

Constructing the Commonwealth of Kentucky Budget

The Budget Process

Every even year, the Kentucky General Assembly is required by the KY Constitution to pass a balanced budget. This is the State's financial plan for spending money for specific or general purposes from various sources of public funds.

In Kentucky, the legislature passes biennial budget bills, meaning they include two fiscal years. Each beginning July 1 and ending the following June 30.

Biennial budget bills contain annual appropriations authorizing state agencies to spend a maximum sum of public funds during a fiscal year. Appropriations are made by fund type, including General Fund (most of the state's tax revenue), Restricted Fund (agency funds such as license fees and other charges for services), Federal Fund, and Road Fund (gas tax receipts, sales tax on vehicles).

The budget has 2 main parts, the OPERATING Budget and the CAPITAL budget. The operating budget provides funds for all the programs and services of state government. It finances the day-to-day spending. The capital budget provides funds for capital investment such as buildings, information technology systems, and major items of equipment.

An independent group of economists and financial experts called the Consensus Forecasting Group provides an estimate of the yearly General Fund and Road Fund revenues on which budgeted spending is based. In order to meet the constitutionally mandated requirement that the budget be balanced, budgeted spending must not exceed estimated revenue.

The Budget Recommendation Process

The budget process starts with requests from state agencies outlining anticipated spending needs, both operating and capital, for the upcoming biennium. The Governor uses this information to formulate a recommended spending plan for the Executive Branch of state government. The Chief Justice of the Supreme Court and the head of the Legislative Research Commission do the same for the Judicial and Legislative Branches respectively.

The Governor then submits the budget recommendations to the General Assembly. Branch budget recommendations are converted to bill form and are first introduced in the House of Representatives. There are three branch budget bills, one for each branch of government.

The Legislative Process

The House of Representatives gets the first opportunity to amend the budget bills. The bills are referred to the House Appropriations and Revenue Committee where they maybe be amended. The bill as/if amended must be passed in the A & R committee before it can be reported to the House of Representatives.

Once the bill passes out of committee, it is given 3 readings on the floor of the House and then the full House votes on it. Budget bills require approval by a majority of the members elected to each chamber (51 representatives and 20 senators).

When the budget bills pass the House, they are sent to the Senate where the same procedure is followed.

Typically, the budget bills passed by each chamber of the *General Assembly* are different. The differences must be worked out in a conference committee of senators and representatives. Compromises agreed to by conference committee members are then subject once again to approval by a majority of both members of each chamber. Once the budget bills are passed by both chambers, they are sent to the *Governor* for his/her signature.

Governor's Action

The *Governor* can sign the bill as the *General Assembly* passed it, let it become law without signature, or eliminate certain items from it. The *KY Constitution* gives the *Governor* line-item veto power for the bills that contain appropriations. This means that the *Governor* can vet entire appropriations or language provisions included in the budget bills passed by the *General Assembly*. The *Governor's* vetoes can be overridden by a majority vote of the members of both chambers.

Implementing the Budget

The implementation of the budget occurs during the course of the two fiscal years for which the budget is enacted. In general, agency spending is limited to the amount authorized in the budget bill for each fiscal year. However, since the budget is only an estimate, there is a series of laws in place to make amendments to the budget bill as necessary.