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# Budget Adoption

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Dear Reader:

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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 Adoption

Reference Number: CTAS-2116

**Hearings**—Before final adoption of the budget, the law requires that the proposed annual operating budget be published in a newspaper of general circulation in the county no later than five days after the budget is presented to the county legislative body, if the newspaper is published daily. If such newspaper is published less than daily, then it must be published in the first edition for which the deadline for such publication falls after the budget is presented to the county legislative body. A county may also publish the proposed annual operating budget on the county's web site, which will be accessible to the public on the day the budget is presented to the county legislative body. The budget cannot be adopted until at least 10 days after publication. The annual operating budget must contain a budgetary comparison for the following four governmental funds: general, highway/public works, general purpose school fund, and debt service (T.C.A. § 5-8-507). Sample newspaper notice.

**Adoption**—Any specific procedures for adopting the budget should be explained in the adopted rules of procedure of the county legislative body.

## Requirements for an adopted budget

- Appropriation resolutions (T.C.A. § 9-21-403(b))
- Tax levy resolutions (T.C.A. § 9-21-403(b))
- Non-profit resolutions (does not affect schools)
- Notice in newspaper (put in newspaper by central finance) (T.C.A. § 5-8-507(c))
- Capital outlay note/bond note resolution (not required during the budget)
- Notify state director of local finance of approved budget (T.C.A. § 9-21-403 (c))

## Other forms used in the budget process

- Budget preparation form
- Budget preparation form/personnel
- Letter of agreement
- Summary by fund account
- Operation of fund/fund balance
- Statement of estimated revenues from current property taxes
- Maintenance of effort test, schools
- Highway Certification Form

# Continuation Budgets

Reference Number: CTAS-2199

2015 Public Chapter 170 amended T.C.A. §§ 5-9-404, 5-12-109, and 5-21-111 to provide that if a local fiscal body fails to adopt a budget by July 1, the operating budget and appropriation resolution for the preceding fiscal year will continue in effect without any further action by the body until a final operating budget is adopted. While the continuation budget is in effect, no agency or entity receiving county funds can encumber funds in any month in excess of the allotment for a comparable month in the preceding fiscal year without county legislative body approval. Any such approval must include a corresponding funding source to cover the excess expenditures.

The Comptroller's office has provided the following Guidance with regard to their approval of continuation budgets:

## GUIDANCE FOR COUNTY CONTINUATION BUDGETS AND EXTENSIONS PURSUANT TO PUBLIC CHAPTER 170, ACTS OF 2015

Counties budgeting pursuant to the General Law, County Budgeting Law of 1957, and Financial Management Act of 1981 may continue operations within the appropriations of the prior fiscal year if the county legislative body (the "CLB") has not adopted an appropriation resolution for its current fiscal year by June 30th. Public Chapter 170, Acts of 2015. No action is required by the CLB to adopt a continuation budget if the budget is adopted prior to August 31st. An agency of a county, or other entity that receives county monies, can spend no more than the amount spent in the same month of the prior fiscal year while operating under a continuation budget. A county can amend a continuation budget according to the

procedures for amending a final operating budget. A county must amend its continuation budget to provide for the payment of debt service and court-ordered expenditures. A final operating budget for each fiscal year must be adopted no later than August 31st. Under extraordinary circumstances, a county may request approval from the Office of State and Local Finance (OSLF) to adopt a continuation budget approval resolution that extends its prior fiscal year appropriation authority through September 30th.

### **Continuation Budget Extension**

There are extraordinary circumstances that may justify an approval from OSLF to extend the county's continuation budget authority until September 30th. The following circumstances would not meet requirements for approval of a continuation budget extension:

- Inability to reach a consensus on either the appropriation or property tax levy
- School Board not submitting a complete budget within 45 days of the date of final budget adoption by the CLB as required by State statutes
- Property reassessment
- Election year
- Financial statements not audited

To request an approval for an extension, the following steps need to be followed:

- Submit a request letter from the County Executive/Mayor on or before August 15th which includes:
- A statement that the county is in compliance with the balanced-budget law,
- An explanation of the extraordinary circumstances that necessitated the request for continuance,
- Whether these circumstances have occurred before, and, if so, how often.
- The county may be asked to provide additional information concerning its situation to obtain approval.

OSLF will respond to the CLB indicating approval of its request within seven (7) days after the receipt of the request and any supplemental documentation.

The CLB should set and properly advertise a meeting at which either a continuation budget extension resolution can be adopted or the appropriation resolution for its current fiscal year can be adopted. If the extension of a continuation budget is approved, the CLB must adopt the county's appropriation resolution and tax levy resolution by September 30th. A county will not have authority to spend money after September 30th without an adopted budget. Adopting a budget and tax levy in September may delay the collection of taxes until after the property tax due and payable date of the first Monday in October.

### **Final Operating Budget Requirements**

The CLB needs to take into account the following in determining when it will adopt the appropriation and tax levy resolutions:

- The appropriation and tax levy resolutions the CLB adopts and supporting documentation for the budget must be submitted to OSLF for approval. State law requires a complete and proper budget be submitted immediately upon adoption.
- State law requires a county school system to submit a complete and certified copy of its entire budget to the Tennessee Department of Education (TDE) within 30 days after the beginning of the fiscal year.
- Property taxes are due and payable on the first Monday in October.
- If the CLB adopts an unbalanced budget or one with insufficient monies appropriated for the payment of debt service, the Comptroller may direct that the appropriation resolution be amended to reduce expenditures or that the tax levy resolution be amended to increase the property tax levy.
- If the CLB does not adopt a budget in a timely manner, a county will not have any spending authority after the continuation budget deadline of August 31st or after the continuation budget extension deadline of September 30th.
- The CLB needs to adopt a budget in a timely manner so that its school system may be able to report a complete and certified school budget to TDE by the final reporting deadline of October 1st in order to maintain its eligibility to receive state school funds.

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