

Supplement



State Expenditure Controls:

An Evaluation



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New York, N. Y. 10020**

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FOREWORD

This Supplement to State Expenditure Controls: An Evaluation provides information on the specific expenditure control processes in use in the individual states. The main study evaluated and summarized these procedures and indicated the relative intensity with which each is employed in the States. It did not attempt for the most part to identify individual states with specific procedures.

Beginning with a summary table, covering selected control devices, this Supplement presents state-by-state detail in 32 additional tables. The numbering of the tables follows the order in which reference to them is made in the text of the study.

Topics on which additional detail is presented here include: budget preparation (tables 1-6); budget documents (tables 7-11); expenditure authorization (tables 12-22); fiscal services for appropriations committees (table 23); budget execution and review (tables 24-27); and special funds and Federal grants (tables 28-32).

Acknowledgement is due scores of individuals and groups who furnished basic information and assistance. Special thanks are due cooperating organizations in the 50 states — taxpayer groups, administrative and legislative officials in the state governments, state chambers of commerce, and members of university faculties — who provided the factual data on which the detailed tables are based. Robert W. Schleck, Senior Research Analyst, was primarily responsible for the research and preparation of this study.

The Tax Foundation is a private, non-profit organization founded in 1937 to engage in non-partisan research and public education on the fiscal and management aspects of government. Its purpose, characterized by the motto "Toward Better Government through Citizen Understanding," is to aid in the development of more efficient and economical government. It serves as a national information agency for individuals and organizations concerned with problems of government expenditures, taxation, and debt.

Tax Foundation, Inc.

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Summary of Selected Expenditure Controls by State*

*Based on reports received to September, 1965. x indicates procedure in effect; Δ and * indicate additional or qualifying information (see detailed tables in supplemental volume).

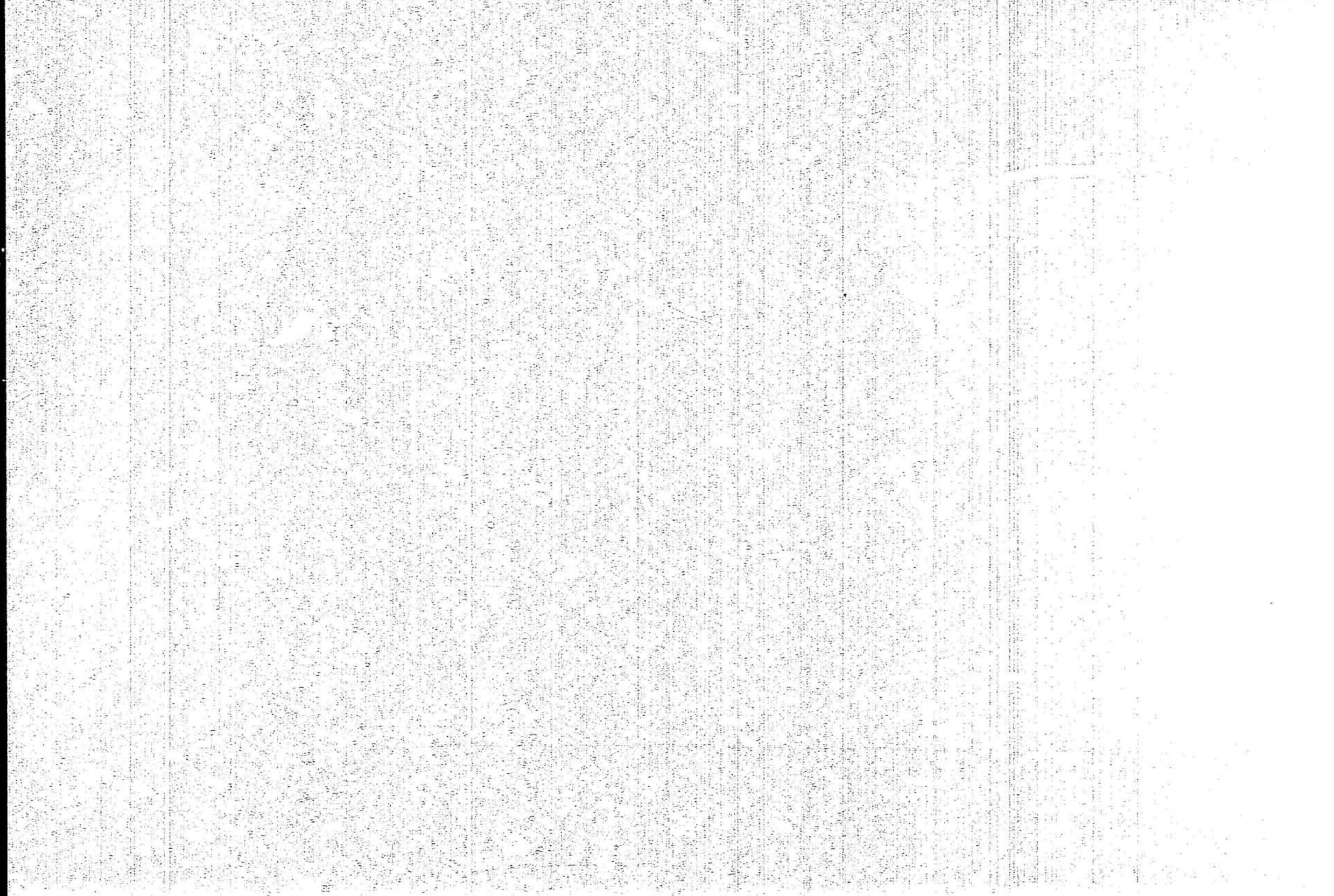


Table 1
FINAL BUDGET-DRAFTING AUTHORITY

Budget board or commission:

Florida,^a Indiana,^b Mississippi,^c South Carolina,^d West Virginia^e

Legislature:

Arkansas^f

Both executive and legislative branches:

Nebraska,^g Texas^h

Governor:

Remainder of statesⁱ

- a. Budget commission, with governor as chairman, and 6 elected executive officials.
- b. Budget committee, composed of 2 senators, 2 representatives, and budget director.
- c. Budget commission, with governor as chairman and 4 legislative officials.
- d. State budget and control board, with governor as chairman, and 2 executive and 2 legislative officials.
- e. Board of public works, composed of executive officials, of which governor is chairman.
- f. Executive budget recommendations, including those of governor, are submitted to legislative council which meets in advance of each regular session of general assembly and prepares budget for submission to general assembly.
- g. Both the governor and budget committee submit a budget. Both budgets have public hearings; however, the budget submitted by the budget committee is the one acted on.
- h. Both executive and legislative budgets are prepared, the former by the executive budget officer under supervision of the governor, and the latter by the legislative budget office under jurisdiction of the legislative budget board.
- i. In North Carolina, the governor and advisory budget commission jointly prepare budget; in case of disagreement, governor must file his own recommendations.

Table 2
LEGISLATIVE PARTICIPATION IN BUDGET-DRAFTING

State	Nature of participation
Arizona	Legislative appropriations committees hold hearings with agency heads.
Arkansas	Budget is a legislative budget; it is drafted by legislative council.
California	Legislative analyst participates in budget-drafting.
Illinois	Budgetary commission, composed of legislators, studies budget requests and makes recommendations to governor.
Indiana	Budget is drafted by budget committee; 4 of its 5 members are legislators.
Iowa	Budget and financial control committee participates.
Kansas	Appropriations committee members participate.
Louisiana	Legislative budget committee, appointed by governor, studies anticipated revenues and requests of various agencies and works with Budget office during drafting period.
Massachusetts	Staff of house committee on ways and means participates informally.
Mississippi	Budget commission consists of governor, president <u>pro tem</u> of senate, chairman of senate finance committee, and chairmen of house ways and means and appropriations committees.
Nebraska	A legislative budget, in addition to governor's executive budget, is prepared by budget fiscal analyst. The legislative budget is the one which is acted on.
New Hampshire	By statute, governor's budget committee includes chairmen of general court fiscal committees.
New Mexico	Appropriations committee members participate.
North Carolina	Advisory budget commission is composed of 6 members, of which 4 are members of previous general assembly; the other 2 are appointed by governor and may be former members of assembly.
North Dakota	Legislative auditors and budget analyst are to attend all executive budget hearings, and make an evaluation of governor's budget prior to legislative session.
Rhode Island	Members of legislature are invited to attend budget hearings at which they are allowed to ask questions or make statements relating to agency requests.
South Carolina	Budget is drafted by state budget and control board; 2 of its 5 members are legislators.
Texas	Presiding officers of house and senate, and chairmen of spending and taxing committees in both houses, are by law automatically members of legislative budget board. This board prepares a legislative budget.
Utah	State legislative auditor and director of legislative council can and do assist in budget drafting.
Virginia	Governor appoints a budget advisory board, which usually consists of lieutenant governor, speaker of house, and top-ranking members of house appropriations and senate finance committee.
Washington	State law requires the governor to invite representatives of the legislative budget committee to attend all executive budget hearings. They may ask questions and receive any information they consider necessary.

Table 3

PRACTICE FOLLOWED BY GOVERNOR AND/OR BUDGET OFFICE
IN DISCUSSING BUDGET CHANGES WITH AGENCY HEADS CONCERNED

May at times discuss:

Colorado, Delaware, Georgia, Maine, Massachusetts, Michigan, Pennsylvania

Definitely do not discuss:

Arizona,^a Indiana, Louisiana, Ohio

Definitely do discuss:

Remainder of states

a. Governor (there is no central budget office) does not make any revisions in original agency requests; these are merely passed on to legislature in original amounts.

Table 4

RANKING PROGRAM EXPENDITURE REQUESTS BY ESTIMATED PRIORITY

Practice followed:

Kentucky, Montana, Nebraska, Ohio

Practice followed in some instances:

Alaska,^a Arkansas,^b Colorado,^c Florida,^d Minnesota,^e Nevada,^f North Carolina,^g Vermont^h

Practice not followed:

Alabama, Arizona, California, Connecticut, Georgia, Hawaii, Idaho, Illinois, Indiana, Kansas, Maine, Maryland, Massachusetts, Michigan, Mississippi, Missouri, New Jersey, Oregon, Pennsylvania, Rhode Island, South Dakota, Texas, Utah, Virginia, Washington, Wyoming

Not applicable or no information:

Delaware, Iowa, Louisiana, New Hampshire, New Mexico, New York, North Dakota, Oklahoma, South Carolina, Tennessee, West Virginia, Wisconsin

- a. For certain capital improvements only.
- b. Governor often requests that priority be given to specific programs.
- c. Priorities are not worked out for operating expenditures, unless a series of new programs is requested. Then agency responsible for implementing the program may be requested to establish priorities. In the case of capital construction, the planning division establishes priorities for each project.
- d. For new programs only.
- e. There is no requirement that this be done; however, those departments which submit requests on a program basis generally rank the various parts of their proposals on a priority basis.
- f. For some departments or programs only, such as capital improvements, the state university, welfare, and the department of administration.
- g. For capital improvements only.
- h. Requests to governor for expanded activities are ranked in order of priority.

Table 5

FORM IN WHICH BUDGET REQUESTS ARE SUBMITTED TO LEGISLATURE

Original, unchanged, agency requests, only:

Arizona

Revised agency requests, only:

California, Hawaii, Illinois, Indiana, Maryland, Montana, Nebraska, New Mexico,
New York, Tennessee, Washington

Both original and revised agency requests:

Remainder of states

Other:

Alaska^a

a. Both original and revised agency requests are submitted to senate and house
finance committees; however, budget document submitted to entire legislature
contains only revised requests.

Table 6

AGENCY PRACTICE IN REQUESTING MORE FUNDS THAN APPROVED
IN BUDGET SUBMITTED TO LEGISLATURE

Agencies are not permitted to request more funds:

Alaska, Maryland, Pennsylvania, South Dakota, Tennessee, West Virginia

Practice varies, or situation indeterminate:

Alabama,^a California,^b Connecticut, Hawaii,^b Minnesota,^b Missouri,^b Montana,^c
New Jersey,^b New York,^d Ohio,^e Oklahoma,^f Rhode Island,^b Vermont,^b Washington^e

Agencies are permitted to request more funds:

Remainder of states

- a. Agencies are permitted to request more funds in some cases.
- b. Although agencies can request more funds, it is unusual for them to do so.
- c. Agencies are not permitted to request more funds as permissible parts of the budget. However, public employees are not prevented from attempting to influence legislative committees to increase appropriations for their functions.
- d. Agencies are not prevented by law from making such requests; however, in practice they do not do so.
- e. Agencies under direct control of governor are not expected to make requests for additional funds; this does not hold true for special or independent agencies.
- f. Only on an informal basis.

Table 7
TYPES OF BUDGET DOCUMENTS IN USE

State	Budget Type
Alabama	Expenditure object budget.
Alaska	Combination program-object of expenditure budget.
Arizona	Compilation of agency requests, based on line-item and expenditure object. Individual agencies may present requests on program basis; however, total budget is not so organized.
Arkansas	Budget document is known as budget manual; contains comparative expenditure data for each agency, agency request for biennium, and recommendations of both governor and legislative council in regard to each request. Budget is organized on line-item basis.
California	Line-item and expenditure object; however, some explanation of program objectives is contained in budget document as introduction to each line-item or expenditure object unit. For fiscal 1965, sample program-type budgets were prepared for three state agencies; plans reportedly included extension of program method for seven additional departments for fiscal 1966.
Colorado	Could be described as "modified program budget," with performance data; entire document is organized by program and by object of expenditure by agency; programs are developed and used by each state agency, department, or institution.
Connecticut	Budget contains some program information, with a line-item break-down.
Delaware	Line-item and expenditure object budget; however, occasionally a new program is presented on a program basis for the first year.
Florida	Combination of program and line-item.
Georgia	Combination program and expenditure object budget.
Hawaii	Primarily semi-performance type, with lump-sum appropriations for departments. However, for certain activities, such as social services, much of education budget, and certain health appropriations, expenditure requests are apparently presented on a program basis.
Idaho	Each agency documents in detail (by expenditure object), spending proposals for all its program activities. Supplement to budget provides line-item detail for personnel.
Illinois	Budget document contains detailed appropriations requests based on expenditure object, accompanied by descriptions for individual programs. Progress has been made in recent years in presenting budget on program basis. As new programs develop, data are formulated as to cost of such programs on current and future basis.
Indiana	Combination program — object-of-expenditure budget.
Iowa	Line-item budget.
Kansas	In 1955 the budget document was completely reorganized on a program basis. However, by law the budget must also include summary of expenditures by object.
Kentucky	Budget document could be described as "modified program budget." Expenditure proposals for education, and health and welfare, which together constitute the bulk of total general fund spending, are presented largely on program basis.

Table 7 (Continued)
TYPES OF BUDGET DOCUMENTS IN USE

State	Budget Type
Louisiana	Budget requests are based on objects of expenditure, and expenditures are ordinarily made in accordance with line-item amounts. There is practically no program basis, although a few agencies do provide some program information.
Maine	Line-item budget.
Maryland	Budget document organized on program and performance basis, with line-item detail.
Massachusetts	Budget document has been described as an "invisible line-item" type. Lump-sum appropriations must conform to an extremely detailed line-item budget.
Michigan	Budget document has been described as line-item, or expenditure object (lump-sum budgeting has also been used). However, about 50% of general fund-general purpose budget would reportedly qualify as being program-oriented, in the broadest sense. Entire budget document is apparently in the process of being reorganized on program basis. In 1965, the legislative appropriations committees requested the budget division personnel to prepare extensive program analyses of four departments for the 1966-1967 executive budget. Presumably, following legislative trial and experience, this approach will be extended to other state activities.
Minnesota	Budget is described as being functional by object of expenditure. However, some departmental budget requests do contain detailed program information.
Mississippi	Budget is generally organized on an object of expenditure basis. However, some agency budget requests are presented on a program basis.
Missouri	Each agency is listed with recommendations for appropriations, by fund, for each major expenditure object. Program items are supplemental to object items.
Montana	Budget document is based on a program presentation by agency, with expenditure object justification. The long-range capital construction program is contained in a separate publication.
Nebraska	Budget document used for the 1965-1967 fiscal period is to be organized entirely on a program basis.
Nevada	Budget is organized on line-item and object of expenditure basis, with some program information.
New Hampshire	Expenditure-object budget, but submitted on basis of agency programs.
New Jersey	Budget document is described as being line-item under object of expenditure, slightly modified. Major workload data are reported on program basis in many agencies, and program budgets have been developed by several departments (chiefly those receiving Federal funds). New expenditure programs usually appear as a line-item with program description. However, after one or two years, the program listing disappears and appropriations are allocated among object of expenditure accounts. Legislature has rejected suggestions for a program approach to budget.
New Mexico	Line-item budget.
New York	Line-item budget, with program detail for new programs, and decreases in existing operations.

Table 7 (Continued)

TYPES OF BUDGET DOCUMENTS IN USE

State	Budget Type
North Carolina	Budget document is generally organized on an executive program basis, with line-item detail. General format has reportedly been by program for past 30 years.
North Dakota	Budget organized by line-item for major functions (expenditure objects). In the past some items were presented by program.
Ohio	Budget document described as approach to program budget, with object of expenditure breakdown. All functions necessary for program (and also performance) budget are carried out by department of finance, although the budget document, when printed, does not reflect much of this prior work. However, the figures contained in the budget do indicate the major policy goals to be achieved, a presentation of a plan for attaining these objectives, and an estimate of the costs involved.
Oklahoma	Expenditure-object budget.
Oregon	Program and performance budget, with object of expenditure breakdown.
Pennsylvania	Budget document entirely on program basis, with <u>no</u> line-item detail. This procedure was instituted in 1957.
Rhode Island	Budget document organized by object of expenditure. However, explanations of programs and program and performance data are also included.
South Carolina	Line-item budget, with some program and performance data.
South Dakota	Line-item and expenditure object budget; however, a supplemental section presented budgets for 1964 on a program analysis basis, for informational purposes, only.
Tennessee	Expenditure requests organized by program with lump-sum expenditure requests.
Texas	Executive budget is a combination of expenditure object and program presentation. Budget prepared by legislative budget board is described as being primarily a program budget. In both executive and legislative budgets, expenditure areas for which program budgeting is the rule are: higher education, special schools, and hospitals.
Utah	Program and performance budget, with object of expenditure breakdown.
Vermont	Budget presentation is by program within each agency, and by expenditure object within each program. Present system was begun in 1963.
Virginia	Budget organized on object of expenditure basis.
Washington	Expenditure data and requests are presented by major functions, by agency within functions, by programs within agencies, and by activity and object within programs.
West Virginia	Expenditure object budget.
Wisconsin	Beginning with the 1965-1967 biennium, the budget is to be organized on a program and subprogram basis. Except for proposed expenditure increases, there is to be no breakdown by object.
Wyoming	Budget document is combination of line-item and expenditure-object types.

Table 8

STATES WITH CAPITAL IMPROVEMENTS BUDGETS

State	Comments
Alaska	Budget document contains separate section listing governor's recommendations for capital improvements.
Arizona	Each major capital improvement appropriation contained in a separate bill.
Arkansas	Capital improvements budgets usually considered separately from the regular operating budgets of state agencies and institutions.
California	Has capital budget.
Colorado	Has capital budget.
Connecticut	Budget document contains separate section setting forth departmental requests and governor's recommendations for capital improvements.
Delaware	Capital improvements budget introduced for first time in 1964 session.
Florida	Has capital budget.
Georgia	New budget statute requires 5-year projections of capital outlay requirements.
Hawaii	6-year capital improvements program is submitted annually, with the first year's expenditures recommended for adoption as a capital budget. Legislature acts only on this 1-year capital budget, and does not approve or disapprove entire 6-year projected program.
Idaho	Has capital budget.
Indiana	Has capital budget.
Iowa	Has capital budget.
Kansas	Capital improvements budget submitted with governor's budget report; projects are budgeted and explained in that document. Capital improvement supplement to the governor's budget is issued showing projects for each state agency in greater detail than in governor's budget report.
Kentucky	Has capital budget.
Louisiana	Initial capital improvements budget was scheduled to be submitted to the 1965 session.
Maine	Has capital budget.
Maryland	Has capital budget.
Massachusetts	Consists of recommended list of projects, with amounts for their financing.
Michigan	Budget division prepares 5-year, long-range, capital outlay budget annually for chief executive. This lists agency requests, presents evaluation of requests by budget division, and indicates their budget priority. Appropriations committees use this document for background information when consider-

Table 8 (Continued)

STATES WITH CAPITAL IMPROVEMENTS BUDGET

State	Comments
	ing specific capital projects. However, no formal legislative action is taken with reference to enactment of over-all 5-year capital program.
Minnesota	Has capital budget.
Mississippi	Capital budget was enacted in 1962, and first used in budget requests submitted for 1964-1966 biennium.
Missouri	There is separate listing of governor's recommendations for capital items, for forthcoming biennium only; there is no long-range planning.
Montana	Governor's recommendations for capital improvements are transmitted to the legislature in a publication prepared by the department of administration. This contains the agencies' original requests, the governor's recommendations for the ensuing biennium, and a long-range building program.
Nevada	Separate capital improvements budgets for: (a) state university; (b) other capital improvements.
New Hampshire	Has capital budget.
New Jersey	For many years annual budget has included a separate section for capital outlay. In 1964 and 1965 governor submitted a 6-year comprehensive capital improvement program. This is comprehensive in terms of the project list, but not in terms of supporting information and detail.
New Mexico	Consists of proceeds of bond issues.
New York	Capital construction projects comprise one of 3 main sections of state budget document.
North Carolina	Has capital budget.
Ohio	Has capital budget.
Oklahoma	Has capital budget.
Oregon	Has capital budget.
Pennsylvania	Biennial capital budgeting was instituted in 1959 and continued for the 1961-1962 biennium; no capital budget was issued for 1963-1964; however, a capital budget was prepared for 1965-1967.
Rhode Island	Budget document contains capital development section, which may be regarded as capital budget. There is also a capital improvement budget prepared for governor by Rhode Island Development Council. Latter document is to serve as basis for capital outlay section in regular budget. However, in practice, the two documents are dissimilar.
South Dakota	Has capital budget.
Utah	Has capital budget.

Table 8 (Continued)

STATES WITH CAPITAL IMPROVEMENTS BUDGETS

State	Comments
Vermont	Capital improvements budget is prepared by state building council staffed by personnel from state buildings division. Financing is derived from proceeds of bond issues.
Virginia	Has capital budget.
Washington	Has capital budget.
Wisconsin	Has capital budget.