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

Department of Public Administration & Policy
albany.edu/rockefeller

Legislative budget process

PAD 642

Gang Chen

The power of the purse

- In the executive budgeting process, the legislature holds “the power of the purse” to approve the budget appropriations.
  - “The executive proposes and the legislature disposes.”
  - “No taxation without representation.”
- Legislative control and oversight are essential for democratic accountability.
- What are the main legislative bodies?
  - Federal: Congress — the Senate and the House of Representatives
  - State: State legislature — typically the Senate and Assembly/House
  - Local: City council, school board, town meeting, etc.

The tensions between executive and legislature

- Executive power vs legislative power
  - Legislative amendment authority: What can the legislature do to the executive's proposed budget? In New York State, the Legislature may strike an appropriation, reduce an appropriation, or add a new appropriation if it is introduced as a separate budget item.
  - Executive veto authority: What can the chief executive veto—a line item or only the full bill?
  - Time constraints: How much time does the legislature have to review the executive budget?
  - Information asymmetry: How much detail and supporting data do agencies and the executive provide to legislators?
  - Legislative capacity: What staff, analytical support, and other resources does the legislature have to evaluate budget proposals?

Legislative budget process

- Key Steps in the Legislative Process
  - Committee and subcommittee review: Budget and finance committees analyze the executive budget proposal.
  - Hearings: The budget office and agencies provide testimony to explain and justify their requests.
  - Committee action: Committees review, revise, and report budget bills or recommendations.
  - Legislative approval: Budget bills move through the legislature for debate, amendment, and voting.
  - Chief executive actions: The chief executive signs the final budget or vetoes specific provisions, subject to possible legislative override.

Legislative staff support

- Legislative staff support is important because it gives legislators the capacity to conduct independent analysis, rather than relying entirely on information provided by the executive.
- The executive and legislature often face information asymmetry. The executive usually has an informational advantage because agencies have larger staffs, direct access to day-to-day operations, and more complete administrative data.
- Staff support may be provided to individual legislators' offices or to legislative committees.
- At the federal level, Congress has the Congressional Budget Office (CBO), which provides budget analysis, policy analysis, and technical assistance.
- The size and professionalism of legislative staff matter, including whether staff are full-time or part-time.

Time for legislative budget review

- The amount of time the legislature has to review and approve the budget affects how much influence it can exercise over the budget.
- In theory, giving the legislature more time for deliberation allows for more thorough review and consideration.
- However, some states, such as New York, have a history of late budgets, meaning negotiations between the legislature and the executive continue past the deadline before an agreement is reached.
- Late budgets create uncertainty for those who depend on government funding, including employees, local governments, contractors, and service providers.

Legislative committees

- Legislatures debate programs and budgets through committees. At both the federal and state levels, standing committees focus on specific policy areas.
  - US congress Senate committees: https://www.senate.gov/committees/
  - US congress House committees: https://www.house.gov/committees
  - New York State Senate committees: https://www.nysenate.gov/senators-committees#committees-pre
  - New York State Assembly committees: https://nyassembly.gov/comm/
- Budget and appropriations bills are typically reviewed in committee before consideration by the full legislature.
- Committee chairs often hold substantial influence over policy and budget issues within their jurisdictions.
- A heavy reliance on committees can fragment budgeting, because decisions are often made within policy areas rather than from the perspective of the whole budget.

Important committees in the budgeting process

- In US congress:
  - House and Senate Budget Committees: draft the budget resolution and set the overall budget framework
  - House and Senate Appropriations Committees: write the annual appropriations bills
  - House Ways and Means Committee / Senate Finance Committee: write tax and revenue legislation
- In New York State
  - Assembly Ways and Means Committee: leads budget analysis and review in the Assembly
  - Senate Finance Committee: leads budget analysis and review in the Senate
  - Joint budget hearings: organized by topic area and led by the above committees
  - Committees that focus on specific policy areas such as education and health: participate in hearings and negotiations.

Public hearings

- Public hearings are a standard part of the budgeting process.
- Legislative hearings take place during the legislative review stage. Agency and department heads are asked to explain and justify their budget requests, and citizens and interest groups may also provide testimony on budget proposals.
- In New York State, budget hearings are usually organized by topic area and led by the fiscal committees, often with participation from the relevant policy committees.

Fiscal notes

- Fiscal notes are prepared for most draft legislation reported out of legislative committees.
- A fiscal note is a report that estimates the current and future costs of implementing a proposed bill.
- It may also include analysis of the purpose of the legislation, proposed funding sources, and impacts on other governments.
- Fiscal notes are typically prepared by legislative staff supporting fiscal committees.
- At the federal level, the CBO prepares fiscal notes for bills reported out of House or Senate committees.

Agency strategies to increase funding

- Executive-legislative relationships can be characterized as a cat-and-mouse game, although it is not always clear who is the cat and who is the mouse (p. 256).
- Agencies may use various strategies to increase their budgets or defend them against cuts.
- “Budget maximizer” is a term used to describe the idea that bureaucrats seek to expand their budgets as much as possible (Niskanen, 1971).
- Agency strategies may include establishing earmarked funding sources, highlighting the costly consequences of underfunding, and emphasizing the needs of the groups they serve (p. 257).

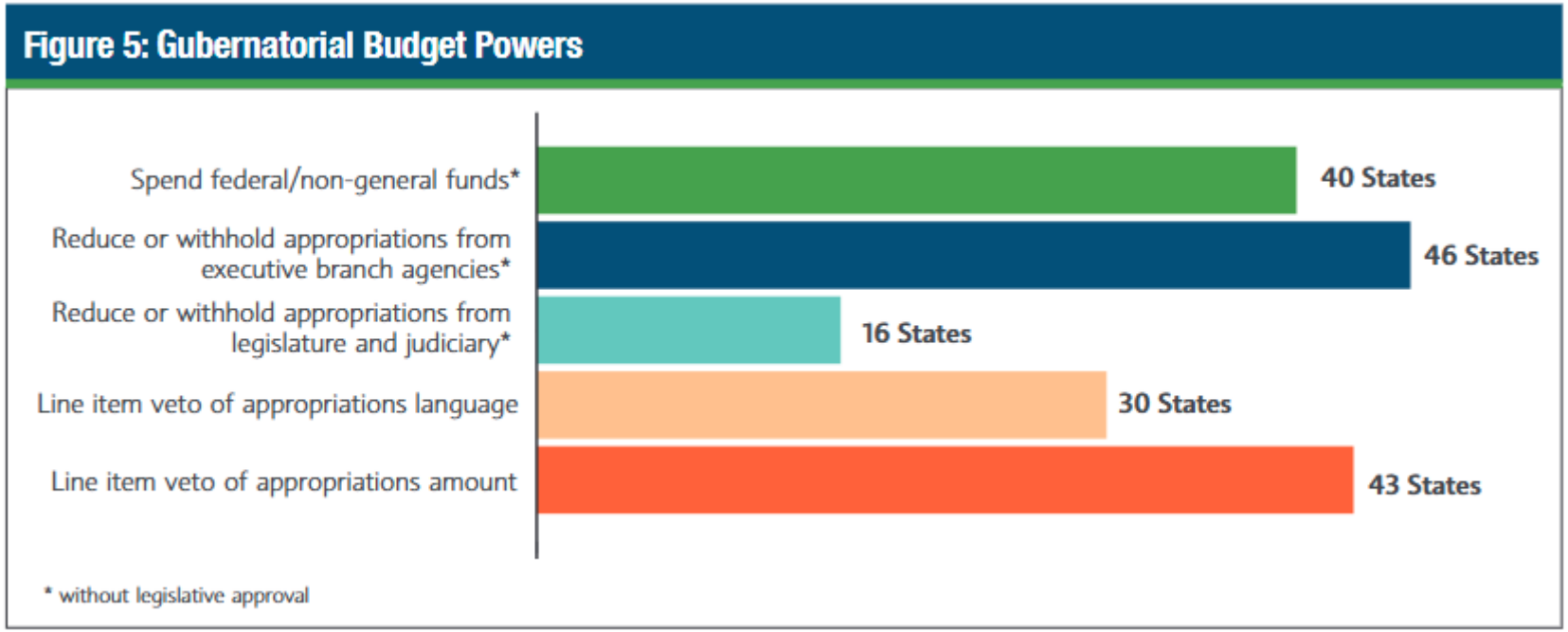
Well known agency strategies

- The “camel’s nose” strategy involves getting a small part of a project approved first, with the expectation that approval of the initial piece will make it easier to secure funding for the much larger project later.
  - For example, a local government may seek approval only for the design phase of a construction project. Once $2 million has been spent on design, that sunk cost can then be used to justify moving forward with the full $43 million construction project rather than “wasting” the initial investment.
- The “Washington Monument strategy” refers to a tactic in which agencies respond to budget cuts by threatening to reduce the most visible, popular, or consequential services. The classic example is the National Park Service threatening to close the Washington Monument. The idea is to generate public pressure against the cut.
  - Example: In local government, this might take the form of threatening to close a school when a school district faces budget reductions.

Chief Executive's Line-item Veto

- Some chief executives have authority over the budget after it is approved by the legislature.
- Some chief executives have line-item veto power. This means they can veto specific items added by the legislature rather than rejecting the entire bill. The legislature may override the veto by a supermajority vote (for example, two-thirds, depending on the jurisdiction).
- In 44 states, governors have item-veto power, which allows them to reduce or strike specific appropriations.

Gubernatorial Budget Powers



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In NYS, the legislature may not alter an appropriation bill submitted by the governor except to strike out or reduce items therein, but it may add thereto items of appropriation. These separate items added to the governor's bill by the legislature are subject to the governor's line-item veto, which can be overridden by a two-thirds vote of each house. (Lu and Chen 2016)