How does the APPROPRIATIONS PROCESS work?

One of the greatest challenges legislators face each year is the task of dividing state funds among many competing interests. It is difficult for the simple reason that there never seems to be enough money to do everything requested. Not every program within every state agency can be fully funded. Therefore, the legislators must set priorities and distribute funds accordingly.

The ultimate goal in any state budget-making process is to provide a high level of services to the citizens of the state, while at the same time keeping taxes low. In recent years, this ultimate goal is becoming an impossible dream in almost every state in the union. As the federal government and local governments look to the states for increased financial support, states are feeling the pinch. They are left with the grim reality that, in many instances, budget cuts must be made or taxes must be raised, and neither option is popular with the citizenry. While South Dakota has not experienced the severe economic shortfalls many other states have, it is certainly not immune from them.

The appropriations process, or the process whereby moneys are set aside for specific uses, is two-fold. First, it involves determining the amount of revenue available. Secondly, it involves appropriating money for the operation of state government and for various other uses. The state appropriations process is the responsibility of both the Governor and the Legislature. Each of them plays a role in ultimately deciding how state funds are spent.

In South Dakota, the Governor’s role in the process begins in late summer of every year. By that time, he and his economic advisors are busy preparing a budget for the upcoming fiscal year, which begins on the next July 1 and runs through the following June 30. The Governor’s budget contains revenue projections and recommended expenditures. It contains a separate budget for each state agency. Within each agency budget, expenditures are broken down by program. In addition, expenditures for salaries are listed separately from expenditures for other operating expenses. Funding sources are also listed separately. If, for example, a program is partially funded by the federal government, those funds are listed separately from the funds projected to come from the state treasury.

By early December, the Governor must submit his budget to the Legislature, and its involvement in the appropriations process begins. The Legislature’s role involves two separate tasks. The first of these is to formulate the general appropriations act. Often referred to as the general bill, it appropriates money for the ordinary expenses of the three branches of state government. The second task is to act upon special appropriations bills, which appropriate money for certain special projects and various other uses. The responsibility for these tasks is held to a great extent by
the appropriations standing committees in the two houses. Though these committees are regular standing committees, they operate somewhat differently than the others. Their workload requires them to meet on every legislative day, so their members do not generally belong to other standing committees. Their attention is focused solely on the state's finances.

In most years, the appropriations committees in the Senate and House meet as a joint committee for the purpose of formulating the general bill. The chairs of the two committees act as co-chairs. Further, the joint committee divides into two subcommittees, both of which are comprised of senators and representatives. Each of the two subcommittees is chaired by one of the co-chairs.

The procedures followed by the Joint Appropriations Committee in formulating the general bill are similar to those followed by the Governor and his staff in preparing the Governor's budget. First, they must estimate the amount of revenue that will be available at the start of the fiscal year, and then they must decide how they want it distributed.

Legislative rule requires that the general appropriations bill be introduced by the sixteenth legislative day of every session. It is alternately a Senate or House bill. In past years, the committee did not introduce the bill until all the joint committee work was complete. In recent years, however, the originating committee has introduced the general bill before the joint committee's work is complete. Therefore, the bill may contain figures from the Governor's budget or elsewhere, which the joint committee may amend as the bill proceeds.

Early in session, the fiscal staff of the Legislative Research Council presents the committee with the revenue projections they have prepared. The committee also hears the Governor's economic advisors present their revenue projections, and then sets a revenue estimate. In recent years, the committee has adopted a revenue estimate very late in the session.

By far, most of the committee's time is spent deciding how and where to spend money. Representatives of each agency in state government appear before the committee for a budget hearing. At the budget hearing, the agency representatives explain to the committee members how much money they feel their particular agency needs and why they need it. Agencies under the control of the Governor request the amount of money allotted to them in the Governor's budget. Agencies from the other branches of government may well ask for funding in excess of what has been recommended for them by the Governor. Fund amounts appropriated in the general bill are good for one year. If they are not spent within that time, the general funds revert back to the general fund and from which they may be appropriated the next year. Federal funds and other amounts represent authority to spend, and may not necessarily correspond to actual money.
Generally, the joint committee focuses almost exclusively on budget hearings for the first several weeks of the legislative session. When the hearings are completed, the committee then must give each request careful consideration and set a budget for each agency. When a particular budget set by the joint committee is different from that set by the Governor, the general bill is amended accordingly. Finally, all of the amendments adopted by the committee are included in the committee report on the bill, and it proceeds to the floor of the house of origin.

With the bulk of the general appropriations act behind them, the appropriations committees are free to concentrate on the special appropriations bills. When the joint committee’s work is done, the Senate and House members each form separate units once again take final action on the special bills, just as the other standing committees act upon the bills presented to them. Often, however, the House and Senate Appropriations Committees meet to hear bills, only to defer them for final action until the end of session when they have a better idea of how much money is available.

As indicated earlier, special appropriations bills are normally used to fund special, one-time projects. They can, however, also be used to fund items ordinarily funded through the general bill if the Legislature chooses to use this means to give the items special emphasis. In order to pass, special appropriations bills must receive the support of two-thirds of the members of both houses.

Late in the legislative session after all the spending decisions are made, the general bill is debated on the floors of both houses in the same manner as other bills. Legislators are free to offer further amendments to the bill at that time, though they are not frequently adopted. Unlike the special appropriations bills, the general bill requires only a majority vote for passage.

When the general bill has passed both houses, it is delivered to the Governor, and he resumes his role in the appropriations process. As with other bills, he can sign the general bill or veto it. Additionally, the state constitution gives him another option concerning the general appropriations bill.

The Governor can use a line-item veto. A line-item veto gives him the ability to veto certain portions of the general bill while leaving the remaining portions of it intact. For example, if he is in agreement with the Legislature on the amount of funds appropriated to all state agencies except one particular agency, he could veto the amount allocated to that agency and let the remainder of the bill stand.

As with any other veto, the Legislature can override a line-item veto if two-thirds of its membership is in support of such an action. Unlike other bills, however, which may never become law, the general appropriations act must be enacted in some form. If it is not, state government will not have funding for its day-to-day operation.

The general appropriations act and most of the special appropriations bills enacted during the legislative session take effect the following July 1. Thus, state government’s appropriations process draws to a close only to have it begin all over again in a few short weeks.