

Understanding the Appropriations Process

The Budget Cycle: Timing is Everything

Knowledge of the budget cycle is a key component to a successful advocacy effort related to requests for increased funding.

JUNE

The first revenue estimate is made for the budget year that begins on July 1 of the following year.

State agencies receive allocations from the Division of the Budget based on these revenue estimates and direction from the governor. This establishes budget targets that most state agencies must meet when they submit their budgets. Generally, two specific allocations are provided, called current service and reductions. Dollars above these allocation levels are now considered “enhancements.” At this point, various agencies may be treated differently. For example, K-12 education may not be asked to submit budget reductions while others are.

JULY 1

The current fiscal year begins. The year begins based on appropriations from the last legislative session. Actual expenditure and receipt information begins to become available further defining the budget outlook.

AUGUST

State agencies are preparing budget requests. This is the time for advocacy from professional staff to begin (executive director, governmental affairs director, or contract lobbyist.)

SEPTEMBER 15

State agency budget submissions are due to the Division of the Budget and the Department of Legislative Research. Included are requested revisions to the current fiscal year and the requests for the budget year.

This is the time for effective advocacy to begin for the upcoming budget year. It is vital that organizations recognize the importance of beginning grassroots advocacy work based on agency budget submissions.

DECEMBER

The first official estimate for receipts is made for the upcoming fiscal year and the estimate for the current year is revised. These estimates, along with state ending balance law, dictate the amount the governor can recommend for the upcoming year.

Caseload estimates for selected Social and Rehabilitation Services (SRS) programs, estimated enrollments for the Kansas Board of Regents’ universities, and estimates for current law requirements for school finance are agreed to by the Executive and Legislative Branch.

The governor makes budget decisions. This is done by early-December for the vast majority of issues. Advocacy for the governor’s budget must be complete by the end of November for the initial recommendations.

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JANUARY	The legislative session begins. Subcommittee work begins on the budget. The first round of budget decisions are made by the legislature between now and the first adjournment in late March/early April.
APRIL	<p>Revised estimates are made for all variables including revenues, school finance requirements, SRS caseloads and Regents' fees. The governor prepares revisions to the initial recommendations. These are referred to as Governor's Budget Amendments.</p> <p>The Division of the Budget and Kansas Legislative Research Department certifies the amount of general fund spending that can occur to meet the ending balance law.</p> <p>The legislature reconvenes. This is known as the Omnibus or Veto Session. Consideration of costs resulting from legislation that has passed, new information, and the Governor's Budget Amendments are considered.</p> <p>The legislature approves the Omnibus bill. This is the last spending measure for the session and approved budgets for the next fiscal year are final. The legislature adjourns <i>sine die</i>. This is Latin for "without another day" and marks the close of the legislative session.</p>

The Budget Process: Knowing the Lingo

The two committees responsible for reviewing the state budget are the House Committee on Appropriations and the Senate Committee on Ways and Means. These committees function through standing subcommittees unlike other committees of the legislature. Subcommittees make recommendations on their areas of the budget to the full committee for approval. The budget process operates with its own language. If you are going to be involved in advocating for spending priorities you need to know the basics.

Fiscal years. It is important when reading the budget to consider which fiscal year is being discussed. The state *fiscal year* runs from July 1 to the following June 30 and is numbered for the calendar year in which it ends. The *current fiscal year* is the one which ends the coming June. The *actual fiscal year* is the year which concluded the previous June. The *budget year* refers to the next fiscal year, which begins the July following the legislature's adjournment. Finally, *outyears* refer to the years beyond the budget year. In the *FY 2005 Governor's Budget Report*, the actual fiscal year is FY 2003, the current fiscal year is FY 2004, and the budget year is FY 2005.

Financing of state spending. Frequent reference is made to *State General Fund* expenditures and expenditures from *all funding sources*. Expenditures from all funding sources include both State General Fund expenditures and expenditures from special revenue funds. All money spent by the state must first be appropriated by the legislature, either from the State General Fund or from special revenue funds.

The State General Fund receives the most attention in the budget because it is the largest of the "uncommitted" revenue sources available to the state. It is also the fund to which most general tax receipts are credited. The legislature may spend State General Fund dollars for any governmental purpose.

Special revenue funds, by contrast, are dedicated to a specific purpose. For instance, the legislature may not spend monies from the State Highway Fund to build new prisons. The State Highway Fund, which is the largest state special revenue fund, can be used only for highway purposes. It consists primarily of motor fuel taxes, federal grants, vehicle registration fees, a dedicated one-fourth cent sales tax, and a transfer from the State General Fund. Other examples of special revenue funds are the three state building funds, which can be used only for capital improvements; federal funds made available for specific purposes; and the Board of Accountancy Fee Fund, which can be used only to support operations of the Board.

Revenue estimates. The tool used by both the governor and the legislature to determine State General Fund revenue is the “consensus revenue estimate” prepared by the Consensus Revenue Estimating Group.

The consensus revenue estimate is important because both the governor and the legislature base their budget decisions on it. The estimate is categorized by major revenue source and covers a two-year period: the current year and the budget year.

The Consensus Revenue Estimating Group is composed of representatives of the Division of the Budget, the Department of Revenue, the Legislative Research Department, and one consulting economist each from the University of Kansas, Kansas State University, and Wichita State University. The Director of the Budget serves as unofficial chairperson of the group. The Consensus Revenue Estimating Group meets each spring and fall. Before December 4 (typically in November) of each year, the group makes its initial estimate for the budget year and revises its estimate for the current year. The results are reported to the governor, the legislature, and the public in a joint memorandum from the Director of Legislative Research and the Director of the Budget. The group meets again before April 4 to review the fall estimate and additional data. The group then publishes a revised estimate which the legislature may use in adjusting expenditures, if necessary.

Budget balancing mechanisms. This term refers to KSA 75-6701 to 75-6704. The purpose of the law is to ensure an adequate operating balance in the State General Fund. The practical effect of this provision is to target the ending balance in the State General Fund to be at least 7.5 percent of authorized expenditures and demand transfers in the budget year.

The “spending lid” statute requires that *The Governor’s Budget Report* and actions of the legislature comply with its provisions. An “Omnibus Reconciliation Spending Limit Bill” must be the last appropriation bill passed by the legislature. The purpose of the bill is to reconcile State General Fund expenditures and revenues by reducing expenditures, if necessary, to meet the provisions of the “spending lid.”

The final provision of the “spending lid” act allows the governor to reduce State General Fund expenditures in the current fiscal year, when the legislature is not in session, by an amount not to exceed that necessary to retain an ending balance in the State General Fund of \$100 million. The governor must make the reductions “across-the-board” by reducing each line item of expenditure

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by a fixed percentage. The only exceptions are debt service obligations, state retirement contributions for school employees, and transfers to the School District Capital Improvements Fund.

The State Finance Council must approve the reductions. In addition to the “spending lid” act, the governor has the authority under a statutory allotment system to limit expenditures of the State General Fund and special revenue funds when it appears that available monies are insufficient to cover expenditure obligations. This authority applies to agencies of the executive branch but not the legislature or the judiciary. Allotments can be made on a case-by-case basis and do not have to be across-the-board. Agencies have the right to appeal any allotment amount and the governor makes the final determination. The allotment system had not been used for 30 years; however, budget problems in FY 2003 required reductions to be made twice under this law.

Omnibus Appropriation Bill. Traditionally, this has been the last appropriation bill of the session. It contains any appropriation necessary to carry out the intent of the legislature that has not yet been included in another appropriation bill. Since the advent of the statutory requirement for an Omnibus Reconciliation Spending Limit Bill to be passed at the end of the session, the Omnibus Appropriation Bill has served as the reconciliation bill.

State Finance Council. The State Finance Council is a statutory body that provides a mechanism for making certain budgetary and personnel adjustments when the legislature is not in session. The council consists of nine members: the governor, the speaker of the House, the president of the Senate, the House and Senate majority leaders and minority leaders, and the Ways and Means and Appropriations Committee chairpersons.

The governor serves as chairperson of the finance council. Meetings are at the call of the governor, who also prepares the agenda. Items are eligible to receive council consideration only if they are characterized as a legislative delegation to the council. Approval of finance council items typically requires the vote of the governor and a majority of the legislative members.

Adapted from the Kansas Division of the Budget and the Kansas Legislative Research Department (2004).