Rockefeller College
of Public Affairs & Policy
University at Albany State University of New York

Department of Public Administration & Policy
albany.edu/rockefeller

Budgeting Process

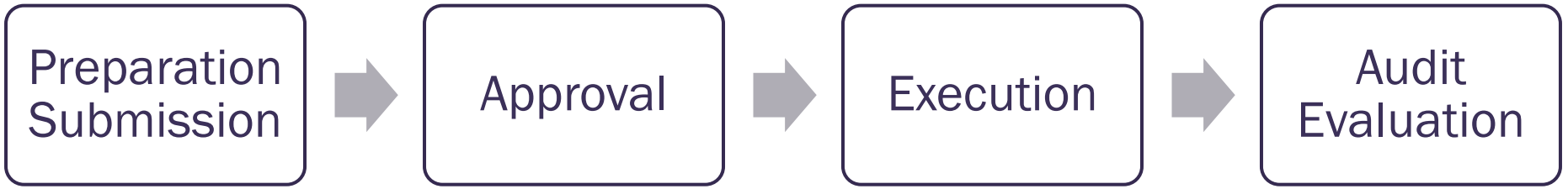
PAD 642

Gang Chen

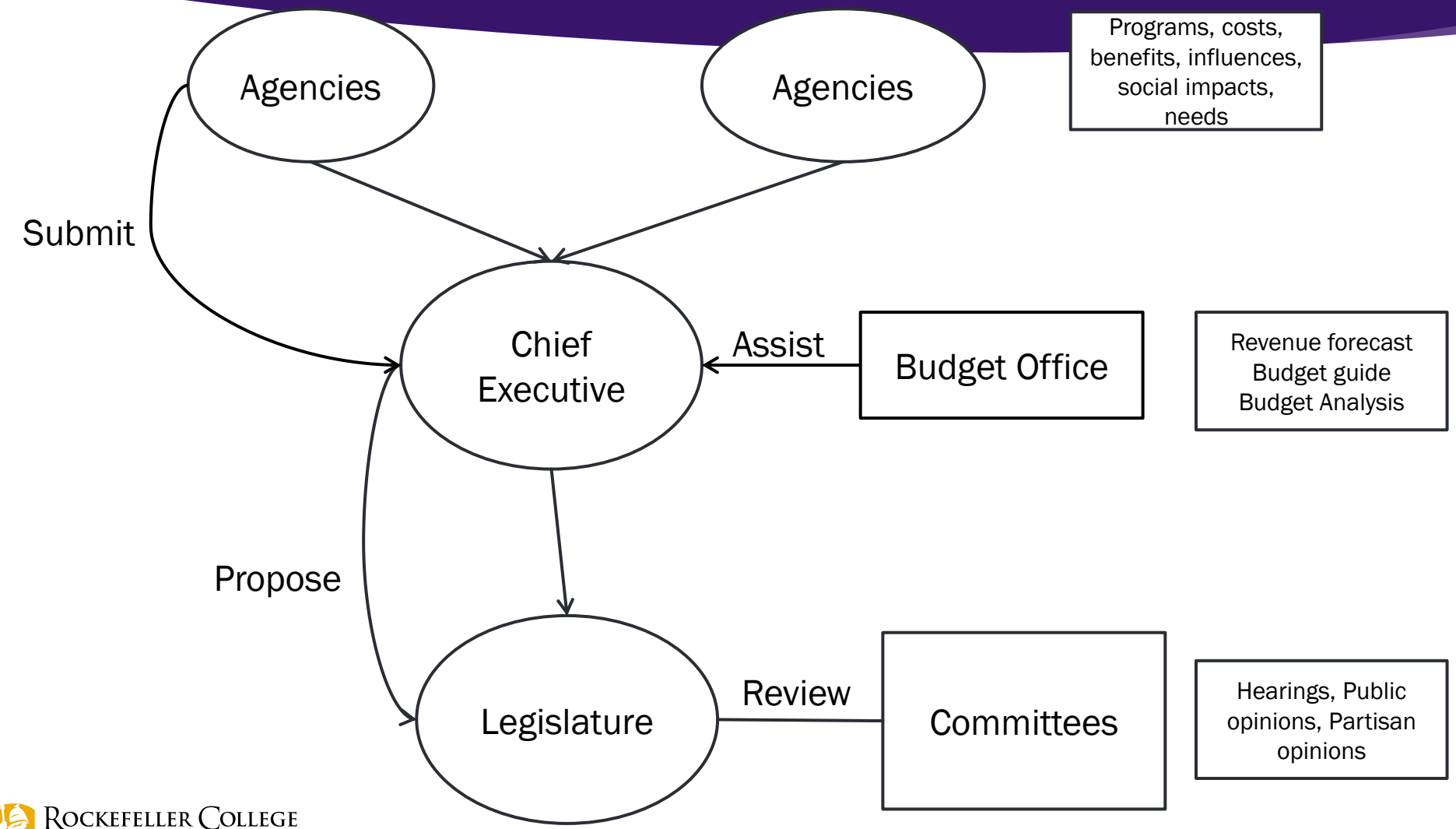
Background

- Budget: Allocates financial resources among competing public demands to achieve governments' goals and objectives.
- Budgeting process: Facilitates information flow, clarifies the roles of key actors, sets a timeline and deadlines, and allows government to be held accountable.
- Budget cycle: The recurring schedule of budgeting activities—usually one year, though some states use a two-year (biennial) cycle.
- Budget process steps: Preparation, approval, execution, and audit/evaluation.

Budget cycle



Proposed budget and enacted budget



Budget Preparation Process in general

- The chief executive (governor, mayor, etc.) sets overall budget priorities and policy direction.
- Budget office (OMB, DOB, etc.)
  - Revenue forecasting: Projects expected revenues for the fiscal year.
  - Expenditure analysis: Estimates costs to maintain current service levels and accounts for known changes.
  - Budget Gap Assessment: Identifies surplus or shortfall.
  - Executive Guidance: issues directives to departments (e.g., percentage reductions in case of a deficit).
  - Departmental Instructions: Provides detailed budget request guidelines, including timeline, formats, justification requirements

Agency Budget Request Process in general

- Agencies develop budget requests based on guidelines from the Budget Office
- Incremental Budgeting Approach
  - Focus is on changes rather than the entire base budget:
    - New Initiatives: Funding for new programs or expansions.
    - Above-Target Requests: Additional amounts beyond the baseline allocation.
    - Spending Reductions: Required cuts to meet fiscal constraints.
- Budget requests encompass all operating expenses, including:
  - Personnel: Salaries, benefits, and staffing changes.
  - Supplies & Services: Office materials, contracts, and operational needs.
  - Equipment: Capital expenditures and necessary replacements.

Executive Decision-making in general

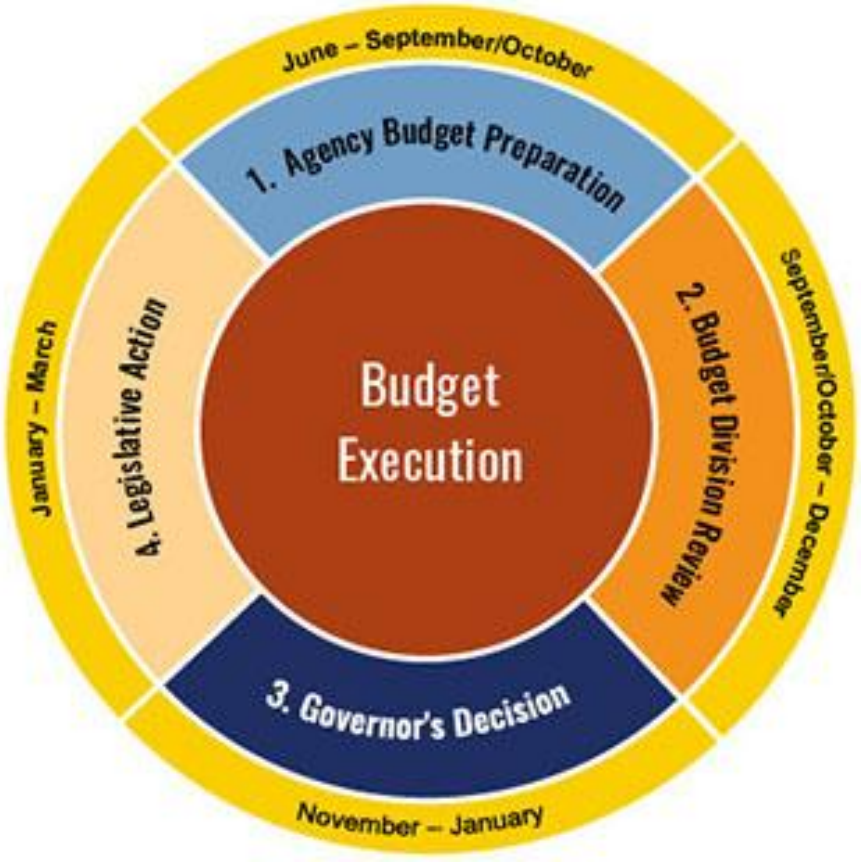
- Budget office examines agency requests
- Finance/budget director makes some decisions, where executive's priorities are clear, and negotiates with departments on some areas
- Revenue forecasts continue to be refined while expenditure requests are reviewed
- Budget director presents updated budget gap, summary of budget changes/status, and major issues/options to executive for final decisions (usually an iterative process)

Budget approval

- Types of Budget-Related Bills
  - Tax Bills: Propose changes to revenue sources.
  - Appropriations Bills: Authorize government spending for specific purposes.
- Key Steps in the Legislative Process
  - Committee & Subcommittee Review: Budget and finance committees analyze proposals.
  - Hearings: Testimony from the Budget Office, agencies, and the Chief Executive to justify requests.
  - Legislative Approval: Bills move through the legislature for debate, amendments, and voting.
  - Executive Review: The Chief Executive approves the final budget, or reject specific provisions, subject to override by the legislature.

Example: The Budget Process in NYS

- Agency Budget Preparation
- Division of the Budget Review
- The Governor's Decisions
- Legislative Action
- Budget Execution



Agency budget preparation in NYS

- Budget request processes vary by agency size, complexity, and practice. Typically:
  - Program-Level Development: Staff prepare initial requests at the program or subdepartment level.
  - Internal Review: Agency heads or fiscal officers may hold hearings where program managers present budget needs.
- Budget preparation timeline
  - May–June: Agencies begin internal budget analysis.
  - Call Letter Issuance: The Budget Director formally launches the process with a policy memorandum outlining the Governor's priorities, fiscal constraints, and submission deadlines.
  - Early-Mid Fall: Agencies finalize budget packages, ensuring alignment with the call letter and budget office guidelines before agency head approval.
- FY 2026 DOB call letter: Link

Division of the Budget (DOB) review in NYS

- Early-Mid Fall: Initial Review
  - DOB examination units analyze requests, seek clarifications, and determine funding needed to maintain current programs.
- November: Formal Budget Hearings
  - Budget Director holds constitutional budget hearings with agency heads.
  - Governor's Office & Legislature participate, discussing program priorities and funding needs.
- Late November: Budget Formulation
  - DOB examiners refine agency requests into preliminary budget and personnel recommendations.
  - Fiscal planning staff updates economic forecasts, revenue analysis, and federal funding trends.
- Early December: Final Review & Presentation
  - DOB finalizes revenue and expenditure recommendations for the Governor.
  - Budget staff compile detailed tables, narratives, and revenue forecasts to support the executive budget proposal.

The Governor's Decisions in NYS

November – January

- Governor's staff work with the Division of the Budget (DOB) while also preparing the State of the State address.
- Governor is briefed on economic and revenue forecasts to ensure alignment with executive priorities.
- A series of budget sessions between the Governor and DOB staff refine final recommendations.
- Major fiscal and policy issues are addressed, potentially leading to revisions in agency budgets.

Legislative Action on the budget in NYS

- Governor's Budget Submission (Mid-January): appropriation, revenue, and budget bills; five-year Financial Plan; Five-Year Capital Program and Financing Plan; and other financial information

<u>January to March</u>

- Senate Finance and Assembly Ways and Means analyze the Governor's spending proposals and revenue estimates, holds public hearings
- Based on their separate and joint deliberations, the two houses reach agreement on spending and revenue recommendations, which are reflected in amended versions of the Governor's proposed appropriation bills and related legislation, and approved by both houses.
- The appropriation bills, except for those items which were added by the Legislature, become law without further action by the Governor. The Governor may use the line item veto to disapprove items added by the Legislature. The Legislature may override the Governor's veto by a vote of two-thirds of the members of each house.
- The appropriation bills legally authorize the expenditure of funds during the new fiscal year.

Budget Execution in NYS

Fiscal year April 1st to March 31st

- Allocation of Funds: The Division of the Budget (DOB) approves certificates of allocation, allowing the State Comptroller to establish accounts and process payments.
- Ongoing Financial Oversight: The DOB monitors revenues and expenditures against projections. Quarterly Financial Plan updates are submitted to the Legislature.
- Debt Compliance Reporting: the Governor reports compliance with debt caps in the October Financial Plan Update.
- Year-End Reporting: After the fiscal year, the DOB issues a final report comparing actual results to budget projections and explaining changes in receipts and expenditures.