

OVERVIEW

This document describes the Senate's *principles of budgeting* and the *principles of the budget process*. These principles constitute guidelines that the Senate Appropriations Committee will reference when drafting its version of the budget and presenting it to the full Senate chamber.

The appropriations bill is a compromise between the Governor, the House, and the Senate. The bill establishes the fiscal policy priorities of the state and balances the objectives of policy oversight, direction setting, and sound financial management.

PRINCIPLES OF BUDGETING

1. Sound Long Term Fiscal Policy

The budget passed by the Senate reflects a commitment to maintaining the State's AAA bond rating, as well as a commitment to conservative fiscal stewardship that will leave the State with a sound financial foundation for future generations.

Examples of how this is achieved:

- The Revenue Shortfall Reserve should be maintained at a level that ensures the state is prepared for an economic downturn.
- Medicaid or state health insurance should not be under funded.
- Agency budget requests should include multi-year projections for projects, programs, or activities that will have significant out-year fiscal implications (e.g., projects that have a small initial investment and large out-year requirements or vice versa).

2. Limits on Growth

The budget and debt proposals passed by the Senate are limited by the use of sound financial barometers reflecting the economic climate of the times and normally should not exceed key growth percentages.

3. Establish Policy Priorities through Program Budgeting

The budget passed is guided by policy and encourages agencies to carefully identify their programmatic priorities as well as the anticipated results associated with each program. The expectation is that agencies will be efficient, effective, and transparent in administering programs.

Examples of how this is achieved:

- The legal level of control in the appropriations bill should be at the program level (programs are the building blocks of policy).
- Programs should be designed to reflect a clear relationship between funding levels and results measures.

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- The appropriations bill should define the purpose of each program to clarify the relationship between taxpayer dollars and appropriate state policy objectives.

4. Periodic Zero Base Budget Analysis

Each program should undergo a Zero Base Budget analysis on an alternating basis to guarantee that what is appropriated follows state law, meets standards and department goals, and meets expectations anticipated by program measures and mileposts.

5. Transparent Revenue Sources

The Senate appropriations bill will identify all revenue sources applied towards program costs.

Examples of how this is achieved:

- Agencies are expected to accurately project anticipated federal, agency, or other non-state general fund revenues within each program (also noted in Principle #6).
- The Senate appropriations bill will reflect the contribution of State general funds to make up the deficit in agency spending if agency, federal, and other external sources of revenue are insufficient to cover programmatic needs.

6. Full Year Funding

The budget passed by the Senate reflects the fiscal plan for a full year, including total funding for the operations of state government and the total cost of every program by revenue source. All major policy priorities considered during the budget process, including special projects, should compete against one another during consideration of the full year general budget.

Examples of how this is achieved:

- The revenue estimate upon which the budget is based should be associated with conservative but reasonably accurate projections for the full year. Barring significant economic fluctuations, the Senate expectation is that the revenue estimate should be within a few percentage points of actual revenue receipts.
- Agencies are expected to accurately project anticipated federal, agency, or other non-state general fund revenues within each program.
- The Amended Budget should focus on funding emergencies, constitutional items, or critical needs (also noted in Principle #7).

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- Employee raises should be funded entirely in the full year budget and policies that force “annualization” of expenditures in future fiscal years should be limited.

7. Limited Mid-Year Adjustments

The adopted budget assumes that agencies have accurately projected their revenue and expenditure needs for each program. Upon passage of the full year budget, the Senate expectation is that agencies will live within their budget during the fiscal year and amendments to or transfers across programs will be limited.

Examples of how this is achieved:

- Fiscal Affairs transfer requests should only include transfers to correct errors made during the budget process (in the Fiscal Affairs meeting immediately after the legislative session) or technical transfers that do not have significant policy implications.
- The Amended Budget should focus on funding emergencies, constitutional items, or critical needs.

8. Local Projects/Bond Projects

Projects beyond the scope of Local Assistance Grants should be evaluated for state-wide application, regional impact, and importance to Senate member's district. Projects requiring bond financing should be reviewed for inclusion on agency priority lists or vetted by a Senate prioritization process.

PRINCIPLES OF THE BUDGET PROCESS

1. Follow Senate Rules

The budget bill and process used by the Senate will follow Senate rules, including an effort to produce one budget document to consolidate all relevant voting items like all other bills.

2. Transparency

Within the constraints imposed by the legislative calendar and legislative process, the Senate budget process will ensure that budget information is available to Senators in a timely fashion and that budget information is presented so that Senators can make informed policy choices.

Examples of how this is achieved:

- The budget bill will be designed to ensure that policy changes associated with each program are presented in the same place as the budget for each program. The budget document will consolidate all relevant voting items like all other bills.
- Public documents related to the budget process will be posted to the web within minutes of the documents becoming public.

3. Inclusiveness

All 56 Senators are given the opportunity to participate and present their constituent needs. Each Senator has the right to establish priorities in his or her Senate district and all projects will be given due consideration by the Appropriations Committee.

CURRENT STRATEGIES

1. Optimize revenue sources

2. Prioritize programs and activities within programs

3. Maximize program performance