

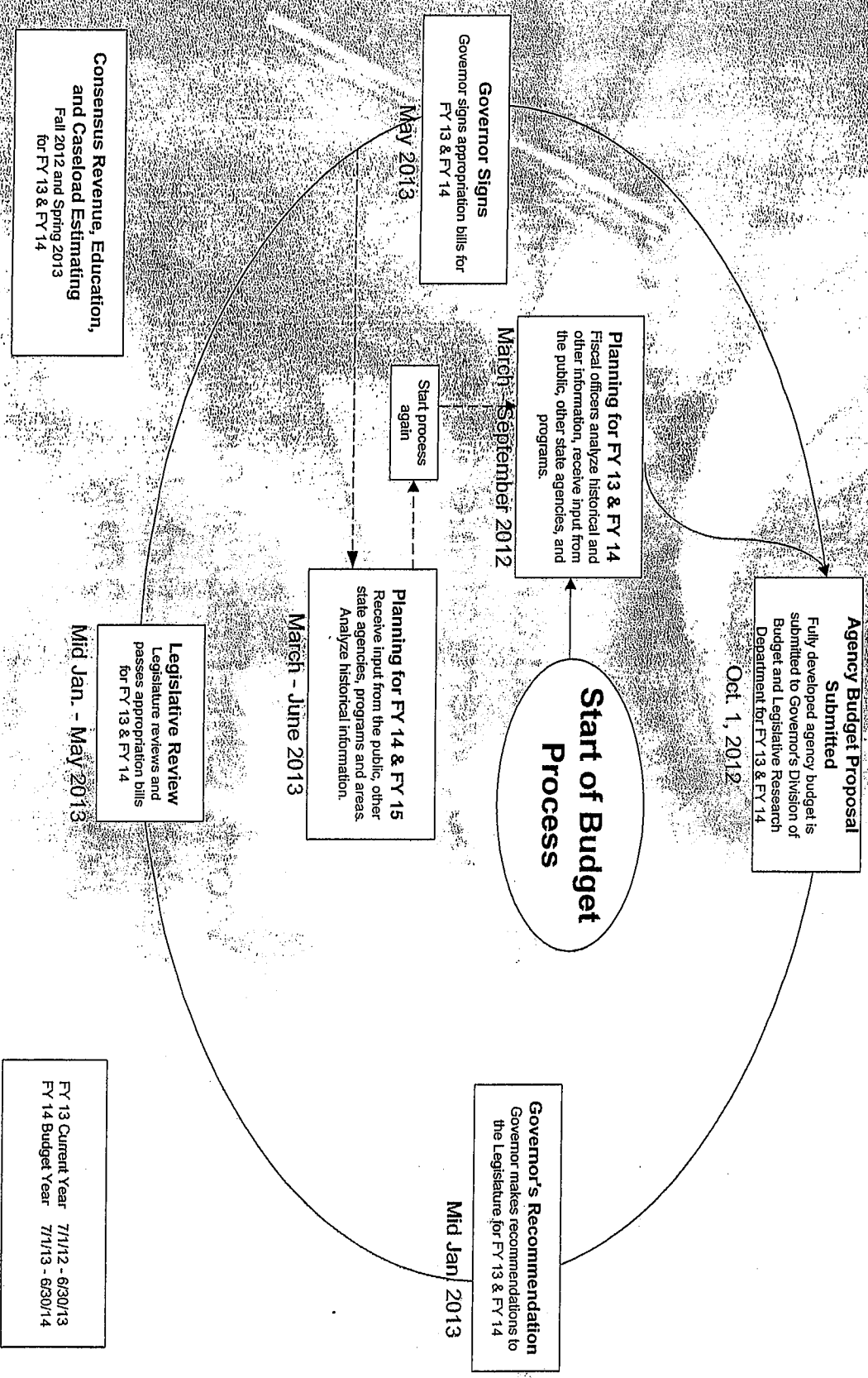
Money, Money, Money

Everything you always wanted to know about the budget process, but were afraid to ask!

J.G. Scott, Chief Fiscal Analyst
Kansas Legislative Research Department
January 16, 2013

State Budget Process

as of January 2013



Consensus Revenue, Education, and Caseload Estimating
 Fall 2012 and Spring 2013
 for FY 13 & FY 14

FY 13 Current Year 7/1/12 - 6/30/13
 FY 14 Budget Year 7/1/13 - 6/30/14

Players in the Process

- ★ State Agencies
- ★ Governor/Division of the Budget
- ★ Legislature
- ★ Legislative Fiscal Staff/Revisor of Statutes

State Agencies

Agencies submit budget requests by October 1 each year

- ★ Most agencies are executive branch agencies under the direct control of the Governor
- ★ The Governor performs a thorough review of these budget requests
- ★ The judicial and legislative branches are independent of the Governor's control
- ★ By law, the judicial branch budget request is submitted directly to the Legislature
- ★ By practice, the same is true for the legislative branch

The Role of the Governor

- ★ The Governor recommends
- ★ The Legislature appropriates

Governor's Recommendations

- ★ The Governor's budget staff, lead by the Director of the Budget, makes initial recommendations, which are adjusted by the Governor to form the recommendation
- ★ The Governor makes initial budget and budget-related policy recommendations at the beginning of the session - *this is the starting point for consideration by the Legislature*
- ★ The Governor's budget recommendation must provide for a State General Fund ending balance equal to 7.5 percent of proposed expenditures

Governor's Recommendations

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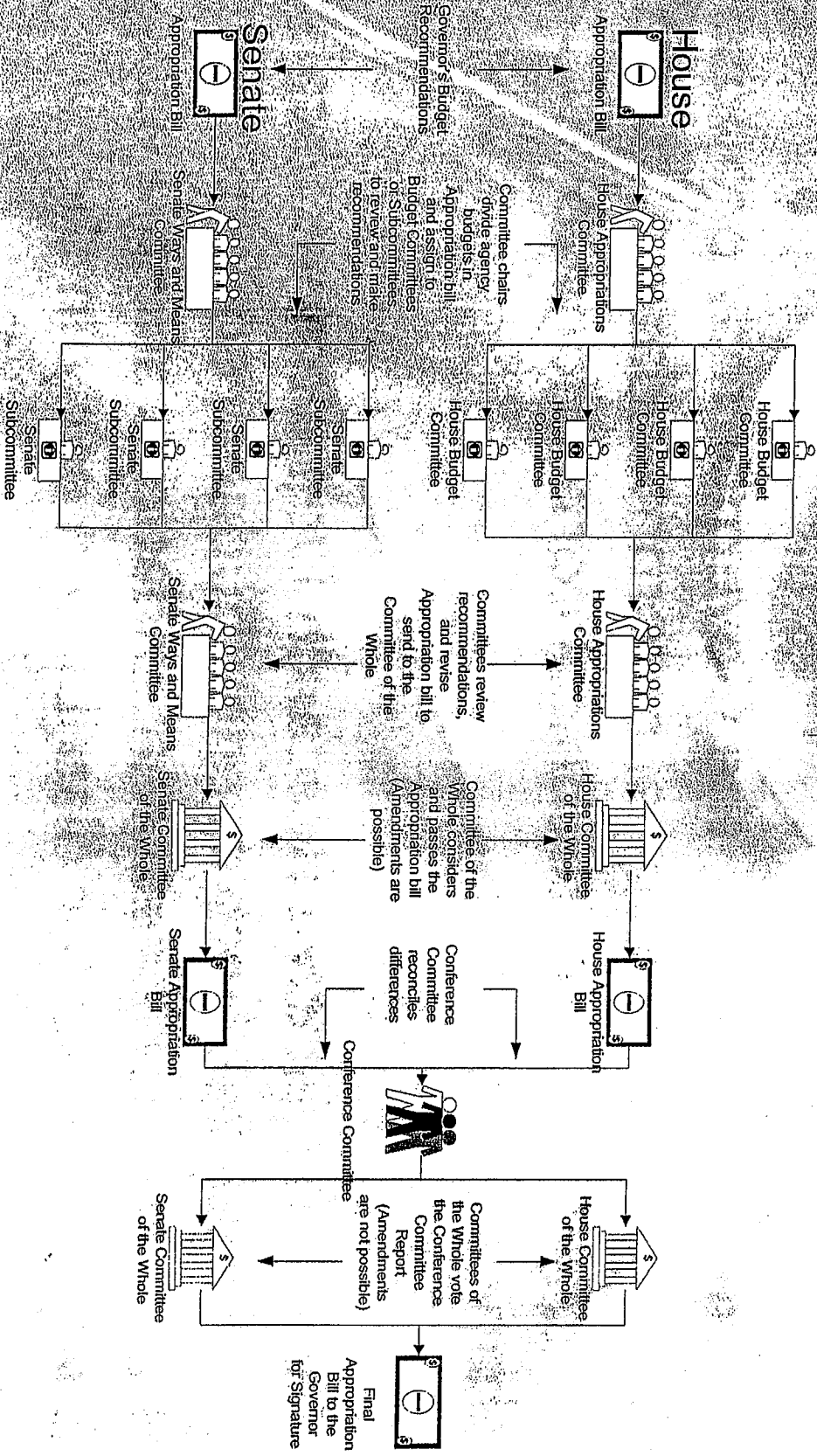
★ During the session, the Governor may propose changes to the original recommendation, based on anything from technical corrections to changes in policy

★ Kansas Legislative Research Department fiscal staff analyzes both agency budget requests and the Governor's recommendations and prepares Budget Analysis for distribution early in the session

Basic Process to Pass an Appropriation Bill

Kansas Legislative Research Department

December 7, 2010



Appropriation Bills

- ★ Generally, three identical appropriation bills reflecting the Governor's recommendations are introduced in each chamber:
 - ★ Current year supplemental expenditures (Supp. Bill)
 - ★ Budget year appropriation ("Mega" Bill)
 - ★ Capital improvements
- ★ Bills are prepared for introduction by Revisor of Statutes, in consultation with the Division of the Budget, and are referred to Senate Ways and Means and House Appropriations Committees
- ★ The bills will eventually be combined into one appropriation bill to allow the Legislature to consider the budget as a whole, not in isolated pieces

The Committees

★ Appropriation Bills are assigned to the House Appropriations and Senate Ways Means Committees

House Appropriations Committee

- ★ The 2013 Committee consists of 23 members
 - ★ 17 Republicans and 6 Democrats
- ★ To review the budget, the Committee is divided into 6 Budget Committees

House Budget Committees

- ★ The 2013 Budget Committees include 16 of the 23 Appropriations Committee members and 34 legislators who are not on the Appropriations Committee
- ★ Budget Committees consists typically consist of 9 members - members generally serve on only one Budget Committee
- ★ The Budget Committees are assigned to review budgets based on designated subject matter areas:
 - ★ Agriculture and Natural Resources
 - ★ Education
 - ★ General Government
 - ★ Legislative
 - ★ Transportation and Public Safety
 - ★ Social Services

Senate Ways and Means Committee

- ★ Committee consists of 11 members for 2013 Session
 - ★ 9 Republicans and 2 Democrats
- ★ To review the budget, the Committee is divided into Subcommittees

Senate Ways and Means Subcommittees

- ★ The Senate Ways and Means Committee is divided into approximately 10 different Subcommittees, composed of 2-5 members, all of whom serve on the Ways and Means Committee
- ★ Each Committee member serves on a number of different Subcommittees

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The Role of Budget Committees and Subcommittees

- ★ Members of the Budget Committees and Subcommittees:
 - ★ Are briefed on all major issues in their assigned agency budgets
 - ★ Seek agency and public input on their assigned budgets
 - ★ Make recommendations for budget adjustments and policy changes to the full Committee

Full Committee Consideration of Budgets

- ★ The full House Appropriations and Senate Ways and Means Committees:
- ★ Discuss all recommendations made by the Budget Committee or Subcommittee on each agency budget
- ★ Approve or amend the recommendations throughout the session
- ★ Review the complete “big picture” budget and make recommendations for consideration by the full Chamber

Full Chamber Consideration

- ★ For consideration by the full Chamber, legislative staff:
 - ★ Prepares the detailed adjustments to appropriations bills to reflect Committee recommendations
 - ★ Prepares summary material explaining original recommendations and any changes recommended by the Committee
- ★ The full Chamber considers the complete budget as recommended by the Committee
 - ★ All members have an opportunity to propose floor amendments that will further adjust the recommendations
 - ★ Floor amendments should be prepared by the Revisor of Statutes office, in consultation with legislative fiscal staff

Conference Committee Process

★ A 6-member Conference Committee, usually composed of the Chair, Vice-Chair, and Ranking Minority member of the House Appropriations Committee and Senate Ways and Means Committee meets to reconcile any differences in the House and Senate versions of the budget

★ When the Conference Committee reaches an agreement, legislative staff prepares a Conference Committee Report and an explanation of the agreement

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Conference Committee Process

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- ★ The full Chambers then vote on whether or not the Conference Committee Report should be approved
- ★ No amendments are allowed at this point of the process
- ★ The Conference Committee Report generally combines all of the various appropriations bills into one bill
- ★ Usually another bill in one of the Committees serves as the “vehicle” for the budget bill

The Omnibus Bill

- ★ At first adjournment in early April, the Legislature goes home for two to three weeks prior to the “veto” session, which is to consider any vetoes by the Governor
- ★ Usually about a week before the full Legislature returns, the House Appropriations and Senate Ways and Means Committees return to consider items to include in the last appropriations bill of the year, the Omnibus appropriation bill

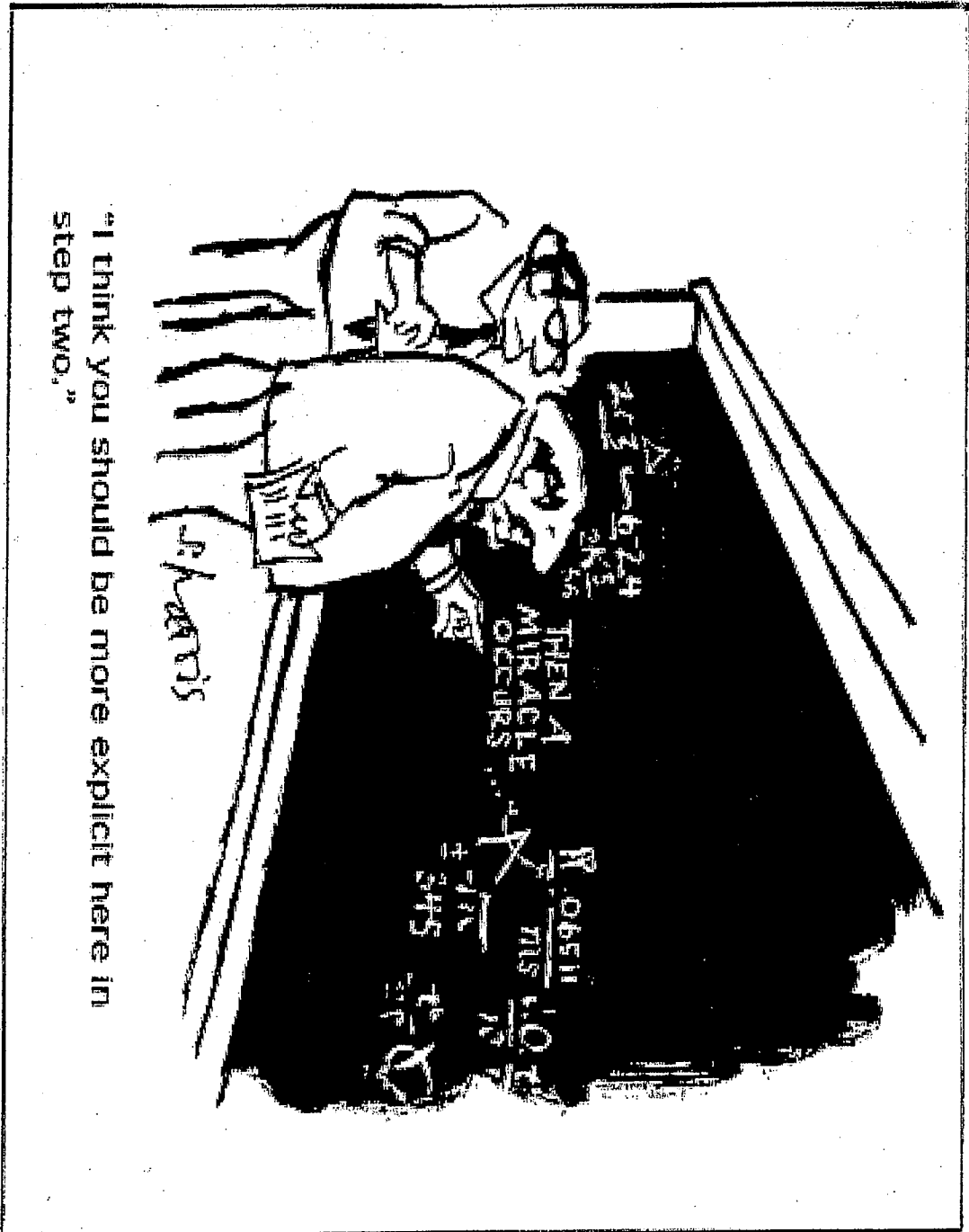
Why an Omnibus Bill?

- ★ The Omnibus Bill is designed to make adjustments to agency budgets:
- ★ To reflect the impact of legislation passed during the session;
- ★ To address budget amendments recommended by the Governor;
- ★ To address items specifically deferred by the Committees (to allow for consideration of more current information or availability of additional resources);
- ★ To make technical adjustments needed to accurately reflect the Legislature's recommendation; and
- ★ To meet the requirement that the projected State General Fund ending balance is equal to 7.5 percent of approved expenditures

The Omnibus Process

- ★ **The Senate and House Committees develop their own versions of the bill**
- ★ **The remaining process is similar to the regular session appropriation process, on a substantially shorter time frame**

Summary of the Budget Process



"I think you should be more explicit here in step two."

Consensus Estimating

- ★ Twice each year, representatives of the Legislative Research Department and the Division of the Budget, in consultation with other agencies, develop consensus estimates in a number of areas:
 - ★ Consensus Revenue Estimating
 - ★ Education Funding
 - ★ Transportation Funding
 - ★ Social Services Caseloads and Funding

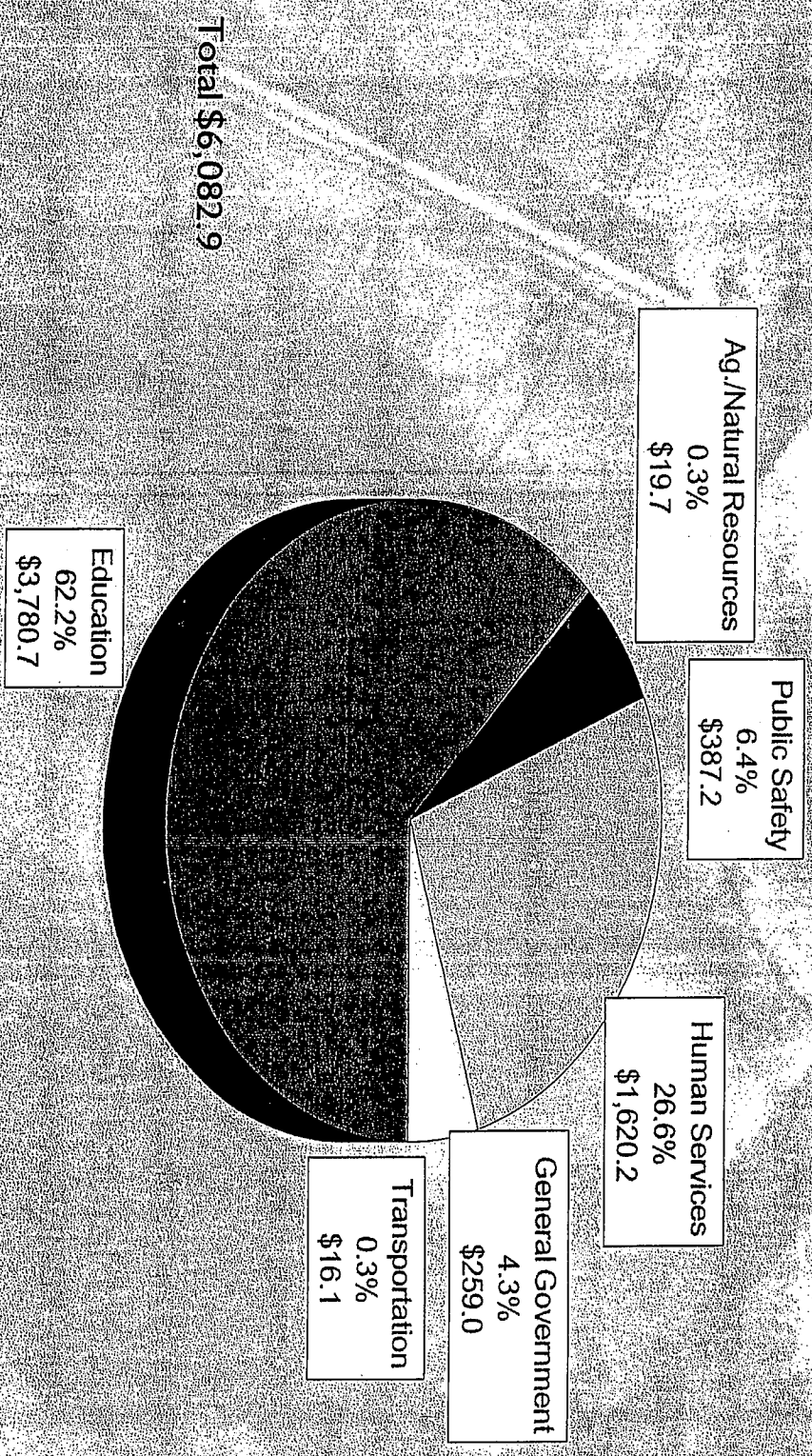
Consensus Revenue Estimating

- ★ In November and April of each year, representatives of the Legislative Research Department, the Division of the Budget, and the Department of Revenue, along with three university economists, meet to project revenue to the State General Fund
- ★ The November estimate is used by the Governor to develop the initial budget recommendations
- ★ The April estimate is used by the Governor to amend the budget recommendations and by the Legislature to make necessary adjustments to the budget

The Ending Balance Law

- ★ Statutory provisions require a projected State General Fund ending balance equal to 7.5 percent of expenditures (for FY 2014, approximately \$456 million). The requirement applies at two points:
 - ★ The Governor's original budget recommendation must provide for the statutory ending balance in the budget year
 - ★ The Legislature's final approved budget for the budget year must also provide for the required ending balance
 - ★ The ending balance provisions have often been waived by the Legislature beginning in FY 2004

FY 2014 Governor's Recommended State General Fund Expenditures by Function of Government (in Millions)



Expenditures by Function of Government

* Functions of government reflect the six classifications into which similar agencies are grouped that share similar basic purposes of state government

* General Government

* Includes: Elected Officials, Legislative Agencies, Judicial Branch, Revenue, Administration, Commerce, and Lottery

* Human Services

* Includes: Dept. for Children and Families, Dept. for Aging and Disability Services and Hospitals, KDHE Health.

* Education

* Includes: K-12 Education, Regents and Institutions, Schools for Blind and Deaf, and State Library

* Public Safety

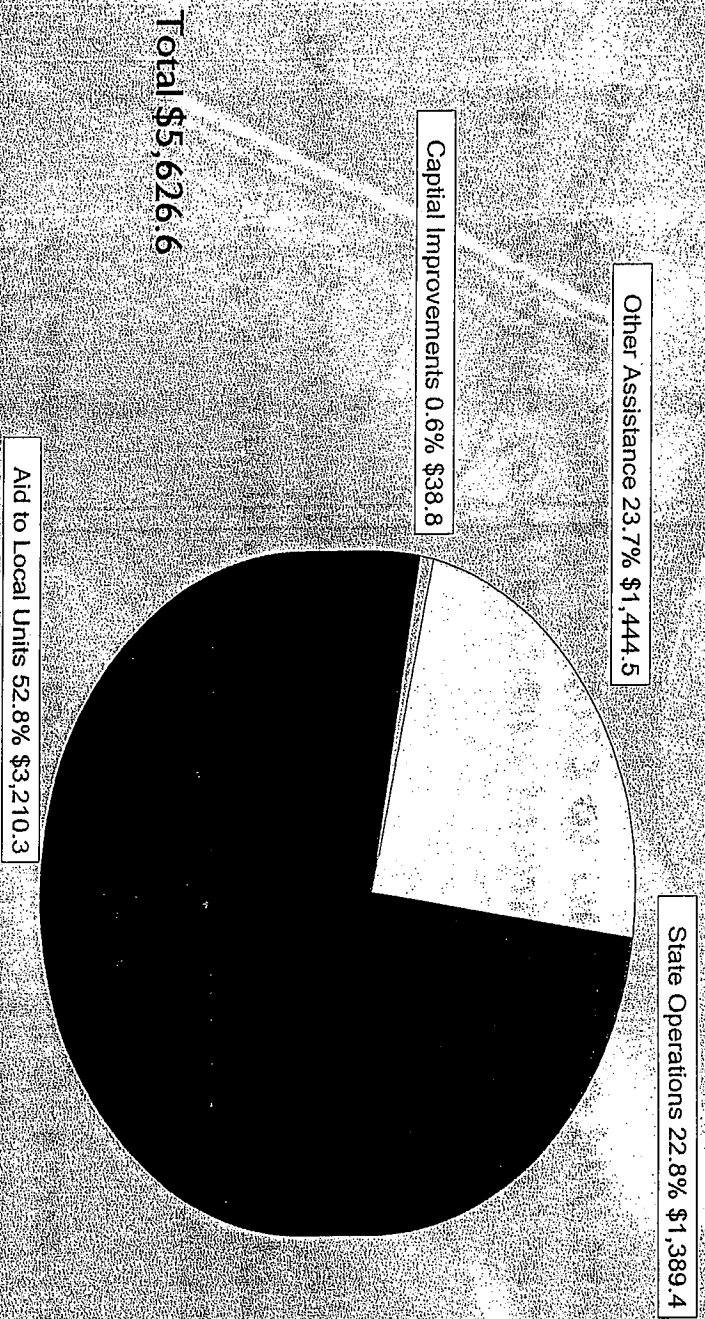
* Includes: Corrections and Facilities, Juvenile Justice and Facilities, Adjutant General, KBI, and Highway Patrol

* Agriculture and Natural Resources

* Includes: Agriculture, KDHE Environment, State Fair, Water Office, and Wildlife, Parks and Tourism

* Transportation

FY 2014 Governor's Recommended State General Fund Expenditures by Major Purpose of Expenditure (in Millions)



Expenditures by Major Purpose

- ★ **State Operations.** Actual agency operating costs for salaries and wages, contractual services, commodities and capital outlay.
- ★ **Aid to Local Units.** Aid payments to counties, cities, school districts, and other local government entities. May be from state or federal funds.
- ★ **Other Assistance, Grants, and Benefits.** Payments made to or on behalf of individuals as aid, including public assistance benefits, unemployment benefits, and tuition grants.
- ★ **Capital Improvements.** Cash or debt service payments for projects involving new construction, remodeling and additions, rehabilitation and repair, razing, and the principal portion of debt service for a capital expense.