

State Budget Process

**2 Executive Branch
Preparation and
Presentation of
Budget Bill**

The state's budget is termed a biennial budget because it covers a two-year period ("fiscal biennium") from July 1 of one odd-numbered year through June 30 of the next odd-numbered year (e.g., July 1, 2011 through June 30, 2013).

**2 Legislative
Branch
Consideration of
Budget Bill**

The state budget is the legislative document that establishes:

- The level of authorized state expenditures for the fiscal biennium in Wisconsin.
- The level of revenues derived from taxes and other sources projected to be available to pay for those expenditures.

**3 Governor's
Partial Veto
Authority;
Legislature's
Veto Override
Authority**

The establishment of a state budget is required by the Wisconsin Constitution. Article VIII, Section 2 of the Wisconsin Constitution provides that: "No money shall be paid out of the treasury except in pursuance of an appropriation by law." Section 5 of Article VIII is the so-called "balanced budget requirement." Section 5 of Article VIII states that:

**4 Additional Key
Concepts Related
to State Budget
Process**

The legislature shall provide for an annual tax sufficient to defray the estimated expenses of the state for each year; and whenever the expenses of any year shall exceed the income, the legislature shall provide for levying a tax for the ensuing year, sufficient, with other sources of income, to pay the deficiency as well as the estimated expenses of such ensuing year.

**5 Additional
Resources**

The state budget is the most significant and comprehensive bill the Legislature passes during the biennium, covering, in general terms, the major fiscal and operational aspects of all state agencies and local government entities (municipalities, schools, and others). The development and legislative work on the budget bill is intense and complex. The content of budget bills varies from session to session. The bill takes a lengthy (sometimes over a year) and often varying procedural road as it winds its way through the executive and legislative branches.

Executive Branch Preparation and Presentation of Budget Bill

At the start of the budget process, the State Budget Office in the Department of Administration (DOA) instructs state agencies to submit their budget requests for the next biennium in a specified form and manner, consistent with any fiscal policy directives the Governor directs agencies to follow in developing budget requests. The requests include estimates of the costs to continue or improve current agency services or create new programs or services. Agencies must submit their budget requests to the State Budget Office no later than September 15 of each even-numbered year (that is, the year before the budget is enacted).

Current law:

- Requires the Secretary of DOA to provide the Governor and each member of the next Legislature, by November 20 of each even-numbered year, a document compiling the total amount of each state agency's biennial budget request. Summary information on actual and estimated revenues for the current and forthcoming biennium must also be provided.
- Requires the Governor to deliver the **biennial budget message** to the Legislature on or before the last Tuesday in January of the odd-numbered year (extensions are permitted). The Governor must also provide the Legislature with a biennial state budget report, the executive budget bill, and suggestions for the best methods for raising any additional needed revenues.

Legislative Branch Consideration of Budget Bill

Joint Finance Committee Review

With the assistance of DOA, the Governor prepares budget recommendations and incorporates those recommendations into an executive budget bill. After delivery of the Governor's budget message, the budget bill must be introduced, without change, into one of the two houses of the Legislature by the Legislature's Joint Finance Committee (JFC). Upon introduction, the bill must be referred to the JFC for its review.

As part of its review process, the JFC is permitted to hold public hearings on the proposed budget with representatives of the state agencies involved (informational hearings) and hearings open to the general public. Besides the JFC hearings, other standing committees of the Legislature may also hold hearings to review provisions of the budget. These hearings, conducted at the discretion of the standing committee chairperson, are directed at informing the committee's members of those parts of the budget which may impact or affect subject matters dealt with by the committee.

After the public hearings, the JFC begins executive sessions on the recommended budget, deciding whether certain provisions in the budget should be modified or deleted and whether additional provisions are needed.

Joint Survey Committee Reports

Depending on its content, the budget bill may be referred to one or more joint survey committees, such as the **Joint Survey Committee on Retirement Systems** or the **Joint Survey Committee on Tax Exemptions**. No bill or amendment that creates or modifies a public retirement system shall be acted on by the Legislature until the Joint Survey Committee on Retirement Systems has submitted a written report on the bill or amendment. No bill which affects any existing statutes or creates any new

statute relating to the exemption of any property or person from taxation may be considered by either house of the Legislature until the Joint Survey Committee on Tax Exemptions has submitted a written report on the bill.

Party Caucuses

Once the JFC has completed its action on the budget, the house in which the budget was introduced generally moves immediately to commence party caucuses on the budget. During this and subsequent phases of revising the budget bill, any changes proposed for consideration by the full Assembly or Senate must be offered by legislators in the form of formally drafted amendments to the bill.

Floor Debate

After the individual caucuses have finished deliberations on the budget, the majority party budget package is introduced and scheduled for floor debate as a special order of business. The budget bill is adopted by the majority vote of that house, and then proceeds to the other house where, in general, the same pattern of budget review, amendment, and adoption is followed.

Conference Committee and Report

Since the two houses rarely pass identical versions of the budget in their first consideration of the bill, one house generally seeks a conference committee on the bill. The conference committee consists of a specified number of members from each house, as designated by their respective houses, to represent that house and meet as a bargaining committee with the goal of producing a report reconciling the differences between the houses' bills. Once the conference committee procedure is finished, a conference report is then submitted to each house and is an unamendable bill to be voted on by each house.

Governor's Partial Veto Authority; Legislature's Veto Override Authority

Once the Legislature passes a final budget bill, the bill is prepared for the Governor's consideration, but is not sent to the Governor until it is called for by the Governor. Under the Wisconsin Constitution, the Governor has an extensive partial veto power, with the authority to partially veto any item in an appropriation bill, including the biennial budget bill. Thus, instead of having to accept or reject a bill in its entirety (as is the case with nonappropriation bills), the Governor may, in accordance with the following summary, selectively delete provisions of the budget bill, vetoing either language or dollar amounts, or both, in any given provision.

- The Governor may exercise the partial veto only on bills that include an appropriation. Nonappropriation parts of appropriation bills may be partially vetoed.
- The part of the bill remaining after a partial veto must constitute a complete, entire, and workable law.
- The provision resulting from a partial veto must relate to the same subject matter as the vetoed provision.
- Entire words and individual digits may be stricken; however, individual letters in words may not be stricken.
- Appropriation amounts may be stricken and a new, lower amount may be written in to replace the stricken amount.

A constitutional amendment relating to the Governor's partial veto authority became effective following ratification by the people in April 2008. The amendment provides that:

- The Governor may not create a new sentence by combining parts of two or more sentences of the enrolled bill.

Override of Partial Veto

The budget bill, minus any items deleted by the Governor's partial veto, then becomes the state's fiscal budget document for the biennium. However, as in the case of the Governor's veto of a bill in its entirety, the Legislature is permitted to review the Governor's partial vetoes and may, with a 2/3rds vote by each house, enact any partially vetoed portion into law, notwithstanding the objections of the Governor.

Because the state's biennial budget cycle begins on July 1 of the odd-numbered year, the budget law should, technically, be enacted and effective by that date. However, if there is a delay in the process and the budget does not take effect by that date, state agencies continue to operate at the same appropriation levels from the preceding budget until the new budget law takes effect.

Additional Key Concepts Related to State Budget Process

In addition to this very general description of the state budget process, key concepts relating to budgeting in this state include:

Appropriations in ch. 20, Stats.

The Wisconsin Constitution allows money to be paid out of the State Treasury only pursuant to a legislative appropriation. [Wis. Const. art. VIII, s. 2.] Most appropriations are codified into a single schedule in ch. 20, Stats. This schedule is termed the "chapter 20" schedule because the listing of those appropriations is biennially published in that statutory chapter.

Program Budget

The budget in Wisconsin is termed a "program budget." This means that the structure of both the appropriation schedule and the individual appropriations is, in general, based on specific "programs" in state government. Individual state agencies are placed under a general functional heading, such as education or transportation. Under each functional heading, agencies are set forth in alphabetical order and appropriations for the agency are then set forth under the agency heading, with one or more appropriations for the programs under that agency.

Incremental Budgeting

The general budget process in Wisconsin is an incremental budget process. This means that the agency budget requests for the biennium use, as a starting point, the existing budget level (referred to as "the base budget"). Agencies develop their budgets by identifying requested changes from its current base budget level. Thus, the budget decision items in agency requests represent increments of change over the existing level of spending.

Zero-Based Budgeting

2001 Wisconsin Act 109 (the 2001-03 Budget Reform Act) established a zero-based budgeting process. Under that Act, every state agency, including the Legislature and the courts, is required to periodically (once every third biennium) submit a **base budget review report**. The report must include a description of each programmatic activity of the agency and provide for each activity an accounting, by fund source, of expenditures for the prior three fiscal years and for the last two quarters of each of the prior three fiscal years.

The law:

- Directs the Secretary of DOA to develop categories for state agencies to use in organizing the required expenditure information.

- Requires the reports to be included with agencies' budget requests and submitted to DOA and the Legislative Fiscal Bureau (LFB) by September 15 of the even-numbered year in which an agency must prepare a base budget review report.
- Requires the Secretary of DOA, beginning with agency budget requests submitted for the 2003-05 biennium, to select 1/3rd of all state agencies to submit the required base budget review information for that biennial budget.
- Requires for the 2005-07 biennium, the Secretary to select half of the remaining agencies to submit their base budget review information for that biennium and stipulate that the remaining agencies would then be required to submit base budget review information for the 2007-09 Biennial Budget.
- Requires the cycle to be repeated in succeeding biennia.

Fiscal Years

The biennial state budget incorporates two annual periods or fiscal years. Annual appropriations are effective for that fiscal year only and account for most of the appropriations in the budget. The biennial budget thus involves appropriations for both fiscal years [for example, fiscal year 2011-12 (July 1, 2011 to June 30, 2012) and fiscal year 2012-13 (July 1, 2012 to June 30, 2013)]. In this example, the fiscal years are referred to as "FY11" and "FY12," respectively.

Interim Changes in the Authorized Budget

Once adopted, the biennial budget may be modified in the following ways:

- Separate legislation. By separate legislation authorizing an additional appropriation or eliminating or modifying an existing appropriation.
- Budget adjustment bill. By request of the Governor for introduction of a budget adjustment bill to make changes in the adopted biennial budget.
- Section 13.10 review. By authorization of limited emergency changes to existing appropriations at the request of state agencies with the approval of the JFC under s. 13.10, Stats.

Non-Budget Fiscal Bills

During the legislative session, there are bills outside the biennial budget bill that request funds for specific limited purposes, such as a new program or to modify the operation of an existing program. These bills, introduced during the regular legislative session, are termed fiscal bills and have specific requirements related to them as they proceed through the legislative process.

Additional Resources

- The LFB maintains a detailed Information Paper on the State Budget Process. A copy of the most recent version of this publication is located at the LFB's website, <http://www.legis.state.wi.us/lfb/index.html> (click on Publications).
- The Legislative Reference Bureau presents information sessions on numerous topics, including topics related to appropriations and the budget process. Copies of those presentations may be viewed at: <http://lrb/intralrb/SeminarShows/index.htm>.

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