

TENNESSEE STATE BUDGET PRIMER: GLOSSARY OF KEY TERMS

This glossary is a companion piece to the Sycamore Institute's Tennessee State Budget Primer and is not intended to be exhaustive. The primer includes explanations of other key concepts, documents, and terms throughout, and additional budget and accounting terms are defined in the glossary of the Budget document (beginning on page B-341 of the FY 2016-2017 Budget).

APPROPRIATION: Funding authorized by the General Assembly via the appropriations bill. The legislative process associated with the Budget and appropriations bill may also be referred to as the appropriations process. The Budget document also uses the term appropriation to amounts authorized to be spent from state revenues and reserves. Sometimes called the state appropriation.

ALLOTMENT: The allocation of funds to an agency or program by the Tennessee Department of Finance and Administration. These allocations must be consistent with the appropriations made by the General Assembly.

BALANCED BUDGET REQUIREMENT: The state constitution's requirement that state expenditures in a given year cannot exceed revenues and reserves in that year. This requirement is applicable at year-end.

BASE BUDGET: A part of the budget appropriated to continue the current level of services, usually on a recurring basis. The base budget grows as new recurring cost increases are enacted. The base budget does not increase for non-recurring cost increases.

BUDGETED REVENUES: Collections and revenue sources that are appropriated for specific purposes in a given fiscal year - whether for spending or deposit to a reserve. Collections that exceed revenue estimates are not budgeted for expenditure. They are often referred to as overcollections and are held in reserve and become available to be budgeted in subsequent fiscal years.

CAPITAL BUDGET: Includes Budget items related to the acquisition, construction, renovation, and maintenance of buildings and grounds and other capital assets.

COLLECTIONS: State tax revenues collected by the state of Tennessee. Budgeted collections are spent in the fiscal year in which they are collected or held in reserve for future needs. Collections in excess of those budgeted are often referred to as overcollections.

CONSTITUTIONAL SPENDING LIMIT: The restriction in the state constitution that limits the rate of growth of appropriations from state tax revenues in any fiscal year to no more than the estimated rate of growth of the state's economy, which has been defined by law as the year-over-year rate of growth in Tennessee personal income.

COST INCREASES: The Budget's recommended funding increases in the operating budget (both recurring and non-recurring). In FY 2011-2012 and earlier Budgets, these were referred to as "program improvements."

CURRENT SERVICES REVENUES: Includes revenues raised directly by agencies, departments, programs, and activities that support specific agency purposes - including some fees and licenses.

DEPARTMENT REVENUES: Includes revenues received directly by departments. These include things like current services revenues, program-specific reserves, interdepartmental revenues, and donations.

DISCRETIONARY: Refers to state funding in the recurring base budget that is considered to be open to recurring budget reductions. Often excludes earmarked funding, state funding associated with a federal matching requirement, and funding associated with fulfilling a court mandated requirement. This differs from the federal budgeting term, which refers to funding that is appropriated on an annual basis (versus mandatory or entitlement funding).

EARMARK: Funding for which the specific purpose is defined in law.

EXPENDITURES: State government spending from all revenue sources.

FEDERAL REVENUES: Funding that the state receives from the federal government for specific activities - often via grants, cooperative agreements, contracts, and entitlements. Also referred to in the primer as federal funds and federal dollars. Also commonly referred to as federal grants-in-aid.

FISCAL YEAR: Tennessee's state fiscal year spans July 1 to June 30. The federal fiscal year spans October 1 to September 30.

FUNDS: Repositories of money set aside for specific purposes and often funded by specific revenue sources. The General Fund, Education Fund, Highway Fund, Debt Service Fund, Capital Projects Fund, Facilities Revolving Fund, and Local Government Fund (Cities and Counties - State-Shared Taxes) are state's main funds to which the Budget document refers.

THE GREAT RECESSION: The economic downturn that began December 2007 and ended in June 2009.

INTERDEPARTMENTAL REVENUE: Revenues collected directly by a department from another department for a particular good or service.

NON-RECURRING: Non-recurring expenditures are one-time expenses or projects. Non-recurring revenues are those from one-time sources that, once used or depleted, would not be expected to be available again.

OPERATING BUDGET: Includes all the costs *except* capital costs associated with operating a department or program.

OTHER TAXES: The primer includes the following categories of taxes: general sales tax, corporate taxes, individual income tax, selective sales and gross receipts taxes, and other taxes. Other taxes include revenues from a number other small taxes - including everything from taxes on "coin-operated amusement machines" to fees for car titles to the various collections by state agencies to regulate specific industries (e.g. the Department of Commerce and Insurance collects license fees from certain professions, such as architects and engineers to carry-out its regulation of the regulated professions.).

OVER-APPROPRIATION: The bottom-line estimate of underspending across all of the Budget's departments and programs. Underspending is associated with spending less than the amount explicitly appropriated or allotted.

OVERCOLLECTIONS: The amount of state tax collections in excess of budgeted state tax revenues.

RECURRING: Recurring expenditures are ongoing expenses or projects. The absolute dollar amount associated with recurring expenditures are carried forward in the recurring base budget. Recurring cost increases must be recommended in order for the recurring base to grow - even for programs like TennCare wherein expenditures are expected to grow due to the underlying requirements of the program (e.g. enrollment growth and inflation).

Recurring revenues are from regular ongoing sources of revenue such as state tax collections.

RESERVES: Funding held for future needs.

RESERVE FOR REVENUE FLUCTUATIONS: Tennessee’s Rainy Day Fund, reserved for use when revenue collections fall short of budgeted tax revenues.

REVENUES: All of the sources of funding used to fund the State government’s expenditures - including state tax collections, reserves, federal funding, tuition and fees paid by students to the state’s public colleges and universities, state lottery proceeds, and current services and other departmental revenues.

REVERSION: Refers to amounts associated with departmental and programmatic underspending that revert back to the General Fund.

STATE REVENUES: Also referred to as “State Dollars” and “State Revenues” in the primer and include both state collections and reserves. In the Budget, allocation of these dollars for expenditure are referred to as “appropriations.”

STATE TAXES: As used in the primer, includes budgeted collections in a given fiscal year from the state’s various taxes. Collections that were unspent in prior fiscal years are held in reserves.

SUPPLEMENTAL APPROPRIATIONS: The appropriation from state tax revenues or reserves of additional funding for a department or program in the midst of a fiscal year.

SWEEPER CLAUSE: A provision in the appropriations bill that makes funding available for any legislation with a fiscal note cost estimate of less than a certain in its first year. In the 2016 appropriations act, the sweeper clause included any amounts less than \$50,000. The sweeper amount may vary from year-to-year.

TAX EXPENDITURES: Estimates of the amount of state revenue lost for state tax exemptions.

UNDERSPENDING: When a department or program spends less than the amount explicitly appropriated or allotted. Actions taken to generate savings mid-year would be categorized as one type of underspending. Another type of underspending occurs when departments do not fill all of their vacant state employee positions, which are fully funded in the Budget. Aggregate underspending is estimated at the bottom-line of the Budget instead of within each Department or program. This bottom-line estimate is known as the over-appropriation.

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