Fiscal Research Program

WHERE HAS THE MONEY GONE ? PART II : THE SUPPLEMENTAL BUDGET

Allan Essig

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Georgia State University
Andrew Young
School of Policy Studies

1215 UL, 404-651-3500, frp@gsu.edu

MSC 2A1240, Georgia State University, 33 Gilmer Street, SE Unit 2, Atlanta, Ga 30303-3082

Introduction

In January, at the beginning of each legislative session, the Governor submits two budgets to the General Assembly. The first budget contains changes to the current fiscal year budget, which ends June 30, and is referred to as the supplemental or amended budget. The second budget is the regular budget, and it details spending for the upcoming fiscal year which begins July 1.

The supplemental budget contains revenues from several possible sources: the surplus from the previous fiscal year's budget, increases in forecasted revenues for the current fiscal year, unspent appropriations from the previous fiscal year, and a legislatively required midterm adjustment reserve. These revenues may be appropriated in the current fiscal year, but if not appropriated, these revenues roll over for use in the next fiscal year. In addition, the supplemental budget may contain deletions or reductions in current fiscal year appropriations that may then be re-appropriated for a new purpose within the current fiscal year budget.

The amount of funds available within the supplemental budget has risen steadily over the last six fiscal years. The major 000 0ix e0.00000000 cm0 1.00000s0.00 0.00 0.00 rgnof f

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Due to the legislative restrictions as to their use, lottery and tobacco funds are not a part of this analysis.

The next section of this report details the sources of revenues contained in the supplemental budget. How these new revenues have been allocated within the supplemental budget are th.6456ghlighted. A general discussion is then followed by a conclusion and options.

Sources of Additional Revenues

There are several sources of funding available for the supplemental budget. These sources may include: surplus revenues collected above the Governor's revenue estimate from the previous fiscal year; an increase in the current fiscal year revenue estimatel.4800 uY28008

- Midterm Adjustment Reserve - As legislatively required (O.C.G.A. 45-12-93(b)), a reserve of funds is set aside each year from prior fiscal year surplus funds to provide additional spending for state agencies in t

TABLE 1 - SUPPLEMENTAL BUDGET ADDITIONAL REVENUES FY 1996-2001

debt

Use of New Revenues in Supplemental Budget

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There have been over $4.1 billion in additional revenues contained in the supplemental budget during fiscal years 1996 through 2001. These revenues have been used in several different ways including: one time critica service; education mid-term adjustment; new debt service; and general appropriations to state agencies. In addition, a portion of these revenues have not been appropriated in the supplemental budget, but have been rolled over for appropriation in the next fiscal year. Table 2 shows the use of these funds by year.

percent of all available supplemental funds) for one-ti HB 139

ty to meet critical needs, both planned and unplanned, that

- Separate Supplemental Appropriations Bills - A large, planned surplus allows the Governor the fl have large one-time costs. Although planned critical needs could funded in the current year regular budget, with a corresponding increase in the revenue estimate, for budgetary management and political reasons it has been a part of the fiscal and budgetary plan to fund such items in the supplemental budget. There have been several separate supplemental appropriations bills containing over $1.05 billion (25.5

HB 1161

reserves.

unplanned critical and HB 1161 (FY 2000) contained $263 m

322 million

468 million

(FY 1999) HB 1405

1166 (FY 1998) a

was an example of

(FY 2001)

for new classroom construct

- New Debt Service - Most capital projects such as the construction and repair of state buildings, the construction and maintenance of roads and bridges, and the construction and repair of schools and classrooms are funded th

- Department of Community Affairs - Approximately $130 million, representing 3.1 percent of available supplemental funds, was appropriated to the Department of Community Affairs. Of this amount over $109.8

TABLE 2 - SUPPLEMENTAL BUDGET EXPENDITURES FY 1996 - FY 2001

In sum, between FY 1996 and FY 2001 over $4.1 billion in new general fund revenues was available for appropriation within the supplemental budgets. Not all funds

Of the $1.25 billion in agency appropriations, over 34.4 percent ($430 million) was appropriated for education purposes

There is not necessarily a “correct” answer as to whether Georgia should or should not have a supplemental budget. Budgeting is as much of an art as a science, and therefore what is considered proper budgeting, i.e., whether to have or not have a supplemental budget, One important guideline for evaluating the use of the supplemental budget is the degree of fiscal conservatism inherent in various categories of spending. A conservative approach to supplemental budget expenditures would limit the purposes/categories that should be legislation is passed too late in a legislative session to have the budgetary impacts included in the regular budget. An example is the education reform legislation passed in 2000 (HB 1187) which required smaller class sizes, and therefore more classroom

- The pre-funding of debt service is an appropriate use of supplemental funds. The paying down of the bonded indebtedness even a few months in advance can lead to budget savings due to a decrease in the amount of interest owed. The pr equipment, $56 million to the Department of Revenue for modernization of computers and software, $110 million to the Department of Community Affairs for various local assistance grants, and $10 million to the Department of Technical and Adult Education for the purchase of library books.

[2]Essig, Alan. 2000. "A Decade of Budget Growth: Where Has the Money Gone." Fiscal Research Program, Andrew Young School of Policy Studies, Georgia State University, FRP Report/Brief 46.

Conclusion

There have been three major sources of additional general revenue funds available for appropriation in supplemental budgets: surplus taxes and fees; agency lapses; and the Midterm Adjustment Reserve. Almost 70 percent of the additional genera incentive to gamble by appropriating the funds up front instead of in the back end. This would leave the state budget in a more precarious position in case of an economic downturn, and decrease the flexibility of the Governor and General Assembly in dealing with budget emergencies.

Past budget practices have pretty much followed this proposed model. Approximately 91 percent of total revenues available in the supplemental budgets between FY 1996 and FY 2001 have been used as the model would dictate. Although it may be better budget policy not to fund new or expanded progr

About the Author

Alan Essig is a Senior Research Associate with the Fiscal Research Program of the Andrew Young School of Policy Studies at Georgia State University. He has previously worked as a Committee Aide for the Georgia State 44. 3 a3in9ti00 07.00000 0.0000 0.0ri44. 3 a5840.

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