



## FAQ – PROCEDURES FOR AMENDING MUNICIPAL BUDGETS

Municipal budgets must be balanced throughout the fiscal year. This means that expenditures including debt service cannot exceed revenues collected during the fiscal year. Municipalities must monitor their budgets throughout the budget year and make any necessary budget amendments to maintain a balanced budget paying all debt service.

### 1. When and how do municipalities amend their budgets?

Municipalities must amend their budgets by ordinance prior to increasing spending for any appropriation.

Tennessee Constitution Article 2 § 24, T.C.A. § 9-1-116, Municipal Budget Law of 1982 (T.C.A. §§ 6-56-203 and 6-56-208), General Law City Manager-Commission Charter (T.C.A. § 6-22-124), and General Law Modified City Manager-Council Charter (T.C.A. § 6-35-308)

### 2. Can a municipality amend its budget after the end of the fiscal year?

Because monies must be appropriated prior to being spent, budget amendments must be adopted to authorize increases in spending before the spending occurs. No provision is made to permit the authority to spend after the fact.

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### 3. At what classification level are budget amendments made?

- *Municipal Budget Law of 1982 and General Law City Manager- Commission Charter*

Municipal appropriations are made at the department, office, board, and agency level or organizational unit level. (T.C.A. §§ 6-22-122 and 6-56-203(1))

- *General Law Modified City Manager-Council Charter*

Municipal appropriations need not be in more detail than the fund level; but, may use a more detailed classification. (T.C.A. § 6-35-307(b))

**4. Do amendments need to show the source of funds (revenues, fund balance, reductions in other appropriations, or transfers) supporting any new spending?**

Yes

Tennessee Constitution Article 2 § 24, T.C.A. § 9-1-116, Municipal Budget Law of 1982 (T.C.A. §§ 6-56-203 and 6-56-208), General Law City Manager-Commission Charter (T.C.A. § 6-22-124), and General Law Modified City Manager-Council Charter (T.C.A. § 6-35-308)

**5. Can the expenditure amounts in the detailed budget or budgetary control accounts be less than the amount appropriated?**

Yes, the appropriated amount is the maximum amount that may be spent for that appropriation. The amount appropriated cannot exceed available cash as estimated in the original budget ordinance and spending for appropriations cannot exceed monies available at the time of expenditure. A municipality may use control accounts which are less than the amount appropriated. A municipality cannot plan to spend more than appropriated.

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**6. How are transfers made between appropriations in the same fund?**

- *Municipal Budget Law of 1982*

Transfers between departments, offices, boards, and agencies are made by a budget amendment ordinance adopted by the governing body unless the governing body has delegated authority in the original budget ordinance for the budget officer to make transfers. When the authority is delegated by the governing body, it must set a maximum amount the budget officer may transfer. If authority has been delegated to the budget officer, the budget officer must report to the governing body the amount of any transfers between appropriations

in the same fund at the next regular meeting. The report on the transfer must be entered in the minutes of that meeting. (T.C.A. § 6-56-209)

Any transfer above the amount delegated to the budget officer must be by a budget amendment ordinance adopted by the governing body.

- *General Law City Manager- Commission Charter*

Transfers between departments, offices, boards, and agencies within the same fund are made by budget amendment ordinance. (T.C.A. § 6-22-124(c))

- *General Law Modified City Manager- Council Charter*

The city manager can make transfers between departments, agencies, or activities within each fund. (T.C.A. § 6-35-310)

## **7. How are transfers made between funds?**

A transfer permanently moves money from one fund to another fund. **A TRANSFER IS NOT A LOAN BETWEEN FUNDS.** A transfer should be budgeted as an expenditure for the contributing fund and as revenue for the receiving fund. A transfer must be appropriated and included in the original budget ordinance or in a budget amendment ordinance before it can be executed. (T.C.A. §§ 6-22-122, 6-35-308 and 6-56-203(1))

## **8. Do budget amendments have to be balanced?**

Yes, budgets must remain balanced. Therefore, increases in appropriations must be accompanied with an increase in revenues, a transfer of money from another fund, a decrease in cash (fund balance), or a decrease in the appropriations of another organizational unit(s) of the same fund.