

What Is the State Budget?

The state budget is the collection of laws which determine how the state collects and spends resources. It is passed each year by the State Legislature and includes spending decisions for each service that the state provides and revenue decisions affecting every state resident.

Key Terms

Appropriation – A law that allows the state to spend money. State appropriations pay for various state services including: education, highways and public health. Each year the state enacts around 120 appropriations bills.

An **appropriation** is a law that allows the state to spend money. State appropriations pay for services like education, criminal justice and public health. Appropriations are distributed among state agencies with responsibilities for certain services. For example, appropriations for education are allocated to the Department of Education and appropriations for highway construction are allocated to the Department of Transportation. Each year the state enacts around 120 appropriations bills.⁸

For Fiscal Year (FY) 2013, the Legislature appropriated \$18.2 billion.⁹ This money comes from three types of funds:

- 1 General Funds
- 1 Special Funds
- 1 Federal Funds

General Funds

General Funds come from general state tax collections and pay for key services provided by the state, including K-12 education, colleges and universities and corrections. The Legislature has significant discretion about how these funds are spent. During strong economic times, the Legislature may use General Funds to cover costs associated with new or expanded programs. During weak economic times, General Fund appropriations could be cut or held steady to achieve a balanced budget. When the Legislature meets in January, the budget debates that appear in the news mostly revolve around these appropriations.

Special Funds

Special Funds are established through state statute or constitutional provisions that earmark funds for a specific purpose. Like General Funds, they must be appropriated annually, but they are not generally subjected to the same level of debate.

Some Special Funds are supported by fees, fines or assessments. Others can be funded through special taxes. For instance, regulatory/licensing agencies charge licensing fees and assess fines which go to support their operation. The Medical Licensure Board and the Board of Dental Examiners are two agencies that receive funding through licensing fees. The Department of Transportation is an example of a Special Fund agency that derives some of its funding through a tax on fuel. Many Special Fund agencies, like the Medical Licensure Board, receive all of their funding from Special Funds.¹⁰ Other agencies, like the Department of Human Services, receive funding from a combination of Special Funds, General Funds and/or Federal Funds.

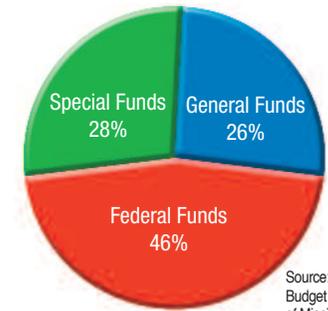
Federal Funds

Federal Funds are earmarked by the U.S. government for specific state programs. They are appropriated annually by the Mississippi Legislature but must be spent in keeping with federal rules. Depending on the rules associated with each program, the Legislature may have more or less flexibility in how the funds are spent.

Figure 1 displays state appropriations by fund type.

The appropriations for FY 2013 include \$4.7 billion in General Funds, \$5.2 billion in state-funded Special Funds, and \$8.3 billion in federally-funded Special Funds.

Figure 1: Total Appropriations (\$18.2 Billion) in State and Federal Funds FY 2013



Source: Joint Legislative Budget Committee State of Mississippi Budget FY 2013 Enacted Budget

State Support Funds

Another way to classify funds is by state support. State Support Funds include both State General Funds and State Special Funds. However, Federal Funds and agency-generated Special Funds are not included in this category.

Significant State Support Special Funds:¹¹

- Budget Contingency Fund:** This fund was formed to receive transfers from other fund sources (Special and General). FY 2002 marked the first use of the Budget Contingency Fund to supplement the State General Fund. Any funds spent from the Budget Contingency Fund are considered non-recurring. A *non-recurring fund transfer* is a transfer of funds for a one-time expense that is unlikely to happen again.
- Health Care Expendable Fund:** The Health Care Expendable Fund was created to receive transfers from the Health Care Trust Fund that are authorized by state statute. As a result of the lawsuit won against tobacco manufacturers, the Health Care Trust Fund receives the court-ordered payments due to our state. These funds can only be appropriated for health-related purposes.
- Education Enhancement Fund:** The Education Enhancement Fund was created for the supplemental support of K-12, Two-Year Colleges and Four-Year Institutions of Higher Learning. State statute requires that a percentage of state sales tax collections be deposited into the Education Enhancement Fund. These funds are then allocated based on a statutory formula to K-12 Education, Two-Year Colleges and Four-Year Institutions of Higher Learning.
- Tobacco Control Fund:** This fund was created for the support of our state's tobacco cessation programs. It began as a result of the lawsuit won against tobacco manufacturers and receives a portion of the court-ordered payments due to our state.

Recently, the American Recovery and Reinvestment Act (ARRA) Funds were also considered state source funds as they were used in a manner similar to General Funds for FY 2009, FY 2010 and FY 2011.

Key Terms

Fiscal Year (FY) – The yearly accounting period for which budget decisions are made. The fiscal year for the state of Mississippi extends from July 1 of one year to June 30 of the next. A fiscal year is referred to by the calendar year in which it ends. For example, FY 2012 began on July 1, 2011 and ended on June 30, 2012.

Budget Appropriation Process – The process through which the State Legislature and Executive Branch work together to:

- Identify the state’s needs for the upcoming year;
- Determine how much money is available; and
- Designate projected money available for the funding of state services for the next fiscal year.

How Is Our State’s Budget Created?

Each year, the Mississippi Legislature comes together to make decisions about how state funds will be spent in the upcoming **fiscal year**. This process is called the **Budget Appropriation Process**. *Figure 2* illustrates the steps in the timeline of the budget process.

Key steps of this process include:

- Budget Hearings,
- Revenue Estimate,
- Governor’s Budget Recommendation,
- Joint Legislative Budget Committee Budget Recommendation,
- Legislative Session/Appropriations, and
- Budget Actions After Budget Adoption.

Budget Hearings:

Agencies must make decisions about their budget needs and priorities and submit their budget requests for approval by the Legislative Budget Office (LBO) and the Governor by August 1st. In September, the **Joint Legislative Budget Committee (JLBC)** conducts hearings to discuss all of the agency budget requests. Budget hearings give committee members a chance to ask specific questions of agency directors. Hearings are open to the public and usually take place two to three weeks after Labor Day.

Revenue Estimate:

In October, the **Revenue Estimating Committee** examines economic trends and develops an estimate of the amount of revenue the state will collect from existing sources in the next fiscal year. Its assumptions are based on current economic indicators and its opinion about the economy’s growth potential. The committee submits the estimate for approval by the Governor and the JLBC. If adopted, the revenue estimate serves as the baseline for all appropriations in the upcoming fiscal year. The final budget must be balanced.

Governor’s Budget Recommendation:

The Governor submits a balanced budget recommendation for the upcoming year to the Legislature and agency heads by November 15th. This budget must not exceed 98% of the jointly adopted General Fund revenue estimate plus any balance that will remain from the current year’s budget.

Joint Legislative Budget Committee Budget Recommendation:

The JLBC must submit its balanced budget recommendation to the Legislature and to agency heads by December 15th. Like the Governor, the Committee can consider only 98% of revenue forecast plus surplus amounts. The JLBC’s recommendation is used as the starting point for debate on appropriations bills.

Figure 2: Mississippi State Budgeting Process Annual Timeline

June	August	September	October	November	December	January - March/April	April/May
Automated Budget Request System (ABRS) program released for download.	Agency Budget Request due to the Legislative Budget Office (LBO) and Department of Finance and Administration (DFA) by August 1 st . Five year plans are due August 15 th .	Joint Legislative Budget Committee (JLBC) holds Budget Hearings to consider agency budget requests and state revenue estimates.	Revenue Estimating Committee examines economic trends and develops revenue estimate. Governor and JLBC adopt revenue estimate.	JLBC meets to finalize the Legislative Budget Recommendation (LBR). Governor’s Budget Recommendation is due. Revenue estimate is released by the Revenue Estimating Committee.	JLBC meets to adopt LBR. Legislative Budget Book published.	Legislative Session convenes during the first week of January and closes around April 1 st . Appropriations bills adopted near end of Session.	Post Session LBO Bulletin published.

Source: Mississippi Legislative Budget Office, Budget Process Cycle, 2012

Legislative Session/Appropriations:

The Legislative Session convenes during the first week of January and closes around April 1st. Draft bills are divided between the House and Senate Appropriations Committees and further divided by subcommittee, usually by agency function. During the Legislative Session, the Legislature may decide to suspend the law requiring the 2% be set aside. Then, both houses must adopt the conference reports on the appropriations bills (generally five to six days before the end of the session). If approved, the bills are sent to the Governor for his signature.

Budget Actions After Budget Adoption:

If, after the Legislative Session is over and appropriations laws have been passed, it becomes apparent that expenditures will exceed revenues—that a deficit exists—the Governor may cut state spending to bring the current year back into balance. The State Fiscal Officer, appointed by the Governor, may cut up to 5% in any manner, but any cuts above 5% of the enacted budget must be executed as a uniform percentage of all General Funds.

The work of the Revenue Estimating Committee underscores one of the most important attributes of the state budget process: *spending can only occur to the extent that funds are available.*

Based on the revenue estimate, the Governor must submit a balanced budget recommendation to the Legislature by November 15. The Joint Legislative Budget Committee must respond with its own balanced budget recommendation by December 15. This Committee's recommendation is used as the starting point for appropriations bills when the Legislative Session convenes in January. The House of Representatives and the Senate spend the next few months debating, amending and voting on budget bills. Appropriations bills in their final form must be passed by a deadline established in the legislative calendar (usually five to six days prior to the end of the Legislative Session).¹² Upon their passage in the Legislature, the appropriations bills are sent to the Governor who signs them into law.

Key Terms

Joint Legislative Budget Committee

The Joint Legislative Budget Committee (JLBC) is composed of 14 legislators, half from the Senate and half from the House of Representatives. The Committee is chaired by either the Lieutenant Governor or the Speaker of the House of Representatives and the chairmanship alternates between them on an annual basis. In the Senate, the Chairman of the Senate Finance Committee, the President Pro Tempore and the Chairman of the Senate Appropriations Committee are standing members of the JLBC. The Lieutenant Governor names three additional members of the Senate to the Committee. In the House, the Chairman of the Ways and Means Committee and the Chairman of the Appropriations Committee are standing members. The Speaker of the House appoints four additional members of the House to the Committee. The staff of the JLBC is called the Legislative Budget Office (LBO).

Revenue Estimating Committee

Each year the Governor and the Joint Legislative Budget Committee must adopt an estimate of all the General Funds that the state expects to receive from taxes and selected fees for the upcoming year. The estimates are developed by the Revenue Estimating Committee. This Committee includes the State Economist, the State Fiscal Officer, the State Treasurer, the Commissioner of Revenue of the Department of Revenue and the Director of the Legislative Budget Office. Its estimates are based on current economic indicators and its opinion about the economy's growth potential.

As in most other states, Mississippi's budget is required to be balanced. This means the Legislature is required by state law to pass a budget with the expectation that spending will not exceed revenues for the coming fiscal year. Specifically, proposed budgets of the Governor and the Joint Legislative Budget Committee and the final enacted budget cannot exceed 98% of projected revenues in a given year. The rule can be set aside if the law is amended, as it was for FY 2012, allowing total General Fund appropriations to equal 100% of projected revenues.

Throughout the process, budget recommendations and final decisions are published in a number of key documents that are available to the public. These documents are listed in the box below:

Key Budget Documents

Agency Budget Requests: Agency Budget Requests are prepared by each state agency for consideration by the Joint Legislative Budget Committee. Agency requests contain the mission of the agency, a description of the duties and responsibilities of the agency and a five-year strategic plan for the agency that includes performance objectives and achievements. The request also contains the agency's financial data for the prior and current years as well as their request for the upcoming fiscal year. Depending on its complexity, an agency's budget request can range in length from around 15 pages to several hundred pages. Agency budget requests can be viewed in print by contacting the Legislative Budget Office (www.lbo.ms.gov/index.htm).

Executive Budget Recommendation: Prepared by the Office of Budget and Fund Management, this book gives the Governor's recommendation for a balanced budget for the upcoming fiscal year. It usually includes a letter to the Legislature that explains the Governor's priorities for the budget. In some states, the Governor's budget is the basis for the budget later enacted by the Legislature. In Mississippi, the Governor's budget is advisory. The FY 2013 Governor's Budget is 22 pages long. This document is available in print and a summary of the FY 2013 Governor's Budget is available online at Governor Bryant's website (www.governorbryant.com).

The Legislative Budget Report: Prepared by the Joint Legislative Budget Committee, this book gives the Committee's recommendation for a balanced budget for the upcoming year. It is generally used as the starting point for the appropriations bills that will be debated by the Legislature in January. For each General and Special Fund agency, it includes appropriations numbers for three fiscal years:

1. The amount spent during the most recently completed fiscal year,
2. The amount appropriated for the current fiscal year, and
3. The amount the agency and the committee request for the upcoming fiscal year.

This format gives the reader a good picture of each agency's recent spending history. The FY 2013 Legislative Budget Report is 672 pages long. This document is available in print from the Legislative Budget Office.

Enacted Budget Bulletin: Prepared by the Legislative Budget Office, this book is a summary of what the Legislature appropriated to each agency during the Legislative Session. The appropriations listed were passed by the Legislature and have been signed into law by the Governor. The FY 2013 Enacted Budget is 27 pages long. This document is available in print from the Legislative Budget Office and online on the Department of Finance and Administration website (www.dfa.state.ms.us).

The Nuts and Bolts of the Budget Process

- ☉ State services are funded through three primary sources:
 1. **General Fund dollars**—generated largely through state income and sales taxes;
 2. **Special Fund dollars**—raised through fees and special taxes; and
 3. **Federal Fund dollars**—sent to the state and earmarked to fund specific programs.
- ☉ Through the Budget Appropriations Process, the Legislature determines how the state's money is spent. The process occurs throughout the year and includes steps that gather input through state agency budget requests and recommendations by the Office of the Governor.
- ☉ Budget requests and recommendations are informed by reports from the Revenue Estimating Committee, which forecasts the amount of revenue that the state will have available to pay for state services in the upcoming fiscal year.
- ☉ All of the budget recommendations and the final enacted budget must be balanced and expenditures cannot exceed 98% of the state's projected revenue unless legislative action occurs.