



Joint Legislative Committee on Budgetary Procedure

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Senator Edwin Murray
Senator Gregory Tarver

December 19, 2013

The Honorable Jack Donahue, Chairman
Joint Legislative Committee on the Budget
P.O. Box 44294
Baton Rouge, LA 70804

Dear Chairman Donahue:

House Concurrent Resolution (HCR) 158 of the 2013 Regular Session of the Legislature created the Ad Hoc Interim Joint Legislative Committee on Budgetary Procedure (the committee) to “study the feasibility of changing the format and procedure regarding the development, implementation, and review of the state budget and to make recommendations to the Joint Legislative Committee on the Budget no later than sixty days prior to the convening of the 2014 Regular Session of the Legislature of Louisiana.” This letter serves as the report of the committee and our recommendation, which appears later in the report. The committee, consisting of five members each from the House of Representatives and the Senate, met on October 17, November 21, and December 19, 2013. At its initial meeting, the committee developed a list of questions and areas of information for further review. (see attached Appendix A – Questions/Information Identified by Members for Further Review)

The issues or topics that the committee members recommended for further discussion were:

- the timing of the General Appropriation Bill as it moves through the legislative process;
- the possibility of the Legislature developing an independent budget bill;
- access to data from state agencies;
- quality of existing performance data;
- use and limitations of discretionary money;
- fiscal training for members of the legislature; and
- data received from institutions of higher education.

The committee had a lot of good discussion about each topic, but given limited time in order to meet the reporting requirements of the Resolution, we were able to look at only one issue more in-depth. Almost one full meeting was devoted to a review of other states in which the legislature develops a budget bill independent of the governor and how their practices might be used as a guide for Louisiana. The information compiled by legislative staff is attached here for further review by members of the Joint Legislative Committee on the Budget. (see attached Appendix B – Information on States with Legislatures that Develop Budgets Independent of the Governor) The conversation was robust, but it was clear that there are still many issues, such as staffing and resource requirements for an independent budget, that need to be researched further.

While there is no consensus on changes to specific aspects of the budget, the members of the committee express agreement that more time is necessary to research the legislature developing an independent budget, and to explore the other budget issues that the committee did not have an opportunity to look into further. The committee expressed desire for additional time to bring more people to the table for discussion including state agencies and the division of administration. For each area of discussion, the members of the committee posed even more questions to the staff for further research. Additional issues regarding the budget that are worthy of further discussion are also likely to develop between now and the end of the next session. Therefore, the recommendation of the committee is below.

Recommendation: While the Ad Hoc Interim Joint Legislative Committee on Budgetary Procedure did agree that more time is necessary to explore the budget issues raised, there was not a clear consensus as to whether this committee needed to continue its work past the termination date. Therefore, it is the recommendation of this committee that if the Legislature wishes to continue the work of this committee, it should take further action.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Fannin", written in a cursive style.

Representative Jim Fannin

Chairman, Ad Hoc Interim Joint Legislative Committee on Budgetary Procedure

Appendix A

Questions/Information Identified by Members for Further Review

Joint Committee on Budgetary Procedure – October 17, 2013

Questions/Information Identified by Members for Further Review

Timing of Budget

1. Review timing of the general appropriation bill in the legislative process to give the Senate more time to review when the bill comes from the House, and to give the House more time to review when the bill comes back from Senate

Legislature Developing Independent General Appropriation Bill

2. Look at possibility of legislature developing a general appropriation bill independent from the governor – includes looking at how other states do it (Mississippi mentioned, but also a desire to look at other states; John Carpenter suggested looking at states in which the legislature may have recently started developing an independent budget bill)
3. Look at constitutional and statutory changes that may be required
4. When considering what other states do, also provide information on their legislature including whether they are full time or part time and their committee structure

Staff Requirements for Developing Independent Bill

5. If the legislature does do an independent budget bill, does the House and Senate have separate bills and is additional staff required; how do the other states compare with the legislative fiscal offices (i.e. if they have a staff of 30, do they also have the equivalent of the LFO and separate staffs for House and Senate).
6. Review what it would take for House and Senate to “staff up” in order to meet increasing work requirements and possibility of doing independent budget bill
7. Review possible time commitments for staff throughout the year and if there would be additional overtime costs

Requirements for Members of the Legislature for Developing Independent Bill

8. Review possible time commitments for members of the legislature and in particular members of the House Appropriations and Senate Finance Committees, including how often and when the committees would have to meet

Access to Data

9. Review what measures the legislature could take to get better and more timely access to data from state agencies
10. Review what other states do to get adequate data from state agencies
11. Review what the state can do to get a system in which all departments are inputting adequate, accurate, and up-to-date data

Performance Data

12. Review the performance data provided in the budget and determine if it provides useful information for legislative decision making

Discretionary Money

13. Review what the state can do to free up non-discretionary money to make more available for the legislature’s priorities

Fiscal Training for Members

14. Look at how the House can spend more time on the budget in the orientation process or get more members to become familiar with the budget; budget is complex subject and term limits have shortened the amount of time members have to learn the budget

Budget Data from Higher Education

15. Review how the legislature can get better information from HIED since they have their own accounting system to which the legislative staff does not have access

Appendix B

Information on States with Legislatures that Develop Budgets Independent of the Governor



INFORMATION ON CERTAIN STATES WITH LEGISLATURES THAT DEVELOP BUDGETS INDEPENDENT OF THE GOVERNOR

Attached is information on selected states where the legislature writes the state budget independent of the Governor. We compiled this information using information from the National Conference of State Legislatures (NCSL), discussions with the various state legislatures, and other sources. The states highlighted in this document are: Arizona, Colorado, Mississippi, New Mexico, Oklahoma, and Texas.

Included in this packet are the following:

- 1. Summary Points: Based on a review of highlighted states**
- 2. Summary Chart: Summarizes the budgeting functions of the executive and legislative branches in the highlighted states**
- 3. NCSL Report/Article: “The Power of the Purse: Legislatures That Write State Budgets Independently of the Governor”**
- 4. Excerpts from various sources on the budget making processes of the aforementioned highlighted states**

If the Louisiana Legislature were to develop, as well as enact, the state operating budget, various issues would need additional research and review, including, but not limited to, the following:

- Constitutional and statutory revisions
- Access to departmental secretaries (Executive Branch)
- Time constraints
- Staffing requirements
- Technology upgrades and access to data
- Capital outlay and other appropriation bills

#1. Summary Points

- **Each of the states surveyed has a governor who prepares an executive budget.**
 - Though the Legislatures of these states take a more active role in the initial development of their operating budgets, the respective governors of these states are still required to submit an executive budget.
- **Of the states surveyed, both chambers of the Legislature participate as a joint body for the appropriations process, except in Oklahoma where both chambers submit appropriations bills.**
 - During the budget building and legislative appropriation process, both chambers either combine budget staffs or have a standing committee on the budget. Some states such as Mississippi combine their various staffs at the start of the legislative session. Other states such as New Mexico have a staff that begins the process upon receiving the agency budget requests and continues throughout the session. In Oklahoma, each budget staff works for its own chamber of the legislature.
- **Implementation of a separate appropriation bill initiated by the legislature would require an adjustment to timing and legislative commitment to the process.**
 - Members of the House Appropriations Committee and Senate Finance would be required to begin their participation in the process several months prior to the beginning of the legislative session.
- **Implementation of a separate appropriation bill initiated by the legislature will require additional costs regarding infrastructure and possibly personnel.**
 - The various staffs in the Louisiana Legislature do not have ready access to the software that may be required for budget preparation that would be involved in working as a joint staff. The Louisiana Division of Administration uses specially designed software modified to fit their needs in this process.

#2 CHART - SUMMARY OF BUDGET PROCESS WHERE LEGISLATURES WRITE STATE BUDGET INDEPENDENT OF THE GOVERNOR

State	Budget FY 2011 Actual ¹	Governor's Office Role	Budget Preparation	Legislature Role	Governor's Staff	Legislative Staff	Notes	Preparation Period
Louisiana	\$30.6 Billion	Governor submits budget request, including the Executive Budget and Supporting Documents, prepared by the Office of Planning and Budget	Executive Budget becomes the General Appropriation Bill - CONST Article 7 Section 11 - RS 39:51(A)	Division of Administration: 25 budget analysts, 1 deputy director, 1 division director, 10 analysts, 5 Managers, 3 Director, 1 Deputy Director, 2 Administrators, 2 Support	37 total	24 total	Governor's staff works closely with state agencies and the legislature during the legislative session	November - February
Arizona	\$27.3 Billion	The Governor's budget is released within five days of the beginning of the legislative session and the Joint Legislative Budget Committee (JLBC) staff then prepare a line-by-line comparison of the JLBC budget and the governor's budget for appropriations committee hearings in January	JLBC staff prepares a budget in the fall under the direction of the co-chairs of the Joint Legislative Budget Committee and the chamber leadership. The Arizona Joint Legislative Budget Committee begins its recommendations for the new budget based on agency documents and the previous year's appropriation level. That base is adjusted to remove one-time appropriations and make adjustments for institutional population or workload growth.	1 director, 2 assistant directors, 2 budget and project managers, 8 budget analysts, 1 executive director, 1 assistant director, 2 section chiefs, 2 economists, 15 fiscal analysts, 1 intern, 3 administrative, 1 IT consultant	18 total	30 total	Legislative staff work includes economic and revenue forecasting, fiscal notes on legislation and ballot issues, performance evaluation, and analysis of state taxation issues and policies	October - January
Colorado	\$30.9 Billion	The Governor and the Office of State Planning and Budgeting (OSPB) submit their prepared budget request to Joint Budget Committee (JBC) on November 1st. The Governor and OSPB review the budget proposals submitted by the departments based on the governor's priorities and determine which new funding initiatives will be included in the request.	The Legislature has the power to set and balance the budget. The General Assembly's permanent fiscal and budget review agency, the Joint Budget Committee (JBC), writes the annual appropriations bill - called the Long Bill - for the operations of state government	1 director, 1 deputy director, 3 economists, 14 budget analysts	25 total	27 total	Legislative staff work is limited specifically to analysis of appropriations requests, preparing appropriations bills, and reports on appropriations. Does not include reviews or fiscal notes, which are the responsibility of other legislative staff. The Colorado Joint Budget Committee meets four days a week in November and December for staff briefings and formal agency budget hearings.	November - February
Mississippi	\$21.9 Billion	Governor submits a balanced budget recommendation for the upcoming year to the legislature and agency heads by November 15th.	The JLBC must submit its balanced budget recommendation to the legislature and agency heads by December 15th. The JLBC staff consolidates multiple appropriation bills prepared by both chambers.	1 director and 24 various analysts. The Department of Finance and Administration available on the website.	25 total	27 total	Legislative Budget Office staff becomes joint staff during the Legislative Session	December - February
New Mexico	\$15.4 Billion	The Department of Finance and Administration, State Budget Division, prepares and presents the Governor's annual budget recommendation to the New Mexico Legislature	At the end of December, the Legislative Finance Committee (LFC) makes decisions on its budget recommendations and staff completes them for introduction. The LFC staff provides the appropriations committees with the Legislature's finance committees during the legislative sessions in enacting the General Appropriation Act, which includes revenues, expenditures and performance measures.	1 director, 2 deputy directors, 4 division directors, 10 budget managers, 10 fiscal analysts, 9 program evaluators, 5 administrative staff	15 total	35 total	Legislative sessions are 60 days in odd-numbered years, and 30 days in even-numbered years. The New Mexico LFC includes the chairs of the House Appropriations and Finance Committee, the House Taxation and Revenue Committee and the Senate Finance Committee, six other house members, and seven other senators. Membership is proportional to partisan membership of the chambers (16 members in all).	August - December

#2 CHART - SUMMARY OF BUDGET PROCESS WHERE LEGISLATURES WRITE STATE BUDGET INDEPENDENT OF THE GOVERNOR

Budget	Budget Preparation	Governor's Office Role	Governor's Staff	Legislative Staff
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State	Budget	Budget Preparation	Governor's Staff	Legislative Staff	Notes	Preparation Period
Oklahoma	\$20.8 Billion	The Governor is required to submit an executive budget proposal along with a State of the State speech when the Legislature opens its session on the first Monday in February. Each chamber's fiscal staff prepares the budget in the form of shell bills in January for formal introduction in late January. Each chamber prepares bills for each agency. The final number of bills and their content is decided in conference committee at the end of the legislative session.	2 directors, 1 revenue analyst, 7 budget analysts	10 total	Separate fiscal staffs for House and Senate ¹ , does not name a joint standing committee, and the House and Senate processes for writing a budget differ substantially. Most House members have the opportunity to participate directly in the creation of the budget. In the Oklahoma Legislature, the House and the Senate calculate the budget base differently. The Senate's base is the current-year budget minus one-time appropriations with no other adjustments. The House staff calculate a "maintenance of effort" base that makes some additional adjustments, such as the adjusting for changes in federal funds to agencies and annualizing the cost of programs, personnel expenses, debt service costs and the like where necessary.	October - February
Texas	\$188.3 Billion ⁴	The governor is required to compile a biennial appropriation budget to be delivered to the legislature at the beginning of the regular session. The governor is then authorized to develop a general appropriations bill to be delivered to the legislature within the first 30 days of the legislative session. Often, the governor's budget serves as a guiding policy statement while the LBB's bill is used as the appropriations bill.	All 28 are identified as advisors that provide assistance on budgetary and policy matters	28 total	The Texas budget process begins during the year prior to each regular session of the state's Legislature, which are held in odd-numbered years. The Texas Legislative Budget Board staff hold interim hearings with agencies in accord with legislators' directions, traditionally without legislators' direct involvement. The Texas Legislative Budget Board staff construct a current-services base. It includes the existing level of appropriations, less any one-time appropriation, plus adjustments for population or services, K-12 and higher education. It also includes adjustments for personnel costs, but not necessarily the full amounts that agencies request.	August - January

¹ - Taken from NASBO State Expenditure Report 2012. Amounts may include double counts. For comparative purposes the figures were not adjusted for Louisiana to reflect true actuals.

² - Staff Director also does fiscal analysis

³ - The other states either combine staff from both houses or have a central staff that constructs the operating budget

⁴ - Biennial budget

#3. NCSL REPORT/ARTICLE

The Power of the Purse: Legislatures That Write State Budgets Independently of the Governor

Ronald Snell
March 2008

Introduction

Control of taxation and appropriations is the foundation of legislative power. Medieval English kings called parliaments when they needed to raise money. American colonial assemblies used their control of fiscal policy to extract concessions from royal governors decades before the American Revolution. The state budget reform movement of the early 20th century somewhat reduced legislative control of state budgets in the interest of central policy direction and oversight, but the budget process remains central in all legislatures. A few state legislatures continue to hold the balance of power over the budget vis-à-vis their governors. This report focuses on five states—Arizona, Colorado, New Mexico, Oklahoma and Texas—where the legislature develops a state budget independently of the governor. Creation of a state budget is a demanding task in terms of legislators' time and legislative resources. This report describes the principal tasks these legislatures undertake and the time, schedule and resources legislative budgets require.

A. Which legislatures develop independent budgets?

All state constitutions require that the state legislature enact appropriations in order for money to be spent from the treasury. In that sense all legislatures control state budgets. In reality, governors' power to propose a budget sets the terms of the discussion and gives them the upper hand in many states. But there are states where the legislature dominates the process to the extent of producing a full alternative to the governor's proposed budget.

Arizona, Colorado, New Mexico, Oklahoma and Texas all have a long tradition of independent legislative budgeting, and they are discussed in this report for the light they shed on the processes involved and the demands such legislative budgeting makes in terms of legislators' time and legislative resources.

The differences among these states make it clear that strong legislative budgeting is possible in many different environments. Texas is the largest state with a biennial session calendar and biennial budget. Colorado, New Mexico and Oklahoma have annual sessions and annual budgets. In New Mexico, legislative sessions are relatively short: 60 days in odd-numbered years, and 30 days in even-numbered years. Arizona has annual sessions and provides agencies with annual or biennial budgets depending largely upon the size of the agency budget in question.

In these five states, the legislative budgeting practices described in this report have existed for more

than a quarter-century and have persisted despite significant changes in the partisan control of one or both houses in the legislature and of the governor's office.

B. What is the budget committee structure?

The Arizona, Colorado, New Mexico and Texas legislatures make use of small, powerful joint budget planning bodies—the Arizona Joint Legislative Budget Committee (JLBC), the Colorado Joint Budget Committee (JBC), the New Mexico Legislative Finance Committee (LFC), and the Texas Legislative Budget Board (LBB). These legislatures can be said to have a budget process that is nearly as centralized as the executive branch process in their states. Each of these legislatures also has an appropriations committee in each chamber that must approve the budget recommended by the joint budget planning body to move it ahead. These committees review and revise or accept the recommendations that come from the joint committee. In Colorado the principal review occurs in the party caucuses in each chamber.

In each of these states, the chairs of the appropriations committee are members of the joint budgeting body, and have a vested interest in seeing that the committee endorses their previous work. The committees receive the budget after a great deal of time and work has gone into it, and are not necessarily in a position to offer extensive alternatives. Committee and floor debate may result in numerous amendments, but not necessarily much change. In Colorado in 2007, Representatives and Senators offered more than 100 amendments to the budget recommended by the Joint Budget Committee, but relatively few were adopted. One restraint upon adopting such amendments is the Colorado House rule that amendments to increase spending must identify a funding source for the increase, in order to maintain the balance of the budget.

Oklahoma offers a completely different, highly decentralized model that brings the entire membership of the legislature into active involvement. The Oklahoma Legislature does not name a joint standing committee, and the House and Senate processes for writing a budget differ substantially.

Under the system the House of Representatives used in 2007, the House Appropriations and Budget Committee has no subcommittees (except for the Revenue and Taxation Subcommittee). Instead, the other nine House standing committees work through 25 subcommittees to make recommendations on agency budgets to the Appropriations and Budget Committee, which drafts the budget. Almost every, if not every, House member has the opportunity to participate directly in the creation of part of the budget.

Oklahoma Senate budget participation is also inclusive. The Senate Appropriations Committee, which includes one-third of the Senate membership, works through six subcommittees which among them include all Senators. At the end of the process, every Senator is made a member of one of the subcommittees of the General Conference Committee on Appropriations, which resolves the final budget with the House. In effect, every Oklahoma legislator can participate directly in budget authorship.

The number of legislators in these states is shown in figure 1, and the size of the membership of the joint budget groups and the budget and appropriations committees appears in figure 2. Oklahoma's subcommittee membership is not listed.

Figure 1. Number of State Legislators, 2007

State	House of Representatives	Senate	Total Membership
Arizona	60	30	90
Colorado	65	35	100
New Mexico	70	42	112
Oklahoma	101	48	149
Texas	150	31	181

Figure 2. Membership of Joint and Chamber Appropriations Committees, 2007

State	Committee	House of Representatives	Senate
Arizona	Joint Legislative Budget Committee	8	8
	Appropriations Committees	17	11
Colorado	Joint Budget Committee	3	3
	Appropriations Committees	13	10
New Mexico	Legislative Finance Committee	8	8
	Appropriations Committees	18	10
Oklahoma*	Appropriations Committees	9	16
Texas	Legislative Budget Board	5	5

	Appropriations Committees	29	15
*In the Oklahoma House of Representatives, the nine other standing committees make budget recommendations to the House Appropriations and Budget Committee.			

The Arizona JLBC, Colorado JBC, New Mexico LFC and Texas LBB have similar responsibilities with regard to the state budget: each prepares a proposed state budget for legislative consideration. In each of those four states, the membership of the joint body overlaps with that of the separate committees in the two chambers.

The JLBC in Arizona consists of the chairs of the House and Senate appropriations committees, who chair JLBC in rotation, the finance (tax) committee chairs from each house, the majority leaders from each house, and five other members of the appropriations committee of each house (16 members in all).

The Colorado JBC consists of the chairs of the House and Senate appropriations committees, who chair the joint committee in rotation, one additional majority member and one minority member from each of the two appropriations committees (six members in all).

The New Mexico LFC includes the chairs of the House Appropriations and Finance Committee, the House Taxation and Revenue Committee and the Senate Finance Committee, six other house members, and seven other senators. Membership is proportional to partisan membership of the chambers (16 members in all).

The Texas LBB includes the lieutenant governor and the speaker of the House as joint chairs, the chairs of the House Appropriations and Ways and Means committees, the chair of the Senate Finance Committee, two additional members from the House, and three additional members from the Senate (10 members in all).

The overlapping chairmanships and the use of the same staff provides ties between the joint committees that draft the budget and the appropriations or ways and means committees in the two chambers.

C. What is the role of pre-session budget hearings?

Arizona legislators do not hold pre-session budget hearings. With direction from the Joint Legislative Budget Committee chairs, staff draft a budget on the basis of agency documents before the legislative session begins in January.

The Colorado Joint Budget Committee meets four days a week in November and December for staff briefings and formal agency budget hearings.

The New Mexico Legislative Finance Committee begins its work in August for the fiscal year that will begin the following July 1. In August, it issues guidelines to state agencies and the committee staff for budget requests, based on preliminary revenue estimates and committee priorities. Agencies submit

budget requests September 1, on which the committee holds hearings and receives staff recommendations through the end of December. The committee meets monthly for several days each time. At the end of December, the committee makes decisions on its budget recommendations and staff compile them for introduction. The staff provides the appropriations committees with statements of the differences between the recommendations of the Legislative Finance Committee and the governor.

Oklahoma House standing committees and subcommittees begin hearings in October, first focusing on agency performance reports and moving on to budget requests when those are provided to the Legislature in October. Senate appropriations subcommittees hold hearings throughout November and December on agency performance reports and budget requests.

The Texas Legislative Budget Board staff hold interim hearings with agencies in accord with legislators' directions, traditionally without legislators' direct involvement. Legislators have been more involved in pre-session hearings in the last two rounds (2004 and 2006).

D. When is the budget actually drafted?

In Arizona, the staff prepare a detailed budget in the late fall under the direction of the co-chairs of the Joint Legislative Budget Committee and the chamber leadership. The governor's budget is released within five days of the beginning of the legislative session, and JLBC staff then prepare a line-by-line comparison of the JLBC budget and the governor's budget for appropriations committee hearings in January. The JLBC staff prepare a budget book similar to a governor's budget book.

The Colorado Joint Budget Committee focuses on supplemental appropriations for the current fiscal year in January, and the staff produce supplemental appropriations bills that the committee reports to the appropriation committees. In February and March, the staff make recommendations to the committee on every line item in the budget. As the JBC makes decisions, staff draft an omnibus appropriations bill (known as the Long Bill) by March 31. When the Joint Budget Committee approves the Long Bill, it is reported to the House and Senate appropriations committees and is discussed in the four legislative caucuses.

The New Mexico committee completes its budget recommendations by the end of December, which are compiled in two volumes for submission to the legislature. Current practice is for the committee staff to draft a budget bill for introduction in January, at the time the governor's budget legislation is also introduced.

The Oklahoma staff prepare the budget in the form of shell bills in January for formal introduction in late January. Each chamber prepares bills for each agency. The final number of bills and their content is decided in conference committee at the end of the legislative session.

The Texas Legislative Budget Board staff hold joint hearings with the governor's budget staff on agency budget requests beginning in August. The staff prepare a budget under the direction of the joint chairs of the budget board and submit it to the board over one or more days. The budget is introduced in both chambers in January.

E. What staff resources are required?

The Arizona Joint Legislative Budget committee staff consists of about 30 professional analysts. Their work includes economic and revenue forecasting, fiscal notes on legislation and ballot issues, performance evaluation, and analysis of state taxation issues and policies.

The Colorado Joint Budget Committee staff includes 15 professional analysts. Their work is limited specifically to analysis of appropriations requests, preparing appropriations bills, and reports on appropriations. Their work does not include economic forecasting, tax legislation, performance reviews or fiscal notes, which are the responsibility of other legislative staff.

The New Mexico Legislative Finance Committee staff includes 32 professional analysts. Their responsibilities include budget and revenue analysis, capital outlay analysis, revenue and expenditure forecasting, performance evaluations, and limited sunset review.

Oklahoma has separate fiscal staffs for the House of Representatives and the Senate. The House has 10 fiscal policy analysts, including the director. The Senate has seven fiscal policy analysts including the director. Senate staff responsibilities are similar to those of the Colorado staff, plus analysis of agency performance reports. House fiscal staff, in addition, review executive branch revenue data and make independent estimates, and prepare fiscal notes on all bills at each stage of their process.

The Texas Legislative Budget Board staff includes about 110 professional staff, plus 40 administrative and technical support personnel. These numbers reflect a very large state budget (the third highest state general fund budget, after California and New York) and an unusual number of responsibilities. These include direction and oversight of the strategic planning process for all state agencies, state econometric forecasting, performance reviews of school districts and institutions of higher education, and writing fiscal notes for all proposed legislation.

E. What access do legislatures have to executive branch budget materials?

Arizona's JLBC staff receive agency budget requests from the governor's budget office when the agencies submit their requests to the budget office on September 1 or shortly thereafter.

The Colorado General Assembly receives the governor's budget request for the coming fiscal year on November 1. The Joint Budget Committee does not have access to individual agencies' initial budget requests, which are provided only to the executive budget agency, but holds hearings with each agency before session begins based upon the agency requests as approved by the governor.

The New Mexico Legislature receives individual agency budget requests at the same time as the governor on September 1. The Legislative Finance Committee can request workpapers and background documentation for requests, but these are not automatically provided to the committee.

The Oklahoma Legislature receives individual agency budget requests and performance reports on October 1. The governor's formal budget recommendation is made to the Legislature on the first day of session in February. Staff have continuous access to all actual expenditures, fund balances, and cash balances, from a consolidated state accounting system.

The Texas Legislative Budget Board receives agency budget requests at the same time as the governor in August, and the staff hold hearings on the requests jointly with the executive budget staff.

F. How is the budget base, or starting point, calculated?

The Arizona Joint Legislative Budget Committee's Budget Book begins its recommendations for the new budget with the previous year's appropriation level. That base is adjusted to remove one-time appropriations and make adjustments for institutional population or caseload growth for agencies like corrections, human services, K-12 and higher education. The base is also adjusted for the costs of public employee health insurance and pensions, and sometimes for state employee pay. The result is referred to as the "JLBC baseline."

The Colorado Joint Budget Committee's base is the previous level of appropriations reduced by one-time appropriations. The committee may agree to make across-the-board adjustments to the base, but inflationary adjustments, increases to reflect case load or institutional population growth, and state personnel costs are treated as separate decisions and are not initially built into the base. The committee considers but does not necessarily accept the governor's recommendations for adjustments to the base.

The New Mexico Legislative Finance Committee's budget base is the previous fiscal year's base less one-time appropriations, adjusted for workload and enrollment measures, utility costs for K-12 and higher education, and premiums for risk management. Inflationary adjustments and changes in compensation costs are not built into the base.

In the Oklahoma Legislature, the House and the Senate calculate the budget base differently. The Senate's base is the current-year budget minus one-time appropriations with no other adjustments. The House staff calculate a "maintenance of effort" base that makes some additional adjustments, such as the adjusting for changes in federal funds to agencies and annualizing the cost of programs, personnel expenses, debt service costs and the like where necessary.

The Texas Legislative Budget Board staff construct a current-services base. It includes the existing level of appropriations, less any one-time appropriation, plus adjustments for population or caseload changes for agencies like corrections, human services, K-12 and higher education. It also includes adjustments for personnel costs, but not necessarily the full amounts that agencies request.

Acknowledgments

This report was originally written for the Kansas Legislature in June 2007. It is partially based upon the NCSL report Legislative Budget Procedures and documents published on the five legislatures' Web sites, and a presentation made by David Abbey, Director, New Mexico Legislative Finance Committee, at the NCSL annual meeting in Boston on August 5, 2007. Its distinctive information is attributable to the following legislative fiscal officers, who took time from crowded schedules for interviews, reviewing a draft report, and answering follow-up questions: Janice Buchanan, Director, House Fiscal Division Oklahoma Legislature; Randy Dowell, Director, Senate, Fiscal Division, Oklahoma; Cathy Fernandez, Deputy Director, New Mexico Legislative Finance Committee; John O'Brien, Director, Texas Legislative Budget Board; Richard Stavneak, Director, Joint Legislative Budget Committee, Arizona; and John Ziegler, Staff Director, Joint Budget Committee, Colorado General Assembly.

#4. EXCERPTS OF INFORMATION ON HIGHLIGHTED STATES' BUDGET PROCESSES

Arizona

The state's budget cycle is based on a fiscal year, which runs from July 1 through June 30.

Work on the budget recommendations begins when the governor issues budget-development guidelines for state agencies in the summer. The Governor's Office of Strategic Planning and Budgeting collects budget requests from each state agency by Sept. 1.

The governor's office analyzes the requests and works with the governor and the governor's policy team to develop an executive budget proposal, which they provide to the Legislature no later than five days after the regular legislative session, begins on the second Monday of January.

The governor's budget staff provides a copy of each agency's budget requests to the Legislature's Joint Legislative Budget Committee (JLBC). Each budget office - the governor's and the Legislature's, analyzes the requests and develops independent revenue estimates and budget recommendations for the coming fiscal year.

At the beginning of the session, the JLBC briefs the Legislature on the budget.

Legislators introduce budget bills in the House and Senate. This includes the General Appropriations Act, which funds the operation of state agencies.

The primary powers and duties of the JLBC relate to ascertaining facts and making recommendations to the Legislature regarding all facets of the state budget, state revenues and expenditures, future fiscal needs, and the organization and functions of state government.

JLBC appoints a Director who is responsible for providing staff support and sound technical analysis to the Committee. The JLBC Staff mission is as follows:

- To provide the Arizona Legislature with sound research, analysis, forecasts and recommendations on government finances and public policies; and to provide the members with high quality work that is factual and delivered in a timely and professional manner, enabling the members to make informed public policy decisions that are in the best interests of the citizens of Arizona.

In achieving this mission, the objectives and major products of the staff of the JLBC are as follows:

- Analysis and recommendations for the state budget, which are presented in January of each year.
- Technical, analytical, and preparatory support in the development of appropriations bills considered by the Legislature.
- Periodic economic and state revenue forecasts.
- Preparation of fiscal notes on legislation and ballot propositions that have a fiscal impact on the state or any of its political subdivisions.
- An annual Appropriations Report, which is published shortly after the budget is completed and provides detail on the budget along with an explanation of legislative intent.
- Support to the JLBC with respect to recommendations on business items placed on the committee's agenda such as transfers of appropriations pursuant to A.R.S. § 35-173.
- Support to the Joint Committee on Capital Review (JCCR) with respect to all capital outlay issues including land acquisition, new construction, and building renewal projects.
- Analyze the state tax structure, tax burdens on individuals and businesses and tax incentives for businesses pursuant to A.R.S. § 41-1272A4.

Sources: <http://www.azleg.gov/jlbc/jlbcback.htm>

<http://www.azcentral.com/news/articles/2011/12/13/20111213arizona-budget-how-plan-takes-shape.html>

<http://www.ospb.state.az.us/documents/2011/FY2012-ExecutiveBudget-AgencyDetail.pdf>

Arizona's Budget Process

<http://www.azleg.gov/jlbc/budgetprocess.pdf>

Colorado

In most states, the executive branch initiates the main appropriation bill for the ongoing operations of state government. Colorado, however, has a strong legislative budget process. The General Assembly's permanent fiscal and budget review agency, the Joint Budget Committee (JBC), writes the annual appropriations bill - called the Long Bill - for the operations of state government. The JBC has six members: the Chairman and one majority and one minority member of the House Appropriations Committee, and the Chairman and one majority and one minority member of the Senate Appropriations Committee. Members serve two-year terms and are selected following the general election. Traditionally, the Senate elects its JBC members. In the House, the Speaker appoints the majority party members, and the Minority Leader appoints the minority party member. The chairmanship alternates between the Chairmen of the Senate and House Appropriations Committees. The House and Senate calendars reflect the Joint Budget Committee's schedule during the legislative session.

Statutes charge the Joint Budget Committee with analyzing the management, operations, programs, and fiscal needs of the departments of state government. The state Constitution requires a balanced budget. The Committee holds hearings and reviews the executive budget requests for each state agency and institution.

The JBC has a non-partisan staff of fourteen analysts and two support staff and one staff director. The departments and programs of state government are divided among the JBC staff analysts. Analysts review budget requests, prior year staff write-ups, statutes, appropriations reports, audit reports,

interim committee reports, other pertinent information, and meet with agency personnel and other individuals to learn about programs, departments and their operations.

Colorado has an annual budget cycle; the fiscal year begins July 1 and ends June 30. During late summer and early fall, departments submit their budget proposals to the Governor's Office of State Planning and Budgeting as part of the executive budget process. The Governor and his staff review the budget proposals and limit each department's budget request based on the Governor's priorities, and they determine which new funding initiatives may be included in the request. Departments submit budgets to the Joint Budget Committee by November 1. As soon as practical after November 1, the JBC schedules hearings with the departments. The staff analysts brief the Committee on each budget request a few days prior to the hearing with a department. Briefings and hearings for most departments are scheduled in November and December before the General Assembly convenes in early January.

JBC staff briefings consist of written and oral presentations of budget issues and a review of expenditures and requests. Briefings are aimed at stimulating discussion among the Committee members about each department's budget request, its operations, issues of efficiency and effectiveness, and plans for the future. After the briefing, Committee members decide which issues they wish to discuss with the department. These may be topics presented by the staff or others Committee members wish to pursue. Staff analysts prepare a detailed agenda of these topics for the hearing. During the hearing, the department is given time to discuss its priorities with the Committee. All briefings and hearings are open to the public and are also taped. The Joint Budget Committee does not accept public testimony on departmental budget requests at the hearings. The JBC meets Tuesdays and Thursdays with individuals and groups. The nature of these Tuesday/Thursday meetings is determined each year by a vote of the JBC.

In January, the Committee considers requests from departments for funding changes, called supplementals, for the current fiscal year. JBC analysts review these requests for funding changes and make recommendations to the Committee for its approval. In order for the state to have a balanced budget and be within General Fund spending limits, the JBC may also need to find areas in the budget where funds can be taken back. When revenue shortfalls occur, the Governor must ask departments to restrict spending in order for the state to stay within projected revenues. The JBC staff analysts review these restrictions and make recommendations to the Committee, which then decides where funds can be taken back. Often this differs from the Governor's recommendations. Decisions are prepared and introduced as supplemental appropriation bills, which are acted on by the General Assembly.

By February 1, the General Assembly is required to certify, by joint resolution, the amount from the state's General Fund available for appropriation for the next fiscal year. This revenue resolution is very important to the deliberations of the JBC. During February and March, the JBC makes decisions on the level of funding for state government for the next fiscal year. The Committee is responsible for funding the operations of the state as well as a required reserve (4% of the General Fund appropriation) out of the available General Fund revenues.

During February and March, when the JBC makes funding decisions for the upcoming fiscal year, analysts make and explain recommendations to the Committee on the number of employees, funding, and footnotes for each department. The term used for this process is figure setting. Long Bill footnotes are added to some line items to explain the purpose of the appropriation, or to request the department submit specific information to the Committee. The Committee votes on each line item recommendation. Analysts recalculate where applicable and draft the Long Bill. At the end of the figure setting process, Committee members make changes to bring total funding in line with the revenue resolution and the

statutory spending limit. Staff analysts prepare the Long Bill and write a narrative to explain the decisions made and to provide comparative information to the rest of the General Assembly.

The Long Bill is introduced for consideration by both houses, as a House Bill when the JBC Chairman is a Representative, and as a Senate Bill when the JBC Chairman is a Senator. Legislative consideration begins in the party caucuses, where JBC members explain decisions and answer questions from their colleagues with help from the staff. The staff drafts all changes adopted by a caucus or requested by a legislator as amendments for consideration during floor debate. After both houses pass the Long Bill, the JBC members act as the conference committee to resolve differences between them. After both houses adopt the conference committee report, the bill is sent to the Governor. The Governor has line item veto power in acting on the bill.

After the legislative session is over in early May, the JBC staff writes the Appropriations Report, which explains all funding decisions made by the General Assembly, from both the Long Bill and other bills that contain appropriations. The report is published by July 1st of each year. During the summer and fall, the JBC typically meets once a month for two to three days. Members tour areas of the state to visit state facilities and meet with groups and individuals to receive input on budget and management issues. State agencies may also request to meet with the Committee to inform members of a problem or to seek direction on various matters.

Sources: http://www.state.co.us/gov_dir/leg_dir/jbc/jbcrole.htm

Colorado budget process power point: <http://cbhc.org/uploads/2009/Posts/The%20Colorado%20Budget.pdf>

New Mexico

In most states and in the federal government, the executive branch develops a budget proposal that is considered and revised by the legislative branch. The executive branch has significant power in a budget process structured like this because its document frames the budget debate. While the legislative branch has the power to appropriate—that is, to authorize spending—the detailed review and analysis that is contained in the executive budget proposal reinforces the executive branch’s ability to steer the debate. Not so in New Mexico.

New Mexico is one of the few states in which both the executive and the legislative branches produce budget proposals. The Legislature has its own committee that independently develops a budget proposal based on the same agency requests that are submitted to the governor’s office. This structure significantly increases the power of the Legislature in the budget process; the Legislature is not simply adjusting the governor’s budget, but is suggesting its own priorities.

The operating budget is made up of the separate budgets of the state’s various agencies. Each state agency may have separate program budgets within their overall budgets. For example, the Human Services Department oversees the Medicaid program, and the Medicaid program has its own budget within the Department’s budget. However, in some agencies many programs are combined into one budget. For example, the Children, Youth and Families Department (CYFD) oversee the state’s foster care program, but that program does not have its own budget. In the appropriation, the foster care program is simply part of a larger program budget within the CYFD.

Developing the Executive Budget

By statute, the governor must submit the executive budget recommendation to the Legislature in early January. The governor's budget recommendation usually takes the form of two separate documents: the Budget in Brief and the Executive Budget Recommendation.

The Budget in Brief is usually released during the first week of the legislative session. It highlights the governor's major priority areas for the budget and includes non-recurring funding proposals, such as special projects and upgrades to information technology. The Executive Budget Recommendation is released earlier and contains the recurring operating budget recommendations for every state agency.

The State Budget Division (SBD) does not conduct public hearings regarding the executive budget. The governor may choose to indicate some of his or her priorities through press releases and public appearances, but the overall executive budget development process is almost entirely internal. SBD staff members review the agency requests for both recurring operating expenses as well as non-recurring expenses. The SBD's staff develops its own recommendations regarding proposed funding levels. These are reviewed within the DFA and approved recommendations are then presented to the governor.

The governor makes the final decision on all budget recommendations. The recommendations can be either general or very detailed depending on the governor. Some governors approve budget recommendations in large blocks—such as “the judiciary,” “boards and commissions,” etc.—based mostly on staff recommendations, while others review and approve the budget for every agency. Each governor also decides how much state agencies will be involved in final budget decisions. Under some governors, agencies know the final recommendations and can appeal decisions before the budget is released. Under other governors, agencies will not know the final recommendations until the budget is officially released.

When the Executive Budget Recommendation is released, paper copies must be provided to members of the Legislature and each agency. Limited paper copies are made available to the public, but an electronic version is available online.

Developing the Legislative Budget Recommendation

The Legislative Finance Committee (LFC) conducts public hearings as part of its budget development. The LFC holds monthly meetings from September to December to review each agency's budget request. The LFC staff reviews the agency budget requests and prepares preliminary recommendations for both recurring and non-recurring expenditures. These are reviewed internally and then provided to the members of the LFC in preparation for the public hearings. At the public hearing, the person who heads each agency presents their agency's budget request to the Committee. LFC budget hearings rarely allow for public comment. Public lobbying for budgetary issues must begin much earlier in the budget process. For more on advocating for budgetary issues, see the companion publication, Advocate's Guide to the New Mexico State Budget.

The Committee makes its final decisions in December, after which no changes are made. The budget recommendation is generally known as the LFC Recommendation. Paper copies are provided to the Legislature and the governor. Few paper copies are available to the public, but an electronic version can be found online.

By statute, the LFC must release its budget recommendation no later than the first week of the legislative session. Recommendations are usually broken into three volumes: Volume I is the policy discussion and issue overview, and it includes recommendations for nonrecurring funding; Volume II includes the recurring operating budget for every agency; and Volume III provides data to back up the recommendations.

Source: http://www.nmvoices.org/fpp_attachments/citizen-guide-state-budget-09.pdf

Oklahoma

The budget is developed through an annual process in which the Governor proposes the executive budget; the Legislature develops its own budget plan considering the input of the Governor, state agencies, and the public; and the Legislature and Governor agree on appropriation bills that allocate all available money across the government.

On October 1 each year state agencies are required by law to submit a "Budget Request" detailing their funding needs for the next fiscal year. Budget Requests are reviewed by the Budget Division of the Office of State Finance (OSF) and by legislative staff. There is no formal process for budget request revisions, but agencies can relay needed changes to their requests by contacting OSF Budget Staff and members of the legislative staff.

The Governor prepares and submits to the Legislature at the beginning of each annual session a balanced budget based on OSF review of budget requests prepared by state agencies and subsequent recommendations by OSF, cabinet members and policy advisors. Budgeted expenditures cannot exceed the amount available for appropriation as certified by the State Equalization Board unless revenue raising measures are proposed to balance the spending recommendation.

Not more than 45 days or less than 35 days prior to the convening of each regular session of the Legislature, the State Board of Equalization certifies amounts available for appropriation. A second meeting of the Board is held within five days of the monthly apportionment in February. At these two constitutionally-mandated meetings estimates of revenue to each annually appropriated fund are based on a determination of the revenues to be received by the State under the laws in effect at the time such determination is made. These estimates are based on predictable changes in the economy as well as current law.

Should the Legislature enact laws that provide additional revenues or a reduction in revenues to these

certified funds, the Board meets to determine the changes in revenue. Only those changes in revenue resulting from changes in law can be considered at the third meeting.

Funds subject to appropriation by the Legislature are those funds which are certified for appropriation by the Board (the General Revenue Fund, the Council on Law Enforcement Education and Training Fund, the Commissioners of the Land Office Fund, the State Judicial Fund, the Mineral Leasing Fund, the Special Occupational Health and Safety Fund, the Public Building Fund, and the State Transportation Fund) and the cash balances residing in certain non certified funds including the Constitutional Reserve Fund, the General Revenue Cash-flow Reserve Fund, and the Special Cash Fund.

Budgetary Controls: The legal level of budgetary control is maintained at the line item level (General Operations, Duties, etc.) identified in appropriation acts. Agency budgets may be modified subject to statutory limits on transfers using the Budget Work Program. The Director of State Finance can approve transfers between line-items up to 25 percent. The Contingency Review Board (a three-member board comprised of the Governor, the President Pro Tempore of the Senate and the Speaker of the House of Representatives) can approve transfers between line items up to 40 percent. All transfers are subject to review by the Joint Legislative Committee on Budget and Program Oversight to determine if the transfer tends to effectuate or subvert the intention and objectives of the Legislature.

During the fiscal year, it is possible that actual revenues are less than the estimates made when agency budgets are prepared. If revenues are not sufficient to cover appropriations, the Director of State Finance is required to reduce the budget by the amount of the deficiency. The budget cycle for state operations starts with state agencies developing a detailed outline of financial needs for the next fiscal year. This "Budget Request" is then reviewed and analyzed by the Budget Division of the Office of State Finance (OSF) in light of overall state responsibilities, goals, objectives and total funds available. The Governor's recommended budget is then developed. The Governor's recommended budget is considered by the State Legislature which makes the final appropriation of funds to the agencies.

A state agency, based upon funds appropriated by the Legislature and other funds available to the agency, then develops a Budget Work Program which outlines in detail planned expenditures for the ensuing fiscal year. Work programs are reviewed by the Budget Division of the OSF and the approved work program will serve as a basis for the subsequent allotment of funds. Budget Work Programs can be revised at any time during the fiscal year if justified and if the revision can be accomplished within various expenditures, full-time-equivalent employee and program expenditure limits.

Sources:

http://www.ok.gov/orc/Legislative_Advocacy_Toolbox/Finding_and_Using_Data/Oklahoma's_State_Budget_Proces.html

<http://okpolicy.org/resources/online-budget-guide/budget-process>

<http://www.okhouse.gov/Fiscal/01-Appropriations%20Process.pdf>

Texas

The Budget Process: Four Phases

Each biennial budget takes more than a year to develop, involving all the executive branch departments and agencies, as well as the governor, legislature, the Comptroller of Public Accounts, and the State Auditor's Office (SAO). The grueling and extremely detailed process--fitting for any plan that involves spending about \$120 billion over two years--begins during the spring of the year before the January opening of the biennial legislative session.

The process can be divided into four major phases, each involving numerous discrete steps:

Planning and proposal

Legislative action

Review and approval by comptroller and governor

Implementation and monitoring

The first two of these phases involve the most detailed and resource-intensive work of the whole process. The last two are important in providing a final check and ongoing adjustment, but they involve far less detailed analysis and planning.

Legislative Action: Spring through Fall of Even-Numbered Years

Planning for the new budget begins in the spring of the year preceding the biennial legislative session, which begins in January of odd-numbered years.

Instructions for agency strategic plans--The Governor's Office of Budget, Planning, and Policy (GOBPP) and the Legislative Budget Board (LBB) issue instructions for developing strategic plans in the spring preceding a legislative session. These instructions provide both a broad mission statement identifying the core principles of state government, as well as specific goals and benchmarks for individual state services and programs.

Strategic plans for each agency--Shortly after receiving these instructions the departments and agencies begin developing their strategic plans. A strategic plan is a long-term plan that identifies an agency's current status, focus and orientation, as well as its planned future direction. Strategic plans include a mission statement, identification of its goals and the population it serves, and a description of the means by which the agency plans to achieve its goals. After developing a strategic plan, the agency submits its plan to the GOBPP and the LBB for approval.

Legislative Appropriation Request (LAR)--Around the same time that strategic plans are being developed the LBB sends out instructions for Legislative Appropriation Requests (LARs). These instructions are used by agencies to develop their budget requests. Included in each agency's LAR are the performance

measures on which budgeting is based. During the summer months, the LBB and GOBPP hold hearings with each agency to review its strategic plan and draft LAR. From these hearings the LBB and GOBPP determine the items to be included in the agency's final appropriation request. The finalized LARs must be submitted by the end of the summer and copies must be provided to the LBB, GOBPP, the state auditor, the state comptroller. These LARs form the basis for the appropriations bill prepared by the LBB.

Draft of the general appropriations bill--During the fall LBB staff prepares the draft of the general appropriations bill. This draft contains performance measures, the maximum number of full-time equivalent employment positions (FTEs) allowed, specific enumerated instructions, the amount of funding recommended by the LBB, and the method of financing each agency's appropriation.

Legislative Budget Board

The Legislative Budget Board (LBB) was created in 1949 for the primary purpose of recommending legislative appropriations for all agencies of state government. The LBB is composed of the lieutenant governor; the speaker of the house; the chairs of the Senate Committee on Finance, Senate Committee on State Affairs, House Committee on Appropriations, and House Committee on Ways and Means; two additional members of the senate appointed by the lieutenant governor; and two additional members of the house of representatives appointed by the speaker.

The LBB employs a staff that includes analysts who work with and monitor state agencies. The LBB staff is often referred to as the LBB and, occasionally, as the LBO (Legislative Budget Office).

The LBB is active in developing the fiscal policy of the state.

State Budget summaries and source information:

<http://www.nasbo.org/sites/default/files/pdf/FY2014%20Proposed%20Budgets%20-%20Summary.pdf>

http://www.senate.state.tx.us/src/pdf/Budget_101-2011.pdf

<http://m.ncsl.org/issues-research/budget/the-power-of-the-purse-legislatures-that-write-st.aspx>