



STAGGERED FISCAL YEARS BETWEEN STATES AND LOCAL GOVERNMENTS

By: Megan Gentry, Legislative Fellow

ISSUE

You asked for a list of the states in which the fiscal years of local governments lag behind the states' fiscal year.

Additionally, you asked how long these states have had staggered fiscal years, whether they staggered them after a "phase in" period, how the phase-in affected local government, why the state decided to stagger the fiscal years, and the benefits and drawbacks of having done so.

SUMMARY

At least three states, by law, stagger state and local fiscal years. Florida's and Mississippi's fiscal years run from July 1 to June 30, while their municipal fiscal years lag behind, running from October 1 to September 30. New York law sets different fiscal years for villages, towns, and counties, but each ends after the state's fiscal year. In Texas, municipalities may set their own fiscal years by ordinance, while county fiscal years either follow the calendar year or run from October 1 to September 30.

Opinions differ as to the value of staggering state and municipal fiscal years. White Plains's finance commissioner indicated that this practice allows the city to account for state funding when preparing the city's budget. But county budget officers in Texas reported that the staggered fiscal years complicate their counties' budget preparations. Officials in Florida could not identify any specific advantages or disadvantages of staggered fiscal years. Mississippi municipalities do not rely on state funding, so the staggered fiscal years have no impact on municipalities.

Some of the officials we contacted could not say why their states have staggered fiscal years or whether or how these practices were phased in. In most cases, the individuals indicated that the practice of staggering the state and municipal fiscal years predated their employment.

STATES WITH STAGGERED BUDGET CYCLES

We did not find any research that identifies all the states with staggered state and municipal fiscal years. Consequently, we identified states that specify local fiscal years by law.

Florida

In Florida, the state fiscal year runs from July 1 to June 30, while the municipal fiscal year runs from October 1 to September 30 (FLA. STAT. ANN. § 166.241).

Tallahassee's management and administration director does not know the history of this practice or whether it was phased in but said that the vast majority of Florida cities have used the October 1 to September 30 fiscal year for the twenty-two years that he has worked with the city. While he could not explain the reason for the October 1 to September 30 municipal fiscal year, he noted that the state's July 1 to June 30 fiscal year is likely tied to the state legislative session. He indicated that Florida has a part-time legislature whose session runs from March to May, so the July 1 to June 30 fiscal year was probably set to provide enough time between the end of the state legislative session and the beginning of the municipal fiscal year for municipalities to implement new state laws.

The director could not identify any specific advantages or drawbacks to having staggered fiscal years but noted that Tallahassee's accounting mechanisms ensure that the city properly accounts for and accrues any state grants within the appropriate fiscal year.

Mississippi

Mississippi adopted the October 1 to September 30 municipal fiscal year during the 1950s, but the state and local officials we contacted do not know why the state did so (see MISS. CODE ANN. § 21-35-3 for municipal fiscal year). Both individuals indicated that the staggered fiscal years do not have any significant effect upon municipal budgets because the local budget is based on local tax assessments. Other than state grants and sales tax, which are sources of funding that are dispersed to local governments on timetables unrelated to the fiscal year, Mississippi municipalities are not reliant on state funding.

New York

New York's fiscal year runs from April 1 to March 31, while the fiscal year for villages runs from June 1 to May 31 and the fiscal year for cities, counties, and towns runs from January 1 to December 31 (see N.Y. VILLAGE § 5-510, N.Y. COUNTY § 352, N.Y. TOWN § 101, N.Y. SECOND CLASS CITIES § 73). White Plains is an exception to this general rule; its fiscal year runs from July 1 to June 30 (per its city charter).

White Plains's finance commissioner indicated that the state's April to March fiscal year was instituted in 1942, while the city's July to June fiscal year was instituted in 1951. The commissioner noted that state statute prescribed the "phase in" of various public processes (e.g., state reports and grants) when the state fiscal year changed in 1942, but he did not know whether there was a "phase in" process to accommodate the change in the city's fiscal year.

The commissioner could not locate an authoritative source as to why the state and local fiscal years are staggered, but he speculated that it was done to spread over the year the burden of paying various state and local taxes.

The commissioner also said that the benefit of staggered fiscal years is that it reduces or eliminates the uncertainty about how much state aid a town will receive when it adopts its own budget. Staggered fiscal years also allow local government to prepare for changes that could affect their next fiscal year budgets.

The staggered fiscal years can also be a problem for counties, the commissioner noted. Because counties' fiscal years end on December 31, they must adopt their budgets on or before November 30, which falls roughly eight months after the state adopts its budget and four months prior to the start of the next state fiscal year. Consequently, these timeframes complicate budgeting for state aid.

Texas

Under Texas state law, the fiscal year for counties runs from January 1 to December 31, unless the county commissioner adopts a fiscal year that runs from October 1 to September 31 (TEX. LOC. GOV'T § 112.010). For instance, Travis and Dallas counties chose the October 1 to September 30 fiscal year, while the state fiscal year runs from September 1 to August 31.

Budget employees from Travis and Dallas counties did not know why the state imposes a staggered fiscal year or whether there was a phase-in process, but they

indicated that the staggered fiscal years complicate accounting for state grants, which are awarded according to the state fiscal year. One official said that the state has mitigated this problem by conforming some grant deadlines to the county fiscal year.

MG:jk