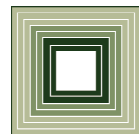


The Legislative Budget Process

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Legislative Budget Process

Overview

- Key Legal Foundations
- Biennial Budget
- Procedural Formalities
- Six Basic Procedural Steps
- Appropriations Committee Structure
- Budget Components
- Constructing an Appropriations Act
- Questions & Discussion

Key Legal Foundations



Key Legal Foundations

State Constitution

- **Governor's Budget Submission**

State Constitution requires the Governor to prepare and recommend a budget to the General Assembly [Article III, Section 5(3)]

- **General Assembly's Authority "Power of the Purse"**

"No money shall be drawn from the State Treasury but in consequence of appropriations made by law..." [Article V, Section 7(1)]

Key Legal Foundations

State Budget Act (Chapter 143C)

- Link between the NC General Statutes and the State Constitution
- Building on the provisions of the State's Constitution, the State Budget Act provides the statutory framework for preparing, enacting and administering the State's budget [*see* G.S.143C-1-1(c)]

Key Legal Foundations

State Budget Act

§ 143C-1-2. Appropriations: constitutional requirement; reversions.

(a) Appropriation Required to Withdraw State Funds From the State Treasury. - In accordance with Section 7 of Article V of the North Carolina Constitution, **no money shall be drawn from the State treasury but in consequence of appropriations made by law. A law enacted by the General Assembly that authorizes the expenditure of money from the State treasury is an appropriation;** however, an enactment by the General Assembly that authorizes, specifies, or otherwise provides that funds may be used for a particular purpose is not an appropriation. [emphasis added]

Biennial Budget



Biennial Budget

State Budget Act (Chapter 143C, Article 4)

- **Long Session**
 - Begins in odd numbered years
 - Enacted budget covers both fiscal years of the Biennium
- **Short Session**
 - Begins in even numbered years
 - Adjustments to 2nd fiscal year of Biennial Budget

Procedural Formalities



Procedural Formalities

Bills Introduced

- Each Chambers' Appropriations Chairs are required, by statute, to introduce a bill for the Governor's Recommended Current Operations Appropriations Act and Capital Improvements Appropriations Act (§143C-5-1)
- First Chamber initiating legislative budget process typically introduces its own version of a Current Operations/Capital Improvement Appropriations Act



Procedural Formalities

Begin Process

- Joint Resolution of General Assembly invites Governor to present a Recommended Budget to a joint session of both chambers (§143C-3-5(a))
- House and Senate chambers alternate beginning budget process by biennium (House is first in 2015 Session)



Procedural Formalities

Basis for Act

- First Chamber's bill is normally the legislative vehicle used to enact an Appropriations Act
- There is no requirement for the General Assembly to wait for the Governor's Recommended Budget to begin its legislative budget development process
- However, the detailed financial information underpinning a new State budget is in the Governor's "base" budget submission

Six Basic Procedural Steps



Six Basic Procedural Steps

Step 1: Governor Presents Balanced Budget Recommendations [State Constitution Article III, Section 5(3)]

Step 2: First Chamber originates, prepares and passes proposed budget legislation for consideration by the Second Chamber receiving the bill

Six Basic Procedural Steps

Step 3: Second Chamber may choose to do either of the following:

Concur in the First Chamber's budget bill and vote to enact the proposed legislation

or, the more common practice is...

For the Second Chamber to create a substitute budget bill proposal and send it back to the first chamber



Six Basic Procedural Steps

Step 4: Typically First Chamber fails to concur on Second Chamber's substitute proposal & a Conference Committee is appointed to resolve differences between each Chamber's proposed budget legislation

Step 5: Conferees from each Chamber resolve differences and a Conference Report is adopted by each Chamber to enact and ratify an Appropriations Act

Six Basic Procedural Steps

Step 6: The ratified Act is sent to the Governor for signature after which it becomes law

**Exception: The Governor can veto the Appropriations Act and set into motion a veto override scenario*



Appropriations Committees



Appropriations Committees

Full Appropriations

- House and Senate Chambers each operate “Full” Appropriations Committees
- Full Appropriation Committees are divided into subcommittees organized around functional areas of State government
- Chairs are appointed for each chamber’s Full Appropriation Committees (Full Chairs) and for each subcommittee (Subcommittee Chairs)



Appropriations Committees

Full Chairs' Role

- **Full Chairs lead Appropriations Committee**
- **Develop “big picture” approach**
 - Evaluate budget policy considerations
 - Assess “Revenue Availability”
 - Evaluate spending priorities
 - Set Subcommittee spending targets
 - Provide subcommittees with guidance
 - Focus on issues of state-wide significance that cut across subcommittee lines

Appropriations Committees

Interaction with the Finance Committee

- House and Senate each operate their own respective Finance Committees
- Finance Committees consider all legislative measures that in any way affect State revenues (e.g., fees, taxes, assessments) or debt issuances
- Full Appropriations Chairs and Finance Committee Chairs have to work together to understand how committee decisions may affect revenue availability

Appropriations Committees

Subcommittees of Full Appropriations Committee

Organized By Functional Areas of Government

Health and Human Services

General Government

Education

Transportation

Justice and Public Safety

Natural and Economic Resources

*The House has in prior years created an Appropriations Subcommittee on Information Technology

Appropriations Committees

Subcommittee Chairs' Role

- Lead Subcommittee review of agency continuation budget and programs within their topic area
- Foster subcommittee discussion of various policy issues and proposals related to their subcommittee
- Organize subcommittee recommendations concerning continuation budget, expansion budget and special provisions for the subcommittee's topic area

Budget Components



Budget Components

Base Budget (New Change)

- Starting point of Governor's Recommended Budget for a new biennium
- Reflects detailed expenditure and receipt information of the **authorized budget** with certain adjustments allowed by law
- May include increased expenditures for annualization requirements, increases/reductions for non-recurring costs, contractual rate increases for real property, adjustments to receipts, Federal payroll tax changes, etc

Budget Components

Expansion Budget

- Expand existing programs and/or start new programs
- Continue programs previously operated with non-state funds
- Provide salary & benefit increases
- Plan and construct capital projects

Budget Components

Committee Report

- Adopted by reference in each edition of the Appropriations Act
- Provides details about Legislative adjustments to the budget
- Report is not a legislative act
- Commonly called the “Money Report”

Budget Components

Appropriations Act (aka the “Budget Bill”)

- Legislative bill that sets forth revenue availability and appropriations for each agency
- Once enacted and signed by the Governor, the Act carries the force of law
- Includes “Special Provisions” which are written directives that generally provide guidance or directives on how **appropriated** funds are to be spent

Budget Components

Special Provisions

- Special Provisions provide guidance to the Director of the Budget (i.e., the Governor) on technical and policy expectations of the General Assembly
- Special Provisions are generally drafted as “Session Law”, but can incorporate statutory changes

Constructing an Appropriations Act



Constructing an Appropriations Act

Subcommittees

- Subcommittees hold public meetings to hear fiscal staff presentations about various agency budgets, related issues and proposals within their topic area
- State Agencies may make presentations or respond to questions raised through subcommittee member discussions
- Educational and Budget Analysis presentations by fiscal staff are often presented to joint House & Senate subcommittees for a topic area



Constructing an Appropriations Act

Subcommittees

- Subcommittees typically “split” from joint meetings once the chamber originating the budget bill begins to formulate specific budget decisions
- As subcommittees make their budgetary decisions, the collective decisions are compiled into a Committee Report and an Appropriations Act



Constructing an Appropriations Act

Full Committees

- These collective decisions are then debated before the Full Appropriations Committee
- Subcommittee recommendations can be amended in Full Committee



Constructing an Appropriations Act

Full Committees

- Full Appropriations Committee votes on recommendations and reports to the chamber floor a new bill and committee report to become a new edition of the proposed Act
- The proposed Act is then calendared for floor debate

Constructing an Appropriations Act

Floor Debate

- Floor debate puts the proposed Act before the whole chamber
- Opportunity for members not on Appropriations Committee to debate the legislation
- Provides another opportunity for amendments to legislation to be offered



Constructing an Appropriations Act

Readings

- Proposed Act is “read” two times before being sent to other chamber (2nd Reading & 3rd Reading)
- 2nd & 3rd readings can occur on the same legislative day assuming no parliamentary or rule prohibitions
- If the act includes a tax provision per the State Constitution, then 2nd and 3rd readings must occur on separate legislative days [Section 23, Article II]



Constructing an Appropriations Act

The 2nd Chamber

- Process typically repeats in a very similar manner in the other chamber
- Assuming the second chamber rejects the first chamber's proposed Appropriations Act, and sends back an alternative version
- A conference process is required

Constructing an Appropriations Act

Conference

- Each chamber appoints “conferees” to resolve differences in the House & Senate versions of the proposed Appropriations Act
- Conferees meet at the Subcommittee and Full Committee level
- Challenging process to coordinate and resolve differences

Constructing an Appropriations Act

Conference

- Agreements between the chambers are recorded in a Conference Report
- Conference Report is voted upon separately in each chamber by an up or down vote; vote in each chamber must be in the affirmative or the report fails



Constructing an Appropriations Act

Conference

- Conference Report cannot be amended
- Only way to change provisions of Conference Report is for it to be signed into law and amended with subsequent legislation
- Budget Technical Corrections



Questions & Discussion



Contact Us

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