The Louisiana Legislative Auditor (LLA) is providing the following best practices to help local government entities create their own written policies and procedures. Because this document may not include all legal provisions applicable to different types of local government entities, entities should consult with legal counsel when developing written policies and procedures. Also, many of the legal provisions referenced in this document may not apply to quasi-public organizations, such as non-profits. Quasi-public organizations should refer to the LLA’s legal FAQs for additional guidance.

Sources:

Louisiana Legislative Auditor FAQs – https://www.lla.la.gov/legal-faqs/
Lawrason Act municipality budget requirements – R.S. 33:404(A)(5)

Written policies and procedures over budgeting should include preparing, adopting, monitoring, and amending the budget.

Preparing the Budget:

1. The entity’s chief executive or administrative officer for political subdivisions (e.g. mayor, director), elected official (e.g. sheriff), or school board superintendent is responsible for preparing an annual budget and budget message under the Local Government Budget Act (LGBA) for the General Fund and special revenue funds. The mayor of a Lawrason Act municipality is also responsible for preparing an annual operations budget (generally the same as the General Fund budget) and a capital improvements budget.

2. Although the LGBA does not require the preparation of a budget for proprietary or fiduciary funds, the LLA recommends that entities prepare such budgets as a best practice for managing the financial stability of these funds. The LLA further recommends that the General Fund’s unrestricted fund balance (i.e. the sum of assigned, committed, and unassigned categories) should constitute no less than 2 months of operating expenditures.

3. The official responsible for budget preparation should work closely with accounting and budget staff to provide realistic budget targets. Accounting and budget staff should have
clearly defined roles in the budget preparation process, including written job duties. Example procedures to provide realistic budget targets might include:

- Developing a budget “calendar” with timelines and deadlines for budget completion,
- Meeting with department heads 90 to 120 days in advance to receive/discuss budget requests for the year,
- Analyzing trends of revenue sources and considering whether budgetary increases/decreases are warranted.
- Using a side by side comparison, analyze current year line-item expenditures to identify costs that can be reduced or eliminated and those that may increase.

4. Total proposed expenditures (including other financing uses) must not exceed the sum of total estimated revenues (including other financing sources) plus beginning fund balance. If the General Fund had a negative unrestricted beginning fund balance, the proposed budget should include a formal plan to eliminate the negative unrestricted fund balance.

5. Required elements of the LGBA include:

- Adoption instrument (resolution, or ordinance if required; Lawrason Act requires an ordinance);
- Signed budget message that contains a summary description of the proposed financial plan and discussion of the most important features;
- A statement for each fund showing:
  - Estimated fund balances at the beginning of the year;
  - Estimates of all receipts and revenues to be received;
  - Revenues itemized by source;
  - Recommended expenditures itemized by agency, department, function, and character;
  - Other financing sources by source and use; and
  - Estimated fund balances at the end of the fiscal year;
- A clearly presented, side-by-side detailed comparison of such information for the current year, including:
  - Fund balances at the beginning of the year;
  - Year-to-date actual receipts and revenues received and estimates of all receipts and revenues to be received the remainder of the year;
  - Estimated and actual revenues itemized by source;
  - 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;
  - Other financing sources and uses by source and use, both year-to-date actual and estimates for the remainder of the year;
6. The official responsible for budget preparation must complete the budget, submit it to the governing authority (e.g., council, board of aldermen), and make it available for public inspection*, as follows:

- Lawrason Act municipalities – no later than 15 days prior to beginning of fiscal year;
- Elected Officials – no later than 15 days prior to beginning of fiscal year (no separate governing authority);
- School Boards – no later than 15 days prior to date of adoption (by September 15th of fiscal year);
- Parishes – Prior to 15th day of fiscal year; and
- Other Political Subdivisions – no later than 15 days prior to beginning of fiscal year.

*Note: Public notice must be given in the official journal if total proposed expenditures are $500,000 or more for the General Fund or any special revenue fund.

7. The governing authority or elected official must hold a public hearing if total proposed expenditures are $500,000 or more for the General Fund or any special revenue fund. The public hearing must be held prior to September 15th of the fiscal year for school boards and no sooner than 10 days after publication (of notice that budget is available for public inspection) for other entities.

8. Once the public hearing has been held, the governing authority or elected official must certify completion of the public process as a notice in the official journal.

Adopting the Budget:

1. The governing authority or elected official must adopt the General Fund and special revenue funds budgets using one of the following methods:

- Lawrason Act municipalities – Ordinance must be passed in an open meeting before end of prior fiscal year.
- Elected Officials (e.g., Sheriff) – Letter authorizing implementation signed by elected official. No public meeting is required.
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- School Boards – Resolution passed in an open meeting by September 15 of the fiscal year. Proposed budget must also be sent to State Superintendent by September 30th for approval.
- Parishes – Ordinance or resolution passed in an open meeting prior to the 30th day of a new fiscal year.
- Other Political Subdivisions – Ordinance or resolution passed in an open meeting before end of prior fiscal year.

2. The official responsible for budget preparation is also responsible for retaining certified copies of the adopted budget, budget adoption instrument, budget amendments, supporting schedules, and correspondence relating to the budget.

3. If, at the end of any fiscal year, the budget has not been adopted by the governing authority, then only 50% of last year’s final adopted budget is deemed to be appropriated for the current year. This 50% limitation continues until a new budget is adopted.

Monitoring the Budget:

1. The official responsible for budget preparation must notify the governing authority when revenues and expenditures, including other sources and other uses, of the General Fund and special revenue funds are estimated to exceed the 5% thresholds established by the LGGA. The official must also notify the governing if the beginning fund balances fail to meet estimated beginning fund balances by 5% or more, if the fund balances are being used to fund current year expenditures. (Note: An elected chief of police in a municipality must advise the municipal governing authority in writing when total actual expenditures plus projected expenditures for the remainder of the year within the police department exceed the total budgeted expenditures by 5% or more, and shall make recommendations in writing to the governing authority for responsive action.)

2. If the General Fund had a negative unrestricted beginning fund balance, the governing authority should evaluate management’s adherence to the formal plan to eliminate the negative unrestricted fund balance.

3. As a best practice, the LLA recommends that the official responsible for budget preparation report budget-to-actual comparisons for the General Fund, special revenue funds, and any other large funds (including proprietary and fiduciary funds) to the governing authority on a monthly basis.
Amending the Budget:

1. Once the governing authority has been notified of a 5% variance (see Monitoring the Budget above) or a change in operations upon which the original budget was developed, the governing authority must amend the budget. The amendment must be adopted at a public meeting after publication of the agenda (or published in the official journal for elected officials), and amendments to the adopted budget must be done through ordinance and in accordance with the provisions of the LGBA.