



Line Item Budget

Dear Reader:

The following document was created from the MTAS website ([mtas.tennessee.edu](https://www.mtas.tennessee.edu)). This website is maintained daily by MTAS staff and seeks to represent the most current information regarding issues relative to Tennessee municipal 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 municipal 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 MTAS website material.

Sincerely,

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Line Item Budget

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The line item budget typically is used when control is the budget's main function. It also is the budget type most cities and towns use. In a line item budget, expenditures are listed under a large subject area – a fund; then broken down by a function or purpose, such as a department; then by an object, for example, office supplies or utilities. Utilities can then be further broken down into items such as gas, water, and electricity. Imagine a tree, where you start at the trunk, then split into branches, then spread into leaves. The trunk is the General Fund, the large branches are the departments, and the leaves are all the items that will be purchased within each department. The more detailed the line items, the more control the governing body or manager has over expenditures.

According to Budgeting: A Guide for Local Governments:

"... the line-item budget originated in the late nineteenth century in response to the excesses of the political machines that controlled many state and local governments: this format was ideally suited to shifting power away from political bosses and toward legislative bodies, which were more accountable to voters."

The downside to line item budgets is they provide no information about the activities or functions of a program or department and how efficiently they operate. The focus is strictly on what is spent.

DISCLAIMER: The letters and publications written by the MTAS consultants were written based upon the law at the time and/or a specific sets of facts. The laws referenced in the letters and publications may have changed and/or the technical advice provided may not be applicable to your city or circumstances. Always consult with your city attorney or an MTAS consultant before taking any action based on information contained in this website.

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