

COUNTY OF MARQUETTE - 2019 BUDGET
SUMMARY OF THE MICHIGAN UNIFORM LOCAL BUDGETING ACT¹

(Act No. 621, Public Acts of 1978)

Until 1978, Michigan law relating to local government budgeting consisted primarily of scattered statutory provisions and a number of court decisions and rulings by the Attorney General. Most dealt with property taxation rather than budgeting in particular. The exceptions to this were specific statutory budgeting provisions related to charter townships and fourth-class cities. These units together constitute only a small percentage of the total number of governmental units in the state. Thus, for nearly all local governments, there were no state-wide rules for budget preparation and execution, the result of which was an array of procedures that would confuse the most diligent student of local government budgeting.

Moreover, the basic principles of budgeting were frequently not observed either in local legal provisions or in actual procedures. This wide variety of procedures, at times inadequate, came to the attention of the state. First, a large number of laws were enacted providing for special financial assistance for local government units (usually school districts). These laws may have given aid directly to one or a few units, or they may aid all units in order to provide relief to a few, or they may provide increased taxing power for one or more local units.

Second, the uninformative character of many local budgets led many taxpayers and legislators alike to the conclusion that accountability of local units was not being served by their budgeting processes.

The culmination of these concerns was the passage of Act No. 621, Public Acts of 1978. This Act amends the Uniform Accounting Act (the new title of which is now the Uniform Budgeting and Accounting Act) to provide for a system of uniform procedures to guide the preparation and execution of budgets in all local units of government in Michigan.

General Concepts

The basic concepts embodied in the Act are:

1. Someone must be responsible for preparation of the budget.
2. The budget must be balanced when presented to the legislative body and the legislative body must pass a balanced appropriations act. If necessary, expenditures and revenues must be

¹ A Suggested Budget Measure for Local Units of Government in Michigan, November, 1979, available from Citizen Research Council of Michigan.

adjusted during the fiscal year to ensure that expenditures do not exceed resources.

3. No expenditure may be made without the authority of an appropriation nor may expenditures from an appropriation account or category exceed the amount appropriated.
4. The chief administrative officer or fiscal officer may not execute transfers between departments or funds without approval of the legislative body. The legislative body may, if it chooses, permit transfers within limits it sets in the General Appropriations Act without prior approval.

Specific Provisions

The specific provisions of the Act may be described under three main headings:

1. Coverage. The Act applies to all units of local government in Michigan. It includes units (such as counties) which are not covered by the other provisions of the Uniform Accounting Act. Specifically, "local unit" is defined as:
 - (a) A village
 - (b) A city
 - (c) A local school district
 - (d) An intermediate school district
 - (e) A township
 - (f) A county
 - (g) An authority or organization of government which may issue obligations pursuant to the Municipal Finance Act and which either may levy a property tax or may expend funds of the authority or organization."
2. Procedures to ensure accountability. Accountability in local government budgeting is required in three basic ways:

First, the chief administrative officer is given responsibility for preparing the budget, presenting it to the legislative body, and controlling expenditures under the Appropriations Act. (Clearly, the activities involved in budget preparation may be delegated to a fiscal officer but the chief administrative officer retains final responsibility.) If the local unit has not elected or designated a chief administrative officer, the fiscal officer is to perform these functions.² Department heads and other administrative officers must comply with requests of the fiscal officer for budgetary information.

Second, there are minimum informational requirements established for local budgets.

² If the local unit has, by law, charter, ordinance, or resolution, designated someone else to be responsible for budget preparation and execution, the act allows for such variations.

The data required includes:

- (a) From prior fiscal years
 - the amount of accumulated surplus or deficit
 - (b) For the most recently completed fiscal year
 - expenditure and revenue data
 - (c) For the current fiscal year
 - estimated expenditure and revenue data
 - (d) For the ensuing fiscal year
 - estimate of required expenditure amounts, including those for budgetary centers³
 - estimate of revenues, by source
 - estimate of amounts needed for deficiency, contingent or emergency purposes
 - estimate of amounts needed for debt service
 - amount of proposed capital outlay expenditures (except those financed from funds noted in (e) below), including for each project:
 - (a) Total cost
 - (b) Proposed method of financing
 - (c) Projected annual operating costs*
 - (d) Method of financing operating costs*
 - (e) Informational summary for capital improvement funds which are not required to be covered by the appropriations measure.
- (*Required for three years beyond budget year as well.)

Third, approval of planned expenditures by the legislative body must be obtained by means of a General Appropriations Act that is consistent with the Uniform Chart of Accounts prescribed by the Department of Treasury or the Department of Education. Equally as important, deviations from the original appropriations act may not be made without first amending the Act. This means that:

- (1) Transfers between funds or departments must receive specific prior approval by the legislative body. The legislative body may, however, in the General Appropriations Act, give blanket prior approval to transfers within stated limits.
- (2) Either a transfer or a supplemental appropriation by the legislative body is required to permit expenditures to be incurred against an appropriation account in excess of the amount of the original appropriation.
- (3) Expenditures may not be inconsistent with the purposes specified by the legislative body in the Appropriations Act.

³ Budgetary center is defined by the act as "a general operating department of a local unit or any other department, institution, board, commission, agency, office, program, activity or function to which money is appropriated by the local unit."

3. Procedures to ensure fiscal stability. Fiscal stability, as evidenced by a balanced budget, is encouraged by the Act through three separate provisions.

First, in the budget as submitted to the legislative body, expenditures, including an accrued deficit, may not exceed expected revenues, including an available unappropriated surplus.

Second, the legislative body may not pass a General Appropriations Act or a subsequent amendment to that Act which causes estimated total expenditures, including an accrued deficit, to exceed total estimated revenues, including an available surplus.

Third, the legislative body must take steps to amend the General Appropriations Act, as necessary, to ensure that expenditures do not exceed available revenues. If it becomes apparent to the chief administrative officer or fiscal officer or to the legislative body "that actual and probable revenues from taxes and other sources in a fund are less than the estimated revenues, including an available surplus upon which appropriations from the fund were based, the chief administrative officer or fiscal officer shall present to the legislative body recommendations which, if adopted, would prevent expenditures from exceeding available revenues for that current fiscal year." These recommendations are to include reductions in appropriations, increases in revenues, or both.

Implementation and Enforcement

The Departments of Treasury and Education are instructed to publish suggested (not required) manuals, forms, and operating procedures designed to take into account the varying sizes and kinds of local units. The Department of Education is to provide this service for local and intermediate school districts, while the Department of Treasury is to provide them to all other units of government.

These departments, together with the Attorney General, are responsible for enforcement of the Act. Violations disclosed by audits are to be reported by the Department of Treasury or, in the case of school districts, by the Department of Education to the Attorney General who is to "initiate appropriate action against the chief administrative officer, fiscal officer, administrative officer, employee, or member of the legislative body."

During 1979, the Departments of Treasury and Education prepared and distributed suggested manuals, forms, and operating procedures. The remainder of the Act became effective on April 1, 1980, and applies to any local fiscal year beginning after December 31, 1980.