

MICHIGAN PUBLIC ACT 621 OF 1978 UNIFORM ACCOUNTING & BUDGETING ACT

An Act to amend the title and section 2 of Act No. 2 of the Public Acts of 1968, entitled "An act to provide for the formulation and establishment of uniform charts of accounts and reports in local units of government; to define local units of government; to provide for the examination of the books and accounts of local units of government; to provide for annual financial reports from local units of government; to provide for the administration of this act; to prescribe the powers and duties of the state treasurer and the attorney general; to provide penalties for violation of this act; and to provide for meeting the expenses authorized by this act," being section 141.422 of the Compiled Laws of 1970; and to add sections 1a, 2a, 2b, 2c, 2d, 14, 15, 16, 17, 18, 19, 20 and 20a.

The People of the State of Michigan enact:

Section 1. The title and section 2 of Act No. 2 of the Public Acts of 1968, being section 141.422 of the Compiled Laws of 1970, are amended and sections 1a, 2a, 2b, 2c, 2d, 14, 15, 16, 17, 18, 19, 20 and 20a are added to read as follows:

TITLE

An act to provide for the formulation and establishment of uniform charts of accounts and reports in local units of government; to define local units of government; to provide for the examination of the books and accounts of local units of government; to provide for annual financial reports from local units of government; to provide for the administration of this act; to prescribe the powers and duties of the state treasurer and the attorney general; to provide penalties for violation of certain requirements of this act; to provide for meeting the expenses authorized by this act; to provide a uniform budgeting system for local units; and to prohibit deficit spending by a local unit of government.

Sec. 1a. This act shall be known and may be cited as the "uniform budgeting and accounting act."

Sec. 2. For the purposes of this act, the words and phrases defined in sections 2a to 2d have the meanings ascribed to them in those sections.

Sec. 2a. (1) "Administrative officer" means an individual employed or otherwise engaged by a local unit to supervise a budgetary center.

(2) "Allotment" means a portion of an appropriation which may be expended or encumbered during a certain period of time.

(3) "Appropriation" means an authorization granted by a legislative body to incur obligations and to expend public funds for a stated purpose.

(4) "Budget" means a plan of financial operation for a given period of time, including an estimate of all proposed expenditures from the funds of a local unit and the proposed means of financing the expenditures. Budget does not include any of the following:

(a) A fund for which the local unit acts as a trustee or agent

- (b) An intergovernmental service fund
- (c) An enterprise fund
- (d) A public improvement or building and site fund
- (e) A special assessment fund

Sec. 2b. (1) “Budgetary center” means 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.

(2) “Capital outlay” means a disbursement of money which results in the acquisition or addition to, fixed assets.

(3) “Chief administrative officer” means any of the following:

(a) The manager of a village or, if a village does not employ a manager, the president of the village

(b) The city manager of a city, or if a city does not employ a city manager, the mayor of the city

(c) The superintendent of a local school district or, if the school district does not have a superintendent, the person having general administrative control of the school district

(d) The superintendent of an intermediate school district or, if the school district does not have a superintendent, the person having general administrative control of the school district

(e) The manager of a township or, if the township does not employ a manager, the supervisor of the township

(f) The elected county executive or appointed county manager of a county or, if the county has not adopted an optional unified form of county government, the controller of the county appointed pursuant to section 13b of Act No. 156 of the Public Acts of 1851, as amended, being section 46.13b of the Michigan Compiled Laws or, if the county has not appointed a controller, an individual designated by the county board of commissioners of the county

(g) The official granted general administrative control of an authority or organization of government established by law which may issue obligations pursuant to Act No. 202 of the Public Acts of 1943, as amended, being sections 131.1 to 138.2 of the Michigan Compiled Laws, and which either may levy a property tax or may expend funds of the authority or organization

(4) “Deficit” means an excess of liabilities and reserves of a fund over its assets.

(5) “Disbursement” means a payment in cash.

Sec. 2c. (1) “Expenditure” means the cost of goods delivered or services rendered, whether paid or unpaid, including expenses, debt retirement not reported as a liability of the fund from which retired or capital outlay.

(2) “Fiscal Officer” means the controller, finance director, business manager, or other elected or appointed official who prepares and administers the budget of a local unit.

(3) “General appropriations act” means the budget as adopted by the legislative body or as otherwise given legal effect pursuant to a charter provision in effect on the effective date of this section.

- Sec. 2d. (1) “Legislative body” means any of the following:
power of a village
city
- (a) The council, commission, or other entity vested with the legislative
 - (b) The council or other entity vested with the legislative power of a
 - (c) The board of education of a local school district
 - (d) The board of education of an intermediate school district
 - (e) The township board of a township
 - (f) The county board of commissioners of a county
 - (g) The official body to which is granted general governing powers over an authority or organization of government established by law which may issue obligations pursuant to Act No. 202 of the Public Acts of 1943, as amended, and which either may levy a property tax or may expend funds of the authority or organization
- (2) Except as used in sections 14 to 20a, “local unit” means a village, city, township, or an authority or commission established by a village, city, or township ordinance or charter. As used in sections 14 to 20a, “local unit” means any of the following:
- (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 established by law which may issue obligations pursuant to Act No. 202 of the Public Acts of 1943, as amended, and which either may levy a property tax or may expend funds of the authority or organization
- (3) “Revenue” means an addition to the assets of a fund which does not increase a liability, does not represent the recovery of an expenditure, does not represent the cancellation of a liability without a corresponding increase in any other liability or a decrease in assets, and does not represent a contribution of fund capital in enterprise or in intragovernmental service funds.
- (4) “Surplus” means an excess of the assets of a fund over its liabilities and reserves.

Sec. 14. (1) Unless otherwise provided by law, charter, resolution, or ordinance, the chief administrative officer shall have final responsibility for budget preparation, presentation of the budget to the legislative body, and the control of expenditures under the budget and the general appropriations act.

(2) Unless another person is designated by charter, the chief administrative officer in each local unit shall prepare the recommended annual budget for the ensuing fiscal year in the manner provided in sections 15 to 20a. The budgetary centers of the local unit shall provide to the chief administrative officer information which the chief administrative officer considers necessary and essential to the preparation of a budget for the ensuing fiscal period for preservation to the local unit’s legislative body. Each administrative officer or employee of a

budgetary center shall comply promptly with a request for information which the chief administrative officer makes.

(3) The chief administrative officer shall transmit the recommended budget to the legislative body according to an appropriate time schedule developed by the local unit. The schedule shall allow adequate time for review by the legislative body before commencement of the budget year. The recommended budget, when transmitted by the chief administrative officer, shall be accompanied by a suggested general appropriations act to implement the budget. The suggested general appropriations act shall fulfill the requirements of section 16.

(4) The recommended budget transmitted by the chief administrative officer shall be considered by the legislative body.

(5) The chief administrative officer shall furnish to the legislative body information the legislative body requires for proper consideration of the recommended budget. This may include expenditure and revenue data on the local unit's most recently completed fiscal year. Before final passage of a general appropriations act by the legislative body, a public hearing shall be held as required by Act No. 43 of the Public Acts of the Second Extra Session of 1963, being Sections 141.411 to 141.415 of the Michigan Compiled Laws, and Act No. 267 of the Public Acts of 1976, as amended, being sections 15.261 to 15.275 of the Michigan Compiled Laws.

(6) The responsibilities and duties imposed by this section upon the chief administrative officer shall be discharged by the fiscal officer in a local unit which has not elected or designated a chief administrative officer.

Sec. 15.

(1) The recommended budget shall include at least the following:

- (a) Expenditure data for the most recently completed fiscal year and estimated expenditures for the current fiscal year
- (b) An estimate of the expenditure amounts required to conduct, in the ensuing fiscal year, the government of this local unit, including its budgetary centers
- (c) Revenue data for the most recently completed fiscal year and estimated revenues for the current fiscal year
- (d) An estimate of the revenues, by source of revenue, to be raised or received by the local unit in the ensuing fiscal year
- (e) The amount of surplus or deficit that has accumulated from prior fiscal years, together with an estimate of the amount of surplus or deficit expected in the current fiscal year
- (f) An estimate of the amounts needed for deficiency, contingent or

emergency purposes, and the amounts needed to pay and to discharge the principal and interest of debt of the local unit due in the ensuing fiscal year

- (g) The amount of proposed capital outlay expenditures, except those financed by enterprise, public improvement or building and site, or special assessment funds, including the estimated total cost and proposed method of financing of each capital construction project and the projected additional annual operating cost and the method of financing the operating costs of each capital construction project for 3 years beyond the fiscal year covered by the budget
- (h) An informational summary of projected revenues and expenditures of any special assessment funds, public improvement or building and site funds, intragovernmental service funds, or enterprise funds, including the estimated total cost and proposed method of financing each capital construction project, and the projected additional annual operating cost and the method of financing the operating costs of each capital construction project for 3 years beyond the fiscal year covered by the budget
- (i) Other data relating to fiscal conditions that the chief administrative officer or, in local units which have not elected or designated a chief administrative officer, the fiscal officer considers to be useful in considering the financial needs of the local unit.

(2) The total estimated expenditures, including an accrued deficit, in the budget shall not exceed the total estimated revenues, including an available unappropriated surplus.

Sec. 16. (1) Unless another method for adopting a budget is provided by a charter provision in effect on the effective date of this section, the legislative body of each local unit shall pass a general appropriations act for all funds except trust and agency, intragovernmental service, enterprise, public improvement or building and site, or special assessment funds for which the legislative body may pass a special appropriation act.

(2) The general appropriations act shall set forth the amounts appropriated by the legislative body to defray the expenditures and meet the liabilities of the local unit for the ensuing fiscal year, and shall set forth a statement of estimated revenues, by source, in each fund for the ensuing fiscal year.

(3) The general appropriations act shall be consistent with uniform charts of accounts prescribed by the state treasurer or, for local school districts and intermediate school districts, by the state board of education.

(4) This act shall not be interpreted to mandate the development or adoption by a local unit of a line-item budget or line-item general appropriations act.

(5) The legislative body shall determine the amount of money to be raised by taxation necessary to defray the expenditures and meet the liabilities of the local unit for the ensuing fiscal year, shall order that money to be raised by taxation, within statutory and charter limitations, and shall cause the money raised by taxation to be paid into the funds of the local unit.

(6) Except as otherwise permitted by Act No. 90 of the Public Acts of 1977, as amended, or by other law, the legislative body shall not adopt a general appropriations act or an amendment to that act which causes estimated total expenditures, including an accrued deficit, to exceed total estimated revenues, including an available surplus.

Sec. 17. Except as otherwise provided in section 19, a deviation from the original general appropriations act shall not be made without amending the general appropriations act. The legislative body of the local unit shall amend the general appropriations act as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined. An amendment shall indicate each intended alteration in the purpose of each appropriation item affected by the amendment. The legislative body may require that the chief administrative officer or fiscal officer provide it with periodic reports on the financial condition of the local unit. If, during a fiscal year, it appears to the chief administrative officer, or the fiscal officer in local units which have not elected or designated a chief administrative officer, or to the legislative body that the actual and probable 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. The recommendations shall include proposals for reducing appropriations from the fund for budgetary centers in a manner that would cause the total of appropriations to not be greater than the total of revised estimated revenues of the fund, or proposals for measures necessary to provide revenues sufficient to meet expenditures of the fund, or both. The recommendations shall recognize the requirements of state law and the provisions of collective bargaining agreements.

Sec. 18. (1) A member of the legislative body, chief administrative officer, fiscal officer, administrative officer, or employee of the local unit shall not create a debt or incur a financial obligation on behalf of the local unit unless the debt or obligation is permitted by law.

(2) The chief administrative officer or the fiscal officer may cause the appropriations made by the legislative body for the local unit and its budgetary centers to be divided into allotments if the allotments are based upon the periodic requirements of the local unit and its budgetary centers.

(3) Except as otherwise provided in section 19, an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the

amount appropriated by the legislative body. The chief administrative officer, the fiscal officer, an administrative officer, or an employee of the local unit shall not apply or divert money of the local unit for purposes inconsistent with those specified in the appropriations of the legislative body.

Sec. 19. (1) A member of the legislative body, the chief administrative officer, fiscal officer, an administrative officer, or an employee of a local unit shall not authorize or participate in the expenditure of funds except as authorized by a general appropriations act. An expenditure shall not be incurred except in pursuance of the authority and appropriations of the legislative body of the local unit.

(2) The legislative body in a general appropriations act may permit the chief administrative officer or fiscal officer to execute transfers within limits stated in the act between appropriations without the prior approval of the legislative body.

Sec. 20. A violation of sections 17 to 19 by the chief administrative officer, the fiscal officer, an administrative officer, employee, or member of the legislative body of the local unit disclosed in an audit of the financial records and accounts of the local unit in the absence of reasonable procedures in use by the local unit to detect such violations shall be filed with the state treasurer and reported by the state treasurer to the attorney general. For local and intermediate school districts, the report of a violation shall be filed with the state superintendent of public instruction instead of the state treasurer. The attorney general shall review the report and initiate appropriate action against the chief administrative officer, fiscal officer, administrative officer, employee, or member of the legislative body. For the use and benefit of the local unit, the attorney general or prosecuting attorney may institute a civil action in a court of competent jurisdiction for the recovery of funds of a local unit, disclosed by an examination to have been illegally expended or collected as a result of malfeasance and not accounted for as provided in sections 17 to 19, and for the recovery of public property disclosed to have been converted or misappropriated.

Sec. 20a. (1) The department of treasury shall publish suggested manuals, forms, and operating procedures which may be used by local units in complying with this act. These manuals, forms and procedures shall be designed to account for the various kinds and sizes of local units, except that the suggested manuals, forms, and operating procedures which may be used by intermediate school districts and local school districts shall be developed by the superintendent of public instruction and shall be promulgated by the superintendent of public instruction pursuant to Act No. 306 of the Public Acts of 1969, as amended, being sections 24.201 to 24.315 of the Michigan Compiled Laws.

(2) The suggested manuals, forms, and operating procedures described in subsection (1) shall be developed by an advisory committee selected by the department of treasury composed of persons from the department of education, other interested state agencies, local units, associations of local units, and other interested or concerned groups.

(3) The department of treasury shall provide or cooperate in the provision of training and educational programs to assist local units to comply with this act.

Section 2. (1) Except as provided in subsection (2), this amendatory act shall not take effect until April 1, 1980.

(2) Section 20a shall not take effect until April 1, 1979.

(3) This amendatory act shall apply to a local unit only for a fiscal year beginning after December 31, 1980.