

**Michael John Dougherty**

*West Virginia University Extension Service*

**Kenneth A. Klase**

*University of North Carolina–Greensboro*

**Soo Geun Song**

*Mid-America Baptist Theological Seminary*

# Managerial Necessity and the Art of Creating Surpluses: The Budget-Execution Process in West Virginia Cities

*Budget execution traditionally has been defined as a straightforward process of implementing the budget as approved. Research into the process has been limited, particularly with regard to local government budgets. This article examines the rebudgeting process using a case study of 15 West Virginia cities. Rebudgeting displayed a consistent pattern for the various budget categories—personnel, contracts, commodities, capital, and contributions—closely resembling the “increase-then-decrease” pattern seen in the overall budget. Empirical data on budgetary adjustments and structured interviews with city finance officials helped to describe budget changes and explain probable causes and effects of behavior during budget execution for these smaller cities. Budget changes were found to be the result of managerial necessity and the exercise of discretion to generate and distribute surpluses.*

## Introduction

Budget execution is often thought of as the simple administrative process of implementing the budget as approved. Dollars are spent as they have been appropriated. Meanwhile, sufficient flexibility has been given to administrators to ensure they act in ways that are consistent with efficiency and effectiveness. This flexibility in the budget-execution process can be seen through midyear reviews, reprogramming or transfers between accounts, and other within-year adjustments of the enacted budget. Consistent with this incremental perspective, the traditional focus in budgeting has been on between-year changes in public budgets rather than within-year budgetary adjustments.

This article begins by reviewing the existing research on within-year budgetary adjustments. There is very little data on the extent and rationale for these adjustments. In particular, the frequency, magnitude, and occurrence of within-year budgetary changes in municipalities has not been fully examined.

More importantly, though, this article reports on exploratory research on the nature of within-year appropriations changes. It investigates rebudgeting by examining data on

---

**Michael John Dougherty** is an extension associate professor and extension specialist with the Center for Agriculture, Natural Resources, and Community Development at the West Virginia University Extension Service. He heads the Local Government Technical Assistance and Community Planning programs, working with public officials and community organizations on administrative, finance, and planning issues. His research interests include budgeting and financial management, technology in government, and community planning. **Email:** [Michael.Dougherty@mail.wvu.edu](mailto:Michael.Dougherty@mail.wvu.edu).

**Kenneth A. Klase** is an associate professor and director of the MPA program in the Department of Political Science at the University of North Carolina–Greensboro. His research interests are public budgeting and finance and financial management. **Email:** [kalkase@uncg.edu](mailto:kalkase@uncg.edu).

**Soo Geun Song** is in the master of divinity program at Mid-America Baptist Theological Seminary in Memphis, TN. He also serves as director of Information Services/Institutional Research at the institution. Previously, he was an assistant professor in the Division of Public Administration, School of Applied Social Sciences, West Virginia University. His research interests are in public budgeting, and computer and research methods. **Email:** [ssong@mabts.edu](mailto:ssong@mabts.edu).

within-year budgetary adjustments for the 15 largest municipalities in West Virginia for fiscal year 1997. The cross-sectional analysis of within-year budgetary adjustments aims to describe these changes. Empirical data, as well as information gathered from interviews with key informants—the individuals making the financial decisions in the city—were used to describe and explain the budget changes. This enabled a discussion of the rationale for within-year budget adjustments in cities, especially for small cities (those with a population of 10,000–50,000 according to the National League of Cities [Pagano 1997]).

## Previous Research

A few studies have investigated budget execution and within-year budgetary adjustments at the state and local levels. For example, Hale and Douglas (1977) noted that the enactment of appropriations is not the end of the budget, but rather the beginning of an entirely different set of budgetary games—excess revenues to be allocated, accounting ledgerdemain, transfer authority, reprogramming, and spending special funds insulated from legislative control.

Several studies in the last two decades have focused on within-year budgetary adjustments at the state level. Two studies focusing on Georgia found that substantial within-year changes occurred during budget execution which altered the ultimate budgetary outcome and influenced budgetary behavior in other phases of the budget process (Abu Tuha 1979; Hoskins 1983). Within-year budget adjustments in these studies are important for two reasons. First, the magnitude of the changes that occurred within the fiscal year often undid the original appropriations. Second—and perhaps more meaningful in the long run—these changes affected behavior in other points in the budgetary process in prior or future budget cycles. Subsequent research on within-year budgetary adjustments in the state found that economic growth and conservative underestimating of revenues contributed to surpluses that were added to appropriations at the midpoint of the fiscal year as a regular part of the state's budgetary process. This often favored the parochial interests of legislators, particularly in the area of capital expenditures (Lauth 1988).

When state budgets are constrained by fiscal restraints and the need for cutbacks, within-year budgetary changes have become a regular part of the budgetary process as well. Research in Missouri documents that during 1986–90, budget changes resulted from difficulties in estimating expenditure needs and revenue flows, unanticipated economic changes, and pressure from federal mandates. These were the result of managerial and environmental factors, although the nature of the rebudgeting actions was likely shaped by political priorities (Forrester 1993).

At the local level, a nationwide survey of officials from larger central city governments (the average population of respondents was 159,000) found that rebudgeting is a significant factor in many cities' budget process (Forrester and Mullins 1992). The process has been less visible and more technically driven, resulting in administrators playing a greater role. This research suggests that rebudgeting is an extension of the normal budgetary process and that midyear changes were generally limited. Managerial necessity was found to be the major influence on rebudgeting, with environmental pressures and political concerns playing a lesser but still important role.

Two recent research efforts use surveys of government officials to examine the types of budget adjustments techniques used at the local level: Pagano (1997) examined the topic as part of his 1997 research report for the National League of Cities, and Mandell (1998) studied cities over a nine-year period in his role with the North Carolina League of Municipalities. These studies reflect the fact that local governments facing fiscal pressures use a variety of techniques to balance their budgets. Pagano finds only limited use of common within-year budget adjustment techniques on a nationwide basis. Meanwhile, Mandell finds that communities in North Carolina tended to make such changes more frequently in his statewide study.

Empirical data on within-year budget adjustments generally are not readily available. This is true at both the state and the local government level. Without extraordinary involvement in budget administration, the budget-execution process or any specific budget adjustment have little visibility. This appears to be the main reason that no detailed empirical studies—with the exception of Hoskins (1983) in Georgia—of budget-execution for state and local governments have been undertaken.

Overall, the research on within-year budgetary adjustments is limited and theoretically inconclusive at best. These sometimes contrasting views underscore the need for additional research on budget execution and within-year budgetary adjustments at the state and local levels. Especially at the local level, very little is known about budget execution and within-year budgetary adjustments. Existing studies are based on surveys of the perceptions of public officials and tend to concentrate on reports from big cities. None of these studies analyze empirical data on the magnitude and scope of changes, nor have any studies focused on smaller cities, which often face very different problems than larger localities.

## Study, Background, and Methodology

This research explores within-year budgetary adjustments by examining data on changes made during fiscal year 1997 for cities in West Virginia with more than 10,000

residents. The intent of the research is to describe the budget-execution process and the role played by within-year budgetary adjustments in that process. The number, magnitude, and scope of the budgetary changes are described, as well as the expenditure categories in which these changes occurred. This research uses empirical data to examine whether these changes are a significant part of the budgetary process, or whether they are relatively marginal and simply technical adjustments to the original appropriations. Additionally, structured interviews of key informants—city finance officials—supplemented the research by helping to establish some of the probable causes and effects of the within-year budget adjustments as well as future research questions.

The cities in this study of smaller and medium-sized cities are the 15 municipalities in West Virginia with populations greater than 10,000 in 1996 (table 1). These cities were selected because their size requires a certain level of administrative expertise as well as common functional activities (mayor, council, police, fire, streets, public works, etc.) that cities with fewer people may not possess. Thus, the research focuses primarily on what the National League of Cities classifies as “small cities”—those with populations of at least 10,000 but less than 50,000. Overall, 13 of the 15 cities included in this study fell into that category. Two cities had a slightly higher population than the upper limit on this category; they were included because they share characteristics with the other cities examined and each had a population that was closer to 50,000 than the midpoint of the next category (75,000) and declining.

In 1996, the cities studied ranged in size from Moundsville, with 10,161 people and a \$3.4 million budget, to Charleston, with 56,098 people and a \$45.3 million budget. Nine cities had populations under 20,000, while only

two had populations over 35,000. Eight cities had general fund budgets under \$10 million in FY1997, while only two had budgets over \$20 million. The average city studied had 23,731 people and a budget of about \$12 million. The median population of the cities was 18,353, while the median budget was almost \$9.3 million.

West Virginia cities were selected for this study because the state government requires all within-year budget adjustments to be submitted for state approval and for tracking appropriations, revisions, and outlays. Until recent changes to the reporting requirements, the data available made it possible to easily research all types of budgetary activity for local governments. This availability of information about allocations, adjustments, and appropriations made these cities a reasonable choice for empirical case study research. Through FY1997, a standard format (similar to other state reports) was required for the year-end filing, making the analysis of within-year budget revisions not only possible, but a relatively uncomplicated undertaking. Unfortunately from a practical research standpoint, beginning with FY1998 cities could submit their annual financial report instead of the standard format reporting document. This has resulted in less detail on budgets and revisions, making meaningful analysis and comparisons with other reports problematic. Thus, 1997 represents the last year for which complete data were available from the West Virginia Department of Tax and Revenue.

The information used in this study was taken from several state documents. The first is the *City Edit Report*, an internal tax department document that compiles information from other required reports. It includes information on the original appropriations and the final revised appropriations and frames the local government budget process in West Virginia. Together, the other two documents form what can be thought of as the city budget. The *Levy Estimate* outlines the taxes and other revenues the municipality expects to receive during the fiscal year. The *Expenditure Report* is the locality’s anticipated spending plan. The budget must be adopted between March 7 and March 28 for the fiscal year beginning July 1 (*West Virginia Code* §11-8-9), and these documents must be forwarded to the state tax department for approval (*West Virginia Code* §11-8-14).

During the fiscal year, the city transmits any requests for revisions to amend the budget to the state tax department to gain final approval for budgetary changes (*West Virginia Code* §11-8-26a). Under state law, “[t]he governing body requests that the budget be revised prior to the expenditure or obligation of funds for activities where no appropriation or an insufficient obligation currently exists” (“Requests for Revisions,” *West Virginia Code* §11-8-26a). This revision mechanism, though apparently designed to be used to increase budgets, also may be used to decrease

**Table 1 Class I and Class II Cities in West Virginia**

City	1990 Census population	1996 Estimated population	FY1997 General fund budget
Beckley	18,274	18,353	10,168,340
Bluefield	12,756	12,300	5,815,918
Charleston	57,287	56,098	45,344,801
Clarksburg	17,970	17,410	8,508,708
Fairmont	20,210	19,731	6,689,278
Huntington	54,844	53,941	24,290,747
Martinsburg	14,073	14,541	5,918,804
Morgantown	25,879	26,919	10,186,902
Moundsville	10,753	10,161	3,409,976
Parkersburg	33,862	32,766	14,743,158
St. Albans	12,241	12,055	5,445,407
S. Charleston	13,645	13,409	10,288,356
Vienna	10,862	11,248	3,386,294
Weirton	22,124	21,731	9,265,878
Wheeling	34,882	33,311	16,802,111

Sources: U.S. Department of Commerce, Bureau of the Census, West Virginia Department of Tax and Revenue, and West Virginia Municipal League.

appropriations. It is used to document the number of revisions made during the fiscal year and to verify the information on the *City Edit Report*. Finally, the *Annual Municipal Financial Statement* was used to gather data on actual outlay information on the localities. This legally required statement (*West Virginia Code* §8-13-23) must be filed with the state tax department within 90 days of the end of the fiscal year.

## General Empirical Analysis

The frequency, magnitude, and occurrence of within-year budgetary adjustments were examined using data collected for 15 West Virginia cities. The following budget data were analyzed: (1) initial budgeted spending or appropriations set at the beginning of the fiscal year; (2) within-year revisions to the budget; and (3) actual end-of-year expenditures or spending outlays. These are the three stages typically found in the local government budgeting process. The differences between the amounts at these stages—one of the primary concerns in studies of the budget-execution process—were examined in the analysis. The budget changes examined included (1) the change between initial appropriations and actual outlays; (2) the change between initial appropriations and within-year revised appropriations; and (3) the change between the final within-year revisions and actual outlays. The changes between the budgeted appropriations and actual spending outlays, the first of these budgetary changes described, is reported in the *Combined Annual Financial Reports* of local governments. However, the other two changes are rarely discussed because few reports track intermediate, within-year budget changes. Each of the three changes is examined in several ways, including the amount of real and relative change, as well as the significance of these changes in expenditures categories between appropriations, revisions, and outlays.

Budgets were revised one to 18 times in the cities studied. The mean was 5.8 changes, while the median was four changes. Twelve cities changed their budgets at least three times during the fiscal year. Despite these changes, the actual outlays at the end of the fiscal year were only moderately different from the initial appropriations. Only two cities reported absolute budget changes—positive or negative—of more than 6 percent, while four cities had overall changes of less than 1 percent (table 2). Nine cities had an overall budget increase, ranging from 0.1 to 15.4 percent. Conversely, six cities had an overall budget decrease, ranging from -0.6 to -20.9 percent.

These increases and decreases tend to counterbalance one another when all cities are examined. The average overall change for all cities was -0.2 percent (a slight decrease), while the median level of change was 0.7 percent (a slight

increase). Overall, the absolute change from initial appropriations to actual outlays averaged just 4.7 percent, regardless of direction. These within-year revisions exhibit a general pattern as well. All 15 cities increased their budgets during revisions over initial appropriations. These increases ranged from 1.3 percent to 19.0 percent, with five cities increasing their budgets at least 10 percent. The average increase was 7.8 percent, while the median increase was 6.0 percent. However, the actual outlays at the end of the fiscal year were below the amounts budgeted during the final revisions and were actually quite close to the initial appropriations. These decreases ranged from 0.5 percent to 25.0 percent, with four cities decreasing their budgets by at least 10 percent. The average decrease was 7.3 percent, while the median decrease was 5.2 percent.

These changes show that all cities increased their budgets through within-year revisions, but all subsequently made downward adjustments between the final revision and the end of the fiscal year. Therefore, all 15 cities examined followed the “increase-then-decrease” pattern described by Klase, Dougherty, and Song (2001). Consequently, after all of the budget revisions and adjustments, the result was that actual outlays were close to the initial appropriations.

The increases between the initial appropriations and the final revisions corresponded with projected increases in revenues that occurred after the budget had been approved. However, while actual outlays were less than the amount specified in the final budget revisions, actual revenues tended to be in line with the final, higher projections. Overall, the average increase in revenue from the budgeted amounts to the actual receipts was 10.8 percent, while the median increase was 10.0 percent.

The disconnect between decreasing expenditures despite increasing revenues was found in 12 cities. Overall, the actual revenues received were 2.8 percent higher on average than the final revised estimates. Thus, while there was convergence between the initial appropriations and the actual outlays on the expenditure side, there was divergence on the revenue side. Revenues for all cities were higher than the original estimate, including eight cities in which the increase was at least 10 percent. This inconsistent behavior concerning revenues and expenditures may be the result of requirements for balancing the budget, strict auditing by state government, or conservatism in the budget process of local governments.

## Changes by Expenditure Categories

Within-year budget revisions followed a general pattern: Initial appropriations were made. Revisions made during the year increased the proposed spending amounts. Then the actual outlays tended to be less than the revised

**Table 2 Expenditure and Revenue Changes**

City	Expenditures			Expenditure changes			Revenues			Revenue changes			Revisions	
	Approved	Revised	Outlay	Approp. outlay (percent)	Approp. revised (percent)	Revised-outlay (percent)	Approved	Revised	Actual	Approp. actual (percent)	Approp. revised (percent)	Revised-actual (percent)	Number	Number
Beckley	\$ 10,168,340	\$ 11,759,769	\$ 9,802,281	-3.6	15.7	-6.6	\$ 10,168,340	\$ 11,759,769	\$ 12,604,969	24.0	15.7	7.2	3	3
Bluefield	\$ 5,815,918	\$ 5,890,918	\$ 5,859,228	0.7	1.3	-0.5	\$ 5,815,918	\$ 5,890,918	\$ 5,917,482	1.7	1.3	0.5	1	1
Charleston	\$ 45,344,801	\$ 46,664,406	\$ 45,376,143	0.1	2.9	-0.8	\$ 45,344,801	\$ 46,664,406	\$ 54,175,071	19.5	2.9	16.1	18	18
Clarksburg	\$ 8,508,708	\$ 8,929,346	\$ 8,690,389	2.1	4.9	-2.7	\$ 8,508,708	\$ 8,929,346	\$ 8,724,029	2.5	4.9	-2.3	3	3
Fairmont	\$ 6,689,278	\$ 7,369,715	\$ 6,989,352	4.5	10.2	-5.2	\$ 6,689,278	\$ 7,369,715	\$ 7,644,163	14.3	10.2	3.7	5	5
Huntington	\$ 24,290,747	\$ 25,754,167	\$ 24,847,502	2.3	6.0	-3.5	\$ 24,290,747	\$ 25,754,167	\$ 25,405,223	4.6	6.0	-1.4	10	10
Marinsburg	\$ 5,918,804	\$ 6,846,960	\$ 6,256,488	5.7	15.7	-8.6	\$ 5,918,804	\$ 6,846,960	\$ 7,283,648	23.1	15.7	6.4	10	10
Morgantown	\$ 10,186,902	\$ 11,027,163	\$ 10,397,083	2.1	8.2	-5.7	\$ 10,186,902	\$ 11,027,163	\$ 11,210,457	10.0	8.2	1.7	2	2
Moundsville	\$ 3,409,976	\$ 3,597,733	\$ 2,696,699	-20.9	5.5	-25.0	\$ 3,409,976	\$ 3,597,733	\$ 3,736,437	9.6	5.5	3.9	3	3
Parkersburg	\$ 14,743,158	\$ 15,305,323	\$ 14,858,531	0.8	3.8	-2.9	\$ 14,743,158	\$ 15,305,323	\$ 15,501,142	5.1	3.8	1.3	9	9
St. Albans	\$ 5,445,407	\$ 5,524,153	\$ 5,285,683	-2.9	1.4	-4.3	\$ 5,445,407	\$ 5,524,153	\$ 5,559,437	2.1	1.4	0.6	4	4
S. Charleston	\$ 10,288,356	\$ 12,242,199	\$ 11,871,201	15.4	19.0	-3.0	\$ 10,288,356	\$ 12,242,199	\$ 12,298,936	19.5	19.0	0.5	2	2
Vienna	\$ 3,386,294	\$ 3,742,389	\$ 3,365,389	-0.6	10.5	-0.1	\$ 3,386,294	\$ 3,742,389	\$ 3,748,067	10.7	10.5	0.2	10	10
Weirton	\$ 9,265,878	\$ 10,129,588	\$ 8,858,967	-4.4	9.3	-12.5	\$ 9,265,878	\$ 10,129,588	\$ 10,511,023	13.4	9.3	3.8	4	4
Wheeling	\$ 16,802,111	\$ 17,139,120	\$ 15,991,981	-8	2.0	-6.7	\$ 16,802,111	\$ 17,139,120	\$ 17,051,064	1.5	2.0	-0.5	3	3

Source: Virginia Department of Tax and Revenue, 1998.

amount and quite similar to the initially appropriated amount. This pattern of underspending the final revised amounts occurred even though actual revenues for all cities represented substantial increases over their initially estimated revenues.

Evaluating overall budgetary changes only tells part of the story. Budget changes occurred in appropriations within the five expenditure categories: personnel services, contractual services, commodities purchases, capital items, and contributions. Examining the within-year budget changes in each category revealed whether patterns of change in the expenditure categories were similar to or different from the changes found in the budget as a whole. This study also sought to determine which expenditure categories experienced budget changes and the magnitude of those changes. This helped to form a more complete picture of within-year budget adjustments for small cities.

Personnel services made up the largest portion of spending in every city. Personnel costs were at least half of actual outlays (a minimum of 50.9 percent) for every city and exceeded seven-tenths of all costs for two cities (a maximum of 70.9 percent). The median share of outlays for personnel services was 61.8 percent of spending. The range was slightly wider but followed the same pattern at the earlier stages of the budget process—ranging from a high of 72.7 percent of the city budget in the initial appropriations to a low of 43.0 percent of the city budget after the final revisions (table 3).

The expenditure category taking up the next-largest share of the budget was contractual services. Spending for contracts ranged from a low of about one-eighth (12.2 percent) to a high of about one-third (33.0 percent) of actual outlays. The median share of outlays for contractual services was 18.7 percent. Similar patterns were seen throughout the budget process.

Commodities purchases, capital items, and contributions—the other three expenditure categories examined—together made up the rest of the budget. Generally, their combined share of the budget was about one-sixth of the total budget. The median share of the budget for commodities was 4.9 percent, 4.1 percent for capital, and 7.4 percent for contributions, but there was a great deal of variation within these categories. Actual outlays for commodities purchases ranged from 2.0 percent to 11.4 percent of spending. Actual outlays for capital items ranged from 1.3 percent to 14.8 percent of spending. And actual outlays for contributions ranged from 1.3 percent to 16.5 percent of spending. However, only one city spent more on contributions than it spent on contracts. Finally, no city spent more on commodities or capital than it did on contracts.

To get a fuller picture of how each expenditure category changed between the initial appropriations to the actual outlays through the within-year budget-revision

**Table 3 Budget and Proportion by Category**

<b>Appropriations</b>												
City	Personnel services		Contractual services		Commodities		Capital items		Contributions		Total	
	\$	Percent	\$	Percent	\$	Percent	\$	Percent	\$	Percent	\$	Percent
Beckley	6,574,590	64.7	1,929,050	19.0	569,700	5.6	403,000	4.0	656,567	6.5	10,168,340	100
Bluefield	3,706,270	63.7	1,119,584	19.3	367,776	6.3	321,538	5.5	300,750	5.2	5,815,918	100
Charleston	31,332,640	69.1	5,564,490	12.3	2,674,228	5.9	3,469,648	7.7	2,047,879	4.5	45,344,801	100
Clarksburg	5,486,337	64.5	2,165,093	25.4	340,960	4.0	324,978	3.8	153,700	1.8	8,508,708	100
Fairmont	4,239,058	63.4	1,838,987	27.5	180,300	2.7	230,780	3.4	94,182	1.4	6,689,278	100
Huntington	17,654,912	72.7	3,079,557	12.7	494,782	2.0	785,989	3.2	2,218,864	9.1	24,290,747	100
Martinsburg	4,104,025	69.3	898,750	15.2	583,614	9.9	0	0.0	332,415	5.6	5,918,804	100
Morgantown	6,323,987	62.1	1,380,064	13.5	504,073	4.9	670,341	6.6	1,036,051	10.2	10,186,902	100
Moundsville	1,555,771	45.6	882,913	25.9	185,477	5.4	163,000	4.8	622,815	18.3	3,409,976	100
Parkersburg	9,168,752	62.2	2,767,452	18.8	725,613	4.9	707,515	4.8	1,289,290	8.7	14,743,158	100
S. Charleston	5,599,151	54.4	1,753,970	17.0	356,937	3.5	1,159,291	11.3	1,419,007	13.8	10,288,356	100
St. Albans	3,397,130	62.4	1,276,178	23.4	329,252	6.0	289,474	5.3	153,373	2.8	5,445,407	100
Vienna	1,748,652	53.2	948,657	28.8	165,155	5.0	249,375	7.6	176,455	5.4	3,386,294	100
Weirton	5,101,250	55.1	2,150,477	23.2	388,350	4.2	662,976	7.2	935,922	10.1	9,265,878	100
Wheeling	11,118,802	66.2	2,035,241	12.1	1,453,526	8.7	528,544	3.1	1,665,998	9.9	16,802,111	100
<b>Revisions</b>												
City	Personnel services		Contractual services		Commodities		Capital items		Contributions		Total	
	\$	Percent	\$	Percent	\$	Percent	\$	Percent	\$	Percent	\$	Percent
Beckley	6,724,219	57.2	2,248,396	19.1	721,982	6.1	1,340,274	11.4	686,067	5.8	11,759,769	100
Bluefield	3,781,270	64.2	1,119,584	19.0	367,776	6.2	321,538	5.5	300,750	5.1	5,890,918	100
Charleston	32,191,448	69.0	6,247,416	13.4	2,740,878	5.9	3,316,073	7.1	2,155,736	4.6	46,664,406	100
Clarksburg	5,562,928	62.3	1,977,788	22.1	406,290	4.6	635,594	7.1	310,430	3.5	8,929,346	100
Fairmont	4,481,609	60.8	1,950,974	26.5	217,535	3.0	614,890	8.3	104,707	1.4	7,369,715	100
Huntington	17,769,765	69.0	4,192,655	16.3	555,376	2.2	733,699	2.8	2,481,100	9.6	25,754,167	100
Martinsburg	4,005,455	58.5	1,032,958	15.1	830,790	12.1	290,710	4.2	687,047	10.0	6,846,960	100
Morgantown	6,413,146	58.2	1,387,142	12.6	575,630	5.2	633,619	5.7	1,706,568	15.5	11,027,163	100
Moundsville	1,546,803	43.0	992,952	27.6	190,877	5.3	234,330	6.5	625,015	17.4	3,597,733	100
Parkersburg	9,499,362	63.9	3,026,457	20.4	720,463	4.8	722,849	4.9	1,344,362	9.0	14,858,531	100
S. Charleston	6,086,612	49.7	2,054,247	16.8	396,304	3.2	1,849,329	15.1	1,855,707	15.2	12,242,199	100
St. Albans	3,460,987	62.7	1,248,929	22.6	319,658	5.8	298,839	5.4	195,740	3.5	5,524,153	100
Vienna	1,788,924	48.1	983,291	26.4	194,451	5.2	560,605	15.1	192,455	5.2	3,742,389	100
Weirton	5,505,360	54.3	2,190,547	21.6	405,250	4.0	1,026,606	10.1	935,922	9.2	10,129,588	100
Wheeling	11,136,542	65.0	2,179,735	12.7	1,453,741	8.5	702,976	4.1	1,665,998	9.7	17,139,120	100
<b>Outlays</b>												
City	Personnel services		Contractual services		Commodities		Capital items		Contributions		Total	
	\$	Percent	\$	Percent	\$	Percent	\$	Percent	\$	Percent	\$	Percent
Beckley	6,047,408	61.7	1,576,451	16.1	517,910	5.3	1,098,131	11.2	424,224	4.3	9,802,281	100
Bluefield	3,621,367	61.8	1,210,497	20.7	493,243	8.4	233,146	4.0	300,975	5.1	5,859,228	100
Charleston	32,164,495	70.9	6,017,231	13.3	2,391,423	5.3	1,439,256	3.2	3,363,738	7.4	45,376,143	100
Clarksburg	5,551,483	63.9	1,931,164	22.2	376,968	4.3	432,866	5.0	397,908	4.6	8,690,389	100
Fairmont	4,273,354	61.1	1,761,714	25.2	214,391	3.1	635,081	9.1	104,812	1.5	6,989,352	100
Huntington	17,513,636	70.5	3,846,438	15.5	486,140	2.0	702,790	2.8	2,298,498	9.3	24,847,502	100
Martinsburg	3,768,732	60.2	1,091,316	17.4	712,730	11.4	82,116	1.3	601,594	9.6	6,256,488	100
Morgantown	6,476,054	62.3	1,292,314	12.4	484,221	4.7	429,687	4.1	1,714,807	16.5	10,397,083	100
Moundsville	1,443,054	53.5	888,629	33.0	145,977	5.4	183,372	6.8	35,667	1.3	2,696,699	100
Parkersburg	9,517,923	64.1	2,784,997	18.7	611,785	4.1	599,464	4.0	1,344,362	9.0	14,858,531	100
S. Charleston	6,060,445	51.1	1,825,069	15.4	382,350	3.2	1,754,530	14.8	1,848,807	15.6	11,871,201	100
St. Albans	3,434,882	65.0	1,107,196	20.9	292,424	5.5	255,441	4.8	195,740	3.7	5,285,683	100
Vienna	1,711,672	50.9	851,636	25.3	165,337	4.9	452,249	13.4	184,495	5.5	3,365,389	100
Weirton	5,195,107	58.6	1,959,697	22.1	403,040	4.5	363,015	4.1	938,108	10.6	8,858,967	100
Wheeling	10,719,659	67.0	1,950,400	12.2	1,250,965	7.8	446,012	2.8	1,624,945	10.2	15,991,981	100

Source: West Virginia Department of Tax and Revenue, 1998.

process, these changes are examined in dollar terms with respect to their frequency, range, and magnitude (tables 4 and 5).

### Personnel Services

Cities spent about what they had proposed to spend on personnel after all the budget adjustments. Actual outlays for personnel services were within 10 percent of the original appropriations in all cities and within 5 percent in 11 cities (tables 4 and 5). Eight cities spent more than they had originally budgeted. The largest relative increase was 8.2 percent; the largest relative decrease was also 8.2 percent. Additionally, the change in spending on personnel through rebudgeting was in the same direction as the change for the entire budget in 10 cities, including six that increased spending from the initial appropriations to the actual outlays. Overall, 13 cities increased proposed spending for personnel services during the budget revisions, including three cities with increases of at least 5 percent (the largest increase was 8.7 percent). Conversely, 13 cities had outlays that were less than the final budget revisions, including four cities with decreases of at least 5 percent (the largest decrease was 10.1 percent).

These changes were large in absolute terms, with nine cities having a difference of more than \$100,000 between their initial appropriations and actual outlays. The largest overall increase was \$831,855; the largest overall decrease was \$527,182. During the revisions, seven cities increased their proposed spending levels for personnel over their initial appropriations by more than \$100,000, and the largest increase was \$858,808. Eight cities had actual spending that was at least \$100,000, and the largest decrease was \$676,811.

Three patterns were found from appropriations through revisions to outlays for personnel services. In 11 cities, the "increase-then-decrease" pattern was found, including six cities in which the result was that actual outlays were greater than initial appropriations. The four other cities showed unidirectional changes, two with increases throughout the within-year budget revision process and two with decreases.

### Contractual Services

The amount cities spent on contracts varied from initial appropriations to actual outlays in most cities. Actual outlays for contractual services changed by more than 10 percent during rebudgeting in six cities and by more than 5 percent in 10 cities (tables 4 and 5). Seven cities spent more than they had origi-

**Table 4 Changes between Appropriation, Revisions, and Outlay by Category**

Personnel services						
City	O-A(\$)	Change (percent)	R-A(\$)	Change (percent)	O-R(\$)	Change (percent)
Beckley	(527,182)	-8.02	149,629	2.28	(676,811)	-10.07
Bluefield	(84,903)	-2.29	75,000	2.02	(159,903)	-4.23
Charleston	831,855	2.65	858,808	2.74	(26,953)	-0.08
Clarksburg	65,416	1.19	76,591	1.40	(11,445)	-0.21
Fairmont	34,296	0.81	242,551	5.72	(208,255)	-4.65
Huntington	(141,276)	-0.80	114,853	0.65	(256,129)	-1.44
Martinsburg	(335,293)	-8.17	(98,570)	-2.40	(236,723)	-5.91
Morgantown	152,067	2.40	89,159	1.41	62,908	0.98
Moundsville	(112,717)	-7.25	(8,968)	-0.58	(103,749)	-6.71
Parkersburg	349,171	3.81	330,610	3.61	18,561	0.20
S. Charleston	461,294	8.24	487,461	8.71	(26,167)	-0.43
St. Albans	37,752	1.11	63,857	1.88	(26,105)	-0.75
Vienna	(36,980)	-2.11	40,272	2.25	(77,252)	-4.51
Weirton	93,857	1.84	404,110	7.92	(310,253)	-5.64
Wheeling	(399,143)	-3.59	17,740	0.16	(416,883)	-3.74
Contractual services						
City	O-A(\$)	Change (percent)	R-A(\$)	Change (percent)	O-R(\$)	Change (percent)
Beckley	(352,599)	-18.28	319,346	16.55	(671,945)	-29.89
Bluefield	90,913	8.12	—	0.00	90,913	8.12
Charleston	452,741	8.14	682,926	12.27	(230,185)	-3.68
Clarksburg	(233,929)	-10.80	(187,305)	-8.65	(46,624)	-2.36
Fairmont	(77,273)	-4.20	111,987	6.09	(189,260)	-9.70
Huntington	766,881	24.90	1,113,098	36.14	(346,217)	-8.26
Martinsburg	192,566	21.43	134,208	14.93	58,358	5.65
Morgantown	(87,750)	-6.36	7,078	0.51	(94,828)	-6.84
Moundsville	5,716	0.65	110,039	12.46	(104,323)	-10.51
Parkersburg	17,545	0.63	259,005	9.36	(241,460)	-7.98
S. Charleston	71,099	4.05	300,277	17.12	(229,178)	-11.16
St. Albans	(168,982)	-13.24	(27,249)	-2.14	(141,733)	-11.35
Vienna	(97,021)	-10.23	34,634	3.52	(131,655)	-15.46
Weirton	(190,780)	-8.87	40,070	1.86	(230,850)	-10.54
Wheeling	(84,841)	-4.17	144,494	7.10	(229,335)	-10.52
Commodities purchases						
City	O-A(\$)	Change (percent)	R-A(\$)	Change (percent)	O-R(\$)	Change (percent)
Beckley	(51,790)	-9.09	152,282	26.73	(204,072)	-28.27
Bluefield	125,467	34.12	—	0.00	125,467	34.12
Charleston	(282,805)	-10.58	66,650	2.49	(349,455)	-12.75
Clarksburg	36,008	10.56	65,330	19.16	(29,322)	-7.22
Fairmont	34,091	18.91	37,235	20.65	(3,144)	-1.45
Huntington	(8,642)	-1.75	60,594	12.25	(69,236)	-12.47
Martinsburg	129,116	22.12	247,176	42.35	(118,060)	-14.21
Morgantown	(19,852)	-3.94	71,557	14.20	(91,409)	-15.88
Moundsville	(39,500)	-21.30	5,400	2.91	(44,900)	-23.52
Parkersburg	(113,828)	-15.69	(5,150)	-0.71	(108,678)	-15.08
S. Charleston	25,413	7.12	39,367	11.03	(13,954)	-3.52
St. Albans	(36,828)	-11.19	(9,594)	-2.91	(27,234)	-8.52
Vienna	182	0.11	29,296	15.07	(29,114)	-17.61
Weirton	14,690	3.78	16,900	4.35	(2,210)	-0.55
Wheeling	(202,561)	-13.94	215	0.01	(202,776)	-13.95
Capital items						
City	O-A(\$)	Change (percent)	R-A(\$)	Change (percent)	O-R(\$)	Change (percent)
Beckley	695,131	172.49	937,274	232.57	(242,143)	-18.07
Bluefield	(88,392)	-27.49	—	0.00	(88,392)	-27.49
Charleston	(2,030,392)	-58.52	(153,575)	-4.43	(1,876,817)	-56.60
Clarksburg	107,888	33.20	310,616	95.58	(202,728)	-31.90
Fairmont	404,301	175.19	384,110	166.44	20,191	3.28
Huntington	(83,199)	-10.59	(52,290)	-6.65	(30,909)	-4.21
Martinsburg	82,116	N/A	290,710	N/A	(208,594)	-71.75
Morgantown	(240,654)	-35.90	(36,722)	-5.48	(203,932)	-32.19
Moundsville	20,372	12.50	71,330	43.76	(50,958)	-21.75
Parkersburg	(108,051)	-15.27	15,334	2.17	(123,385)	-17.07
S. Charleston	595,239	51.35	690,038	59.52	(94,799)	-5.13
St. Albans	(34,033)	-11.76	9,365	3.24	(43,398)	-14.52
Vienna	202,874	81.35	311,230	55.52	(108,356)	-23.96
Weirton	(299,961)	-45.24	363,630	54.85	(663,591)	-64.64
Wheeling	(82,532)	-15.61	174,432	33.00	(256,964)	-36.55

**Table 4 Continued**

<b>Contributions</b>						
<b>City</b>	<b>O-A(\$)</b>	<b>Change (percent)</b>	<b>R-A(\$)</b>	<b>Change (percent)</b>	<b>O-R(\$)</b>	<b>Change (percent)</b>
Beckley	(232,343)	-35.39	29,500	4.49	(261,843)	-38.17
Bluefield	225	0.07	—	0.00	225	0.07
Charleston	1,315,859	64.25	107,857	5.27	1,208,002	56.04
Clarksburg	244,208	158.89	156,730	101.97	87,478	28.18
Fairmont	10,630	11.29	10,525	11.18	105	0.10
Huntington	79,634	3.59	262,236	11.82	(182,602)	-7.36
Martinsburg	269,179	80.98	354,632	106.68	(85,453)	-12.44
Morgantown	678,756	65.51	670,517	64.72	8,239	0.48
Moundsville	(587,148)	-94.27	2,200	0.35	(589,348)	-94.29
Parkersburg	55,072	4.27	46,902	3.64	8,170	0.61
S. Charleston	429,800	30.29	436,700	30.78	(6,900)	-0.37
St. Albans	42,367	27.62	42,367	27.62	—	0.00
Vienna	8,040	4.56	16,000	8.31	(7,960)	-4.31
Weirton	2,186	0.23	—	0.00	2,186	0.23
Wheeling	(41,053)	-2.46	—	0.00	(41,053)	-2.46
<b>Total</b>						
<b>City</b>	<b>O-A(\$)</b>	<b>Change (percent)</b>	<b>R-A(\$)</b>	<b>Change (percent)</b>	<b>O-R(\$)</b>	<b>Change (percent)</b>
Beckley	(366,059)	-3.60	1,591,429	15.65	(1,957,488)	-16.65
Bluefield	43,310	0.74	75,000	1.29	(31,690)	-0.54
Charleston	31,342	0.07	1,319,605	2.91	(1,288,263)	-2.76
Clarksburg	181,681	2.14	420,638	4.94	(238,957)	-2.68
Fairmont	300,074	4.49	680,437	10.17	(380,363)	-5.16
Huntington	556,755	2.29	1,463,420	6.02	(906,665)	-3.52
Martinsburg	337,684	5.71	928,156	15.68	(590,472)	-8.62
Morgantown	210,181	2.06	840,261	8.25	(630,080)	-5.71
Moundsville	(713,277)	-20.92	187,757	5.51	(901,034)	-25.04
Parkersburg	115,373	0.78	562,165	3.81	(446,792)	-2.92
S. Charleston	1,582,845	15.38	1,953,843	18.99	(370,998)	-3.03
St. Albans	(159,724)	-2.93	78,746	1.45	(238,470)	-4.32
Vienna	(20,905)	-0.62	356,095	10.52	(377,000)	-10.07
Weirton	(406,911)	-4.39	863,710	9.32	(1,270,621)	-12.54
Wheeling	(810,130)	-4.82	337,009	2.01	(1,147,139)	-6.69

**Note:** "O" stands for Outlay; "A" stands for Appropriation; "R" stands for Revision.  
**Source:** West Virginia Department of Tax and Revenue, 1998.

nally budgeted. The largest relative increase was 24.9 percent; the largest relative decrease was 18.3 percent. Interestingly, the change in spending on contracts through rebudgeting was in the same direction as the change for the entire budget in just seven cities, including four that showed an increase in spending from initial appropriations to actual outlays. Overall, 12 cities increased proposed spending for contractual services during budget revisions, including 10 cities with increases of at least 5 percent and six with increases of at least 10 percent (the largest increase was 36.1 percent). One city also decreased its spending by more than 5 percent during revisions from the initial appropriations. Meanwhile, 13 cities had outlays that were less than the final budget revisions, 11 of which were at least 5 percent and seven of which were at least 10 percent (the largest decrease was 29.9 percent). Two cities had actual outlays that were higher than the final revisions by at least 5 percent.

These changes could be quite large in absolute terms. Seven cities had a difference of more than \$100,000 between their initial appropriations and final outlays. The largest overall increase was \$766,881; the largest overall decrease was \$352,599. During the revisions, nine cities increased their proposed spending levels on contracts over

the initial appropriations by \$100,000, and the largest increase was \$1,113,098. Atypically, one city actually decreased its spending by more than \$100,000 during revisions. Meanwhile, 11 cities actually had spending that was at least \$100,000 less than the final revisions, and the largest decrease was \$671,945.

The pattern of change from appropriations through revisions to outlays for contractual services followed a familiar pattern. The "increase-then-decrease" pattern was found in 11 cities, including five cities in which the result was that actual outlays were greater than initial appropriations. For two cities, the increases and decreases almost mirrored each other, as the difference between initial appropriations and actual outlays was less than 1 percent. Two cities continually decreased their spending on contracts; one city continually increased its spending; and one city had no change during revisions but had outlays that were greater than appropriations.

### Commodities Purchases

The amount that cities spent on commodities exhibited a high degree of change throughout the rebudgeting process. Overall, 12 cities had changes of more than 5 percent for commodities purchases and nine cities had changes of more than 10 percent (tables 4 and 5). Seven cities spent more than they had originally budgeted. The largest relative increase was 34.1 percent; the largest relative decrease was 21.3 percent. The change in spending for commodities through rebudgeting was in the same direction as the change for the entire budget in nine cities, including six that increased spending from their initial appropriations to actual outlays. Overall, 12 cities increased proposed spending for commodities during budget revisions, including eight cities with increases of at least 10 percent (the largest increase was 42.4 percent). Conversely, 14 cities had outlays that were less than the final budget revisions, including nine cities with decreases of at least 10 percent and 11 with decreases of at least 5 percent (the largest decrease was 28.3 percent). Interestingly, the lone increase was of a higher magnitude than any of the decreases—34.1 percent.

These changes were generally smaller. Just five cities had a difference of more than \$100,000. The largest overall increase was \$125,467; the largest overall decrease was \$282,805. During the revisions, only two cities increased their proposed spending levels for commodities by more than \$100,000, and the largest increase was \$247,176. Five cities had actual spending that was at least \$100,000 less than the final revisions, and the largest decrease was \$349,455. At the same time, one city had a spending level that was more than \$100,000 higher than its final revisions.



**Table 5 Percentages of Categories Displaying Specified Levels of Change between Initial Appropriations, Revisions, and Final Outlays**

Percent	Outlay-Appropriation					Revision-Appropriation					Outlay-Revision					Total		
	PS	CS	CP	CI	C	Total	PS	CS	CP	CI	C	Total	PS	CS	CP		CI	C
(<-50)				1	1											3	1	
(<-30 to -50)				2	1											3	1	
(<-10 to -30)		4	5	5		1							1	7	9	6	1	4
(<-5 to -10)	3	3	1						2				3	4	2	1	1	4
(<-0 to -5)	4	1	2		1	4	2	1	2	1			9	2	3	1	3	7
No change																		
<+0 to +5	7	3	1		5	8	10	3	4	2	3	6	2					
<+5 to +10	1	2	2			1	3			2	2	4		2				
<+10 to +30		2	3	1	2	1		5	7	3	5						1	
<+30 to +50			1	1	1			1	1	2	1				1			
<+50				5*	4				7	3							1	
Total	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15

**Notes:** This table shows the distribution of the level of percentage change between the different stages in the budget process for the five individual expenditure categories and the total budget. The numbers indicate the number of cities that changed by that percentage for that stage and category. Parentheses indicate negative percentages. "PS" stands for Personnel Services; "CS" stands for Contractual Services; "CP" stands for Commodities Purchases; "CI" stands for "Capital Items"; "C" stands for Contribution. \*This includes city where the increase is incalculable (increase from a zero base).

**Source:** West Virginia Department of Tax and Revenue, 1998.

The typical pattern of change for commodities was the same as for other expenditure categories. The “increase-then-decrease” pattern was found in 12 cities—the most of any category—with six cities spending more than their initial appropriations. For the other cities, two had decreases for commodities purchases throughout rebudgeting, and one had no change during revisions but had outlays that were greater than appropriations.

### Capital Items

There was extreme change throughout the rebudgeting process for capital needs. Overall, 14 cities had changes of more than 10 percent for capital items between the initial appropriations and actual outlays, while the change for the other city in the study could not be calculated because it had not appropriated any money for capital in its original budget (tables 4 and 5). These changes went in both directions, with seven cities spending more than they had originally budgeted. The largest relative increase was 175.2 percent (not including the incalculable increase from a zero base); the largest relative decrease was 58.5 percent. The change in capital spending through rebudgeting was in the same direction as the change for the entire budget in seven cities, including four that increased spending from initial appropriations to actual outlays. Overall, 11 cities increased proposed spending for capital items during budget revisions, including nine cities that had increases of at least 10 percent, with the largest increase being an incalculable increase in the city that did not have an original capital appropriation. Two cities went against the trend and decreased capital spending during revisions. Fourteen cities had outlays that were less than the final budget revisions. Among these, 12 cities had outlays that were at least 10 percent less, and the largest decrease was 71.8 percent.

The magnitude of these changes in dollar terms tended to be quite large. Nine cities had a difference of more than \$100,000 between their initial appropriations and actual outlays. The largest overall increase was \$695,131; the largest overall decrease was \$2,030,392. During revisions, eight cities increased their proposed spending levels for capital by at least \$100,000, and the largest increase was \$937,274. One city decreased its proposed spending by more than \$100,000. Meanwhile, nine cities had actual spending that was at least \$100,000 less than the final revisions, and the largest decrease was \$1,876,817.

The “increase-then-decrease” pattern was most common for capital items and was found in 10 cities, six of which had actual outlays greater than their initial appropriations. In the other cities, three had decreases for capital spending throughout rebudgeting, one had increases throughout the process, and one had no change during revisions but had outlays that were less than appropriations.

## Contributions

The amount that cities contributed to other agencies and funds varied substantially during the rebudgeting process. Nine cities had changes of more than 10 percent for contributions, including four cities with changes of more than 50 percent (tables 4 and 5). Most of the changes were increases, with 12 cities spending more than they had originally budgeted. The largest relative increase was 158.9 percent; the largest relative decrease was 97.3 percent. The changes in the amount contributed to other funds and activities through rebudgeting was in the same direction as the change for the entire budget in 12 cities, including nine that increased spending between the initial appropriations and actual outlays. Overall, 12 cities increased proposed spending for contributions during budget revisions, including three cities with increases of at least 50 percent and seven of at least 10 percent. Just seven cities had outlays that were less than the final budget revisions, only four of which were at least 10 percent. Two cities increased the amount contributed to other funds and activities after the final revisions by at least 10 percent.

These changes were somewhat large, with seven cities seeing within-year budget adjustments of more than \$100,000 between appropriations and outlays. The largest overall increase was \$1,315,859; the largest overall decrease was \$587,148. During the revisions, six cities increased their spending levels over the initial appropriations by more than \$100,000, and the largest increase was \$670,517. Three cities had actual spending that was at least \$100,000 less than the final revisions, and the largest decrease was \$589,348. However, the largest absolute change after the final budget revisions was an increase of \$1,208,002 in one city.

Only six cities had the “increase-then-decrease” pattern for contributions, the fewest number to demonstrate this characteristic in spending decisions for an expenditure category. Four of those cities had an overall increase in the amount contributed between initial appropriations to actual outlays. The other cities had a variety of other funding scenarios for the funds they contributed. This included five cities in which the amount for contributions increased throughout the rebudgeting process, three cities that did not revise appropriations (two of which had higher spend-

ing than originally budgeted), and one city in which actual outlays equaled the amount of the final revision (which was greater than the original appropriation).

## The Significance of Budget Changes

The descriptive analysis presented here provides a detailed review of budget changes by expenditure categories. It is evident that budget adjustments occurred in all expenditure categories and at least some of these budget changes were fairly large in magnitude. What is not immediately clear is whether these changes are meaningful. A paired difference in means test was used to determine whether these changes in expenditure categories during rebudgeting were significant.

The results show that several of the changes that occurred during the rebudgeting process are statistically significant (table 6). For the entire budget, the difference between the means for the original appropriations and the final revised amount is significant at the 0.01 level ( $p = 0.000$ ). Similarly, the difference between the means for the final revised amount and the actual outlays is also significant at the 0.01 level ( $p = 0.000$ ). On the other hand, the difference between the means for the appropriations and outlays is not statistically significant ( $p = 0.696$ ).

Additionally, the analysis finds statistically significant differences as a result of the rebudgeting process between the means for most of the expenditure categories. For personnel services, the difference between the means for initial appropriations and final revisions and the difference between the means for final revisions and actual outlays which resulted from within-year budget adjustments are statistically significant at the 0.01 level. Similarly, the difference between the means for initial appropriations and final revisions and the difference between the means for final revisions and actual outlays which resulted from budget changes for both commodities purchases and capital items are statistically significant at the 0.05 level. Also, the difference between the means for initial appropriations and final revisions which resulted from budget changes for contributions are statistically significant at the 0.05 level. None of the other differences between the means which resulted from within-year budget adjustments are

**Table 6 Means Test between Appropriation, Revision, and Outlay**

Pairs	Personnel services	Contractual services	Commodities purchases	Capital items	Contributions	Total
Appropriation and outlay	-0.292 (0.774)	-0.279 (0.784)	0.928 (0.369)	0.394 (0.700)	-1.370 (0.192)	-0.400 (0.696)
Appropriation and revision	-2.999 (0.010)**	-1.182 (0.257)	-2.929 (0.011)*	-2.620 (0.021)*	-2.743 (0.016)*	-4.793 (0.000)**
Revision and outlay	-3.227 (0.006)**	-1.209 (0.247)	-2.711 (0.017)*	-2.290 (0.038)*	0.091 (0.929)	-4.853 (0.000)**

**Notes:** The numbers outside parentheses indicate *t*-values.

The numbers within parentheses are *p*-values.

\*indicates a significant change between two means at the 0.05 level

\*\* indicates a significant change between the two means at the 0.01 level

statistically significant. This included all the differences between the means for contractual services as well as all the differences between the means between initial appropriations and actual outlays.

These results indicate that within-year budget adjustments can be significant for smaller cities. However, the level of such changes varies in size and scope, and the overall effect of these changes on the budget was moderate at best. Along those lines, it is interesting that these statistically significant results are found only between initial appropriations and final revisions and between final revisions and actual outlays.

This confirms the descriptive analysis that found that changes between appropriations and revision and between revisions and outlay reflected an “increase-then-decrease” pattern, in which substantial change often occurred during expenditure revisions and when the actual spending outlays were made. As this pattern predicted, spending levels ended up being very close to what was originally budgeted, regardless of the expenditure revisions that occurred throughout the fiscal year.

## Explanations for Budget-Change Patterns

This pattern of within-year budget changes requires further clarification, as the empirical analysis raises several questions. Why do these budget adjustments generally reflect increases from initial appropriations to final revisions and then decreases from final revisions to the actual outlays? Why are the overall changes from initial appropriations to actual outlays only moderate in nature (and not statistically significant)? What do the differences and similarities in budget-change patterns for the different expenditure categories indicate? To answer these and related questions, structured interviews were undertaken with city finance officials. A representative from each city was given the opportunity to address the budget-revision process in his or her city. Seven agreed to be interviewed as part of this study.<sup>1</sup> These cities proved to be a good cross-section of the cities studied in terms of their geography and population. The finance officials interviewed came from the northern and eastern panhandles, as well as from the central and western river valleys. Respondents also included officials from the two largest cities in the state, as well as several cities with populations under 20,000.

In telephone interviews, city officials were asked to clarify the procedures used for budgetary adjustments in their city. They were also asked to identify the participants in the process and their roles, including who initiates budget changes and who approves the changes. In addition, they were asked about motivations for changes made during within-year budget adjustments for the entire budget as well as for the five expenditure categories examined.

From the interviews, it became apparent that budget adjustments were initiated by one or more of the following parties: the finance director, individual departments, city managers, mayors, and individual council members. Common combinations acting to bring about within-year budget changes included the manager and council or the mayor and council. For example, one official reported two main sources for proposed revisions: “Revisions are initiated through two channels. One is the mayor, who usually submits revisions on additional budget generated by state or federal grants, because most grants are distributed to local governments after the beginning of a fiscal year. The other source is departments, which initiate revisions on transfers within departments.”

Furthermore, it is common for budget adjustments to result from departmental requests for unbudgeted items. In such cases, departments bring their request to the finance official, who in turn brings it to the attention of the city administration (mayor or manager) and, ultimately, the city council. In some instances, the mayor played a role similar to a department and asked for specific budget changes. Also, where the city council has a finance committee, the request for a budget change was taken to that committee before being acted upon by the full council. One constant throughout this process was that the council went through a process to determine where it would get the money needed to pay for the item being requested. “Some changes occur due to technical reasons and others [due to] unknown factors, such as [the city’s] self-insurance liability and may make their expenditures vary. Also, there [can be] minor adjustments in utilities. Whenever we have additional costs, we try to cover them where practical.... In general, budget changes are initiated by departments, but some are not department generated.”

Overall, the nature of these within-year budget changes reflects they are almost always initiated by the administration rather than the legislature. Nevertheless, the council ultimately had to approve the budget adjustments. As a consequence, whether the budget change was initiated by city administration (including the finance officials) or a department, the council’s policy preferences were taken into account because it had to authorize the budget change and then send it to the state tax department for final approval.

One finance officer specifically stressed this key point: “Supplemental revisions occur during the year. They become a little more political if there are needs, [and its] up to council member to get votes to reallocate funds. For example, if there is a road project needed, [they] have to convince others.... The motivation is on need, not on wants of council members. It helps when capital [spending] is spread throughout the wards. It helps get support for other things the administration tries to do.”

Budget changes followed a fairly common pattern for the smaller cities studied, with expenditures increasing from initial appropriations through the final budget revisions and then decreasing at the actual outlays. This “increase-then-decrease” pattern appears to have become almost a routine element in the local budgeting process. “The trend of up-in-revision and down-in-outlays seems to be very standard in the budget process. The main reason is to meet balanced budget requirements [set] by state law safely. Beefing up the budget in revisions is intentionally designed to function as a buffer.”

Thus, increasing then decreasing the budget is a conscious strategy on the part of finance officials, city administration, and councils to ensure a cushion against any emergency or unexpected occurrences and to ensure that expenses never exceed the budgeted amount. When actual outlays are substantially below actual revenues, finance officials are relieved to have balanced their budget and pleased to have created an unbudgeted surplus. “That [pattern] allows for some unanticipated invoices that are out there [at the end of the year]. I prepare a financial statement for the governing body on a monthly basis. Sometimes you get to the end of the fiscal year, trying to account for invoices that are not ‘in the house’ yet. It is just making sure that the expenses never exceed the budgeted amount. When that happens, I am in non-compliance with the state tax department. It is far better to have a larger dollar [amount] there than is actually going to be spent, to know that I am going to be in compliance.”

Two types of surpluses exist, according to the finance directors. One type of surplus is implicitly written into the revenue estimates and often is used for projects during the fiscal year. This surplus frequently is spent on capital projects or used for unanticipated expenditures, such as invoices received at the end of the fiscal year. The other type of surplus is not evident until the end of the fiscal year. It is generally used for expenditures in the next fiscal year or to pay for unfunded liabilities, such as pension funds. One official described the process in straightforward terms: “One [type of surplus] is a surplus expected by the finance director around March. This surplus often times is used for buying equipment for street paving under commodities and sometimes it is used for economic development. The other [type of] surplus is one at the end of the fiscal year. This one cannot be earmarked to each department and is transferred to the unencumbered fund balance.”

It is clear from the finance officials’ comments that they attribute within-year budget adjustments to a number of circumstances. In some instances, these changes are technical. Some expenditure categories can be affected significantly during the year by spending decisions. For example, the timing of lease payments means those expenditures can

be included in one fiscal year or be deferred until the next. In addition, cities used these funds when responding to new state mandates, such as storm sewer regulations, or local needs, such as street paving requests. Finally, some changes arise because of unknown and unforeseen factors. But whenever cities have additional costs, they try to cover them by making within-year budget adjustments. One finance official described these in terms of meeting the changing needs and requirements of the city, its residents, and its public officials: “There are needs fluctuations. We had some flooding problems in some areas and lost some roads. We had to do control walls, road reconstruction. Normally that would not be a problem. As for mandates, there were public complaints to separate the combined sanitary and storm sewers. That does not happen a lot. But it gets more into political concerns when you have a pot of money sitting there and it is not earmarked for anything.”

From the perspective of the finance officials interviewed, budget changes appear most likely to be affected by managerial necessity—technical complexity of estimating needs and resources, inaccurate expenditure estimates, and greater-than-anticipated revenues. Nevertheless, the intentional creation of surpluses contributes to a whole range of budget-change considerations that are not solely technical or managerial. The routine actions by cities in this regard cannot be considered entirely managerial necessity, even though the impetus may have arisen from the need to keep expenditures from exceeding revenues. It was the eventual use of the generated surplus for large projects, as we have described above, that removed the action from being simply a technical adjustment or a minor managerial change. In particular, it allowed for political concerns to be exercised in decisions about the use of the surplus funds during the current or subsequent fiscal year. As some finance officials willingly admitted, political concerns have an impact on budget changes. “Politics is always the case.... Political concerns always have an impact on changes which are a reflection of trying to meet the needs and wants of the population of the city.”

## Summary and Conclusions

The intent of this research has been to look at the frequency, magnitude, and occurrence of within-year budgetary adjustments in smaller cities, using West Virginia as a case study because of the unique availability of data. It is an exploratory study that seeks to describe within-year budgetary adjustments—both the extent to which these changes occur, as well as the nature of these changes. The within-year budgetary changes for the cities studied followed a pattern in which substantial increases occurred between initial appropriations and final budget revisions, but generally were followed by decreases from the revised

appropriations to the actual outlays. As a result, the actual outlays at the end of the fiscal year tended to be only slightly different (either greater than or less than) than the initial appropriations. Furthermore, the findings indicated that actual outlays were not statistically significantly different from initial appropriations, in spite of the multiple and sometimes large-scale within-year budget adjustments.

However, revenues for all cities increased throughout the fiscal year, and actual revenues were substantially more than the original revenue estimates. Thus, as a result of the unique budget-adjusting behavior of “underspending” the final revised appropriations, the cities finished the fiscal year with sometimes substantial surpluses. Finance officials in the cities examined indicated there were really two types of surpluses: one resulting from intentionally underestimating anticipated revenues and one realized at the end of the fiscal year if revenues further exceeded anticipated levels as a result of good economic circumstances. The major surpluses resulting from this budget execution behavior became carry-over to the fund balance for the subsequent year. Finance officials clearly indicated this behavior resulted from the need to balance the budget in the face of uncertainty about revenue forecasts; from political and legal constraints resulting from concerns about strict auditing by the state with respect to possible deficits and the need to leave a wide margin for error; and from general conservatism about financial management which dictates significant and intentional underforecasting and substantial underspending of revised and, in some cases, initial appropriations. In the case of the first type of surplus, it is clear some of those funds were used in the current fiscal year in selected expenditure categories, such as capital items or commodities purchases, while the remainder was added to the fund balance and carried forward to the new fiscal year. As is evident in this study, sizeable budget carryovers occurred as a result of budget-execution behavior and were valuable in addressing needs in the next fiscal year, as well as providing room to maneuver financially and potentially politically in the use of those funds in the next fiscal year.

While the overall changes from initial appropriations to actual outlays were moderate, the within-year budget adjustments that led to those changes often were quite substantial. This was particularly evident when the data was examined by expenditure category. The changes that occurred between initial appropriations and the final revisions involved sizeable increases, while the difference from those final revisions to the actual outlays represented substantial decreases. This study also sought to determine what types of changes took place at the expenditure-category level. Generally, personnel services, contractual services, commodities purchases, and capital items showed the “increase-then-decrease” pattern. Personnel services was the

largest part of the budget for all cities and generally had the largest changes during rebudgeting in dollar terms. Contractual services, while a smaller proportion of the budget, experienced budget changes in dollar terms similar to those for personnel. Commodities purchases had some change but did not fluctuate as widely. Capital items had the greatest swings in percentage terms as a result of within-year budget adjustments, with massive increases between initial appropriations and final revisions and then huge decreases and some additional increases from final revisions to actual outlays. Finally, contributions was the only expenditure category that varied from the pattern found in the budget as a whole for most cities and did not reflect the “increase-then-decrease” pattern.

This description of within-year budgetary adjustments indicates empirically that such changes for smaller cities are meaningful and play an important role in the budgetary process. It is enlightening to find that the budget-execution process in these smaller cities resulted in only moderate overall budget change, in spite of sizeable intermediate budget adjustments. As a consequence of the pattern of changes observed, one might be tempted to view the budget-change process in these cities as relatively meaningless, and believe these budget changes appear for all intents and purposes to be nothing more than an extension of the regular appropriations process. This would be an inappropriate conclusion to draw, however, given the information gleaned from the interviews with city finance officials. It is clear that the pattern of within-year budget changes seen in this study reflects not only managerial necessity (reflected in an overriding concern for balancing the budget and maintaining revenue sufficiency), but also the conscious creation of sometimes rather large surpluses. While the budget changes themselves do not tell the story of what is going on in budget execution in these smaller cities, it is evident that a larger framework for evaluating budget execution within the total revenue and expenditure picture would be appropriate and meaningful in uncovering the budget-execution trade-offs with which these communities deal. Budget changes during budget execution in smaller cities can be extremely important from the standpoint of managerial necessity, as well as a mechanism these cities have developed to exercise discretion in the generation of surpluses through this process that can be used to meet political as well as other priorities in the city.

---

## Note

---

1. The authors interviewed finance officials from Charleston, Huntington, Martinsburg, South Charleston, St. Albans, Weirton, and Wheeling during October and November 1998. Officials from the seven other cities declined to be interviewed. As part of the interview agreement with the respondents, and to ensure they would speak candidly, no information that would permit the identification of the finance officials and their city would be released. Therefore, the quotations are included in the text for illustration purposes, but without any identifiers.

---

## References

---

- Abu Tuha, Adel M.B. 1979. *Administrative Discretion in Budget Execution: The Case of Georgia*. PhD diss., Georgia State University.
- Forrester, John P. 1993. The Rebudgeting Process in State Government: The Case of Missouri. *American Review of Public Administration* 23(2): 155–78.
- Forrester, John P., and Daniel R. Mullins. 1992. Rebudgeting: The Serial Nature of Municipal Budgetary Processes. *Public Administration Review* 52(5): 467–73.
- Hale, George E., and Scott R. Douglas. 1977. The Politics of Budget Execution: Financial Manipulation in State and Local Government. *Administration and Society* 9(3): 367–78.
- Hoskins, Ronald B. 1983. *Within-Year Appropriations Changes in Georgia State Government: The Implications for Budget Theory*. PhD diss., University of Georgia.
- Klase, Kenneth A., Michael John Dougherty, and Soo Geun Song. 2001. Exploring Within-Year Budget Adjustments in Small to Medium-Sized Cities in West Virginia. *Public Budgeting, Accounting and Financial Management* 13(2): 245–79.
- Lauth, Thomas P. 1988. Mid-Year Appropriations in Georgia: Allocating the “Surplus.” *International Journal of Public Administration* 11(5): 531–50.
- Mandell, Lee M. 1998. Budget Adjustments and Shifting Revenue Sources in North Carolina Municipalities. Paper presented at the National Conference of the American Society for Public Administration, May 9–13, Seattle, WA.
- Pagano, Michael A. 1997. *City Fiscal Conditions in 1997*. Washington, DC: National League of Cities.
- State of West Virginia. 1998. *West Virginia Code of 1966 (as amended)*. Charleston, WV: State of West Virginia.
- U.S. Department of Commerce, Bureau of the Census. 1997. Estimates of the Population of Places: Annual Time Series, July 1, 1991, to July 1, 1996. SU-96-7.
- . 1998. *Statistical Abstract of the United States: 1998*. Washington, DC: U.S. Government Printing Office.
- West Virginia Department of Tax and Revenue. 1997a. Annual City Financial Statements for Fiscal Year Ending June 30, 1997. Charleston, WV: West Virginia Department of Tax and Revenue.
- . 1997b. *City Edit Report (Fiscal Year 1997)*. Charleston, WV: West Virginia Department of Tax and Revenue.
- . 1997c. Request for Revisions to Amend the Budget (Fiscal Year 1997). Charleston, WV: West Virginia Department of Tax and Revenue.