

## APPENDIX C

# State Budget Process

## “By the Book” vs. “Inside Scoop”

Note: States generally have two budgets—the operating budget for the operations of a state agency or program and the capital budget for the acquisition and/or construction of items such as buildings, equipment, and land. This document focuses on operating budgets and is intended to show advocates the budget process by calendar and to demystify the various steps to the making of a state budget. It takes a year to produce the budget, so it may take a year or more for advocates to influence it. There are many decision points in the budget process that can help or hurt your proposal. Getting a state agency to propose a new program in its budget requires working long before the governor’s call for agency budgets in September. If you succeed in that, you’ll want to watch your proposed program as the budget passes through other steps and continue to advocate for your item as the budget moves through later decision-makers’ review and approval.

### Typical State Operating Budget Cycle for Annual State Budgets

Action	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Agencies Receive Budget Guidelines	_____											
Agencies Submit Requests to Governor			_____									
Budget Office Reviews Agency Requests			_____									
Governor Finalizes Budget Recommendations					_____							
Governor Submits Budget to Legislature							_____					
Legislature Holds Agency Hearings and Negotiations								_____				
Legislature Adopts Budget and Signed by Governor										_____		

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The “By the Book” Budget Process	Inside Scoop for Advocates
<p>1. The state budget office sends budget guidelines to agencies.</p> <ul style="list-style-type: none"> <li>Guidelines provide budget assumptions, such as spending targets and inflation.</li> <li>They are typically sent to agencies during summer months.</li> </ul>	<p>1. Agencies are working on several budget years at the same time. They are closing the books on previous year, allocating money on current year, testifying on the next year’s budget and preparing the following year’s budget. Budget prep is a full-year process. For states operating on an annual budget, agencies usually start working on “next year” in the summer after the passage of the state’s operating budget.</p>
<p>2. Agencies submit requests to the governor.</p> <ul style="list-style-type: none"> <li>Each agency typically submits requests to the governor in the fall.</li> <li>In most states, the legislature also sees agency requests before the executive budget is prepared.</li> </ul>	<p>2. Departmental liaisons may be talking with legislative analysts, the state budget office and governor’s budget staff way before the budget is submitted.</p> <ul style="list-style-type: none"> <li>They, too, are dealing with many budgets at one time. Who has influence on this? Key leaders can be important to influence the budget office recommendation.</li> </ul>
<p>3. The state budget office reviews agency requests.</p> <ul style="list-style-type: none"> <li>Budget officials meet with agency staff and advocates for clarification through small meetings or agency public hearings.</li> <li>Budget staff reviews material in the context of big-picture trends that affect the budget (e.g. caseload data, demographic shifts).</li> </ul>	<p>3. The governor’s legislative staff is becoming familiar with the budget document, which is not final yet.</p>
<p>4. The governor finalizes budget recommendations.</p> <ul style="list-style-type: none"> <li>Budget office submits compiled information into recommendations to the governor, usually during late fall.</li> <li>The governor reviews and adjusts the recommendations to develop a budget proposal.</li> </ul>	<p>4. If the leaders belong to the same party, this may be a consensus document between the legislative and executive branches. If there is split government, then the document likely reflects only the views of the executive branch.</p>
<p>5. The governor submits the budget to the legislature.</p> <ul style="list-style-type: none"> <li>Bill is typically submitted to legislature after the first of the year.</li> <li>State of the State address is often a venue to outline specific priorities.</li> </ul>	<p>5. It’s important to make sure you are working with someone who can influence the State of the State message.</p>

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<p>6. Legislature holds agency hearings.</p> <ul style="list-style-type: none"> <li>Proposed executive budget typically drives the legislative budgeting, sets the agenda.</li> <li>Budget bills may be introduced in one or both chambers.</li> </ul>	<p>6. Besides committee chairs and chamber leaders, legislative budget analysts influence the material discussed and decisions made by analyzing past agency performance, effectiveness, and perceived need for programs. Agencies have influence on what the budget analysts see and digest.</p>
<p>7. Legislature adopts the budget.</p> <ul style="list-style-type: none"> <li>In most states a majority vote is required to pass the budget.</li> <li>Once both chambers approve the budget, it is submitted to the governor for approval.</li> </ul>	<p>7. Most legislatures can increase or decrease a governor’s request. A majority vote in the committee is required.</p>
<p>8. Governor signs or vetoes budget bill.</p> <ul style="list-style-type: none"> <li>In most states, specific line items or requests can be vetoed, rather than the entire bill.</li> <li>In some states, the legislature may override the governor’s veto.</li> </ul>	<p>8. Don’t take anything for granted. It is appropriate to organize a letter-writing campaign to encourage the governor to sign or ask that he or she not veto your provision. Thank-you notes to those who worked on it are always wise. Public recognition is important.</p>
<p><b>Considerations:</b></p> <ul style="list-style-type: none"> <li>Does your state appropriate the budget annually or biennially (every two years)? If biennially, does your legislature review the budget and make revisions annually?</li> <li>Where does budget power lie? What can the governor do without legislative approval? For example, does the governor have veto, line-item veto, or budget-item veto power?</li> <li>Does the state require a balanced budget?</li> <li>Where are the bulk of your state dollars going?</li> <li>Does your state have a rainy day fund?</li> </ul>	<p><b>Considerations:</b></p> <ul style="list-style-type: none"> <li>Because government officials think in multi-year and review past years’ spending, advocates need to have the same view and knowledge.</li> <li>Are there other fiscal hurdles? Some states have a Board of Estimates that “allocates” appropriated money and makes money decisions between legislative sessions.</li> <li>This can involve sleight-of-hand budgeting.</li> <li>Typically more than half of a state budget pays for education and health care (Medicaid).</li> <li>Catch-all strategy to have for fiscal emergencies, but very subjective. How much is enough?</li> </ul>

For more information, see “[Budget Processes in the States](http://www.nasbo.org),” National Association of State Budget Officers, available at [www.nasbo.org](http://www.nasbo.org).