties” means only the 57 counties outside of New York City.				

How Is a Budget Created?

Every local government has a budget officer who, working with other local officials, develops the final budget document. In doing this, the budget officer will use information from the current and previous years', financial reports, as well as information on current revenues and expenditures, debt service commitments, cash flow, collective bargaining agreements, capital plans, and new or pending legislation. The budget officer will also use their knowledge of economic conditions, interest rates, and input from taxpayers and other interested groups.

Budgets are developed in accordance with a certain calendar, which will vary according to each local government's fiscal year, and the time that is needed to collect information from department heads, create a tentative budget, present it to the governing board, and hold a public hearing. The governing board adopts the final budget; for school districts, there is also a public budget vote.

See the Office of the State Comptroller's (OSC's) Local Government Management Guide, *Understanding the Budget Process*, for more detailed information on the creation of local government budgets.²

What Are the Limits on Budgets?

All local government budgets in New York State are on an annual cycle. However, it is rare that local government programs begin and end in a single year. Most government services are provided on an ongoing basis, increasing or decreasing gradually in size over a long period of time. Local governments may also have to carry out functions that are part of mandates in State or federal law. Taken together, these *ongoing* spending items make up a large portion of local government budgets. Therefore, while local governments can use budgets to change policy priorities, these changes are constrained by the many long-term commitments that the local government has.

Local government budgets are also at the mercy of economic and development realities that are frequently beyond the control of municipalities. A national recession may negatively impact the revenues of a local government. Local commercial development may increase the need for highways and other local services, perhaps with a corresponding increase in revenues. These changes may take place over a number of years. Local governments may be able to anticipate some of these impacts, but they will also likely have to be ready to adjust their policies and budgets in reaction to them.

² www.osc.state.ny.us/localgov/pubs/lmg/budgetprocess08.pdf.

Where Can You Find the Budget?

Local government budgets are frequently available on the municipality's website. Often they are available at a local library. In other cases, it may be necessary to obtain a copy from the clerk or other official of the municipality. The budget is a public document and should be available in some form, either free or for a small charge, to all residents of the community.

What Should You Look For in the Budget?

The budget will have sections covering revenues and spending and often separate sections for different funds. The budget may also have summary sections, showing broader revenue and spending categories and totals for the various funds. These summaries can be useful to novice or casual users of budgets, since they will often contain much of the information that citizens are likely to be interested in. For instance, a summary will usually show how much is collected through individual taxes and fees, and overall amounts that are spent on employee payrolls, benefits, contractual expenses, etc. The budgets of larger local governments are especially likely to contain these summaries, and often include illustrative charts and graphs to explain the various parts of the budget. However, even these larger governments' budgets will also contain more detailed sections with valuable information.

Budget Message

Many budgets will contain a budget message. This message will usually be from the official responsible for preparing the budget, summarizing the major features of the budget, and often highlighting challenges that face the local government and changes that may have been made to the budget compared to previous years. It can be a very good starting point for understanding the key components of that local government's budget.

Outline of a Budget

The following outline presents a typical local budget format. However, each local government may have a different format, which may contain only some of these features, or include others not shown here.

Example of a Typical Local Government Budget

APPROPRIATIONS - GENERAL FUND		A	B	C	D	E	F
		2008-2009 Actual Spending	2009-2010 Budget Current	2009-2010 Current Adjusted	2009-2010 Current Year-to-Date	2010-2011 Proposed Budget	2010-2011 Budget Adopted
GENERAL GOVERNMENT SUPPORT							
Legislative Board of Trustees							
A1010.1	Payroll	\$2,500.00	\$2,600.00	\$2,600.00	\$1,950.00	\$2,750.00	\$2,600.00
A1010.4	Contractual	\$584.94	\$500.00	\$400.00	\$375.00	\$500.00	\$500.00
	TOTAL	\$3,084.94	\$3,100.00	\$3,000.00	\$2,325.00	\$3,250.00	\$3,100.00
TOTAL LEGISLATIVE BOARD		\$3,084.94	\$3,100.00	\$3,000.00	\$2,325.00	\$3,250.00	\$3,100.00

A budget is only required to show the proposed revenues and expenditures for the upcoming *budget year*. However, budget documents should show a few years' worth of budget data. If not, you should ask to see this information (preferably displayed in an identical fashion), so that you have a basis for comparison.

- A** This column displays the prior completed year's actual spending (sometimes this will show actual spending and sometimes budgeted spending).
- B** This column displays the current year's budget. This shows the budget adopted by your local government last year and represents the spending levels approved at that time.
- C** This column displays the current year's *adjusted budget*. This shows adjustments that may have been made to the original adopted budget during the current year.
- D** This column displays the *year-to-date* spending. This is the spending that has actually occurred during the current year. In this case, nine months of data is shown. This column shows if actual spending is in line with estimates.
- E** This column displays the *tentative budget*, which may also be called the *proposed* or *executive* budget. The chief fiscal officer proposes this budget to the governing board.
- F** This column shows the *adopted budget* for the upcoming year. Any changes made by the governing board would be reflected here.
- G** This is an example of a *line item code*. Most proposed and adopted budgets use these line-items as the basic unit of allocation. These items may be quite confusing to an inexperienced reader of a local government budget, but they are actually organized according to a standard accounting code and classification system. While local governments present these codes in a wide variety of formats, they usually follow the same system. See the Appendix for more on these codes.

Funds

Local government budgets are organized by funds. Each fund is a self-contained accounting “bucket” for segregating financial activity dedicated to certain activities or objectives. Some funds are required by State law (such as road and highway funds, water funds, and sewer funds), but local governments may also create special funds for other purposes.

The General Fund

Different funds are denoted by a letter code. The “A” code is the *general fund*. The general fund is the principal operating fund of all local governments, and includes all operations that are not recorded in a separate fund. Generally, most taxes collected by local governments, and most of the spending that they do, can be found in the general fund.

Beyond the General Fund

The “FX,” or *water fund*, may be used by any local government, but is most commonly found in cities, towns or villages that maintain their own water systems. The “G,” or *sewer fund*, similarly is usually found in cities, towns, or villages with sewer systems.

Most counties have a “D,” or *county road fund*, which contains all items related to road maintenance. Towns have a “DA,” or *highway fund*, for similar purposes.

Towns that contain villages also have a “B,” or *town outside village fund*, paying for services provided to residents outside the villages and funded by taxes and fees paid by those residents. Towns containing villages will also have a separate “DB,” or *town outside village highway fund*.

Fund	Alpha Code	County	City	Town	Village
Governmental Funds:					
General	A	X	X	X	X
Special Revenue:					
Town Outside Village	B			X	
Special Grant	CD	X	X	X	X
Miscellaneous ^a	C	X	X	X	X
County Road	D	X			
Highway-Town Wide	DA			X	
Highway-Part Town	DB			X	
Road Machinery	DM	X			
Water	FX	X	X	X	X
Sewer	G	X	X	X	X
Public Library	L	X	X	X	X
Special Districts ^b	S			X	
Permanent	PN	X	X	X	X
Capital Projects	H	X	X	X	X
Debt Service	V	X	X	X	X
a. Miscellaneous Special Revenue Funds include: Refuse (CL), Parking (CP), Recreation (CR), Transportation (CT), Urban Renewal (CU), and Miscellaneous (CM). b. Special District Funds include: Drainage (SD), Fire Protection (SF), Lighting (SL), Miscellaneous (SM), Park (SP), Refuse and Garbage (SR), Sewer (SS), Parking (ST), and Water (SW).					

Line Items

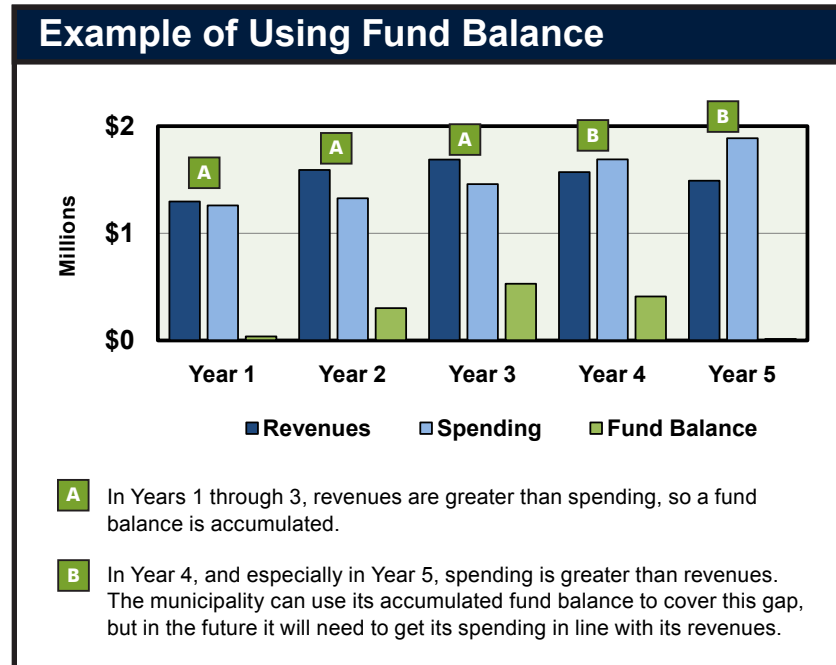
There will be entries for each revenue and spending item by fund in the budget. These will usually have number codes, which are part of the accounting classification system. A detailed discussion of these codes is included in the Appendix.

Deficits, Surpluses, and Fund Balances

Budgets are meant to balance revenues and expenditures, so that the local government is able to provide needed services with the resources available. However, the reality is that budgets will rarely work out precisely as planned, leading to operating deficits (when expenditures exceed revenues) or operating surpluses (when revenues exceed expenditures.) As long as these deficits or surpluses are minor or intermittent, they do not constitute a material problem for a local government and should not be cause for concern. It is when there is a persistent pattern of larger surpluses or deficits that there should be concern about the budgeting practices of the government.

Adopted budgets should not show deficits or surpluses, since adopted budgets must be balanced. Sometimes an operating deficit is planned when an existing fund balance is used as a one-time funding source for the budget.

Most local governments maintain fund balances, money that is unused by the government from year to year. Some of these fund balances are kept in reserves for specified purposes, and may only be legally used for such purposes. These reserves may be used to pay for items that need to be purchased for long-term use or are one-time in nature (for example, the purchase of land for a new county jail or the acquisition of a snow plow). Reserves may also be set aside for the repair of equipment or facilities, or for other purposes allowed by law. For more on legal budget reserves, see OSC's Local Government Management Guide, *Reserve Funds*.³



³ www.osc.state.ny.us/localgov/pubs/lgmg/reservefunds.pdf.

Local governments usually also have *unreserved* fund balances. These balances are used to smooth out short-term variations in actual revenues and expenditures, protect against risks and other potential budget shortfalls, and assure a consistent cash flow for the local government so it can pay its bills. These fund balances may not always be shown in the budget document, but it is important to find out about them and their size relative to the budget as a whole.

OSC encourages and State law allows local governments to keep a reasonable fund balance.⁴ The Government Finance Officers Association recommends that municipalities maintain an unreserved fund balance equal to at least two months of annual total expenditures as insurance against unanticipated expenditures or revenue shortfalls.⁵ School districts are limited by law to an unreserved fund balance of no more than 4 percent.

How Do Budgets Change Over Time?

Most local governments base new budgets on the adopted final budget from the previous year. They should also review a number of prior years of actual expenditures and revenues to get a sense of the trends that may be affecting the budget. An advantage of looking back at actual spending and revenue and comparing them to historical budgets is that it may reveal mistakes that are recurring year after year. For instance, if a local government is repeatedly underestimating the growth in employee benefits, a look at the historical variations might reveal the proper rate to apply for current and future years.

A useful companion to the annual budget is a multiyear plan. This projects the effects of the current budget, and future budget and policy assumptions, on future years. Unlike a budget, a multiyear plan is not a binding document. Most likely, significant changes will take place before those future years are actually budgeted. However, a multiyear plan can be very useful in revealing if the local government is on an unsustainable course that may lead to chronic budget problems and the need for large tax increases or sharp budget cuts. For this reason, the New York State Comptroller has long supported the use of multiyear planning in all local governments, and provides training and support for local officials on this topic.

⁴ Office of the New York State Comptroller, *Budgeting and Fund Balance Legislation*, July 2001.
<http://www.osc.state.ny.us/localgov/pubs/releases/budfund.htm>.

⁵ Government Finance Officers Association, *Best Practice*, “Appropriate Level of Unrestricted Fund Balance in the General Fund,” October 2009. www.gfoa.org/downloads/AppropriateLevelUnrestrictedFundBalanceGeneralFund_BestPractice.pdf.

How to Evaluate a Budget

A well-constructed budget will include needed spending and expected tax revenue. It is best to be conservative in estimating revenue growth and to budget sufficient spending to provide needed services. A certain amount of the budget should be set aside for contingencies (either with a line item, or through the use of fund balances or reserves), to allow for the smooth operation of government in case of emergencies or minor errors in calculating revenues or expenditures. If this contingency is not used in a given year, it may be rolled into the next year's budget.

In order to evaluate a municipality's budget fully, it may be necessary to obtain more information. If the budget does not include comparisons of budgets to actual spending for a few years, it should be possible to obtain several previous years' budgets from the municipality in order to have a good basis for assessing the current budget. It is not possible to adequately evaluate budgets by comparing them to previous budgets; they must be evaluated in the light of actual spending. Such comparisons will help to identify any ongoing problems the municipality is having with its budgets.

A sound budget is also linked to good long-term planning. This is where a well-devised multiyear plan comes in. A budget may include actions that may not have much of an impact in the next year but may have large impacts in future years; the multiyear plan will show this. It will also show other trends that are less evident over a shorter time frame, such as rising debt service or health insurance costs, but have growing impacts over time. Not every municipality will have a multiyear plan, but those that do should make them available to the public.

There may be other municipal documents that are helpful in evaluating the budget, including a master plan and other planning documents, board minutes, newsletters, press releases, or other materials on government operations.

A good budget provides sufficient recurring revenue to fund recurring expenditures, without requiring sharp increases in taxes or fees or sharp decreases in program funding. Areas to focus on include:

Recurring Revenues

There may be some variation, but these revenues are collected regularly and continue from year to year:

- Property taxes
- Sales taxes
- State aid
- Other taxes and fees.

Recurring Expenditures

These are the ongoing costs of local government:

- Salaries and benefits
- Supplies and equipment
- Contractual services
- Debt service.

Nonrecurring Revenues or “One-Shots”

These revenues are the result of a specific government action and may not continue from year to year:

- Sales of land
- Use of fund balance
- Insurance recovery.

On the other hand, there are several specific elements that tend to characterize a problematic budget:

Insufficient Spending Estimates

This is when the budget does not properly estimate the costs of recurring and predictable spending needs. Generally, government spending will typically be as high as the previous year, unless there are specific policy changes (for example a reduction in the number of employees) that would account for lower spending. Moreover, spending may increase year-to-year due to inflation, negotiated pay increases, etc. If these factors are not properly taken into account in the budget, it will probably necessitate a revision to the budget to accommodate those needs before the end of the budget year. If this happens, unplanned spending cuts, borrowing, or use of fund balance could result.

Example of Insufficient Spending Estimates

	Year 1	Year 2	Year 3	Year 4 (Budget)	
Personal Services	\$5,960,528	\$6,139,344	\$6,323,524	\$5,691,172	A
Employee Benefits	\$3,035,379	\$3,278,209	\$3,540,466	\$3,186,419	B
Contractual	\$5,025,943	\$5,277,241	\$5,541,103	\$4,986,992	C
Equipment and Capital Outlay	\$2,135,377	\$2,199,439	\$2,265,422	\$2,038,880	D
Debt Service	\$1,912,599	\$1,969,977	\$2,029,076	\$1,826,168	E
Total Expenditures	\$18,069,827	\$18,864,209	\$19,699,591	\$17,729,632	F

Expenditures increase over the first three years, and then are cut by 10 percent in all categories for the budget year (Year 4). Such across-the-board reductions can be problematic:

- A** Cuts in personal services may be difficult to achieve as savings are dependent on significant staff reductions, an action that is not easy to implement quickly and may be limited by union contracts. Local officials should also be careful about eliminating employees in positions that collect fees or fines, write tickets, etc. Such an action could generate less revenue in the budget.
- B** Employee Benefits are related to Personal Services, and should be linked to any staffing changes. In addition, staff reductions could lead to increased employee benefits if there are payouts that need to be made from leave accruals, retirement benefits, etc.
- C** Contractual expenditures are dependent on the particular mix of contracts that a municipality holds - some may be multiyear contracts. Savings from contracts can be achieved if certain contracts are ending in the budget year, or if contract, have appropriate termination provisions.
- D** Equipment purchases and smaller capital projects are probably the easiest category to cut in government budgets, although continually deferring rehabilitation and repair of equipment or infrastructure can ultimately lead to greater costs in the future.
- E** Reducing debt service is limited by the principal and interest payments that are due in the budget year. Paying off existing debt can produce long-term savings.
- F** Total expenditure trends for the last three years indicate that a 10 percent reduction in all budget categories is problematic.

Unrealistic Revenue Estimates

This often results from budgeting for *unlikely* increases in recurring taxes and fees (e.g., relying on increases in sales tax collections that are not warranted by history or probable economic growth). Similarly, making inflated estimates of “one-shot” revenues to help pay for recurring expenditures can quickly lead to problems. If a local government is keeping property tax rates flat, or decreasing them, it indicates that expectations from other revenue sources need to be carefully evaluated.

Example of Unrealistic Revenue Estimates

	Year 1	Year 2	Year 3	Year 4 (Budget)	Average Increase Years 1 to 3	Increase in Year 4	
Real Property Tax	\$5,391,417	\$5,779,599	\$6,189,951	\$6,189,951	7.1%	0.0%	A
Sales Tax	\$4,414,174	\$4,546,600	\$4,682,998	\$5,052,954	3.0%	7.9%	B
Other Taxes	\$154,894	\$159,541	\$164,327	\$169,257	3.0%	3.0%	
Other Local Revenue	\$4,472,995	\$4,562,455	\$4,653,704	\$4,746,779	2.0%	2.0%	
State and Federal Aid	\$3,636,346	\$3,818,163	\$4,009,071	\$4,329,797	5.0%	8.0%	C
Total Revenues	\$18,069,827	\$18,866,358	\$19,700,051	\$20,488,737	4.4%	4.0%	

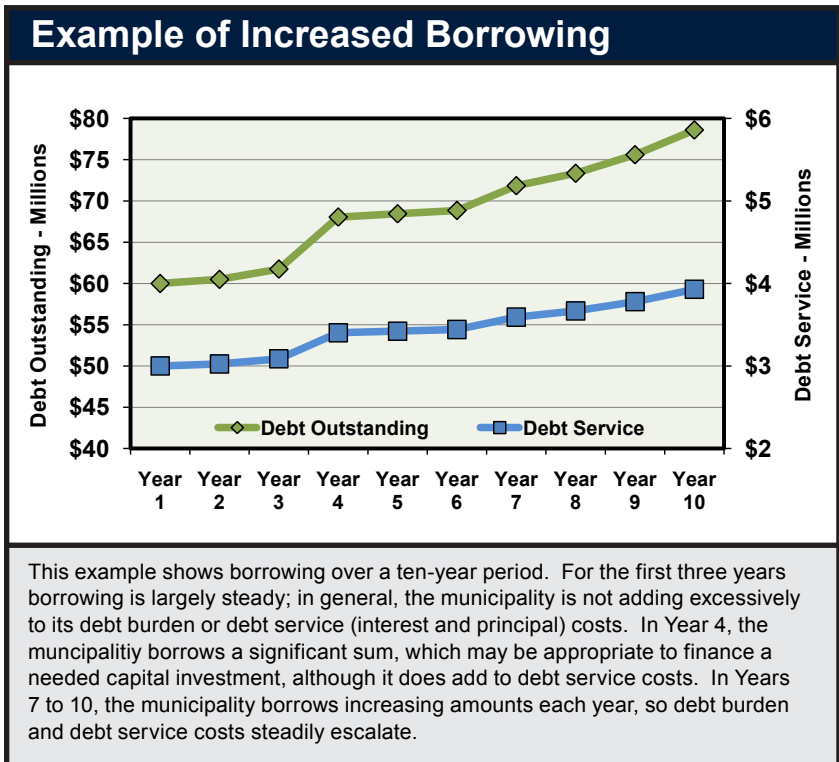
- A** Property taxes have increased by over 7 percent in Years 2 and 3, and then are not increased in Year 4. This may be an indication that the local government is using higher estimates of other revenue or “one-shot” revenue to avoid a property tax increase.
- B** In this example, sales taxes are projected to increase much more swiftly than in previous years. Unless there has been an increase in the sales tax rate, or new commercial development (like a major new retail outlet), this may be an overly optimistic projection.
- C** Unless there is a specific commitment to increased aid on the part of the State or federal government, the projected increase may be unlikely.

Routine Use of Fund Balance or Other One-Shots

It is normal and acceptable to use accumulated fund balances to cover unforeseeable shortfalls in revenues or occasional excess expenditures. A local government may also deliberately budget the use of fund balance when amounts become excessive and need to be returned to the taxpayers. However, the persistent use of fund balances to cover revenue shortfalls in a budget over a number of years may be indicative of a structural problem in the budget. Similarly, it is best to utilize one-time revenues for one-time purposes such as debt reduction, capital planning and special projects, or to help cover a one-time budget shortfall.

Borrowing for Recurring Needs

Most local governments borrow for capital or other special needs. When they borrow for normal operational spending, and especially when they do it regularly and increasingly, then that is a sign of significant structural problems with the budget.



Conclusion

Understanding the basics about your local budget is an important step towards becoming an active participant in the local decision-making process. By applying what you have learned with the help of this guide, you should now be able to easily identify “where the money comes from” and “where the money goes.” More importantly, you should also have an enhanced appreciation for the specific challenges facing your local community, and the steps your local officials are taking to address them.

ADDITIONAL RESOURCES

OSC has developed a number of tools and publications to help local governments in the budget creation and management process. You too can learn more with the following resources:

Understanding the Budget Process.

A Local Government Management Guide.

www.osc.state.ny.us/localgov/pubs/lmgm/budgetprocess08.pdf

Trouble Ahead: Managing Your Budget in Times of Fiscal Stress.

www.osc.state.ny.us/localgov/pubs/lmgm/managingbudget.htm

Open Book New York.

Includes a searchable database of local revenues and expenditures.

www.openbooknewyork.com

Financial Data for Local Governments.

www.osc.state.ny.us/localgov/datanstat/findata/index_choice.htm

Overlapping Real Property Rates and Levies.

www.osc.state.ny.us/localgov/orptbook/taxrates.htm

Annual Report.

Highlights some of the major fiscal trends that exist among New York's local governments, as well as recent policy developments and initiatives that affect their operations and financial health.

www.osc.state.ny.us/localgov/datanstat/annreport/index.htm

APPENDIX

Municipal Item Codes

Municipal item codes designate the different kinds of revenues and expenditures of the local government by number. Not all budgets contain these codes; instead, the items may be labeled with a description of the purpose of the item, and those descriptions should usually line up with the standard definitions of the coded system.

Revenues

Revenues are usually identified with four-digit code numbers. The majority of local government revenue comes from just a few sources:

- Real Property Taxes – codes from 1000 to 1099 – this includes revenue from property tax assessments, payments in lieu of taxes, and other property tax items. It is the main source of locally raised revenue for most local governments.

Revenue Codes	
1000 - 2999	Local Sources
3000 - 3999	State Sources
4000 - 4999	Federal Sources
5000 - 5999	Interfund Transfers and Proceeds From Debt

- Non-Property Taxes – codes from 1100 to 1199 – this includes sales taxes, utility taxes, and any other locally imposed tax. Sales taxes provide a major source of revenue for counties, cities, and some other local governments.
- Departmental Income and Intergovernmental Charges – codes from 1200 to 2999 – this includes fees paid for local services, tolls, fines, and charges paid by other governments for services provided.
- State Aid – codes from 3000 to 3999 – this includes all aid provided to local governments from the State. State aid makes up a substantial portion of the revenues of some local governments, in many cases paying for some part of State-mandated programs.
- Federal Aid – codes from 4000 to 4999 – this includes all aid provided to local governments from the federal government.
- Interfund Transfers and Proceeds From Debt – codes from 5000 to 5999 – this includes any revenue transferred from other funds of the local government, and any proceeds from borrowing.

Expenditures

Expenditure codes identify expenditures both by function (the general area of spending, such as public safety or health) and by object (the type of spending, such as personal service or contractual). Some budgets, especially those of larger local governments, will summarize spending using one or both of these groupings.

The expenditure codes are organized by functional area, or the purpose of the expenditure being made:

- General Government Support – codes starting in 1 – this includes expenses for legislative, judicial, and executive functions, and centralized services including finance, clerks, elections, etc.
- Education – codes starting in 2 – for counties this will include expenditures for community colleges, otherwise it may include some education support expenditures (see “School District Budget Fund and Item Codes” for a description of where most education spending occurs.)
- Public Safety – codes starting in 3 – generally this includes all expenditures for the protection of persons and property, such as sheriff and police departments, fire protection, animal control, and traffic control.
- Health – codes starting in 4 – includes public health programs, mental health and addiction control programs, public hospitals, nursing homes, etc.
- Transportation – codes starting in 5 – includes highway expenditures (in towns and counties, these are usually in a separate fund) and public transportation.
- Economic Opportunity and Development – codes starting in 6 – includes social service expenditures (this is where Medicaid – a major county expenditure – is shown), job training, industrial development, veterans services, etc.
- Culture and Recreation – codes starting in 7 – parks, recreation, libraries, historians, etc.
- Home and Community Service – codes starting in 8 – zoning and planning, sewage and water, sanitation, power, urban renewal, conservation, cemeteries, etc.
- Undistributed – codes starting in 9 – most line item budgets include employee benefits and debt service here, rather than as separate amounts distributed to the various functional areas discussed above.

Expenditure Codes - Functions	
1000-1999	General Government Support
2000-2999	Education
3000-3999	Public Safety
4000-4999	Health
5000-5999	Transportation
6000-6999	Economic Assistance and Opportunity
7000-7999	Culture and Recreation
8000-8999	Home and Community Service
9000-9099	Employee Benefits
9700-9799	Debt Service
9900-9999	Interfund Transfer

The object level description of each expenditure is identified by the fifth digit of the code.

- Personal Services – codes ending in .1 - includes payroll and salaries for all employees covered by that item.
- Equipment and Capital Outlay – codes ending in .2 – designates all direct purchases of equipment for use of the government.
- Contractual – codes ending in .4 – this covers items such as postage, telephone, utilities, consumable office supplies, travel, etc.
- Debt Principal – codes ending in .6 – reflects principal payments of local government debt.
- Debt Interest – codes ending in .7 – reflects debt interest payments of a local government.
- Employee Benefits – codes ending in .8 – includes items such as health insurance, retirement, unemployment insurance, etc.
- Interfund Transfer – codes ending in .9 – used to show transfer of any money between local government funds.

Expenditure Codes - Object	
.1	Personal Services
.2	Equipment and Capital Outlay
.4	Contractual
.6	Debt Principal
.7	Debt Interest
.8	Employee Benefits
.9	Interfund Transfer

Some Typical Budget Code Formats

Local governments present their budget in a variety of ways. Here are some examples of how one particular spending item is labeled in several different local government budgets. Each specific budget will still follow the usual code system while using its own format.

Legislative Board - Personal Services

A 1010.1

A 1010.100

00-01-1010-100

A-1010100

Board (1010) Personnel

A0.1010.100

A 1010 1900 Bd of Trustees Salaries

School Budget Fund and Item Codes

Most of the discussion of budgets in this guide applies to municipalities. School district budgets differ in a numbers of ways. School districts derive most of their revenues from property taxes and State aid. Naturally, the largest expenditure area for school districts is for the salaries and benefits of teachers and other staff. Most school expenditures are in the general fund, though school districts also make use of special funds for items such as food service, and special aid. A school will often present its budget as an “All Funds” budget, including all items from all of the operating funds that the school may be using.

There is some variation in the ways that school districts and municipalities organize their funds and expenditure functions. The fund code letters and expenditure numbers are also somewhat different than those used by municipalities.

School district expenditure objects are also frequently presented in more detail.

School District Funds	
Fund	Alpha Code
Governmental Funds:	
General	A
Special Revenue Funds:	
School Store Fund	B
School Food Service Fund	C
Miscellaneous Revenue	CM
Special Aid Fund	F
Capital Projects	H
Public Library	L
Permanent	PN
Debt Service	V

School District Expenditure Codes - Function	
1000 – 1999	General Support
2000 – 2999	Instruction
5000 – 5999	Transportation
6000 – 8999	Community Service
9000 – 9099	Employee Benefits
9700 – 9799	Debt Service
9900 – 9999	Interfund Transfer

Some Examples of More Detailed Expenditure Object Codes for School Districts	
.10	Teacher Salaries, Pre-Kindergarten
.11	Teacher Salaries, ½ Day Kindergarten
.12	Teacher Salaries, K-6
.13	Teacher Salaries, 7-12
.14	Substitute Teacher Salaries
.15	Instructional Salaries
.16	Noninstructional Salaries
.45	Materials and Supplies
.471	Tuition Paid to Public districts in NYS (excluding Special Aid Districts)
.472	Tuition - All Other
.473	Payments to Charter Schools
.48	Textbooks
.49	BOCES Services

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