

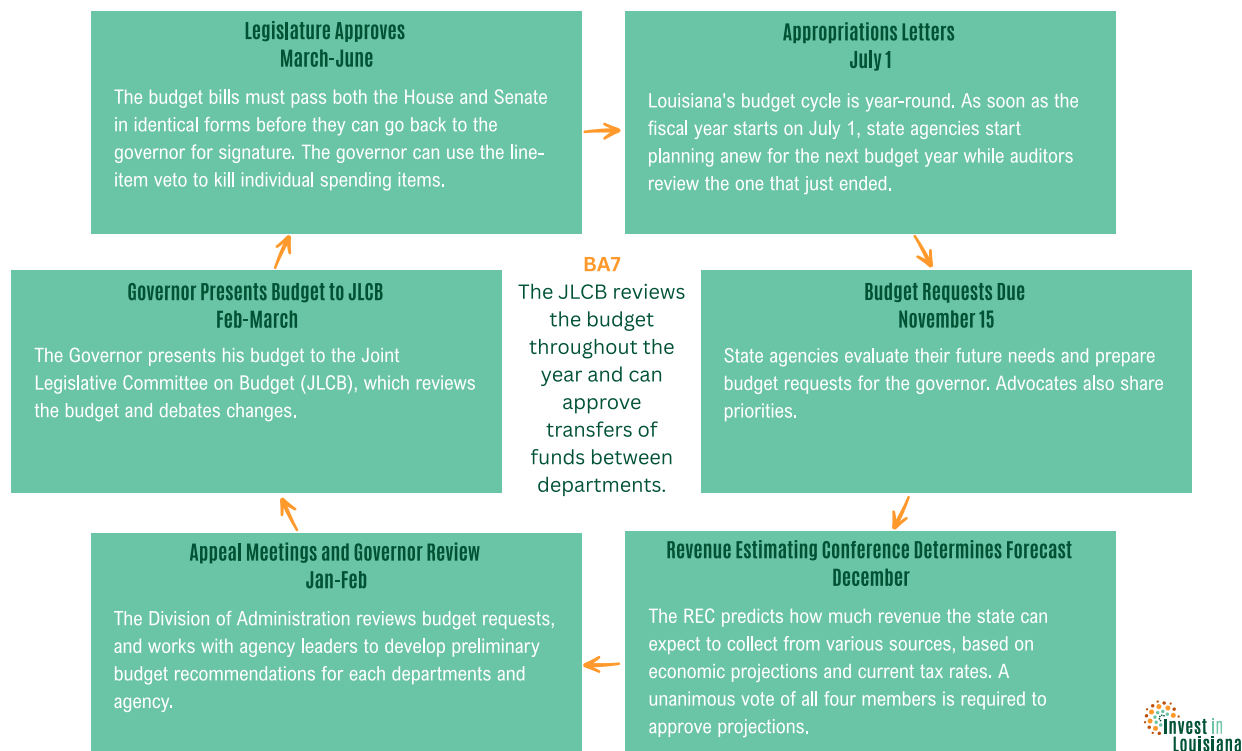
The Budget Actors

Introduction

Louisiana's budget is a statement of the state's priorities and a reflection of its values. Each year the governor and the state Legislature decide how the revenue we raise from taxes should be divided among the various needs of the state. These decisions, in turn, help determine the quality of our schools and our roads, the availability of health care, job training and police protection, and the services we provide for people who fall on hard times. All 4.6 million Louisiana residents have a stake in the state budget, and we all can play a role in how it is shaped through direct action and, crucially, through the election of the key actors in the budget process.

But direct action works best when people understand the budget process, and the key actors involved in making decisions. This document is designed to walk readers through that process.

The Year-Round Budget Cycle



Executive Budget

Louisiana's fiscal year runs from July 1 through June 30. The budget for each fiscal year is crafted by the Legislature each year during its regular session, and that is when the public is most likely to tune in. But budgeting is a year-round process, which involves a complex interplay between the legislative and executive branches.

As the state's chief executive, the governor plays the biggest role in the budget process. While governors are constrained by the constitution and state law, they still have great leeway to influence the state's spending policies and express their priorities.

The state constitution requires the governor to submit to the Legislature an executive budget that

details all proposed state expenditures for the upcoming fiscal year. The budget must be balanced, meaning that the proposed spending may not exceed the official state revenue forecast as determined by the state's Revenue Estimating Conference (REC).

Governors craft their budget recommendations with the help of the Commissioner of Administration - the state's chief administrative officer - and the staff in the state Office of Planning and Budget. The resulting recommendations are an expression of the governor's priorities, with input from executive branch departments and state agencies. State departments and agencies express these needs and strategic plans in their official budget requests submitted by Nov. 1 each year.

The governor, or their designee, presents the executive budget recommendations to the Joint Legislative Committee on the Budget (JLCB), a panel of state lawmakers [composed](#) of the members of the House Appropriations Committee, the Senate Finance Committee and the chairmen of the House Ways and Means and Senate Committee on Revenue and Fiscal Affairs.

The executive budget includes a detailed breakdown of how the governor wants to allocate money between various departments and functions - and the source (or "means of finance") of that money. State agencies are funded by the State General Fund - money that the state collects in taxes - but also through federal funds (which support Medicaid, transportation, hurricane recovery and many other programs) and "fees and self-generated revenue," which comes from things like tuition payments, entrance fees to state parks or museums, or other money the state collects from people and companies that use state services.

The deadline for the executive budget is at least 45 days before the year's regular legislative session is scheduled to begin. Governors get extra time to prepare their budget in the first year of their terms, when the executive budget is due at least 30 days before the start of the regular legislative session.

Legislative Action

Once the governor submits his or her recommendations to the JLCB, the Legislature begins a detailed review of the budget, which is divided into 20 different "schedules" and typically appears on the [Legislature's website](#) as House Bill 1. All budget bills must start in the House.

In the weeks before the legislative session begins, the House Appropriations Committee and Senate Finance Committee hold public hearings on the budget proposal. Cabinet secretaries and other agency staff appear before the committees to discuss their budget requests, explain any significant changes in their funding requests and answer questions from legislators. Those questions often serve to highlight potential points of disagreement and friction between the governor and the Legislature.

After all state departments and agencies have had their hearings, the committees schedule a day for hearing public testimony on the executive budget proposal, where any member of the public is welcome to testify about the budget.

After the hearings, the House Appropriations Committee makes changes - or amendments - to the executive budget, and the other spending bills that make up the overall budget.

Working with their staff, and the governor's office, the Appropriations Committee develops a set of amendments - or changes - to the budget bills. With these amendments, the committee can shuffle money between different areas of the budget, to make the state's spending policy better reflect their priorities.

Much of this process plays out behind closed doors, through conversations between the chairman and House members, key stakeholders, committee staff and the governor's office staff. The chair of the Appropriations Committee typically presents the amendments - which can sometimes include hundreds of changes - as a single package, which then gets a committee vote. Committee members often use the amendment process to earmark money for specific projects or programs in House members' districts, with the most money often going to the districts of the most powerful legislators. Legislators who oppose the governor and the legislative leaders can sometimes be shut out of this process.

The release of the House Appropriations Committee's version of the spending bills is the first real chance to see how the Legislature's priorities may differ from the governor's and lawmakers' in the minority party.

In addition to the operating budget (HB 1), there are several other bills that make up the overall budget. These include the Capital Outlay bill (typically House Bill 2), which funds capital construction projects, bills that fund the Legislative and Judicial branches of state government, and a supplemental appropriations bill that moves money around in the current-year budget.

After the Appropriations Committee makes its changes, the budget bills head to the House floor for debate by the full 105-member chamber. Any member can propose amendments to the bill during these debates, which often take up a full legislative day.

The committee action and floor debate are often when the public can learn how the Legislature's priorities might differ from the governor's. Since the budget is required to be balanced, adding money to one area of the budget usually means taking it from somewhere else.

After the budget bills pass the House, the same process is repeated in the Senate, where the Finance Committee conducts a detailed review of the budget, makes changes to the spending bills and then moves those bills to the full 39-member Senate for debate.

Once the budget bills pass the Senate, they go back to the House, which can either vote to agree (or "concur") with any changes made by the Senate, or else send the bills to a conference committee where differences between the two chambers are resolved. If the bills go to a conference committee, then both chambers must approve the conference committee report - i.e., the final version of the budget - before a bill can go to the governor's desk for a signature or veto.

Lawmakers often debate the details of the spending bills until the final hours of the legislative session.

The chairs of the Appropriations Committee and the Finance Committee wield significant influence over this process. The routing of the spending bills through their committees, combined with the labor-intensive, detail-oriented nature of amending the bills gives those two lawmakers a level of prominence and power akin to the House Speaker and Senate President.

Executive Action

The final stop for budget bills is the governor's desk. Unlike U.S. presidents, Louisiana governors have the authority to [veto any line-item](#) in an appropriation bill. This means that the governor can sign a budget bill while also striking funding for individual line items. If the total appropriations of the budget exceed anticipated revenues for the fiscal year, the governor is constitutionally required to veto enough line items to bring the bill back into balance.

More often, governors use the line-item veto authority to dole out political retribution, axing funding for projects in the home districts of political rivals. The Legislature has the ability to override a governor's line-item vetoes of budget bills, but has never done so. After final approval, the legislation is implemented by the executive branch.

Revenue Estimating Conference

The Revenue Estimating Conference (REC) is established in the state constitution and plays a critical role in the budget process. It is charged with determining the official forecast of how much money the state has available to spend. The REC is made up of four members: The Speaker of the House of Representatives or his or her designee, the President of the Senate or his or her designee, the governor or their designee (typically the Commissioner of Administration), and an economist from a university or college in Louisiana.

For a revenue forecast to become official, it must be approved by a unanimous vote of the REC.

The REC picks one of two revenue forecasts - one prepared by the chief economist of the Legislative Fiscal Office, and another prepared by an economist at the Division of Administration. The economists prepare their forecasts using economic models that try to predict how much tax revenue Louisiana is likely to collect from various income sources, such as sales taxes, income taxes, and taxes from oil and gas production.

The REC meets periodically throughout the year to review and update the revenue forecast, but two meetings hold special significance in the development of the state budget: In December, the REC adopts an updated forecast that is used by the Division of Administration in preparing the executive budget recommendations. The REC usually meets in May to update the revenue forecast, as the Legislature has control of the budget.

The REC often adopts the more conservative of the two economists' forecasts at the December meeting. That way, when the forecast is updated in May with more up-to-date economic data, state revenues are often higher than originally projected. This gives the Legislature more money to spend as it finishes working on the budget.

This isn't always the case. If the economy goes into a sudden recession, or Louisiana experiences a disruption in economic activity due to a natural disaster or other event, the REC sometimes has to downgrade the revenue forecast. When that happens, the Legislature (through the Joint Legislative Committee on the Budget) has to cut the budget to ensure that it stays balanced.

Implementation and Mid-Year Adjustments

Just like the revenue forecast, the state budget represents a best-guess estimate of what it will cost to provide government services during the course of a year. It's impossible to predict exactly how many people will need Medicaid services, how many children will attend public schools, and how much it will cost to provide those services. For that reason, the budget always needs to be revised during the fiscal year.

The primary mechanism for these adjustments in Louisiana is the BA-7, a formal request from a state agency for a mid-year budget adjustment. Some of these adjustments can be approved by the Division of Administration, but others require the consent of the Joint Legislative Committee on the Budget. The JLCB meets monthly when the legislature is not in session to consider these requests and receive updates from state economists and budget officials on all other matters pertaining to state

revenues and their expenditures.

Important Terms

Appropriation: The authority to spend a specified amount of money.

BA-7: A request from an executive branch agency for a mid-year budget adjustment. Some may be approved by the commissioner of administration and others require JLCB approval to become effective.

Budget Request: A proposed operating budget for the next fiscal year. Created each year by each budget unit and submitted to the Division of Administration by Nov. 1

Carryforward Appropriations: Appropriations from the prior fiscal year that are budgeted again in the new fiscal year. At the end of the fiscal year, agencies often have obligations or liabilities (such as contracts and purchase orders) for which the agency has not received the goods or services and has not provided payment for that reason. The Commissioner of Administration may, with the approval of the Joint Legislative Committee on the Budget, incorporate into the new fiscal year's appropriation any appropriations from the prior fiscal year against which bona fide obligations existed on the last day of the fiscal year. No transactions shall be approved in this manner after the forty-fifth day following the last day of the fiscal year. The Office of Planning and Budget non-recurs carryforwards each year as part of the budget development process.

Continuation Budget: A budget that illustrates the cost of providing the current level government services in future years, adjusting only for inflation and changes in use of the provided services. Presented to the Joint Legislative Committee on the Budget by the Division of Administration in January.

Excess Budget Authority: A budgeted amount that will not be spent.

Executive Budget: The budget proposed by the governor to fund operations for the next fiscal year. Proposed expenditures cannot exceed the official forecast of the REC. See [R.S. 39:34 for more detail](#). Typically becomes House Bill 1.

Existing Operating Budget (EOB): The budget for the current fiscal year, comprising the initial appropriated operating budget plus any adjustments (increases or decreases). Shows expenditures to date. The Division of Administration typically uses Dec. 1 as the standard EOB date for the executive budget presentation.

Fiscal Year (FY): The one-year period that a government or company uses for accounting purposes. The state's fiscal year runs from July 1 through June 30.

Joint Legislative Committee on the Budget (JLCB): Statutory committee which serves as the budgetary and fiscal representative of the Legislature. It's made up of the House Committee on Appropriations, the Senate Finance Committee, the chairman of the House Committee on Ways and Means, and the chairman of the Senate Committee on Revenue and Fiscal Affairs.

Line Item: An item that is listed in an appropriations bill on a separate line and may be selectively vetoed by the governor.

Revenue Estimating Conference (REC): Committee established in the constitution to prepare and publish initial and revised estimates of revenues to be received by the state general fund and dedicated funds that will be available for appropriation (“official forecast”).

Source: [Common Budget Terms, House Fiscal Division, 2024](#)

Important Legislation

General Appropriations Bill: Typically filed as HB1, provides for the annual operating expenses of state government for the upcoming fiscal year.

Capital Outlay Bill: Filed as HB2, provides funding for multi-year large-scale construction projects. Unlike the other budget bills, the Capital Outlay bill is routed first through the House Ways and Means Committee.

Ancillary Appropriations Bill: The mechanism for funding agencies that provide support services to other entities. These appropriations are usually funded with Fees, Self-Generated Revenue, and Interagency Transfers from the agency receiving the service.

Legislative Budget: Appropriates funding for the legislative branch, including the House of Representatives, Senate, Legislative Auditor, Legislative Fiscal Office (LFO), and the Louisiana Law Institute.

Judicial Budget: Appropriates funding for the judicial branch crafted by the Judicial Budgetary Control Board.

Funds Bill: Transfers money among statutorily and constitutionally dedicated funds, and can change existing funds or create new statutory funds.

Supplemental Appropriations Bill: Covers the cost of unexpected government expenses in the current fiscal year, and appropriates higher-than-anticipated revenues.

Resources

Louisiana offers a lot of online information for anyone seeking to understand the state budget.

[Office of Planning and Budget:](#) Part of the Division of Administration, here you can find links to the state budget, Revenue Estimating Conference data, and documents that break down how money is spent to support [children](#) and [early childhood](#) services. This section also includes “[supporting documents](#)” for the executive budget that includes a detailed breakdown of proposed spending in each area.

[Legislative Fiscal Office:](#) This research office serves the House and Senate. Its analysts provide “fiscal notes” on bills that affect the state budget, including tax legislation and bills that call for an increase in state spending. The LFO also publishes a “[fiscal highlights](#)” report each year that breaks down the budget, and spotlights any major changes in how the state spends its resources.

[House Fiscal Division:](#) This research division provides support for the House Appropriations

Committee and the House Ways & Means Committee. Here you can find [presentations](#) on the executive budget, broken down by agency, that were provided to committee members during hearings on the budget.

[Senate Fiscal Services](#): The Senate counterpart to the House Fiscal Division. Here you can also find budget presentations broken down by agencies and departments.