



# *The State Budget Process*

The Tennessee Constitution requires that the annual budget of state government be balanced. Thus, the legislative and executive branches must work together to balance the budget. The General Assembly reviews and revises the governor's proposed budget and passes tax laws to provide needed revenue.

Within the Department of Finance and Administration, the Division of Budget is responsible for budget development. Preparation, deliberation, and execution of the budget is a continual process throughout the year. Immediately after a new fiscal year begins each July, the staff of the Division of Budget begins making plans for the budget that will be considered by the General Assembly for the subsequent fiscal year. Automated forms and instructions are distributed to the agencies in August. The deadline for completion and transmission of the budget requests is the first of October. During this preparation period, the staff of the Division of Budget continually meets with the agencies' fiscal and program personnel to answer questions and provide assistance in developing their budget requests.

## **Preparation of the Budget**

After the receipt of agency budget requests, analysts with the Division of Budget begin the process of balancing expenditures against estimated revenues. Within this constraint, funds must be provided for Administration initiatives of high priority, activities that must be sustained as mandated by state or federal statute, and the day-to-day operation of state government. Following analysis of the requests by the Division of Budget, detailed recommendations are made to the Commissioner of Finance and Administration. Meetings are convened with commissioners and directors of the departments and agencies by the Commissioner of Finance and Administration. A consensus is sought with the agencies as to the appropriate funding level for the upcoming year. The Governor and the Commissioner of Finance and Administration review the recommendations resulting from these hearings and consider necessary alterations to fit within the scope of the Administration's initiatives.

## **Legislative Deliberation**

After the Budget Document have been presented, the appropriation process is initiated. The Appropriations Bill, prepared by the Department of Finance and Administration, is introduced and referred to the Finance, Ways, and Means Committees of both houses of the Legislature. The Senate and House of Representatives must ultimately pass the exact version of the Appropriations Bill for it to be enacted into law.

## **Budget Execution**

When passage of the Appropriations Bill is complete and it is enacted into law, the execution of the act begins. Invariably, there are changes from the Budget Document as presented by the Governor to the General Assembly and the Appropria-

## **How Revenues are Projected to Fund the State Budget**

In creating the budget, the Governor looks to the State Funding Board for revenue projections for the upcoming fiscal year. The State Funding Board consists of the Governor (who serves as chair), the State Treasurer, the Secretary of State, the Commissioner of Finance and Administration, and the Comptroller of the Treasury. The Funding Board conducts public hearings to update estimates for the current fiscal year and develop first time estimates for the forthcoming fiscal year. The Funding Board has the authority to reevaluate its estimates later in the fiscal year if economic or fiscal conditions change.

tions Act that is adopted. Analysts of the Division of Budget and fiscal personnel in the departments and agencies have the responsibility of reconciling the approved Appropriations Act with the Budget Document. This may involve increases or decreases to agencies' and divisions' allotments. The Division of Budget establishes an annual allotment for each agency and division using the reconciled Appropriations Act. The agencies and divisions spend against these allotments in the upcoming fiscal year.

Budget execution is a process that continues throughout the fiscal year. In addition to the daily review of numerous operational and personnel transaction requests, the budget analysts must assure that legislative intentions of the Appropriations Act are being complied with and carried out by the various departments and agencies. Throughout the fiscal year, the Budget Division staff reviews the status of the various allotments and advises the Commissioner of Finance and Administration of any problems. At the end of the fiscal year, the Division of Budget has the responsibility of executing revisions to the annual allotments as a function of the closing process. The financial statements of the State of Tennessee are prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

Source: *The Division of Budget*

## The Budget Process Timeline

**1 July Through February**  
State agencies begin reviewing their budgets for the next fiscal year by July of the current fiscal year. In August, the Governor sets policy guidelines for state agencies. In November, the State Funding board evaluates the state's economic condition and provides a consensus estimate of revenue ranges for the next fiscal year. Starting on October 1, and continuing through December, the Budget Division analyzes budget requests and holds hearings with all state agencies in order to finalize recommendations. In February, the Governor submits the budget and the necessary legislation for its implementation to the General Assembly for legislative consideration.



**2 February Through May**  
Various standing committees of both Houses of the General Assembly review the bills necessary to implement the budget. Finally, these bills are introduced to the Finance, Ways, and Means Committees of both Houses. The Senate and House Representatives must pass the exact version of these bills for them to be enacted into law.

**3 April to June**  
The Governor has the authority to approve or veto line items in each of the bills necessary to implement the budget.

**4 Year Round**  
The Division of Budget, with input from agency fiscal personnel, has the responsibility of reconciling the approved bills with the budget. It is the responsibility of the Division of Budget to continually monitor and analyze an agency's spending plan for compliance with legislative intent as expressed in the Appropriations Act and revise it, if approved by the legislature, during the fiscal year.

Source: *TACIR's Citizens' Guide to the Tennessee Budget*