Budgeting in the States

Erica MacKellar

National Conference of State Legislatures
- September – October: Agencies submit budget requests
- January: Governor submits budget to legislature
- February – May: Legislature holds budget hearings
- March – June: Legislature adopts budget
- July 1: New fiscal year begins
Annual vs. Biennial Budgeting

- 30 states have an annual budget and annual sessions
- 16 states have annual sessions and a biennial budget
- 4 states have a biennial budget and biennial sessions
Revenue Forecasting

Executive: 10 States
Consensus: 28 States
Executive & Legislative: 12 States

Source: NASBO, 2021
Balanced Budget Requirements
The Role of Fiscal Notes

- Prepared by executive branch or legislative branch
- Legislation that requires a fiscal note varies by state
- What’s in a fiscal note?
  - Direct impact to state budget for 1-2 fiscal years
- What’s not in a fiscal note?
  - Limitations of traditional fiscal notes
- Dynamic fiscal notes
Budget and Fiscal Committee Structures

- Most states have a budget/fiscal committee in both chambers
- 19 States have some sort of joint budget or fiscal committee
  - Some have both with differing responsibilities
    - Oversight and other fiscal responsibilities
    - Jurisdiction over the budget
- Some Joint Committees are very powerful
  - Examples: Arizona, Colorado and Wisconsin
Appropriation Bills

- 15 states have one omnibus appropriations bill
- 35 have multiple appropriation bills
  - Many have two, an operations bill and a capital budget bill
Legislative Control Over the Budget

- Only the legislature can appropriate funds
- In practice, the governor’s proposed budget drives the discussion
- In six states, the legislature drafts an independent budget
  - Arizona, Colorado, New Mexico, Oklahoma, Mississippi and Texas
What if a budget is not enacted by the start of the fiscal year?

- Continuing resolutions or temporary spending plans
- Automatic continuation
- Courts rule some funding continues
- Partial or full government shut down
Control Over the Enacted Budget

- Governors tend to have more control than legislatures
  - Part-time nature of most legislatures
- In a majority of states, the governor has the authority to withhold funds to agencies
  - A threshold exists in some states
- Governors have the authority to transfer funds
- In most states, the governor can spend some unanticipated federal funds without legislative approval
State General Fund Tax Reliance

- Personal Income: 8.40%
- General Sales Tax: 5.00%
- Selective Sales Taxes: 36.40%
- Corporate Income Tax: 2.10%
- Property: 16.10%
- Other: 31.20%
State Tax Structures

States without Personal Income or Sales Taxes

- **No Personal Income Tax**: 7 states
- **No Sales Tax**: 3 states
- **No PIT or Sales Tax**: 2 states
Wrap-Up

- State budgeting is complex and nuanced
- No two states have the same process
- There’s no wrong way to budget
- States develop a process that works with their traditions and priorities
Thank you!

Erica MacKellar

erica.mackellar@ncsl.org

303-856-1403