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Budget Development

Dear Reader:

The following document was created from the CTAS website (ctas.tennessee.edu). This website is maintained by CTAS staff and seeks to represent the most current information regarding issues relative to Tennessee county government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with county government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other CTAS website material.

Sincerely,

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Budget Development

Reference Number: CTAS-717

Policies and procedures should be developed and provided to officials responsible for developing and implementing the operating budget. These procedures should include instructions for the various steps of the fiscal year budgeting process. All policies and procedures should be established and implemented in accordance with the applicable budgetary timeline for the county (either locally adopted or statutory). For those counties operating under general law, it is highly recommended that the legislative body establish a budget committee. A good budget committee model can be found in the County Budgeting Law of 1957 or the Financial Management Act of 1981.

Recommended Practice: If your county is not required to have a Budget Committee, it is recommended that one be established to help in the developing, approving and monthly monitoring of your county budget.

The following steps will provide some ideas for procedures to be developed by the government officials and the legislative body:

1. **General Budget Information**—This step should include information about the status of the current budget and any problems relating to it, including revenue and expenditure deficiencies and/or service inadequacies.
2. **Review all Current and Proposed Special Revenue Funds**— GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, went into effect in the fiscal year ending June 30, 2011. This Statement, among other things, restates the definition of the different types of governmental funds. Management should analyze every current and proposed governmental fund to ensure each fund meets the criteria to be a separate fund. If a fund no longer meets the criteria to be a separate fund, then the fund should be closed and its activity budgeted in the county general fund.
3. **Budget Preparation Instructions**—General instructions should explain the process for preparing the department/activity budget including revenue and expenditure estimates and statistical data relating to the service provided by the department.
4. **Presentation of the Budget**—A presentation schedule is then developed and distributed to the various officials and department heads. This schedule should identify the time and date their budget requests can be presented to the legislative body.
5. **Review, Analysis and Recommendations by the Committee**—After the budget has been submitted to the appropriate finance/budget committee, it is then the responsibility of the committee to do the following: (1) review and evaluate the budget, (2) meet with department heads and elected officials, if needed, and (3) make recommendations to the county legislative body.
6. **Review by the County Legislative Body**—Upon receiving the budget document and recommendations from the committees, the legislative body deliberates on the budget and considers the following: (1) fund balance(s), (2) revenues, (3) expenditures, (4) services, and (5) proposed tax rate. As discussion of these items may involve considerable time, the county legislative body often schedules work sessions for these deliberations.
7. **Priorities and Alternatives**—If the budget must be reduced, what procedures will be used to set priorities and evaluate alternatives to provide adequate services?
8. **Consolidation of Budgets and Preparation of Resolutions**—Before final adoption, procedures should be prescribed for consolidating all the budgets into a budget document. The county legislative body will review the submitted departmental budgets and requests for assistance, combine them into one county budget, and approve a budget for the fiscal year that begins July 1 and ends June 30. Also, the proper resolutions for adopting the budget and setting tax rates should be prepared.

Budget Handbook and Forms

Due to the importance and time involved in adopting budgets, it is highly recommended that the various department heads and members of the legislative body develop a budget handbook or guide. This handbook would be in the form of a policy manual and would be maintained on a current basis. Since the budget is a written financial plan for providing governmental services, it is extremely important that the budget document and supporting data be complete and accurate in order to communicate the needs of the department and local government. New employees, department heads, and other elected officials would

have a guide to follow, and each year modifications could be made to reflect changes and improvements of the process. The end result would be fewer conflicts and more improvements in providing services, rather than the mistrust that has evolved in many local governments.

Sample budget handbook

Using the forms provided by the budget coordinator, departments should complete the documents with accurate information. Also, if the forms do not adequately present the needs of the department, supplementary schedules or information should be added to the standard forms. Though it may not seem to be of utmost importance relating to budgets, communication is at least the second greatest problem in adopting annual budgets. The use of appropriate forms and supplementary schedules can assist in keeping budgetary communications clear.

Recommended Practice: Develop a Budget Handbook

Recommended Practice: Develop a series of budget forms to collect budget information.

Recommended Practice: Develop budget forms for the budget amendment process.

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