

Legislative Toolbox



Understanding the State Budget

by Becca Pryse, Valerie Dosland, Bill Amberg and Nick de Julio

The state budget process can seem confusing and this guide is meant to provide a basic understanding of the dynamics involved in putting together the state's financing plan. It is important to know how the budget is created and approved in order to be effective in the legislative process.

All the money spent by the state is appropriated through the state budget. During the two-year budget cycle, both the operating budget and the bonding bill (also known as the capital budget bill) are ratified for different purposes. This year the Legislature will pass its two-year operating budget.

Basics

The state operating budget, also called the biennial budget, covers the state's spending for a two-year period. This budget includes funding for things like state agencies, education, public safety, health care, agriculture, transportation, housing, natural resources, and economic development.

The capital or bonding budget is passed during even-numbered legislative sessions. It funds projects such as repair and construction of state facilities, roads and bridges, or land acquisition.

Timeline

The budget process for the biennium begins in July of even-numbered years. First, the Minnesota Department of Finance is-

sues its instructions to the various state agencies. These agencies are told to prepare their biennial budgets as well as show their funding priorities.

- **September through December:** agencies send their budgets to the Governor who develops budget recommendations through January.
- **Late November/Early December:** the budget forecast is released; this economic and budget forecast is used to help develop the budget.
- **January through May:** The budget bill, or a series of budget bills, then goes through the legislative process, is passed by both bodies, differences are addressed, and then the bill or bills are sent to the Governor for signature or veto. The Legislature must vote to approve an identical budget in each bodies. The Governor has the option of using a line item veto, allowing him to remove specific appropriation items.
- **February:** the Department of Finance releases another economic forecast which helps with further changes to the budget.

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Set by the Constitution, the Legislature must conclude its business and pass the budget by the third Monday in May. If the budget is not completed, the Governor may call the Legislature back for special session. If a budget is not passed by July 1, the beginning of the state's fiscal year, a government shutdown will occur.

In September of odd-numbered years, the supplemental budget process begins with the release of instructions to state agencies from the Department of Finance, much like the previous year. However, it is not the full biennial budget; rather adjustments are made to the budget already enacted the year before. Again in November and February, economic forecasts are released and used to develop the supplemental budget, which is released to the Legislature in mid-March. The Legislature then passes one or more budget bills, usually in early May, just before the Legislature adjourns. However, unlike the year of the biennial budget, it is not necessary for a supplemental budget to be passed to prevent a government shutdown.

In addition to the supplemental budget, the bonding bill is also approved in even-numbered years. This bill is submitted to the Legislature by the Governor in mid-January on even-numbered years, and is changed and passed by the Legislature during that legislative session.

Legislative Process

The Governor's budget recommendations must follow the legislative process, like any other bill. It needs a chief author, must pass through all the relevant committees and be passed by both the House and Senate. Differences between the House and Senate versions need to be reconciled in conference committee and finally passed in identical form by each body and signed by the Governor. By the time the Governor's recommendations reach the Legislature, they are used to by each body to begin the process of developing their own budget bills.

