**STRUCTURALLY BALANCED
BUDGET POLICY**

*This template provides the basics of a structurally balanced budget policy. You should adjust this policy to fit your government’s needs. For further guidance, refer to the GFOA book “Financial Policies.” The book describes the elements in this template plus additional options.*

# **Why a Structurally Balanced Budget Policy Is Important**

[Name of your government] is required by law to have a “balanced budget.” However, the law does not distinguish between a budget that is balanced using short-term fixes and a budget that is structurally balanced for the long term. By defining our own balanced budget policy, [name of your government] is ensuring that we maintain a strong financial foundation for our community for years to come.

# **Adopting a Structurally Balanced Budget**

[Name of your government] will adopt a structurally balanced budget. A structural balanced budget has two important qualities.

First, ongoing expenses should be covered by ongoing revenues. Ongoing revenues are revenues that can be expected to continue year to year. Property taxes are an example of recurring revenue. Ongoing expenses also can be expected to continue year to year. Staff salaries for a program or service that the government expects to offer year to year is an example of a recurring expense.

The second quality of a structurally balanced budget is that one-time or short-term revenues are used to fund one-time or short-term expenses. An example of this is a grant with a term limit. An example of a short-term expense could be contractors hired to provide the service that the grant funds.