IX. APPENDIX

The State Budget Process

Overview: The State of Connecticut uses a biennial budget process. In odd-numbered years (2013, 2015), the Governor presents a recommended budget for the next two years at the beginning of February[7]. The Governor's budget recommendations are formulated by the Office of Policy and Management (OPM). In even-numbered years (2014, 2016), the Governor reports on the status of the biennial budget and makes recommendations for revisions and adjustments if they are needed. The state's fiscal year runs from July 1 through June 30.

Budget Formulation: The process begins in July when OPM sends instructions to agencies to prepare: (1) a current services funding level and (2) a list of options for expenditure or revenue changes above or below the current services level. From September through October, OPM budget analysts review requests and prepare recommendations. The Governor and the Secretary of OPM review the recommendations and make adjustments.

In February the Governor presents to the legislature: 1) a budget message; 2) recommendations for appropriations (spending) for every agency; 3) revenue projections; 4) drafts of the appropriations, bonding and revenue bills that implement the recommendations; and 5) a report on the state's economy.

The General Assembly (legislature) has the ultimate "power of the purse," which is to appropriate (authorize to spend) public funds and raise revenue. In February, the legislature's Appropriations Committee begins its review of the Governor's recommendations by holding public hearings on each agency's budget. This is followed by work sessions[8] with subcommittee members, agency heads and staff from the Office of Fiscal Analysis (OFA)[9]. The purpose of these sessions is to produce recommendations that are presented to the Appropriations chairs, who decide what will be included in the final version that is voted on by the committee.

Similar action is taken by the Finance, Revenue and Bonding Committee, which reviews the Governor's revenue-related and capital projects (bonding) recommendations.

Passage: After the Appropriations and Finance Committees approve a budget and tax package, the House and Senate leaders, usually in consultation with the Governor's

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[7]The Governor is responsible for: (1) recommending a balanced budget to the legislature and (2) executing the budget passed by the legislature.

[8]The Appropriations Committee has sub-committees that review the budgets of agencies grouped by function of government.

[9]The Office of Fiscal Analysis is the legislature's non-partisan budget office.

Office and OPM, work to develop final versions of the budget, revenue and bonding bills. Both chambers vote on the final versions and if they are approved by the legislature, such bills go to the Governor to be signed.

The budget bill is called the **appropriations act** after it is signed by the Governor. The legislature also passes enabling legislation called **implementer bills** that contain the policy provisions to put the state budget into effect. There are often three implementer bills: (1) general government, (2) human services and (3) education. Sometimes more implementer bills are needed.

The revenue bill or **tax package** contains all revenue-related provisions.

The bond bill(s), also known as the **bond package,** authorizes funds for capital projects[10], financial assistance programs and transportation-related projects.

In some years, legislative leaders choose to combine the tax package, bond bills and appropriations bill into a single document.

Budget Execution: Agency appropriations are administered by OPM budget staff through quarterly allotments. The Governor may restrict allotments due to a change in circumstances, or when estimated budget resources will be insufficient to fully finance appropriations.

Bond funds are allocated or made available for expenditure by the State Bond Commission, a joint executive-legislative body. Bond authorizations continue to be available for allocation until they are canceled by the legislature.

Spending Cap: The cap on general budget expenditures, which was passed in 1991, specifies that expenditures may not exceed prior year spending by more than a given percentage[11]. The cap calculation exempts: (1) debt service expenditures, (2) grants to distressed municipalities in effect on July 1, 1991, (3) the first year of spending on court orders and federal mandates, and (3) transfers to the Budget Reserve Fund. The cap can only be exceeded if: (a) the Governor declares emergency or extraordinary circumstances and (b) a three-fifths vote of the General Assembly to do so.

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[10]Capital projects include new state-owned facilities and equipment, and improvements, repairs and additions to existing state-owned facilities. Financial assistance programs are administered by state agencies and provide funds to municipal and non-government entities through grants and/or loans.

[11]The percentage is the greater of: (1) the average percentage increase in personal income over the preceding five years as determined by the U.S. Bureau of Economic Analysis or (2) the percentage increase in inflation during the preceding twelve months as determined by the U.S. Bureau of Labor Statistics.