

The Budget Process

SOURCE: http://nebraskalegislature.gov/about/budget_process.php

The budget process is governed and guided by provisions of the Nebraska Constitution, state statutes and the "Rules of the Nebraska Unicameral Legislature." Citations are included in the following description. Other aspects of the process have evolved over time to provide for a comprehensive, orderly budgeting function. The "Rules," primarily Rule 8, address details of the legislative process. The rule also embodies in Section 4 a process authorized by the Legislature for Standing Committee review and activity in formulating appropriations recommendations. This discretionary process in Section 4 has been pursued to a limited degree generally focusing on one or two agencies or issues. The following discussion does not integrate the alternate process since it has not been used extensively. With respect to fiscal notes and drafting of "A" bills that likewise become part of an overall budget process, Rule 5, section 6 controls.

Summary

The following is a summary of the typical milestones and processes leading up to authorization of a **full biennial (two-year) budget** which is enacted during regular legislative sessions held in odd-numbered years (the long, 90-day session).

July 15 - The Department of Administrative Services (**DAS**) issues **forms and instructions** to be used by state agencies for their budget requests. The Director of the Legislative Fiscal Office may suggest revisions, changes or additions to the forms before distribution. In recent years, the budget instructions have included a section developed by the Legislative Fiscal Office that restructures the agency budget request into a **budget base** (a specific percentage of current appropriations) plus a series of prioritized decision/spending packages above the base level up to the total request. The base level generally is some percentage less than 100 percent. The material supplements the standard, detailed line-item, fund account by budget program structure. (RRS 81-1113 and 81-113.01). Prior to a short session, budget forms are typically distributed in September.

September 15* - **Agency budget requests are due in DAS Budget by this date; however, late submissions typically are received for several weeks thereafter. The Budget Office requires at least three copies of the official request documents, one of which is sent to the Fiscal Office and forwarded to the analyst on staff that is assigned the agency. Two copies are retained by the Budget Division; one for staff analyst use, the other is kept on file and is available for public inspection. **Budget requests do not include personnel cost increases** for items or issues that are subject to negotiations with employee bargaining units. **Generally, these excluded costs are wage rate changes and other changes to compensation rates but may also include costs associated with benefits, such as health insurance.** As these rates become known, costs are factored in to the budget process, usually early in the legislative session. (RRS 81-1113). Prior to a short session, requests are usually due in October.

September to January - From the time of submission of budgets in September to the first week of the legislative session, fiscal office staff **analysts devote their time to understanding the requests of all agencies, boards and commissions, questioning agencies, and preparing briefing documents** to be used later during the staff review phase with the Appropriations Committee. Actual budget documents are voluminous and detailed, sometimes more than 200 pages for one agency. The analyst must isolate the key issues embodied in the request, analyze alternatives and summarize their analysis. The analysis is presented in a standard format that is readable and efficient in communicating details of what has changed in the request versus current or prior year's spending authorization. DAS Budget analysts similarly are engaged in conducting their own review during this time, working with the governor and staff toward formulating the budget recommendation of the governor.

Early Session - **In odd-numbered years the governor is required to submit a budget proposal by January 15**, except that in the first year of office a governor may submit a proposal on or before February 1. The budget recommendation comes as a bill or bills, and there may be additional explanatory material included such as a budget book or other handouts. The budget bill(s) are introduced by the Speaker of the Legislature at the request of the governor. Appropriations bills routinely are referred to the Appropriations Committee. **Substantive bills that are instrumental to the governor's budget recommendation are referred to the standing committee** having subject matter jurisdiction. Such substantive bills may or may not be offered at the same time as the appropriations bill(s) and are not subject to the January 15 deadline. During the first ten days of the legislative session other bills are being introduced by senators. Some of these bills will have financial impacts on the state if passed, and may require an appropriation to ensure implementation as planned. (RRS 81-125 to 81-126).

January and February - The **Appropriations Committee meets with Fiscal Office staff to review and discuss the staff analysis** of each agency budget request. The initial objective is to develop a **preliminary recommendation** and report to be **submitted to the Legislature 20 to 30 legislative days after the governor's budget submission**, (Rules of the Nebraska Legislature, Rule 8, section 2). The Appropriations Committee, after staff reviews, prepares a preliminary indication of funding levels considered for each agency and an overall analysis of the spending capacity of state government. These **preliminary figures are based on current revenue forecasts, tax rate assumptions and compliance with the statutory reserve requirement**. The "Preliminary Report" and the levels of appropriation estimated therein become the basis of discussion during subsequent public hearings with state agencies and other interested parties. During this time, standing committees (including the Appropriations Committee) are conducting **hearings on the substantive bills** referred to them. An integral part of the material available during the hearing is a **Fiscal Note**, produced by the staff of the fiscal office. The Fiscal Note is an estimate of the financial impact of the legislation, inclusive of expenditure and revenue impacts. (Rules, Rule 5, section 6) The note becomes the basis for **estimating what appropriation may be necessary if the bill becomes law**.

March - The **Appropriations Committee conducts public hearings on the budget** during this time. Hearings notice is published in the Legislative Journal, listed by agency and bills referred to the committee. Agencies, interest groups and the general public are given the opportunity to comment regarding the preliminary recommendation of the committee, the agency request, the

governor's recommendation or any new issues or items of request not yet before the committee. Fiscal staff monitor the hearings and are not active participants. During this time, other committees are reporting bills that have had hearings to the floor. **New appropriations bills**, companions to substantive bills, having the same number but **designated with an "A"** following the number, are also appearing. These are "A" bills, (appropriations) that accompany the substantive bill and provide for the necessary spending authority to implement the legislation, (Rules, Rule 5, section 6). "A" bills may be introduced at any time and generally are considered immediately following each stage of debate of the substantive bill. However, it is **not unusual for a bill to advance to Select File before the "A" bill is introduced**--it is not the preferred mode of operation but practical limits in bill drafting, analyzing amendments and refining cost estimates sometimes cause the delay.

April - **Immediately following the public hearings the Appropriations Committee meets to review all preliminary decisions, information obtained during the hearings and any other information brought to its attention.** By this time, the impact of negotiated wage rates and benefits are known or the range of costs sufficiently narrowed to allow an estimate. For about two weeks the committee meets to complete a recommendation to be offered to the full Legislature. Fiscal staff help review all information. Once finalized, the recommendation is summarized into a budget book and other supplementary material for distribution on the legislative floor. Most importantly, fiscal staff write the budget bill or bills to be offered, (or if the governor's bill or bills are to be used, amendments are drafted). **The committee has until the 70th legislative day during a long session to place budget bills on General File.** If the 70th day deadline is not met the governor's bills are to be considered. During a short session, the deadline is the 40th legislative day (Rules, Rule 8, section 5). Typically, more than one bill embodies the Appropriations Committee recommendation. One large bill appropriates most state funds, for operations and state aid.

A second bill typically is offered to make **appropriations for capital construction projects.** Another bill provides for **deficit appropriations**, i.e. adjustments to appropriations previously authorized for the current year. It is not unusual for this bill to be considered early in the session well before other appropriations bills are on General File since some of these adjustments may be emergencies that apply to the current year and time left in the fiscal year is short.

Other bills also may be offered: Bills making appropriations for salary increases, increased benefits costs or substantive law changes, (such as authorization for a fee and creation of a fund), that implement some aspect of the committee recommendation.

At minimum, three bills must be introduced: The Constitution specifies two, one bill for **legislators' salaries**; one bill for **constitutional officers' salaries** (generally, other elected officials and judges). The third bill would appropriate for everything else. However, separation of broad issues by type (construction versus state operations, as an example) has resulted in several bills rather than one all-encompassing bill.

Appropriations bills are exempt from the 10-day limit on introduction of new bills (Rule 5, Section 4). The Appropriations Committee recommendations may be embodied in new bills or existing bills referred to the committee and reported to the floor of the Legislature with or

without amendments. **Once the bills have been placed on General File, a financial status report for the state General Fund is published** to accompany the daily agenda. The status report is produced by the Fiscal Office and is **intended to show the probable spending limits given the assumptions embodied in the status such as tax rates, revenue forecasts and the committee's budget recommendation**. The status also lists each bill, by stage of debate, that has a General Fund cost impact. From this document it can be determined how much of the funds available are used by the committee recommendation, what funds remain and what total spending can be accommodated within the statutory reserve requirement. The status **illustrates financial conditions for the biennium for which the budget applies plus the two following years** for planning purposes. Though the Legislature is only considering the first two years for appropriations, simulating impacts for two additional years provides useful information on the state's ability to sustain future obligations.

Floor Action

The appropriations bills as offered by the Appropriations Committee and constituting their budget recommendation are processed much like other bills once they arrive on the floor of the Legislature. On General File, committee amendments (if any) are taken up first followed by other amendments as filed. All other bills having a General Fund expenditure or a General Fund revenue loss are held on Final Reading and may not be read until the appropriations bills as offered by the Appropriations Committee pass. **By rule, the bills representing the Appropriations Committee recommendation are to be placed on General File by the 70th day in a long session and by the 40th day in a short session.** Failure to do so, according to rule, results in considering, "...the appropriations bills as introduced by the Governor." **By rule, the Legislature is to pass appropriations bills by the 80th day in a long session or the 50th legislative day in a short 60-day session (even-numbered years).** One exception, during the short session, is that other bills may be read after the 45th day even though appropriations bills have not been passed. There is no penalty for not passing appropriations bills as provided by rule, other than the holding of bills during a long session. Though it is desirable to comply, circumstances such as volume of amendments, length of debate and full discussion of appropriations matters can extend passage of the appropriations bills beyond the prescribed deadlines (Rules, Rule 8, section 5).

Emergency Clause

Appropriations bills almost always carry the emergency clause, thus **requiring 33 votes** for passage on Final Reading. This is invariably true of deficit bills since the changes affect the current fiscal year and if the bill passed with fewer votes it would render the appropriation meaningless since the effective date of the appropriation would occur after the end of the current fiscal year. On very rare occasions fewer votes can suffice where expenditures are delayed into the next fiscal year or the appropriations in the bill are small in comparison to the total appropriation to a program.

Late May - **Once appropriations bills have passed and been sent to the governor, the governor has five calendar days, excluding Sunday, to sign, not sign (but the bill takes effect),**

veto in total or line-item veto items of appropriation, (Nebraska Constitution, Article IV, section 15). **Within one day of the return of appropriations bills to the Legislature with line-item vetoes, the Appropriations Committee must report on the impact of the vetoes and may offer a motion to override** the total or part of the line-item vetoes. Subsequent motions may then be offered by the members of the Legislature (Rules, Rule 6, section 14). **The Constitutional requirement for a veto override is 30 votes. All final valid appropriations ultimately enacted take effect July 1 of the designated fiscal year or, if passed without the emergency clause, three calendar months after the end of the legislative session. Deficit bills making adjustments to current year appropriations with the emergency clause are effective immediately** on passage (Nebraska Constitution, Article III, section 27).

Short Sessions - Relevant differences with a short session are noted above. Since a short session occurs in the middle of a biennial, two-year period, appropriations already are authorized for the following fiscal year. Consequently, the volume of issues and dollar value of decisions typically is less, though this will vary because of then-current fiscal conditions. Obviously time lines are different, but most of the above elements are part of a short session budget process, compressed into a period that ends with the Legislature's adjournment, typically by mid-April.

