

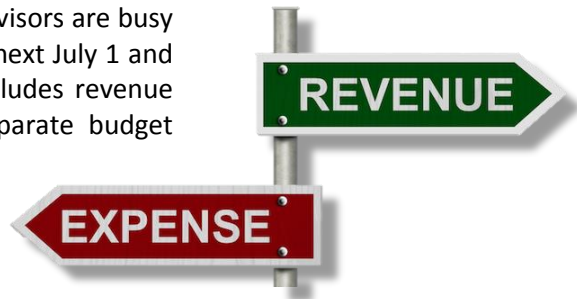
# Money and Appropriations



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. Therefore, legislators must set priorities and distribute funds accordingly. The ultimate goal in any state budget-setting process is to provide a high level of services to the citizens of the state, while at the same time, keeping taxes low.

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

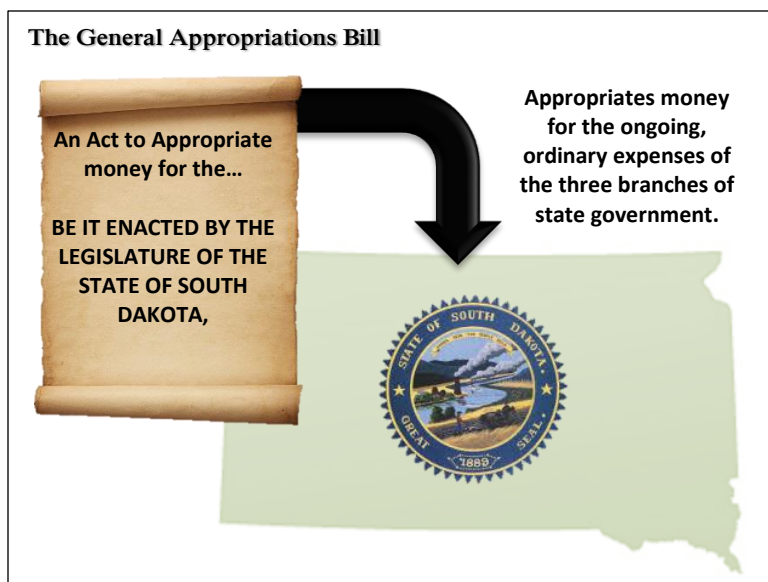
In South Dakota, the Governor's role in the process begins in late summer of every year. By this time, the Governor, cabinet, and economic advisors are busy preparing a budget for the next fiscal year, which begins on the next July 1 and runs through the following June 30. The Governor's budget includes revenue projections and recommended expenditures. It contains a separate budget recommendation for each state agency. Within each agency, budget recommendations are broken down by program, and each program's budget is separated into expenditures for personnel and operating expenses. In addition to breaking out expenditures, funding sources are also identified to determine what types of funds will be used to pay for the expenditures. If, for example, a program is partially funded by the federal government, those funds are listed separately from the funds coming from the state treasury. As required by law, the Governor must submit the budget recommendations to the Legislature by early December, and the legislative appropriations process begins.



The Legislature's role involves two separate tasks. First, the Legislature must formulate the general appropriations act, often referred to as the general bill. The general bill appropriates money for the ongoing, ordinary expenses

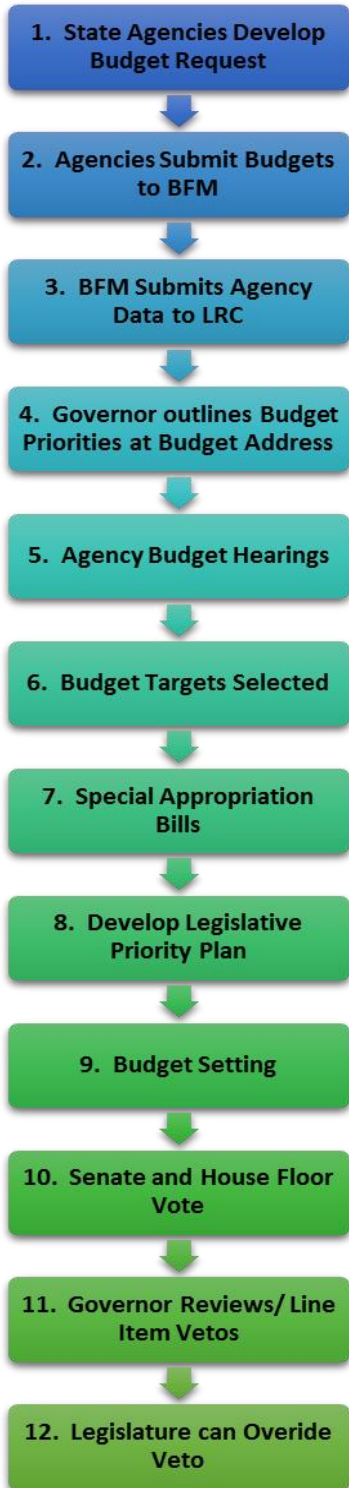
of the three branches of state government. The second task is to act upon special appropriations bills, which appropriate money for certain special projects and other various one-time uses.

The responsibility for these tasks is held to a great extent by the appropriations standing committees in the House and Senate. Though these committees are regular standing committees, they operate somewhat differently than the others. Their workload requires them to meet every legislative day. Therefore, members on the appropriations committees typically do not serve on other standing committees, as their attention is focused solely on the



state's finances. In addition, the appropriations committees in the Senate and House typically meet as a joint committee to conduct business.

## Budget Process Flowchart

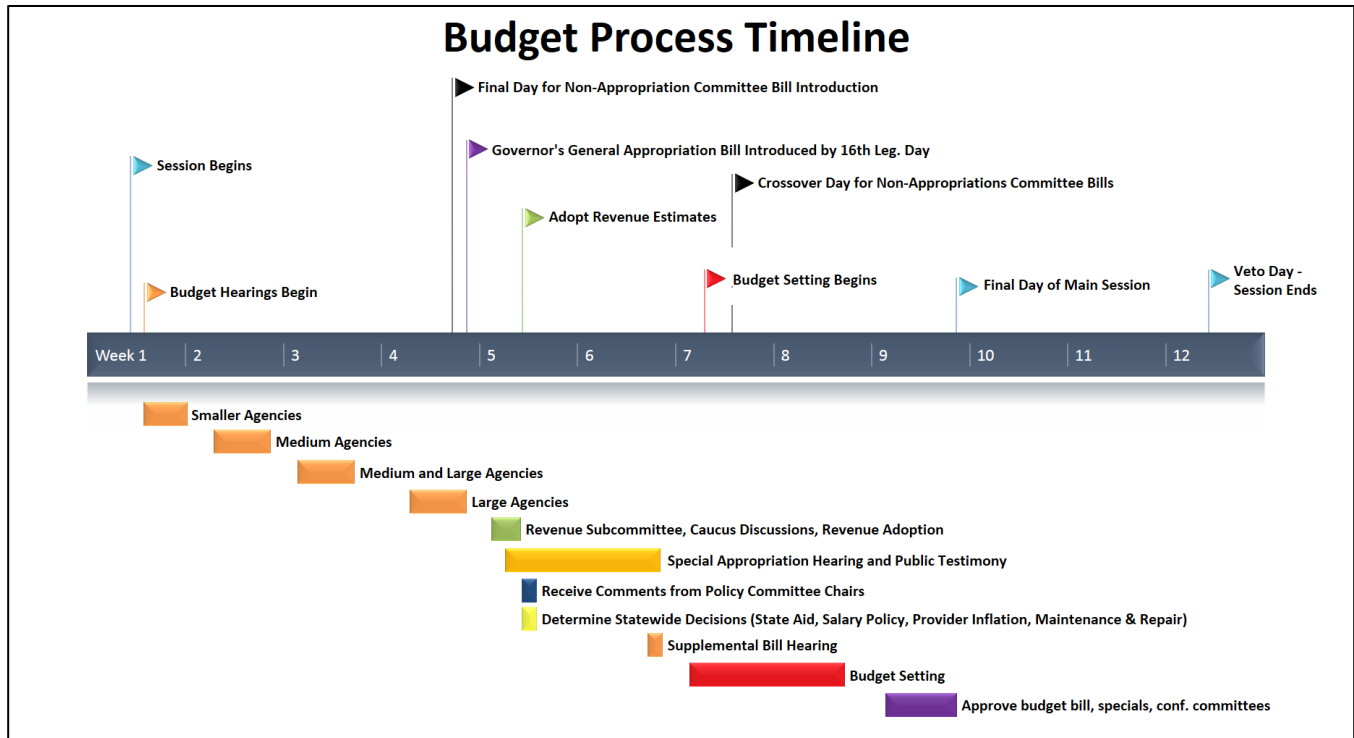


- 1 State agencies prepare their budget requests during the summer and early fall of each year and submit them to the Bureau of Finance and Management (BFM) for review.
- 2 BFM checks agency requests for accuracy and prepares recommendations for the Governor.
- 3 BFM must submit agency request data to the Legislative Research Council by Nov. 1st. (SDCL 4-7-7)
- 4 The Governor presents his or her budget plan to the Legislature by the first Tuesday following the first Monday in December. The budget plan includes expenditures and estimated revenues which must produce a balanced budget. This Governor's General Appropriations Act must be introduced as a bill by the 16th legislative day.
- 5 The Senate and House Committees on Appropriations meet in joint session as the Joint Committee on Appropriations (JCA) to hear agency budget presentations.
- 6 Revenue targets are estimated by the LRC and BFM for the current fiscal year and the next fiscal year. The committee must select its estimates by the 20th legislative day.
- 7 Special appropriation bills which fund one-time items, are usually referred to Joint Committee on Appropriations; however, bills can also be referred to either House or Senate Committees on Appropriations. All special appropriation bills must be acted upon by the appropriate committee by the 31st legislative day. The deadline for appropriations bills is later than other bills due to the time required to formulate a balanced budget plan.
- 8 Before agency budgets are set, policy committee chairs (e.g. Education, Agriculture, Health and Human Service, etc.) provide testimony on their spending priorities. The JCA, through caucus and leadership discussions, sets funding levels for state-wide policies that affect many agencies, such as state employee salary policy, medical services provider inflation, state aid to public education, and maintenance and repair funding for state owned facilities.
- 9 The JCA uses the budget setting process to create the Legislature's General Appropriations Act line-by-line, agency-by-agency. This two-week process allows the JCA to combine all of the information gathered in the preceding steps and create their own legislative spending plan.
- 10 After the JCA approves the bill, the Senate and House each act upon the bill, which is usually one of the last bills of the session, and can then adjourn until veto day.
- 11 After the general bill's approval by both houses, the bill is sent to the Governor. The Governor then has 5 days to sign the bill (15 if in recess), veto specific line items, or let the bill go into effect without signing the bill. The bill becomes law and is effective on July 1st.
- 12 If the Governor strikes, or "line item vetos" any item from the general bill, the bill is reconsidered by the Legislature. If two-thirds of the members of each house pass the bill again, with the original appropriation amount, it becomes law; otherwise, the line-item veto stands.



The procedures followed by the Joint Committee on Appropriations (JCA) in formulating the general bill are similar to those followed by the Governor and staff in preparing the Governor's recommended budget. First, they must estimate the amount of revenue that will be generated by taxes, and then they must decide how to distribute the available funds.

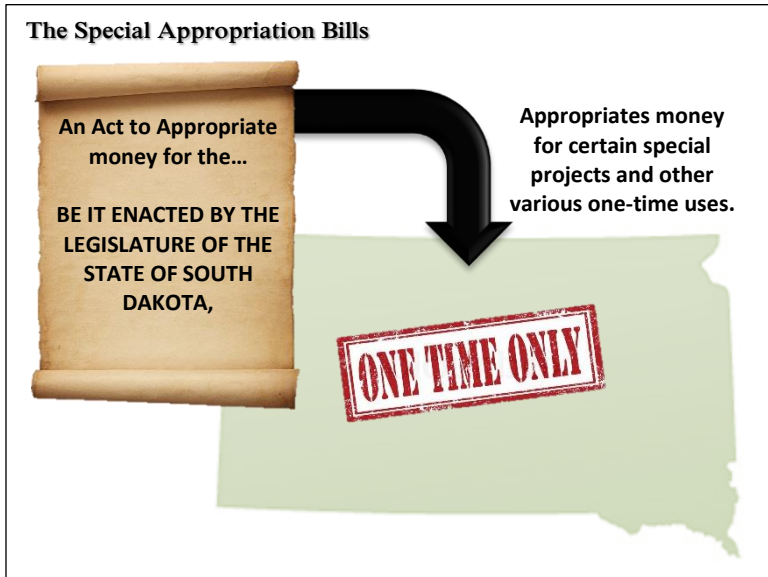
The JCA begins the appropriations process by conducting budget hearings for each state agency. Typically, the JCA focuses almost exclusively on budget hearings for the first few weeks of session. Cabinet secretaries, along with key staff members of each agency in state government, appear before the JCA to explain their budget needs. An agency may follow the Governor's budget recommendations and only request the amounts included in this budget plan. On the other hand, agencies may also ask for additional funds in excess of the amount recommended by the Governor.



After budget hearings are concluded, the JCA must set estimated revenue targets. The fiscal staff of the Legislative Research Council and the Governor's staff of the Bureau of Finance and Management present estimated revenue projections for the current and following fiscal years to the JCA. As required by legislative rule, the JCA must select revenue targets before the twentieth legislative day. However, the JCA has the option to change or adjust the revenue targets later in session, if necessary.

Following the selection of revenue targets, the JCA must also take action on special appropriation bills. As previously indicated, special appropriation bills are used to fund one-time special projects, such as the construction of a building. The JCA conducts special appropriation bill hearings, in which proponents and opponents of the proposed legislation provide testimony. By legislative rule, the JCA has until the thirty-first legislative day to take action on special appropriation bills. If a special appropriations bill passes the JCA, it moves to the house of origin and must receive a two-thirds majority vote of each chamber, before moving on to the Governor for consideration.





Now that the JCA has estimated how much revenue will be generated and has acted on one-time appropriation bills, it can begin the budget-setting process. Before determining each individual state agency's budget, the JCA sets funding levels for statewide policies that affect many agencies, such as state employee salary policy and medical services provider inflation adjustment.

Finally, the JCA begins setting each agency's budget. This two-week process combines all the information gathered from each previous step in the appropriations process to set the budget for each program in each state agency. Each budget voted on and agreed to by the

JCA becomes a line item in the general appropriations act. After each budget is set, the JCA votes to approve and introduce the bill as written and set by the committee. According to legislative rule, the Senate Committee on Appropriations introduces the general appropriations bill in even-numbered years, and the House Committee on Appropriations in odd-numbered years.

Once the bill is formally introduced, the Senate and House of Representatives must each act on the bill, which is typically one of the last bills remaining in the session. Unlike the special appropriation bills, the general bill requires only a majority vote for passage. If a majority of both chambers approve the bill, the Legislature can adjourn until veto day.

## How Each of Your Fiscal Year 2018 General Fund Tax Dollars Are Budgeted



**Education:** K-12, Higher Education, School & Public Lands

**People:** Medicaid & Social Services, Human Services, Health, Veterans Affairs

**Justice & Public Safety:** Unified Judicial System, Corrections, Attorney General, Public Safety, Military

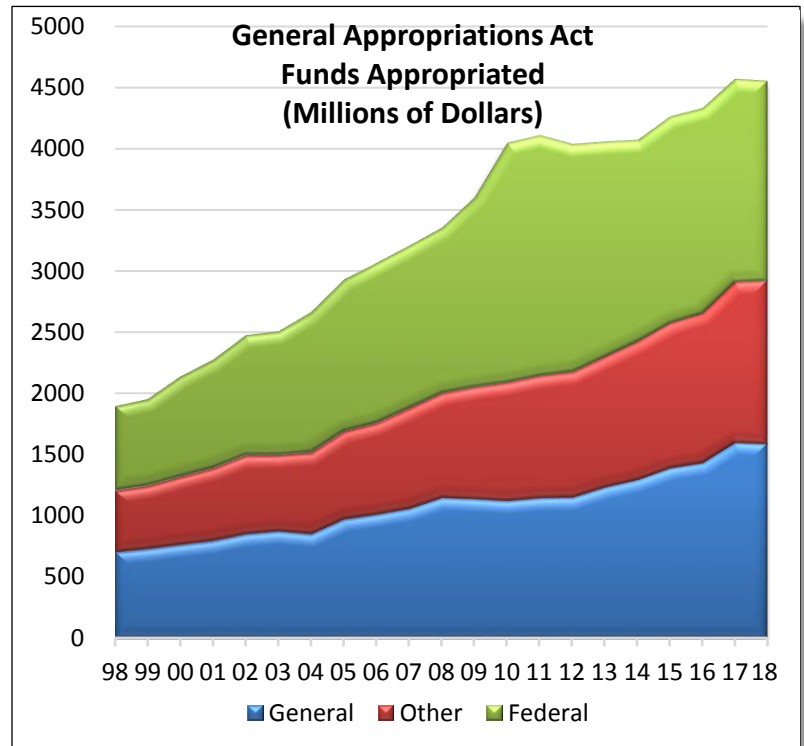
**Rest of State Government:** Environment & Natural Resources, Agriculture, Game, Fish, & Parks, Tourism, Transportation, Labor & Regulation, Revenue, Public Utilities, Executive Management, Tribal Relations, State Auditor, Secretary of State, Treasurer & Investment Council, Retirement System, Legislature



Upon passage of both chambers, the general appropriations act is delivered to the Governor for consideration. As with other bills, the Governor can sign or veto the general bill. Additionally, the South Dakota Constitution gives the Governor the power to use a line-item veto, which gives the Governor ability to veto certain portions of the general bill while leaving the remaining portions of it intact. For example, if the Governor is in agreement with the Legislature on the amount of funds appropriated to all state agencies except one, the Governor 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 the members in each chamber are in support of such an action. However, if an override is not successful, unlike other bills, 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 for the next fiscal year.

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



#### Key Resources:

[Bureau of Finance and Management](#)  
[Department of Revenue](#)  
[Statistical Comparison](#)  
[Legislative Budget](#)

#### Key Terms:

*appropriations*  
*budget*  
*expenditures*  
*federal government*  
*fiscal year*  
*General Appropriations Act*  
*general bill*  
*Governor*  
*joint committee*  
*state funds*  
*Legislature*  
*line-item veto*  
*local government*  
*majority vote*  
*revenue*  
*special appropriation bills*  
*state treasurer*  
*two-thirds majority*

#### Did you know?

It takes only a simple majority of the members of each house to pass the bill that funds all of state government, but it takes 2/3rds of the members to pass other smaller, specific spending measures.

According to the South Dakota Constitution, legislators are reimbursed only 5 cents a mile for one trip to and from their homes during a legislative session.

