



## **FAQ – PROCEDURES FOR AMENDING MUNICIPAL BUDGETS**

Municipal budgets must be balanced throughout the fiscal year. This means that municipalities' expenditures cannot exceed revenues including debt service 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 prior to increasing spending for any appropriation.

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

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

Monies must be appropriated prior to being spent. Budget amendments must be adopted to authorize increases in spending. 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. (Tenn. Code Ann. §§ 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. (Tenn. Code Ann. § 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, Tenn. Code Ann. § 9-1-116, Municipal Budget Law of 1982 (Tenn. Code Ann. §§ 6-56-203 & 6-56-208), General Law City Manager-Commission Charter (Tenn. Code Ann. § 6-22-124), and General Law Modified City Manager-Council Charter (Tenn. Code Ann. § 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 by a budget amendment 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. (Tenn. Code Ann. § 6-56-209)

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

*General Law City Manager- Commission Charter*

Transfers between departments, offices, boards, and agencies within the same fund are by budget amendment. (Tenn. Code Ann. § 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. (Tenn. Code Ann. § 6-35-310)

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

Transfers between funds are made by appropriating through the original budget ordinance or by a budget amendment from the sending fund to the receiving fund. A transfer is an expenditure for the sending fund and revenue for the receiving fund. **A transfer is not a loan between funds.** A transfer must be appropriated and included in the original budget ordinance or in a budget amendment before it can be executed. (Tenn. Code Ann. §§ 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.

**9. Are budget amendments required to be filed with the Comptroller's Office?**

Yes, budget amendments adopted by municipalities must be filed with the Division of Local Government Finance at [LGF@cot.tn.gov](mailto:LGF@cot.tn.gov).