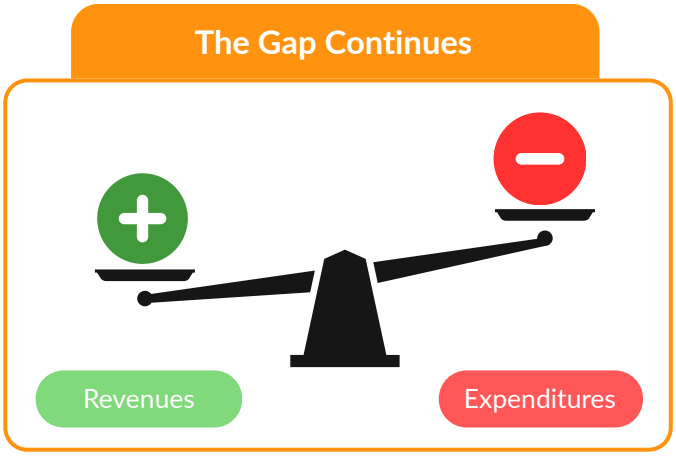
Understanding Government Finance

Budget and Deficits

Many residents ask why the City cannot simply use cash, grants, or reserves to solve budget challenges. These resources may provide temporary relief, but because they are often restricted or one-time in nature, they cannot sustainably fund ongoing operations.

What is a structural budget deficit?



A structural budget deficit occurs when **ongoing expenditures exceed ongoing revenues**. Unlike a one-time budget shortfall, a structural **deficit continues** year after year unless revenues increase, expenditures decrease, or a combination of both occurs.

Temporary funding closes today's gap.

Sustainable budgeting creates future.

While these resources can provide **temporary financial relief**, they are often restricted, or intended for specific purposes and available for one-time use. Using one-time funding **does not resolve** the underlying structural **imbalance** between recurring revenues and expenses.

"Why can't the City just use cash, grants, or reserves to cover the deficit?"

	How it Helps	Limitations
Cash	Immediate financial flexibility	One-time resource, with many legally restricted to specific purposes
Grants	Often funds specific programs or projects	Most grant revenues are legally restricted to specific purposes
Reserves	Serves as one-time financial relief	One-time resource, designed for emergencies

So, What Is the Solution?

The long-term solution is to align ongoing revenues with ongoing expenditures through sustainable revenue growth, cost management, and thoughtful financial planning.

"One transaction at a time."
-City of Orange, Finance Department

For questions and comments, please contact Finance-Administration@cityoforange.org