



Biennial Budgeting

Board of County Commissioners
Budget & Public Policy Workshop
October 13, 2015



Purpose

- Respond to BOCC inquiry regarding Biennial Budget approach
- Present research on possible advantages and disadvantages
- Provide the Manager's Recommendation



Background of Biennial Budgeting

- Originated when state legislatures met every two years to develop a budget
 - In 1940 only four state legislatures met annually
 - As of 2011 forty-six states meet annually, except Montana, Nevada, North Dakota, and Texas, excluding special sessions
- Rarely used by counties in North Carolina
 - Guilford County is the largest by population using biennial approach
- Operating budgets for Counties in North Carolina must be adopted on an annual basis. (N.C.G.S 159)
 - Biennial in name only
 - Property tax rate is adopted annually



Three Types of Biennial Budgets

- **Traditional Biennial Budget**
 - Two years are fully adopted at once
 - Not permitted under North Carolina General Statutes
- **Biennial Financial Plan (2-2-2)**
 - Planned budget for the subsequent year approved with each budget
- **Rolling Biennial Budget (2-1-2)**
 - Second year approved every other year
 - Only that year's budget is adopted in the off-year
 - Approach used by NC General Assembly



Possible Advantages

- Rolling biennial budgets allow extra time in the second year for:
 - Strategic Planning and Evaluation
 - Capital Planning
 - Program Review
- Community is aware of funding intentions for future services
- Budget shows the annualized impact for all decisions in the budget document



Possible Disadvantages

- The accuracy of revenue predictions can be difficult going out further than one fiscal year
- Requires additional time and resources to develop and balance two budgets
- Can limit flexibility to respond to changing conditions
 - Economy
 - Service Demand
 - Organizational Changes



Possible Disadvantages (cont.)

- Biennial process assumes only incremental adjustment in the second year
- Budget adjustments can be perceived as breaking promises
- Adjustments occur without the comprehensive examination of the annual process
- Adjustments are likely to occur no matter the amount of planning



City of Charlotte

- Rolling Biennial Budget in even fiscal years (2-1-2)
- Focus on Capital Improvement Plan during the off-year
- Much of the annual budget process still occurs
 - Departments prepare estimates and requests are submitted and reviewed each year



City of Greensboro

- Biennial Financial Plan Budget (2-2-2)
- Develops a Planned Budget for each subsequent year
- FY 2015-16 Adopted Budget was \$8.8 million higher than original FY 2015-16 plan



Guilford County

- Biennial Financial Plan Budget (2-2-2)
- Develops a Planned Budget for each subsequent year
- Planned budget was not balanced for FY 2017 and will require \$9.6 million in reductions or increase to taxes



Important Considerations

- Highly dependent on unpredictable legislative changes
 - Potential sales tax redistribution plan
- Our partners (CMS & CPCC) would also need to commit to the two-year cycle
- County undertakes long-term strategic and capital planning beyond a two-year horizon
- Biennial cycle should factor alignment to State Budget, Property Appraisal and Capital Improvement Plan cycles



Conclusion

- All local governments in North Carolina must adopt annual budgets
- Research indicates little evidence that biennial budgeting is superior to the annual budget process and current long-term fiscal planning
- Biennial budgeting is best for stable, predictable revenue and expenditure environments
 - Post-recession environment has not been stable or predictable



Manager's Recommendation

- Continue utilizing the annual budget process
- Current initiatives are superior to biennial budgeting
 - Long-range financial planning model that addresses fiscal planning concerns
 - A continuous, annually updated, three-year strategic business plan



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