

# LAYMAN'S GUIDE TO THE BUDGET PROCESS

Even for people who have fully understand the legislative process, the budget often remains the mystery of mysteries. The appropriation process is difficult to track. Appropriations bills are lengthy and complex composed of hundreds of "line items" which must be negotiated one by one. House and Senate Finance subcommittees work out many of the details. (Ask for the list of Members of the Finance Subcommittees -- lobbying these key people can be important.) Although the subcommittees do hold public hearings, they are usually only for testimony from departmental experts. Late in the session, the subcommittee recommendations are submitted to the full House and Senate Finance Committee and the public. There is often one round of public testimony by teleconference. Generally a Joint House-Senate Conference Committee finalizes the budget late in the session.

Budget documents are complex and often difficult to understand. If your interest is confined to a single budget item, it may be easiest to simply ask your LIO about it. It may also be worthwhile to call your legislator's office direct, or to ask about it during a constituent teleconference. When you ask questions and express concerns during a constituent meeting, you may be able to get the 'inside scoop' and may even influence the outcome.

For those who do wish to deal with budget materials, this handout gives samples and explanations of typical budget documents relating to the operating budget. It also gives a flow diagram of the budget process and an accompanying narrative.

## Types of Budget Bills

**Operating budget:** a plan for the yearly distribution of state financial resources to cover the ongoing operations of state programs.

**Capital budget:** a plan for the distribution of state financial resources for items that have an anticipated life that exceeds one year and which cost in excess of \$25,000.

**Supplemental:** authorization to spend additional funds for the current or prior fiscal year to cover deficiencies (shortfalls).

**Special appropriations:** funding for a specific "special" purpose that was not recognized or included in the general appropriations. These are on a one-time basis and are not included in the calculation of the agency's base budget.

**Reappropriation:** changes to a previously authorized capital project to reflect changed purpose or to utilize a lapsed balance for a new project.

**Budget bills** contain the legally authorized skeleton of the budget: appropriations, allocations, and funding sources. Below is a typical excerpt from the conference committee version of the operating budget bill:

	1	2	3a	3b
	Allocations	Appropriation Items	General Fund	Other Funds
* * * * *	* * * * *			
* * * * *	Office of the Governor	* * * * *		
* * * * *	* * * * *			
Human Rights Commission		1,206,600	1,086,600	120,000
Executive Operations		7,441,300	7,338,500	102,800
Executive Office	5,623,000			
Governor's Office	316,100			
Contingency Fund	450,000			
Lieutenant Governor	781,700			
Equal Employment Opp.	270,500			
Office of Management & Budget		7,136,800	4,206,800	2,930,000

Office of the Director	510,100		
Budget Review	1,040,800		
Audit & Management	848,000		
Gov't Coordination	4,737,900		
Elective Operations		1,972,000	1,972,000
Elections	1,662,700		
Gen./Primary Election	309,300		

- 1) **Allocations** are subunits of appropriations, giving expenditure guidelines for a stated program or purpose.
- 2) **Appropriation items** give specific statutory authorization to spend funds for a stated purpose.
- 3) **Funding Sources** are guidelines indicating from what type of revenue the expenditure will be supported.
- 4) **General Fund:** the general operating fund of the state used to finance general operations of state agencies.
- 5) **Other Funds:** may include program receipts, federal funds, etc.

The **component summary** indicates year-to-year funding comparisons by component. Columns may vary according to what phase of the budget is being presented.

COMPONENT SUMMARY - FY96 OPERATING BUDGET

\* \* \* \* \* Office of the Governor \* \* \* \* \*

	○	○	○	○	○	○	○
<u>Budget Component</u>	<u>FY94 Act</u>	<u>FY95 CC</u>	<u>FY95Auth</u>	<u>Gov Org</u>	<u>Gov Amd</u>	<u>House</u>	<u>Senate</u>
Commissions/Special							
Human Rights Comm.	1,194.6	1,095.6	1,095.6	1,115.1	1,256.6	1,256.6	1,107.6
* BRU Total	1,194.6	1,095.6	1,095.6	1,115.1	1,256.6	1,256.6	1,107.6
Executive Operations							
Executive Office	5,892.3	6,339.6	8,065.0	6,797.1	6,782.1	6,782.1	5,623.0
Governor's House	277.6	287.3	318.8	301.1	316.1	316.1	287.3
Contingency Fund	83.0	350.0	667.0	350.0	350.0	350.0	450.0
Lieutenant Governor	711.1	655.2	787.5	713.9	817.9	817.9	641.7
ANWR	.4		154.0				
Equal Employment Opp.					270.5	270.5	270.5
Media Center	347.0	347.5	383.9	369.0			
* BRU Total	7,311.4	7,979.6	10,376.2	8,531.1	8,536.6	8,536.6	7,272.5

All numbers are in thousands of dollars.

- 1) **FY94 Act** = Prior Fiscal Year (94) Actual: shows amounts actually expended or encumbered for prior fiscal year.
- 2) **FY95 CC** = Current Fiscal Year (95) Conference Committee: shows amounts in the conference committee version of the general appropriations bill.
- 3) **FY95 Auth** = Current Fiscal Year (95) Authorized: shows total amounts authorized by the legislature and approved by the governor. It may be larger than FY95CC as it may include amounts from sources not included in the primary operating budget bill (e.g., other fiscal bills, fiscal notes, additional federal funds).
- 4) **Gov Org** = Governor's Original: shows amounts requested by the governor in his December 15 submission.
- 5) **Gov Amd** = Governor's Amended: The governor may propose amendments in any year, but in the year of a new governor taking office, Gov Amd may be substantially different, as Gov Org was submitted by the outgoing governor.
- 6) **House** = shows amounts in the version passed by the House.
- 7) **Senate** = shows amounts in the version passed by the Senate.

For more detailed information, **shortforms** are computerized working documents that provide detail, by component, on the development of each Department's budget. All funding changes over the prior year budget are displayed in detail. For assistance with these documents, ask your LIO.

### **Narrative for Flow Diagram**

- 1) State agencies prepare their budgets during the late summer and fall of each year and submit them to the Governor's Office of Budget Review during October.
- 2) The Governor's Office of Budget Review checks agency requests for accuracy and format and prepares recommendations to the Governor.
- 3) The Governor reviews, sets budget amounts and submits the appropriation bill and budget documents to the Legislature by December 15.
- 4) The House and Senate Rules Committees introduce companion bills (HB & SB), which receive their first reading and are referred to House and Senate Finance Committees respectively.
- 5) Typically, the House acts on the bill first and submits their version to the Senate, but work in House and Senate Finance Committees begin simultaneously. Subcommittees work on the budgets for each department and submit recommendations to the full Finance Committees. The full House Finance Committee finalizes the budget for each Department and moves a Committee Substitute bill out of committee.
- 6) The bill goes to the floor of the House in second reading and can be amended at this point. Then the bill is moved to third reading, voted on, and sent to the Senate.
- 7) The Senate Finance Committee completes their work and sends their own Committee Substitute to the floor of the Senate, where it can be amended and then voted on.
- 8) The Senate version is sent back to the House for concurrence. Typically, the House does not concur, but asks the Senate to recede from their amendments.
- 9) Typically, the Senate does not recede, and a conference committee is appointed.
- 10) The Conference Committee works out a compromise version of the budget.
- 11) The House and Senate approve the Conference Committee Substitute and send it to the Governor.
- 12) The Governor has 20 working days (excluding Sundays) to review the bill after he receives it and exercise his line item veto power, if he wishes to do so.
- 13) The bill becomes law and is effective with the beginning of the fiscal year on July 1.

# Highlights of the Operating Budget Process

