Finance Committee

Review of the Budget Process

Submission from the Virginia State Legislature

- What expert advice and support exists to support committees/legislatures in scrutinising government/executive budgets? (i.e. is there a separate budget office, a team of in-house researchers etc.)

  - The staff of the House Appropriations and Senate Finance Committees provides legislators with an independent source of information on the budget.
  
  - Staff are the “eyes and ears” of the HAC and SFC. They monitor agency spending, oversee implementation of budget decisions, and watch for emerging budgetary issues.
  
  - In addition to being analysts, staff are considered experts in their respective fields (e.g., health and human services, education, transportation, etc.)
  
  - Staff analyzes the Governor’s proposed budget, including revenue projections, review legislators budget requests, and develop budget recommendations for the House and Senate to consider.

- What sort of output is produced in terms of advice to committees?

  - The Committee’s output can be considered formal and informal. Formal advice takes the form of a) a Summary Document that details the Governor’s proposed budget and the Legislature’s final, agreed upon budget, b) two-day fall retreats to members of the House and Senate on current and emerging budget issues, and c) presentations by staff and agency officials to the full committee and subcommittees on current issues, and the Governor’s proposed budget, d) staff presentations on Subcommittee recommendations on amendments to the Governor’s proposed budget, Committee actions on the proposed budget, differences in House and Senate adopted budgets, and final Conference Committee recommendations, and e) staff preparation of summary documents of Subcommittee recommendations, House or Senate adopted budgets, and Conference Committee recommendations.

  - Informal advice takes the form of office visits and phone calls from legislators as well as meetings with legislative leaders and Committee legislators on the budget or other fiscal policy issues.

- How and why were the present arrangements established?
- The role of the SFC and HAC has gradually evolved over time.
- As late as the 1970s, the General Assembly still relied upon the executive budget staff for understanding and oversight of the Governor’s budget.
- Legislative report in the 1970s recommended better oversight of the executive budget including strengthening the role of the Auditor of Public Accounts (legislative) to monitor agency spending and creation of the Joint Legislative Audit and Review Commission to conduct program evaluations.
- Soon thereafter, the House and Senate began to “staff up” to respond to population growth, a growing federal and state government, and more complicated budgetary issues. To delve more deeply into budgets, Committees needed expert advice.
- Up until 1983, the Senate did not prepare its own budget; it acted on House’s version of the budget. Responding to legislators desire to have more input on budget, the Senate began preparing its own budget. Staff was hired to provide expertise on the budget.
- Technological advances have also altered the oversight role of the General Assembly.

Additional Resources:
  http://jlarc.state.va.us/reports/Rpt134.pdf

• What would you see as the advantages and disadvantages of your current system?
  - There are advantages and disadvantages in each of the attributes of our current system that are listed below:

  Short Legislative Session
  - 60-day Session during even years when the biennial budget is presented, deliberated and passed
  - 45-day Session during odd years when the biennial budget is amended

  Advantages:
  - Less costly
  - Focus on high priority issues
  - Helps maintain a “citizen” legislature
- Has resulted in statutory changes to improve the budget process over time by developing long-term, performance-based goals, requiring the Governor to submit estimates of revenues and appropriations for six years in advance, establishing a “Rainy Day Fund”, etc.

- Resulted in a strong oversight function

Disadvantages:
- Limited time for budgetary issues to be reviewed and discussed
- In years where significant federal policy changes occur (e.g., American Recovery and Reinvestment Act of 2009, federal welfare reform legislation, etc.), less time is available to understand and review state options and appropriate resources in a deliberate and thoughtful manner

Small professional staff:
- House Appropriations Committee Staff is comprised of 8 full-time equivalent positions (7 budget staff + 1 administrative position)
- Senate Finance Committee staff has 10 full-time equivalent positions (9 budget and finance staff + 1 administrative position)
- Division of Legislative Services has 82.5 full-time professional positions (mainly attorneys that draft legislation and staff legislative committees and some research staff)
- Joint Legislative Audit and Review Commission has 37 full-time professional positions (mainly research staff)
- Legislative Automated Systems has 19 full-time equivalent positions (mainly information systems professionals)
- Auditor of Public Accounts has 130 full-time positions (mainly accountants)
- Virginia State Crime Commission has nine full-time positions (attorneys and research staff)
- Joint Commission on Health Care has six full-time positions (research staff)
- Virginia Commission on Youth has three full-time positions (research staff)

Advantages:
- Less costly and more efficient
- Requires legislature to focus on high priority issues
- Reduces staff competition for legislators time and attention
- Staff have more influence in providing advice on the process
- Fosters the development of relationships with the executive branch to obtain assistance and data on topics of concern to the legislature
- Has led to technological improvements to help the legislature run more efficiently given staffing limitations
- Strong oversight function has been developed and institutionalized to make up for fewer staff and the part-time status of the General Assembly members

Disadvantages:
- Fewer staff available to devote time for in-depth analysis of issues
- Reliant on cooperation from the executive branch agencies and others for assistance and data
- Staff may be perceived as having too much influence with legislators

**Lack of Formal Revenue Forecasting Capability in Legislative Branch**
- Currently the Governor and Executive Branch have responsibility for revenue forecasting. The Governor is aided in the process by two advisory groups: The Governor's Advisory Board of Economists (GABE) and the Governor's Advisory Council on Revenue Estimates (GACRE). These groups are established in the Code of Virginia.
- GABE is responsible for reviewing economic assumptions and technical methodology used in building the revenue forecast. GACRE reviews the revenue forecast with respect to economic assumptions and the general economic climate of the Commonwealth.
- GACRE is comprised of key General Assembly leaders, including the Chairmen of the House Appropriations and Senate Finance Committee Staff, as well as gubernatorial appointees who are often industry leaders.
- Legislative money committee staff attend and participate in the GABE and GACRE meetings, which are held in the fall prior to the unveiling of the Governor's proposed budget in December. Money committee staffs also review the revenue forecast and key economic assumptions being discussed. However, the staffs are reluctant to propose any major changes to the forecast since it has been subject to this formal statutory process.

Advantages:
- Less costly (no cost to legislature)
- More efficient -- fewer steps and approval processes
- Easier to control influence of outside factors or groups when determining estimates
- Legislature not accountable for inaccurate revenue forecasts
Disadvantages:
- Process less transparent, makes it difficult to determine if calculation errors have occurred and acceptance of estimates can be problematic
- Early buy-in by other groups not possible
- Legislature largely excluded from process
- Perception of imbalance of power between the Governor and General Assembly

**Budget information system**
- Currently, the General Assembly operates a budget amendment system that was designed to record and make amendments to the printed introduced budget bill and produce a publication incorporating changes made during the legislative session.
- The Executive Branch, through the Department of Planning and Budget uses a couple of automated systems to analyze agency expenditures and to develop the biennial budget. Legislative staff have access to their automated system to track agency expenditures, but the system is cumbersome to operate.
- The Department of Planning and Budget is currently exploring options to develop an integrated budget information system.

Advantages of current system:
- Staff, legislators, lobbyists and advocacy groups are familiar with the current budget amendment system
- Less costly to operate than the development of a new system
- Fewer questions on individual budget amendments because the system requires you to have a printed or electronic copy of the budget available in order to see the context of the particular budget item
- Relies on the development of relationships with agencies to provide more in-depth information on agency budgets

Disadvantages of current system:
- Doesn’t provide staff with an integrated, analytic tool for examining and evaluating and modifying the Governor’s proposed budget
- Lack of transparency for legislators and the public to how proposed changes in the budget impact agency services
- Too reliant on Executive branch agencies for budget information for decision-making
- Not designed to be used as an analytic tool for budget staff
- System is dependent on significant amount of manual data entry by budget staff

**Additional Resources:**

  [http://jlarc.state.va.us/reports/Rpt126.pdf](http://jlarc.state.va.us/reports/Rpt126.pdf)

  [http://jlarc.state.va.us/reports/Rpt127.pdf](http://jlarc.state.va.us/reports/Rpt127.pdf)

  [http://jlarc.state.va.us/reports/Rpt134.pdf](http://jlarc.state.va.us/reports/Rpt134.pdf)

  [http://jlarc.state.va.us/meetings/November06-2/Forecast.pdf](http://jlarc.state.va.us/meetings/November06-2/Forecast.pdf)

  [http://jlarc.state.va.us/reports/Rpt382.pdf](http://jlarc.state.va.us/reports/Rpt382.pdf)

• **In general terms, how much does your current system cost to run, if that information is available?**
  - The total budget for the Legislative Branch of Government is about $68.3 million annually. This includes the budget for each legislative agency (House and Senate Clerk’s Offices including House Appropriations and Senate Finance Committee Offices, Auditor of Public Accounts, Capitol Police, JLARC, the Division of Legislative Services, Legislative Automated Systems, and other joint legislative commissions), legislative member salaries, benefits, and per diems (not provided during the legislative Session), legislative aide salaries, office expenses, and equipment.
  - Please let us know how much more detail you would like and we will try to provide the information.

• **What access do budget advisers/researchers have to government-held information?**
  - The Code of Virginia and the current Appropriations Act (2009 Virginia Acts of Assembly, Chapter 781, Approved April 8, 2009) provide authority
for agencies to provide budgetary and programmatic information on a
general and more specific basis to the General Assembly.

- Authority for specific agency information may be contained in the
  Appropriations Act in language within a particular agency’s budget or
  in the back of the Act under the general provisions.

- General Provisions in Chapter 781 (Appropriations Act):
  
  http://leg1.state.va.us/091/bud/TOC2.HTM#T4

- Code of Virginia, Section 2.2-1500 et seq.:
  
  http://leg1.state.va.us/cgi-bin/legp504.exe?000+cod+TOC020200000150000000000000
  
  http://leg1.state.va.us/cgi-bin/legp504.exe?000+cod+2.2-1504

- Specific studies conducted by various legislative committees and
  commissions generally have study resolutions, which require agency
  cooperation and data to be provided to legislative staff.

- The Department of Planning and Budget provides legislative budget staff
  access to a database on detailed agency expenditures.

- The Auditor of Public Accounts maintains a database which key
  information about the Commonwealth of Virginia and the operations of
  state government including budget, expenditure and revenue information,
  as well as expenditure and revenue information on local government
  operations. This database is accessible by the public.

  http://datapoint.apa.virginia.gov/about.cfm