United States General Accounting Office

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Report to the Chairman, Committee on Rules, House of Representatives

October 2000

BIENNIAL BUDGETING

Three States' Experiences

GAO

Accountability * Integrity * Reliability

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Contents

Abbreviations

BSF	Budget Stabilization Fund
FAC	Finance Advisory Committee
GPRA	Government Performance and Results Act
JCARR	Joint Committee for Agency Rule Review
JLBC	Joint Legislative Budget Committee
LBO	Legislative Budget Office
OBM	Office of Budget and Management
OPM	Office of Policy and Management
OSPB	Office of Strategic Planning and Budgeting
PAR	Program Authorization Review
PAYGO	pay-as-you-go
PRI	Program Review and Investigations Committee
SPAR	Strategic Program Area Review
TANF	Temporary Assistance for Needy Families

United States General Accounting Office
Washington, D.C. 20548

October 27, 2000

The Honorable David Dreier
Chairman, Committee on Rules
House of Representatives

Dear Mr. Chairman:

Members of the Congress periodically have expressed interest in converting the federal budget process from an annual to a biennial cycle. These proposals stem in part from frustration over the amount of time spent on the annual budget and appropriations process and the feeling that budget-related actions are both endless and repetitive. Some in the Congress feel that the time spent on these activities has come at the expense of congressional oversight and authorization responsibilities. A biennial budget cycle has been advocated as a way to advance several objectives: (1) provide more focused time for congressional oversight and authorization activities by streamlining the congressional budget process, (2) shift the allocation of agency officials' time from the preparation of budget documents to improved financial management and analysis of program effectiveness, and (3) provide federal managers and state and local recipients of federal funds more certainty in funding over the longer 2-year period.

However, proposals to move to a biennial budget cycle raise a number of concerns. Opponents of biennial budgeting argue that achieving any time-savings depends on a willingness to make few changes in the off year and, absent such restraint, there may be little or no time saved. They also suggest that even if such a shift does save time it may not increase congressional oversight or improve the authorization process. Some have even argued that biennial budgeting could reduce congressional oversight by decreasing the number of times Appropriations Committees review executive budget requests. Furthermore, they suggest that reducing the number of times the Congress considers budget matters may only raise the stakes of budget negotiations—and hence how long they may take—especially when significant policy or program differences exist. Some argue that the limited ability to project future conditions and the inevitability of unforeseen events will lead to a budget process that is biennial in name only or to the Congress delegating greater authority to the President to make off-year budgetary adjustments. Finally, opponents note that significant oversight occurs during the appropriations process. By converting this process to a biennial exercise, the Congress will reduce the number of established opportunities it has to examine, direct, and influence executive branch activities.

Although the general trend among states since World War II has been toward annual budgeting, both opponents and proponents of a federal biennial cycle have used states' experiences to support their positions. Currently, of the 43 states with a legislature that meets annually, 16 have at least a portion of their budget on a biennial basis. The seven states with legislatures that meet biennially of necessity have a biennial budget. (See appendix I for a list of states and their legislative and budget cycles.)

To better understand the states' perspectives, you requested that we study the biennial budget processes of Arizona, Connecticut, and Ohio in detail. Arizona and Connecticut were selected because they are the only two states that have converted to biennial budgeting in the last 10 years. Ohio was included because among the five states with the highest general fund expenditures, it is the only one that has both a biennial budget process and a legislature that meets annually. In addition, Ohio has been cited as a successful model by advocates of biennial budgeting.

Specifically, you asked that we examine how (1) Arizona and Connecticut implemented their transition from an annual to a biennial cycle, (2) each of the three states budgets in the off year of its cycle, and (3) each of the states incorporates legislative oversight and program evaluation into its budget cycle. In addition, you asked that we note issues other than those identified by these states that should be considered if the federal budget is converted from an annual to a biennial process.

Results in Brief

Proposals to switch to a biennial budget process at the federal level share a common goal with the states we reviewed—to reduce the time spent on budget matters. Whether a biennial cycle offers the benefits sought in this area will depend on the ability of the Congress and the President to reach agreement on how to design and enforce the off-year process and how to respond to unanticipated needs. If it is easy to trigger a "reopening" of funding decisions, the process could look very much as it does now. Although the three states differed in the degree to which they achieved consensus on an off-year process, none were able to limit changes to technical and mandatory adjustments. If any shift to a biennial process is to lead to increased oversight, there must be commitment to such oversight activities over and above any time-savings.

Officials in Arizona and Connecticut said that they did not experience significant transition issues or technical difficulties in shifting to a biennial process. Arizona and Connecticut converted from an annual to a biennial budget process during the 1990s for different reasons. In Arizona, biennial budgeting was adopted to reduce the amount of time spent on budget deliberations and allow more time for legislative oversight. Connecticut, on the other hand, adopted a biennial budget process as part of a package of fiscal reforms that accompanied legislation implementing a personal income tax when the state was in fiscal crisis. In this context, biennial budgeting was seen as a way to strengthen fiscal management by doubling Connecticut's budget horizon from 1 to 2 years. The two states also differed in how long they took to implement biennial budgeting. Arizona implemented biennial budgeting over several years, beginning with a group of smaller agencies before converting the entire budget, while Connecticut converted all agencies to a biennial budget in the same year.

The experiences of all three states indicate that agreement between the legislative and executive branches on how the off-year budget process will operate and leadership commitment to enforcing that agreement are key to how well a biennial budget process works. Each state has adopted a different approach to budgeting in the off year. Ohio has relied more on leadership control to discipline the budget process, while Arizona is attempting to establish formal guidelines for the types of off-year changes to the budget that may be considered. Legislators in these two states felt that legislative control limiting off-year budget adjustments was important given the political pressures to address policy needs. Connecticut, on the other hand, has not formally placed limits on what can be proposed in the off year; to date its off-year budget deliberations differ little from those in the first year of the biennium. To help manage budgetary changes, each state has delegated some authority to the executive branch and/or to joint legislative/executive bodies. Executive branch agencies in all three states also felt that it was important to have clear guidelines on what budgetary changes could be proposed during the biennium and flexibility to make adjustments when unforeseen events happen.

The experiences of the case study states also demonstrate how difficult it is to use a biennial budget process to increase legislative oversight. Of the three states, only Arizona has designed a new oversight process which was incorporated into its biennial budget process. In Arizona, increased oversight was a major goal in shifting to a biennial budget. Although Arizona's new Strategic Program Area Review process has resulted in some legislative changes, officials there said the oversight process could be improved further. In the other two states, we were told that oversight has not increased in the off year of the biennium. Officials to whom we spoke described challenges to increasing oversight, including the following: (1) a short legislative session may not allow sufficient time for in-depth program review, (2) because the off-year budget process occurs in an election year, decisions to reduce funding or eliminate programs are potentially more difficult, and (3) budget surpluses for the past several years have reduced pressure to use an oversight process to identify budget savings.

Although state experiences can provide useful insights, the existing federal budget process has some unique features and issues that will necessarily affect the implementation of a biennial budget. In part, these reflect key differences in the federal budget structure and process that a study of states with biennial budgeting will not cover. Examples include the following:

- Mechanisms the federal government uses to adjust fund availability and timing in response to program needs—such as multiyear funds,[1] forward funding, and advance funding—are not found as frequently at the state level.
- There are fundamental differences in how the federal government and states budget and control spending. For example, the states use fund budgeting, which separates operating, capital, enterprise, and various other funds, while the federal government has a unified budget. Also, governors generally have more unilateral power to cut spending than does the president.
- States generally do not have separate budget, authorization, and appropriations processes.

Furthermore, there are several other important issues to consider when implementing a biennial budget process at the federal level. For example, if a goal of biennial budgeting is to increase oversight, then it is particularly important to pay attention to how the new budget cycle is integrated with

[1]Multiyear authority is budget authority available for a period of time longer than1 fiscal year. Forward funding is a type of multi-year authority that covers periods of time that do not coincide with the start or end of a fiscal year. Advance funding authority allows agencies to charge obligations incurred in the current year to the next fiscal year's appropriation.

the strategic planning and performance reporting cycle under the Government Performance and Results Act (GPRA). Also, upon the expiration of the Budget Enforcement Act control regime, any proposal for a biennial budget cycle will need to be considered in the context of the federal budget regime and designed to work with whatever structure and control regime comes into place. The experiences of the states we studied demonstrate the importance of addressing these potential concerns during the design of any federal biennial budget process.

Background

In recent years many Members of the Congress have expressed concern over the amount of time spent on the budget and appropriations process, as well as the seemingly repetitive process that includes concurrent resolutions, reconciliation bills, authorizations, and many regular appropriations bills. Some have proposed shifting the budget process from an annual to a biennial cycle. Although budget resolutions, appropriations, and authorizations do not all have to be on the same cycle, most proposals would shift all three processes to a 2-year cycle. Typically, these proposals would create a biennial appropriations cycle providing two 1-year appropriations. Some also require authorizations to be completed prior to the start of the next biennium. Although proponents suggest that biennial budgeting will provide an opportunity for the Congress to improve its oversight, most proposals do not specify how this will be achieved.

Advocates of biennial budgeting generally contend that a 2-year budget cycle will (1) reduce congressional workload by streamlining the budget process, (2) provide an opportunity for the Congress to increase its oversight and program review activities, and (3) allow better multiyear planning by federal, state, and local agencies that spend federal funds. Supporters of biennial budgeting envision a process that divides each Congress into a budget and appropriations year followed by an authorization/oversight year. Supporters believe this 2-year cycle would reduce competition for members' time, allowing for more timely completion of the authorizations process. Biennial budgeting has received the support of the Reagan, Bush, and Clinton administrations. The 1993 report of the National Performance Review pointed out that considerable time could be saved in both the executive and legislative branches under a biennial budget cycle. Advocates also suggest that the budget agreements providing a 5-year budget control framework between the President and the Congress have provided experience with multiyear budgeting.

Opponents of biennial budgeting argue that achieving any time-savings depends on a willingness to make few changes in the off year, and absent such restraint, there may be little or no time saved. They also suggest that even if such a shift does save time it may not increase congressional oversight or improve the authorization process. Some have even argued that biennial budgeting could reduce congressional oversight by decreasing the number of times Appropriations Committees review executive budget requests. Furthermore, they suggest that reducing the number of times the Congress considers budget matters may only raise the stakes of budget negotiations—and hence how long they may take—especially when significant policy or program differences exist. Some argue that the limited ability to project future conditions and the inevitability of unforeseen events will lead to a budget process that is biennial in name only or to the Congress delegating greater authority to the President to make off-year budgetary adjustments. Finally, opponents note that significant oversight occurs during the appropriations process. By converting this process to a biennial exercise, the Congress will reduce the number of established opportunities it has to examine, direct, and influence executive branch activities.

Finally, although states can provide some important insights to those seeking to design a federal biennial budget process, it is difficult to translate state budget laws, practices, and experiences to the federal level. As we noted in our review of state balanced budget practices,[2] state budgets fill a different role, may be sensitive to different outside pressures, and are otherwise not directly comparable. State budgets are generally more constrained than the federal budget as a result of balanced budget requirements and borrowing restrictions. Coupled with budget disciplines imposed by bond rating agencies, balanced budget requirements encourage states to budget conservatively. Moreover, governors generally have broader authority than the President to reduce spending. For example, 15 states give their governors full authority to cut program spending when there is a revenue shortfall, and most of the remaining states give the governor limited authority to cut spending.

There are also important differences in legislative process and appropriations practices. State legislatures generally do not separate the authorization and appropriation functions. It also appears that states use

[2] *Balanced Budget Requirements: State Experiences and Implications for the Federal Government* (GAO/AFMD-93-58BR, March 26, 1993).

tools like multiyear funding much less than the Congress does. Even in the one-third of the federal budget that is discretionary, multiyear funding is widely used at the federal level. Some have argued that the availability and use of multiyear funding reduces both the need for and the potential benefits of a move to biennial budgeting at the federal level.

Scope and Methodology

To address our objectives, we collected and analyzed budget-related information on the three case study states. To determine the legislative perspective on biennial budgeting we interviewed state officials in legislative budget offices and members of the state legislatures (including majority and minority party leaders and appropriations chairs). We also interviewed officials from the executive budget office and one or two executive branch agencies to gain an executive branch perspective. To understand the federal issues, we reviewed recent federal legislation, relevant reports and studies, and congressional testimony. We conducted our work from March 2000 through October 2000 in accordance with generally accepted government auditing standards.

Arizona and Connecticut Implemented Biennial Budgeting Differently

Arizona and Connecticut converted from annual to biennial budget processes during the 1990s for different reasons. In Arizona, biennial budgeting was adopted to reduce the amount of time spent on budget deliberations and to allow more time for legislative oversight. Arizona developed a strategic program review process to complement its budget process. Connecticut, on the other hand, adopted a biennial budget process as part of a package of fiscal reforms that accompanied legislation implementing a personal income tax at a time when the state was in fiscal crisis. Although advocates promoted the potential benefits such as time-savings and increased oversight, biennial budgeting was primarily adopted as a way to improve fiscal management by doubling the budget horizon from 1 to 2 years. In hindsight, establishing spending caps, which were also part of the fiscal reform package, proved to be more important than biennial budgeting in affecting the state's fiscal management.

The two states also differed in how long they took to implement biennial budgeting. Arizona started with a large number of smaller agencies before converting the entire budget, while Connecticut converted all agencies to a biennial budget in the same year. Officials with whom we spoke in these states did not cite specific transition issues or technical difficulties in shifting to a biennial process. However, in Arizona, we were told that beginning the conversion to a biennial budget with smaller, relatively stable entities allowed the legislature to develop a level of comfort with biennial budgets and that facilitated political support for the transition of the entire budget to a biennial cycle. The transition occurred over a 6-year period beginning in fiscal year 1994 when 26 small regulatory agencies, which are almost all fee funded, were converted from an annual to a biennial cycle. In fiscal year 1996, all agencies except the 15 largest were moved to a biennial cycle. Although these represented the bulk of state agencies, they accounted for less than 10 percent of the state's general fund expenditures. In the current biennium, which began in fiscal year 2000, the remaining 15 largest agencies representing more than 90 percent of the general fund expenditures were converted. Although it may be too soon to say how well the biennial process works for the largest agencies, officials felt that the staged/phased move to a biennial process helped build more support for biennial budgeting than there had been in the past.

Connecticut changed its budget cycle from biennial to annual in 1971 when the legislature shifted from meeting biennially to meeting annually. As noted above, the recent move back to a biennial process was part of a larger package of changes that included the imposition of an income tax and spending caps. All state agencies were converted to a biennial budget at the same time in fiscal year 1994, 2 years after the state's fiscal reform legislation was adopted.

Designing an Off-Year Budget Process Is Important

The experiences of all three states indicate that agreement between the legislative and executive branches on how the off-year budget process will operate is likely to play a critical role in determining how well a biennial budget process works. Each of the states has adopted a different approach to budgeting in the off year. Ohio has relied more on leadership control to discipline the process whereas Arizona is attempting to establish formal guidelines for what types of changes may be considered. Legislators in these two states felt that limiting off-year budget adjustments was important given the political pressures to address policy needs. In contrast, Connecticut has not formally placed limits on what can be proposed in the off year. Each of these states also delegated some authority to make changes in the off year to the executive branch and/or to joint legislative/executive bodies. In addition, executive branch agencies in these states also felt that it was important to have clear guidelines on what budgetary changes could be requested and flexibility to make adjustments when unforeseen events happen.

States Developed Different Approaches to Making Off-Year Changes

The experiences of these states demonstrate the importance of reaching agreement on a process for the off year and of having leadership commitment to limit changes. Each of the states we studied has a different way of managing the off-year process. Ohio and Arizona both attempt to limit off-year budget changes, while Connecticut generally “opens up” the off-year budget to consider any changes. Attention to this issue seems especially important given that officials faced pressures to provide new funding in a time of surpluses, particularly since the off year of the budget occurs in an election year. Although Arizona and Ohio ultimately moved beyond adjusting funding levels for existing programs to using some of their surplus to fund policy initiatives in the off year, officials in both states felt that it was important to stick as closely as possible to the biennial budget as it was originally passed.

Ohio does not statutorily limit budgetary changes in the off year, but the executive and the legislative branches have traditionally agreed to limit budget changes in that year. Both legislative and executive branch officials described a strong working relationship between legislative leadership and the executive branch and a commitment to reach agreement on the budget. Consequently, the off-year budget debate has generally been limited to corrective items, technical adjustments, and small policy initiatives. It has been a long-standing practice to try to stay within the overall limits of the biennial budget as it was originally passed and to wait until the next biennium to introduce new policy initiatives. The fact that Ohio funds its capital budget in the second year of the biennium has provided a way for officials to respond to perceived pressures in that year.

In Arizona, which is in its first full biennial budget cycle in 50 years, both branches agreed that technical and mandatory formula adjustments should be made in the off year, but they differed on whether to consider new policy initiatives in the off year. We were told that the executive and legislative branches did not work together to reach agreement on guidelines for off-year budget changes before agencies submitted their budget requests. The governor included new policy initiatives in the budget package, but the legislature took the position that the off-year budget package should contain only mandatory and technical changes. Although the House and the Senate did not initially agree on a process for considering policy initiatives, the legislature eventually limited the final supplemental package to mandatory and technical changes and passed several new policy proposals as separate measures.

Connecticut has not developed a process to limit changes in the off year. Officials told us that there was no prior agreement with the governor or within the legislature on the guidelines for proposing and approving off-year adjustments. Consequently, beginning with the first biennium, each administration has introduced new policy proposals, and the legislature has placed no limits on what budgetary changes may be considered in the off year. Officials in Connecticut partially attributed the number of off-year changes to the fact that the budget reform legislation requires that the governor provide a detailed update of the original budget and that the Appropriations Committee report at least one bill adjusting expenditures for the second year of the biennium. Additionally, both former and current legislators described a lack of commitment to the biennial budget process. Most said that as a result, there has been little difference in time spent on budget-related activities in the first and second years of the biennium.

State Legislatures Delegated Some Authority

In the three states we studied, the legislatures delegated some authority to move funds or adjust funding levels (1) to committees made up of legislators and executive branch representatives or (2) directly to the executive branch in the form of transfer authority, reprogramming authority, or the ability to cut spending to address budget deficits. The delegation of authority was not limited to the off year of the budget process, but was also carried out in the first year of the biennium. Officials in Ohio felt that delegating authority to its Controlling Board enabled them to reduce their workload because the budget could be adjusted in the interim without full legislative involvement. In the two states with joint legislative and executive boards, the board allowed a subgroup of the legislature to monitor and review executive branch transfers.

In Ohio, the Controlling Board made up of legislators and a representative from the governor's Office of Budget and Management (OBM) was established at a time when Ohio's legislature met biennially—with the responsibility to approve transfers of funds within appropriations accounts. Originally, the Controlling Board was established to function primarily in the legislature's off year, but now it performs its functions throughout both years. The OBM representative serves as president, reviews requests for Controlling Board approval, sets the agenda, and chairs the meetings. The board may authorize increased spending from dedicated revenues, fees, federal reimbursements, or private grants, and it can provide emergency resources to an agency. The board cannot increase or decrease general revenue fund appropriations or transfer funds between agencies. Board actions must be consistent with the legislative intent of the

General Assembly. The Controlling Board also has delegated some authority to OBM to approve transfers within agency budgets, and the governor has the authority to restrict spending in order to maintain a balanced budget.

In Connecticut, the Finance Advisory Committee (FAC), which is chaired by the governor and consists of the lieutenant governor, the treasurer, the comptroller, and five legislators, approves transfers between appropriations accounts within an agency. The FAC cannot increase the total amount of an agency's appropriation, except in very limited instances. Also, the governor has the authority to approve transfers of amounts below 10 percent of an appropriation, or $50,000, whichever is less. The governor also has the authority to reduce allotments by up to 5 percent of an individual account, but not more than 3 percent of the total appropriation of any fund, in cases where a deficit is projected or in cases where there is a change of circumstances.[3] The FAC can approve reductions of somewhat larger amounts, but any change that would result in a reduction of more than 5 percent of the total appropriation for any fund requires legislative approval.

In Arizona, we were told that agencies have a fair amount of flexibility in the use of funds within their budgets, and the governor's budget office has the authority to move funds within an appropriation and between appropriations, but not between agencies. The governor also has the authority to reduce spending in order to maintain a balanced budget.

Executive Branch Views on the Off-Year Process

Executive branch officials we spoke with felt that it was important to have a clear process in place for addressing budgetary needs in the off year and the flexibility to make adjustments for unforeseen events. Although Ohio does not formally prepare an executive budget request in the off year, we were told that the governor's budget office closely monitors agency budgets throughout the biennium and works with agencies to resolve budget needs, but that agencies are expected to manage within their budgets. Even though agencies have little flexibility to transfer or reprogram funds within their budgets, officials we interviewed at one agency said that they are able to use additional funding sources (e.g., to make use of federal funds that arrive during the year). Those agency staff

[3]However, grants to municipalities and funding for the Auditor of Public Accounts may not be reduced.

also said that they spend less time on the budget and more time on planning and program implementation in the off year. From an agency perspective, the biennial budget generally worked well.

In Arizona, the Governor's Office of Strategic Planning and Budgeting issued guidelines to agencies on allowable budget requests, which were primarily for mandatory increases in statutory programs and technical corrections. However, the legislature did not formally issue its guidelines until the executive branch agencies had already completed their budget requests. Although state officials said they generally could move funds within appropriations accounts in their budgets, one official expressed concern about the lack of guidance on how to meet budgetary needs if funds from transfers were insufficient and additional funds were needed for other than technical or mandatory changes, such as unexpected increases in workload, as opposed to unexpected caseload increases in entitlement programs.

In Connecticut, the off-year budget process was described to us as very similar to an annual budget process, including a requirement that agencies submit detailed estimates updating the budget in the off year. As a result, the agencies had a clear process for requesting funding, but officials agreed that the expected benefits of the biennial budget process were not realized and that the biennial process did not work well. In Connecticut, the main difference between the annual and biennial budgets appeared to be a shift from budgeting for a single year to budgeting for 2 years and providing budget estimates for an additional 3 years.

Increased Legislative Oversight Required Planning

One of the arguments often cited in favor of biennial budgeting is that it offers the opportunity for the legislature to spend less time on the budget process and more time on oversight and program evaluation. However, only one of the three states we studied had designed a new oversight process, which was incorporated into its biennial budget process. Officials in the other two states told us that they did not spend more time on oversight activities in the off-year than in the first year of the biennium.

State officials described challenges faced in attempting to increase oversight in the off year, which include the following: (1) a short legislative session may not allow sufficient time for in-depth program review, (2) because the off-year budget process occurs in an election year, decisions to reduce funding or eliminate programs are potentially more difficult, and (3) budget surpluses for the past several years have reduced the pressure to use the oversight process to identify budget savings.

Of the three states studied, only Arizona has developed a model designed to increase oversight in the off year. In Arizona, increased oversight was an integral part of the budget reforms originally enacted in 1993. In 1999, Arizona adopted the Strategic Program Area Review (SPAR) process, which was designed to look at program areas that cut across numerous agencies and to recommend efficiencies. The SPAR process takes place in the off year of the biennium to allow legislators more time to review selected program areas. The SPAR process evolved from the Program Authorization Review (PAR) process, begun in 1995. The PAR process included a self-assessment by each agency and a joint legislative and executive budget review with joint findings and independent recommendations submitted to the Joint Legislative PAR Committees for action. From 1995 through 1998, the legislature made decisions on a total of 88 programs and subprograms; most of these decisions were to modify or retain programs.

The SPAR process was designed to have a broader focus than the PAR process by looking at strategic program areas, such as domestic violence, which cut across numerous state agencies, rather than individual programs. For the first biennium, Arizona conducted SPARs on three areas: ports of entry, domestic violence, and university extended education programs. While it is still too early to tell how effective the new SPAR process will be, the first SPAR reports did lead to hearings and some legislative changes. According to the Joint Legislative Budget Committee, eight committees held hearings on the SPAR reports, and bills were introduced in both houses related to all three SPARs. Ultimately, legislation on two of the SPARs was enacted. Although officials mentioned ways in which Arizona's oversight processes could be improved, they did so in the context of a state with a continuing effort to increase oversight activities as a part of the state's budget reforms.

In contrast, Ohio and Connecticut have neither mandates nor plans for increased oversight in the off year. In Connecticut, the biennial process has not resulted in more oversight, although some of the original proponents of biennial budgeting envisioned greater opportunities for oversight in the off year. We were told that the requirement for a detailed update of the budget in the off year and the shorter legislative session has meant that time has not been saved. Reports on program effectiveness by Connecticut's

Program Review and Investigations Committee—in place before biennial budgeting—continue but have not seen increased use.

In Ohio, the legislature has a shorter session in the off year of the biennium, which officials said is spent primarily on passing a capital budget along with small adjustments to the operating budget. Consequently, the legislature does not conduct more oversight in the off year either through standing committees or the Appropriations Committees. Although some oversight mechanisms are in place, such as legislative committees and the Legislative Service Commission, which perform studies on specific topics for the legislature, oversight activities generally were described as minimal and unstructured.

State officials observed that increasing oversight activities requires the interest and sustained commitment of legislators, particularly the legislative leadership. In Arizona, biennial budgeting was accompanied by a new oversight process, although officials believe the oversight process can be improved further. However, in all these states oversight continues to occur primarily during the appropriations process.

Observations on Implementing a Biennial Budget Process at the Federal Level

Although state experiences can provide useful insights as the Congress considers proposals to shift to a biennial budget process, some issues are unique to the federal government. The differences between states and the federal government must be considered in deciding whether the federal government should shift to a biennial cycle and, if so, how such a process should be designed.

Proposals to switch to a biennial budget process at the federal level share a common goal with the states we reviewed—to reduce the time spent on budget matters. Whether a biennial cycle offers the benefits sought in this area will depend on the ability of the Congress and the President to reach agreement on how to design and enforce the off-year process and how to respond to unanticipated needs. If it is easy to trigger a “reopening” of funding decisions, the process could look very much as it does now. Although the three states differed in the degree to which they achieved consensus on their off-year processes, none were able to limit changes to technical and mandatory adjustments. Further, it is clear from the three states studied that achieving time-savings—even for Ohio and Arizona who claimed some success—did not guarantee greater legislative oversight. If any shift to a biennial process is to lead to increased oversight, there must be commitment to such oversight activities over and above any time-savings.

It is also important to note the extent to which all three of these states delegate authority over funding levels and allocations to their governors or to joint legislative/executive branch entities acting in their behalf. It is unclear whether such approaches would be constitutionally available options at the federal level. Further, it should be recognized that the federal government also has mechanisms to manage changing needs that are either not available to or used less frequently by states. The Congress routinely authorizes multiyear funds as well as forward or advance funding in response to program needs.[4] When the Congress chooses to do so, it provides lump-sum appropriations that allow agencies, as a matter of law, to distribute funds among some or all of the permissible purposes of a particular appropriation account as they see fit. Lastly, the Congress may provide agencies with transfer authority as a way to shift resources between accounts. If the Congress wishes to provide increased flexibility or stability to agencies, it could use these existing mechanisms either temporarily to smooth the transition from an annual to a biennial process or permanently to increase the percentage or amount that can be transferred without additional congressional action. In addition, if the Congress has imposed reprogramming restrictions that limit the movement of funds within an agency's appropriation account, it may alter the restrictions to provide an agency with greater flexibility.

There are other fundamental differences between how the federal government and states budget and control spending that will affect the design and implementation of a biennial budget process. Most states use fund budgeting, which separates operating, capital, enterprise, and various other funds, whereas the federal budget is shown on a unified basis. In addition, distinctions for budgetary control at the federal level are made for those programs for which funds flow directly from program legislation ("direct spending" or "mandatory spending") and those programs whose funding flows through the appropriations process ("discretionary spending"). Proposals for biennial budgeting at the federal level would apply only to the one-third of the budget controlled through the

[4]Multiyear authority is budget authority available for a period longer than 1 fiscal year. Forward funding is a type of multiyear authority that covers periods that do not coincide with the start or end of a fiscal year. Advance funding authority allows agencies to charge obligations incurred in the current year to the next fiscal year's appropriation.

appropriations process. In contrast, states also feel constrained—either by balanced budget requirements or by concerns about their bond ratings—to balance annually the operating portions of their budgets (or general funds), which include formula or caseload driven programs, such as schools and prisons. These distinctions present different challenges and have practical consequences in designing a biennial budget process.

Given the differences between federal and state legislative processes, state experiences with biennial budgeting cannot be generalized broadly to the federal budget. For example, states do not have separate budget, authorization, and appropriations processes. In Connecticut and Arizona, moving to biennial budgeting extended their entire budget horizon from 1 year to 2. In contrast, the federal government routinely displays budget information for 10 years, or more.

In recent years, some in the Congress have expressed concern over the frequency with which the Congress has waived its rules and passed appropriations without authorizations. Some feel that this is the result of the time-consuming budget and appropriations process crowding out the legislative calendar. Others feel that authorizations of some programs are not completed because they contain sensitive issues that take time to reconcile. Recent proposals for a biennial cycle have envisioned a process in which the first year of the biennium is devoted to budget and appropriations measures and the second year is devoted to oversight and authorization activities, with the authorizing committees playing a more active oversight role. In some ways, the debate about whether a biennial budget process would improve the timeliness of authorizations mirrors the debate about whether it would improve oversight. Having a more complex federal process means that any biennial budget proposal will need, at the very least, to conform the legislative calendar for these three processes. Careful thought should be given to whether a biennial budget process also changes the relationship between these activities, especially how this change might affect the oversight roles of authorizers and appropriators.

Since much of the recent interest in a biennial budget cycle reflects an interest in increased oversight, it is important to see this goal in the context of what the Congress has already enacted. The Congress has put in place a statutory framework to instill performance-based management into federal agencies.[5] In particular, it will be important to give close attention to how the biennial budget cycle should be integrated with the strategic planning and performance cycle that currently exists under GPRA. Integration of GPRA with a biennial cycle raises a number of questions beyond adjusting the dates, which include the following.

- Will agencies still be expected to submit annual performance reports, and how are these to be used in a biennial cycle?
- Will the President's governmentwide performance plan submitted with his biennial budget reflect performance goals and measures on an annual or a biennial basis?
- Will agencies be expected to prepare performance plans including annual goals and measures covering each year of the biennium—and if so how will these affect the governmentwide performance plan?

To be fully useful, this information must become a routine component of congressional authorization, oversight, and appropriations processes.

Finally, any proposal to change to a biennial budget process will need to be considered in the larger context of the federal budget regime. The control regime embedded in the Budget Enforcement Act expires in 2002.[6] Any biennial budget process must be designed to work with whatever control regime is retained or created at that time.

State experiences cannot be translated wholesale to the federal government, nor can the experiences of the states we examined be seen as determinative for the federal government. However, the experiences of the states we reviewed do offer insights into implementation and design issues that must be addressed if the federal government is to consider shifting to a biennial budget cycle. Further, the recent experiences of Arizona and Connecticut illustrate that if these issues are dealt with early, the transition to a biennial budget cycle is likely to be smoother.

[5]This framework includes the Chief Financial Officers Act and related financial management legislation; information technology reform legislation, including the Clinger-Cohen Act of 1996 and the Paperwork Reduction Act of 1995; and GPRA.

[6]The Budget Enforcement Act of 1997 extended pay-as-you-go (PAYGO) rules and discretionary spending limits through 2002. PAYGO rules require that new direct spending or revenue legislation be deficit neutral. Discretionary spending limits are statutory caps on the level of budget authority and outlays determined through the annual appropriations process.

State Comments

We provided a draft copy of each state appendix of this report to officials from that state to review for accuracy. They generally concurred with our characterizations, and we incorporated their comments where appropriate.

We are sending copies of this report to the Honorable John Joseph Moakley, Ranking Minority Member, House Committee on Rules; the Honorable Pete V. Domenici, Chairman, and the Honorable Frank R. Lautenberg, Ranking Minority Member, Senate Committee on the Budget; the Honorable John R. Kasich, Chairman, and the Honorable John M. Spratt, Jr., Ranking Minority Member, House Committee on the Budget; the Honorable Ted Stevens, Chairman, and the Honorable Robert C. Byrd, Ranking Minority Member, Senate Appropriations Committee; the Honorable C.W. Bill Young, Chairman, and the Honorable David R. Obey, Ranking Minority Member, House Appropriations Committee and other interested parties. We will also make copies available to others upon request.

Please contact me at (202) 512-9573 if you or your staff have any questions concerning this report. Key contributors to this assignment were Denise Fantone, Bryon Gordon, and Amelia Shachoy.

Sincerely yours,

Susan J. Irving
Director for Federal Budget Issues, Strategic Issues

State Legislative and Budget Cycles

States with biennial legislative and budget cycles	States with annual legislative and budget cycles	States with annual legislative and mixed budget cycles	States with annual legislative and biennial budget cycles
1. Arkansas	1. Alabama	1. Kansas[a]	1. Arizona
2. Kentucky	2. Alaska	2. Missouri[b]	2. Connecticut
3. Montana	3. California		3. Hawaii
4. Nevada	4. Colorado		4. Indiana
5. North Dakota	5. Delaware		5. Maine
6. Oregon	6. Florida		6. Minnesota
7. Texas	7. Georgia		7. Nebraska
	8. Idaho		8. New Hampshire
	9. Illinois		9. North Carolina[c]
	10. Iowa		10. Ohio
	11. Louisiana		11. Virginia
	12. Maryland		12. Washington
	13. Massachusetts		13. Wisconsin
	14. Michigan		14. Wyoming
	15. Mississippi		
	16. New Jersey		
	17. New Mexico		
	18. New York		
	19. Oklahoma		
	20. Pennsylvania		
	21. Rhode Island		
	22. South Carolina		
	23. South Dakota		
	24. Tennessee		
	25. Utah		
	26. Vermont		
	27. West Virginia		

[a]In Kansas, 19 agencies are on a biennial budget cycle.

[b]In Missouri, the operating budget is on an annual cycle while the capital budget is on a biennial cycle.

[c]Although statutorily North Carolina has a biennial legislature, in practice, the legislature meets annually with a shorter session during the second year.

Arizona

Biennial Budget

The state of Arizona is currently in the second year of its first biennial budget. Arizona began its transition to a biennial budget cycle in fiscal year 1994[1] when it moved 26 smaller regulatory agencies[2] to a biennial basis after attempts to enact legislation to convert the entire budget to a biennial cycle at one time had failed. Based on their experience with these smaller agencies, legislators said that they became more comfortable with biennial budgeting, and in fiscal year 1996 all agencies except for the 15 largest were moved to a biennial cycle. The 15 largest agencies, which represent more than 90 percent of general fund expenditures, were converted to a biennial cycle in fiscal year 2000. Arizona adopted a biennial budget process primarily as a way to free up legislative time to increase its oversight activities. In 1993, Arizona enacted a Program Authorization Review (PAR) process that required each state agency to develop plans and performance measures to support its budget requests. In 1999, the Arizona legislature replaced the PAR process with the Strategic Program Area Review (SPAR) process, which was designed to have a broader focus than the PAR process by looking at strategic program areas that cut across numerous state agencies rather than individual programs. The SPAR process was specifically designed to coordinate with the off year of the state's biennial budget process.

Legislature

Arizona's legislature is composed of a Senate with 30 members and a House of Representatives with 60 members. Both senators and representatives are elected for 2-year terms with elections held each even-numbered year. Arizona is divided into 30 electoral districts, with each district electing one senator and two representatives. Currently, there is a Republican majority in the House and Senate and a Republican governor. In 1992, Arizona voters amended the state constitution to limit senators and representatives to four consecutive terms in office.[3] Each legislative session covers a 2-year period. Arizona has a part-time legislature that meets for about 100 days

[1] Arizona's fiscal year runs from July 1 to June 30. For example, fiscal year 1994 began on July 1, 1993.

[2] These agencies receive their funding primarily from user fees, not from general fund appropriations. They retain 90 percent of the fees they receive, and the remainder is returned to the general fund. Hence, these agencies are referred to as 90/10 agencies.

[3] A representative or senator may be reelected to his or her seat after sitting out for a full term.

each year.[4] The Senate has 11 standing committees and the House has 25. The Joint Legislative Budget Committee (JLBC) was established in 1966 and has responsibility for making recommendations to the legislature regarding all facets of the state budget, state revenues and expenditures, future fiscal needs, and the organization and function of state government. The Appropriations Committees in each chamber have jurisdiction over any bill that contains an appropriation of public money.

Budget Overview

Arizona's total operating budget for fiscal year 2001 is expected to be about $14.5 billion, which includes about $6.5 billion in general fund appropriations and the remainder for other appropriated funds, nonappropriated funds (which are generally separate funds with their own source of revenue), and federal funds (which also are generally not appropriated). About 50 percent of general fund appropriations go toward education spending (K through 12 and universities combined). Sales tax revenues comprise 47 percent of general fund revenues, with individual and corporate income taxes accounting for 40 and 9 percent of general fund revenues, respectively.

Arizona has several legal restrictions and budgetary mechanisms that affect its ability to spend. First, Arizona has a balanced budget requirement. The governor must take actions to prevent a projected deficit. To help ensure that the budget is balanced, the governor has been given the authority to unilaterally cut spending or use funds from the Budget Stabilization Fund (BSF) to prevent a projected deficit. There is no specific limit on the size of the cuts the governor can make, but we were told that the governor would be expected to seek legislative approval of large cuts. The governor also has the ability to transfer funds between programs within budgetary accounts. Secondly, Arizona's constitution restricts appropriations of certain state revenues to no more than 7.41 percent of Arizona personal income. In general, revenues derived from taxes, university collections, licenses, fees, and permits are subject to the limit. Appropriations derived from other revenue sources, such as federal grants and interest income, are not subject to the cap. Finally, in 1990 Arizona established the BSF for the purpose of setting aside revenues during periods of above-trend economic growth and using accumulated balances during periods of below-trend

[4]The President of the Senate or the Speaker of the House may, by rule, extend the session for an additional 7 days, after which time a majority vote is required to extend the session. The governor may also call a special session of the legislature at any time.

growth. Funds are automatically deposited or withdrawn from the BSF based on a formula that compares the annual growth rate of inflation-adjusted personal income to trend growth rate.[5] The size of the BSF is capped at 7 percent of the prior year's general fund revenues. The fund is projected to equal about 6.8 percent of general fund revenues at the end of fiscal year 2001.

Budget Process

The budget process begins the summer before the start of the biennium, when the governor's Office of Strategic Planning and Budgeting (OSPB) issues budget development guidelines to the agencies. State agencies are required by law to submit their operating budget requests to OSPB by September 1. OSPB then sends a copy of each agency's budget request to the staff of JLBC. OSPB and JLBC staff then analyze agency budget requests and develop separate budget recommendations for the upcoming year. Arizona's legislative budget process has been characterized by state officials as very strong because of its ability to develop budget recommendations and analysis at the same time as the executive branch.

Not later than 5 days after the regular legislative session convenes in any odd numbered year, the governor must submit a budget to the legislature. Shortly thereafter, JLBC must prepare an analysis of the governor's budget, with recommendations for revisions and expenditures. The Appropriations Committee of each house has responsibility for developing its own budget recommendations. Each committee is divided into three subcommittees, which have responsibility for developing budget recommendations for each state agency. The full committee then develops its final appropriations package, which the majority caucus debates before it goes to the floor for final approval. All operating budget appropriations are contained in one general appropriation act. It is generally the goal of the legislature to pass the general appropriation act within 65 calendar days. The legislature also passes a capital outlay bill, which funds construction and major maintenance and repair of state facilities. The budget process for the capital outlay bill is similar to the general appropriation act process.

[5]The legislature, with a two-thirds majority and the concurrence of the governor, can decrease a deposit or increase a withdrawal.

Off-Year Budget Process

Arizona officials said that it may be too soon to tell how well its biennial budget process is working since it is in the second year of its first biennial budget covering all state agencies in 50 years. For example, the biennial budget legislation did not establish a process identifying how budget adjustments would be made in the off year of the biennium. As a result, while there was general agreement that changes needed to be made to the budget, Arizona experienced some difficulty in making budget adjustments in the off year as the governor, the House, and the Senate adopted differing approaches to what they would consider.

For their off-year budget proposals, each branch developed new revenue estimates to determine what funds would be available to be spent. Their estimates differed for the second year of the biennium. Then each branch determined how much of the projected surplus would be dedicated to previously enacted "triggers"—tax reductions or spending increases—which occur automatically in case of excess revenues. Remaining funds were then made available to finance other needs or to be retained as a year-end balance.

There was general agreement that available funds should be used for increases in federal or state programs funded by statutory formulas and to correct any technical errors in the previous appropriations language. OSPB attempted to limit off-year budget requests for additional funding to statutory or court-ordered mandates and increases in program caseloads. Agencies were not allowed to request new funding for inflation or program enhancements. However, the legislature did not formally issue its guidelines until the executive branch agencies had already completed their budget requests. Ultimately, the Appropriations chairmen decided to take a narrow view of what changes the legislature would consider to keep with the spirit of a biennial budget process. Specifically, the Appropriations chairmen limited changes to (1) fully fund existing federal or state statutory formulas, such as the K through 12 student count, (2) correct technical errors, and (3) adjust spending for smaller agencies that receive their revenue primarily from user fees in response to higher-than-expected receipts. However, the governor introduced new policy initiatives in her Mid-Biennium Update. The legislature was willing to consider policy initiatives on their own merits, but not as part of the off-year supplemental budget process. The two chambers adopted differing approaches to deliberating policy proposals. In the Senate, the Appropriations chairman solicited policy proposals from members in anticipation of funds being available, while in the House, the Appropriations chairman waited until the end of the process when he would better know how much was available for new programs. According to JLBC, the legislature ultimately passed into law budgetary changes totaling about $245 million—about 2 percent of general fund appropriations—that included funding for several new policy initiatives enacted separately from the main off-year supplemental funding package. (See table 1 for a summary of Arizona's budget process.)

Table 1: Arizona Biennial Budget Cycle

Date	Budget year
June	OSPB issues budget preparation instructions to agencies.
September 1	Agencies submit biennial budget requests to OSPB.
September 1-January 15	OSPB and JLBC review agency requests and prepare separate budget recommendations.[a]
January 15[b]	**Odd-numbered year:** Governor submits proposed biennial budget to legislature. **Even-numbered year:** Governor submits proposed adjustments to biennial budget.
January 15-March	Legislative appropriations committees in each house review governor's proposal and JLBC recommendations, hold hearings, and enact appropriations.
March	The differences between House and Senate versions of the legislation are resolved.
By end of legislative session[c]	**Odd-numbered year:** Legislature appropriates funds to agencies for the biennium beginning on July 1. **Even-numbered year:** Legislature enacts supplemental appropriations and may enact other appropriations bills that adjust the biennial budget.
July 1	Fiscal year begins.

[a]JLBC also prepares an analysis of the governor's proposed budget with recommendations for revisions shortly after it is submitted to the legislature.

[b]In the odd-numbered year, the governor transmits the budget to the legislature no later than 5 days after the session convenes on the second Monday in January.

[c]The legislature is part-time and meets for about 100 days each year. The session usually ends in mid-April.

Although officials we spoke with expressed some concern about how the process worked in the first biennium, many stated that it was an improvement over an annual process. Officials at executive branch agencies were not sure how they were going to address unexpected needs, especially in those programs not funded by statutory formulas. One agency official assumed they would have to wait until the next legislative session to ask for supplementals to cover their increased costs. Some members of the legislative branch expressed disappointment that the governor broke with the spirit of the biennial budget legislation by including policy proposals in her Mid-Biennium Update. Despite these concerns, officials we spoke with felt that it was still too early to tell how well Arizona's biennial budget process was working.

Legislative Oversight

Legislative oversight of executive branch agencies is carried out through several formal and informal processes in Arizona. Standing committees can conduct their own oversight of programs and agencies within their jurisdiction. Also, the Appropriations Committees conduct oversight as a routine part of the budget and appropriation process. Arizona also has a sunset review process for agencies when their legislative authorization periodically expires. The state's auditor general conducts sunset reviews of agencies with expiring authorizations and issues reports that may be used as part of the reauthorization process. In the 1990s, Arizona also put in place a structure for conducting program reviews.

In 1993, Arizona enacted the PAR process that required each state agency to develop plans and performance measures to support its budget requests. The agencies conducted a self-assessment covering six areas: background information, program funding, strategic planning, performance measurement, performance results, and other issues posed by the legislature. The self-assessments were then submitted for review and validation to OSPB and JLBC. OSPB and JLBC together developed a report with joint findings and independent recommendations, which was delivered to the governor and the legislature. Finally, joint program authorization review committees held hearings on the PAR reports to recommend whether to retain, eliminate, or modify the programs. Officials we met with in Arizona said that the PAR process was initially developed to identify programs that could be eliminated. In the first year of the PAR process, the legislature was able to eliminate just two programs, and in subsequent years they eliminated only portions of other programs. Consequently, many legislators felt that the PAR process was not as effective as it could have been.

In 1999, the Arizona Legislature replaced the PAR process with the SPAR process, which was designed to take a strategic approach to reviewing broad program areas, such as domestic violence, that cut across numerous state agencies and programs. The SPAR process was also designed to complement the off year of the state's new biennial budget process. The legislature intended to focus on budget actions during the first session of the biennium and to carry out the SPAR process during the second session. For the first biennium, Arizona conducted SPARs on three areas: ports of entry, domestic violence, and university extended education programs. While it is still too early to tell how effective the new SPAR process will be, its first reports did lead to hearings and some legislative changes. According to JLBC, eight committees held hearings on the SPAR reports, and bills were introduced in both houses on all three SPARs. Ultimately, legislation on two of the SPARs was enacted.

Connecticut

Biennial Budget

The state of Connecticut implemented a biennial budget process beginning in fiscal year 1994.[1] Prior to fiscal year 1972, Connecticut had both a biennial legislature and a biennial budget process; in 1971 the state shifted both its legislative and budget cycle to annual. The shift back to a biennial budget cycle was only one element of a larger package of budget initiatives enacted in 1991. In 1991, during a fiscal crisis in which Connecticut had depleted its budget reserve fund and ended the year with a deficit of nearly $1 billion, the state enacted a controversial personal income tax. In order to gain support for the personal income tax, the state also instituted several other budgetary changes that were viewed as ways to ensure better fiscal management. The provision with the greatest impact on the budget was a spending cap on general budget expenditures; other changes included a cap on bonded indebtedness and a shift to a biennial budget process. Along with the shift to a biennial budget process, which required the state to budget for the second year of the biennium, the new law required estimates of revenues and expenditures for 3 fiscal years beyond the biennium. In contrast, under the annual budget cycle, budgets did not include estimates beyond the fiscal year covered by the budget. Therefore, a biennial budget process was viewed as a way to help decisionmakers consider the longer term impact of their budget decisions. It was also expected to reduce time on budget deliberations and to increase legislative oversight.

Legislature

The General Assembly of the state of Connecticut operates through a bicameral legislature currently composed of a Senate with 36 members and a House of Representatives with 151 members. Connecticut has a part-time legislature; when it shifted from a biennial to an annual schedule in 1971, it established a shorter session in the even-numbered year. Both senators and representatives are elected for 2-year terms with elections held each even-numbered year. The state constitution sets a range for the numbers of electoral districts of not less than 30 and not more than 50 districts for the Senate and not less than 125 and not more than 225 districts for the House. Currently, there is a Democratic majority in both the House and the Senate and a Republican governor. The legislature has 17 joint standing committees, two of which are involved in the budget process. The Committee on Appropriations consists of 54 members—11 senators and 43 representatives—and 12 subcommittees and has responsibility for all

[1] Connecticut's fiscal year runs from July 1 to June 30. For example, fiscal year 1994 ran from July 1, 1993, to June 30, 1994.

matters relating to appropriations and the operating budgets. The Committee on Finance, Revenue and Bonding consists of 47 members—10 senators and 37 representatives—and two subcommittees and has responsibility for all matters relating to finance, revenue, capital bonding, and taxation.

Budget Overview

In Connecticut, the general fund accounts for approximately 91 percent of the total operating budget; there is a separate transportation fund and eight other relatively small funds. The state budget for fiscal year 2001 totals approximately $12.3 billion; of this total, the general fund is approximately $11.3 billion, the transportation fund is $814.5 million, and the remaining appropriated funds make up the balance of $209.7 million. The major categories of spending in the general fund are human services and education, which together make up nearly 50 percent of the total state budget. Revenue for fiscal year 2001 totals approximately $12.3 billion; of this total, general fund revenue is approximately $11.3 billion, transportation fund revenues total $854.1 million, and the remaining revenues for the eight other appropriated funds total $213.9 million. The major sources of general fund revenue are the personal income tax (which makes up nearly 35 percent of gross revenues), sales and use taxes (26 percent), and federal funds (17 percent).[2]

A major limitation on the size of the state budget is the spending cap on general budget expenditures adopted by the legislature with the 1991 budget reforms. The budget cannot exceed expenditures authorized for the previous fiscal year by more than either the average increase in personal income in the state for the preceding 5 years or the percentage increase in inflation over the last year, whichever is greater. Some funds are excluded from the calculation of the spending cap, such as debt service, some grants to distressed municipalities, expenditures for first time implementation of court orders or federal mandates, and budget reserve fund expenses. The spending cap has been effective in limiting growth in spending, but some officials said that it has restricted the state's ability to adequately fund needs in some cases. Exceeding the spending cap requires a declaration of an emergency or extraordinary circumstances by the governor and

[2]This amount includes primarily Medicaid reimbursements and the Temporary Assistance for Needy Families (TANF) block grant. Additional federal funds that are included in agency operating budgets are not included as revenue.

approval by at least a three-fifths majority in each house of the General Assembly.

Fiscal year 2000 marks the ninth consecutive year of budget surpluses in Connecticut, and the third consecutive year in which the governor declared extraordinary circumstances in order to exceed the spending cap to make use of surplus revenues. The governor's fiscal year 2000 budget proposal presented four criteria to justify exceeding the cap: (1) there are large nonrecurring state budget surpluses, (2) the budget reserve fund would be maintained at 5 percent of budgeted expenditures, (3) expenditures over the cap are primarily of a one-time nature and do not require ongoing expenses, and (4) expenditures over the spending cap are not used to inflate the base for future years. In line with these criteria, the governor proposed to use the estimated fiscal year 2000 surplus of $241.3 million to maintain fiscal stability and fund nonrecurring initiatives. These proposals included $132.2 million to avoid issuing debt for school construction and education technology initiatives, $33.4 million to maintain the rainy day fund at 5 percent of budgeted expenditures, and approximately $38 million in nonrecurring initiatives. The legislature approved exceeding the fiscal year 2000 spending cap and modified some of the governor's proposals, most notably decreasing the amount of debt avoidance to $84 million[3] and increasing the new initiatives to $93 million.

Budget Process

Connecticut transitioned all state agencies to a biennial budget cycle simultaneously in fiscal year 1994, 2 years after the fiscal reform legislation was passed. Fiscal year 2001 is the second year of the fourth biennium since the reinstitution of biennial budgeting. The budget process begins with preparation of the budget request, which follows the same calendar for both years of the biennial budget cycle. In preparation for the first year of the biennial cycle, the governor's Office of Policy and Management (OPM) issues budget preparation instructions to the agencies by August 1 of each even-numbered calendar year. Agencies are required to submit to OPM a current services biennial budget request by September 1 and

[3]After the legislature adjourned, the final surplus was $265.5 million more than projected for fiscal year 2000. The legislature had provided that any additional funds be appropriated for debt avoidance for education technology and school construction projects. Ultimately, the amount of debt avoidance totaled $349.5 million.

program options by October 1.[4] The current services budget estimates funding needed to maintain existing budgetary policies, including increases for inflation as well as adjustments for changes in caseloads and legal mandates. Program options are required for any changes in expenditures or revenues beyond the current services level and may reflect (1) an agency proposal for new or expanded initiatives, (2) a request by OPM for proposed reductions, or (3) reallocation of funds within an agency or between agencies. The following year agencies submit requests and revisions to the biennial budget in preparation for the second year of the biennium. During the fall months, OPM reviews the agency requests and makes funding recommendations to the governor.

After the budget recommendations are finalized, the governor transmits the budget proposal to the legislature. The budget for the next biennium is submitted to the legislature by the first session day following February 3 in each odd-numbered calendar year. When there is a new administration, the timeline is extended to the first session day following February 14. The governor's proposal must contain a separate budget for each of the 2 fiscal years and an estimate of revenues and expenditures for the 3 years following the biennium. When the General Assembly convenes in early February in the first year of the biennium, the governor transmits a report on the status of the enacted budget and any recommendations for changes.

The legislature appropriates funds to state agencies, primarily in one bill, for the two separate fiscal years of the biennium. The two joint legislative committees—Appropriations and Finance and Revenue and Bonding—review the governor's proposed budget. The Appropriations Committee holds public hearings on each agency's budget, and the respective subcommittees develop recommendations with staff assistance from the legislative Office of Fiscal Analysis. Committee chairs and the legislative leadership review the subcommittee recommendations, and the committees draft and report appropriation and finance bills to the House and Senate for floor action. The law requires that the Appropriations Committee report at least one bill that adjusts expenditures and contains revenue estimates for the second year of the biennium in the even-numbered year.

[4]Although OPM prepares the budget request for submission by the governor, the legislature also receives the agency budget requests independently.

Maintaining Budget Balance

Connecticut has several mechanisms for reducing general fund expenditures so that it can maintain a balanced budget as required by the state constitution. Once the budget is adopted, the governor is responsible for maintaining the budget in balance throughout the year. During the fiscal year, OPM is required to report monthly on potential budget deficits and to submit items to be included in a deficiency bill in order to adjust the total amount of an agency's budget and total appropriations and revenues for the current fiscal year. The governor has the authority to restrict the allocation of budgeted funds due to a change in circumstances or in the event that resources are insufficient to finance appropriations.[5] If the state comptroller projects a deficit of greater than 1 percent of the total general fund appropriation, the governor has the ability to restrict allotments by up to 5 percent of an individual account within an agency but not by more than 3 percent of total appropriations in a fund. The Finance Advisory Committee (FAC) can approve reductions of somewhat larger amounts, but any change that would result in a reduction of more than 5 percent of the total appropriation from any fund requires approval by the General Assembly.

The FAC has the authority to approve transfers of funds from one appropriation account to another within an agency but does not have the authority to increase the total amount of appropriations except in very limited instances. This transfer authority covers funds in excess of 10 percent of the appropriation, or $50,000, whichever is less; the governor can approve transfers of funds below this threshold. The FAC, created in 1943, is a nine-member joint legislative-executive body composed of the governor, lieutenant governor, treasurer, comptroller, and two senators and three representatives—each with members representing both parties—of the Appropriations Committee. The governor's budget office sets the agenda for the monthly committee meetings, and the governor chairs the meetings. The FAC approved 57 transfers totaling $82.0 million, or 0.7 percent of the adopted budget, in fiscal year 1999, and a total of 44 transfers totaling $121.1 million, or 1 percent of the adopted budget, in fiscal year 2000. The social services and education budgets had the largest number of transfers in both of these fiscal years, and the social services budget had the highest value of budget transfers in both years.

[5]However, the governor cannot reduce funds for the State Auditor of Public Accounts or grants to municipalities.

In the event that the state is unable to maintain a balanced budget, there is a budget reserve fund, which was created in 1978 to finance state operating deficits at the end of the fiscal year and may have a balance of up to 5 percent of general fund appropriations. This fund was depleted in 1990; it has been replenished with surplus funds each year beginning in 1995 and is currently maintained at the 5 percent level.

Off-Year Budget Process

Connecticut officials said that the original intent of the shift to biennial budgeting was to limit off-year budget changes to technical adjustments, thereby reducing time spent on the budget process and allowing more time for oversight activities. Technical adjustments are changes necessary to maintain current services and include adjustments for items such as inflation and collective bargaining, as well as funding for changes in caseloads and legal mandates. In practice, however, beginning with the first biennium, off-year changes have consistently included new policy initiatives as well as technical adjustments.

Several circumstances provide the context for off-year changes to the biennial budget. The 1991 budget reform legislation requires that the governor submit a report on the status of the budget and that the Appropriations Committee report at least one bill that adjusts expenditures for the ensuing off year of the biennium. The law further specifies that the governor's report include the same level of detail as that contained in the original budget document and that the agency heads transmit recommended adjustments to OPM. Because of these requirements, officials in both the legislative and executive branches in Connecticut said the resulting budget process was very similar to an annual budget process. In addition to the legal requirement for a detailed budget update, which offers the opportunity to propose policy initiatives in the off year, state officials mentioned two other factors that have made limiting policy initiatives for the second year of the biennium more difficult: (1) the existence of a budget surplus in each year since fiscal year 1992 and (2) the fact that the off year is also the election year for state legislators.

In the current biennium (fiscal year 2000-2001), off-year changes adopted by the legislature amounted to $148.2 million, or 1.2 percent of all appropriations. These changes represent the net effect of an increase in general fund appropriations of $195.6 million, or 1.8 percent of the fund, and decreases in the transportation and eight other appropriated funds. The largest increases in appropriations in the revised budget provided $56.6 million more for health and hospitals, primarily for increased community services and services to targeted populations, and $23.1 million to the Department of Correction for population growth and staffing-related costs. (See table 2 for an overview of Connecticut's budget process.)

Table 2: Connecticut Biennial Budget Cycle

Date	Budget process[a]
August 1	OPM issues budget preparation instructions to agencies.
September 1	**Even-numbered year:** Agencies submit current services biennial budget requests to OPM. **Odd-numbered year:** Agencies submit recommended adjustments and revisions to biennial budget.
September-November	OPM reviews agency requests.
November 15	In any year in which there is a newly elected governor, OPM submits budget recommendations to governor.
February[b]	**Odd-numbered year:** Governor submits proposed biennial budget to legislature. **Even-numbered year:** Governor must report on status of enacted budget with any recommendations for revisions and adjustments.
February-April	Joint legislative appropriations and finance committees review governor's proposal, hold hearings, and report bills for floor action.
By end of legislative session[c]	**Odd-numbered year:** Legislature appropriates funds to agencies for the biennium beginning on July 1. **Even-numbered year:** Legislature must report at least one bill that adjusts expenditures and revenues for the second year of the biennium beginning on July 1.
July 1	Fiscal year begins.

[a]Requirements for the even-numbered and odd-numbered years are specified in state law.

[b]In the odd-numbered year, the governor transmits the budget to the legislature by the first session day following February 3. If the governor is newly elected, the date is extended to the first session day following February 14. In the even-numbered year, the governor transmits a status report on the Wednesday after the first Monday in February, which is the day that the General Assembly convenes.

[c]In the odd-numbered year, the legislative session ends in early June; in the even-numbered year, the legislative session ends in early May.

Legislative Oversight

Some of the original proponents of biennial budgeting envisioned that the off year of the biennium would allow for increased oversight and evaluation of programs. However, both executive and legislative branch representatives said that in practice, the biennial budget process has not led to increased oversight, despite having a program budget format and performance reporting that could facilitate oversight of executive agencies.

Officials explained that the requirement to update the budget, as well as the shorter legislative session in the off year, has not allowed more time for oversight. Furthermore, because of budget surpluses in each year since the implementation of biennial budgeting, there has not been a demand to identify areas for potential savings. Some officials added that there are legislators who are interested in increasing oversight, but this would require more support from the legislative leadership.

Although formal oversight has not increased as a result of the implementation of a biennial budget process, oversight activities that were in place in Connecticut before biennial budgeting continue. The Program Review and Investigations Committee (PRI), established in 1972, is responsible for determining whether state agencies and programs are effective or require modification or elimination. PRI consists of 12 members with equal representation from each party and each chamber and has a professional staff of 12 who conduct 6 to 8 reviews a year, prepare reports, and make recommendations. However, officials told us that the role of the PRI has not expanded under the biennial budget process, and appropriators generally do not make use of its reports. Standing committees also conduct hearings, but we were told that these hearings focus more on policy issues than agency performance. Overall, state officials said that most oversight for executive branch agencies occurs when the Appropriations Subcommittees conduct agency reviews as a routine part of budget deliberations.

Ohio

Biennial Budget

The state of Ohio has had a biennial budget process since the early 1900s when the state had both a biennial legislative session and a biennial budget process. In the late 1960s, the state shifted its legislative schedule to an annual session but maintained the biennial budget process. Ohio is the largest state in terms of general fund expenditures with an annual legislature and a biennial budget process. Since Ohio has had a biennial budget in place for a long time, it does not offer the same opportunity to examine the transition to a biennial budget process as the other states in this study. However, it does provide an example of a state in which the biennial process has been described as working well by representatives in both the legislative and the executive branches. Ohio has what might be called a split biennial budget cycle: the timing of the biennial budget is different for the operating and capital budgets. In the first year of the session, the legislature adopts two 1-year operating budgets, and since the mid 1980s, the legislature has adopted a 2-year capital budget in the second year of the biennium. Revisions to the operating budget in the second year of the biennium may be included either in the capital bill or in a separate corrective bill. Off-year changes to the budget are minor, and there is general agreement among state officials to adhere closely to the enacted biennial budget.

Legislature

The General Assembly of the state of Ohio operates through a bicameral legislature composed of a Senate with 33 members and a House of Representatives with 99 members. One senator is elected from each Senate district and one representative is elected from each House district with elections held in even-numbered years. Senators are elected to terms of 4 years with approximately one-half of the senators elected every 2 years. Representatives are elected for 2-year terms with elections for the entire House held in even-numbered years. Currently, there is a Republican majority in both the House and the Senate and a Republican governor. Term limits were instituted in Ohio in 1993, with the restriction that no member of the General Assembly can serve in the same office for more than 8 consecutive years—two terms for senators and four terms for representatives. After an absence of one term, a senator or representative becomes eligible for reelection to the same office.[1] The General Assembly meets during a biennium that is divided into two annual regular sessions; bills introduced in the first year are carried over to the second year. The

[1]These limits apply to terms beginning on or after January 1, 1993.

session in the second year is shorter. The Senate has 13 standing committees; its Finance and Financial Institutions Committee has primary responsibility for the budget and is composed of 12 members. The House has 22 standing committees; its Finance and Appropriations Committee has primary responsibility for the budget and is composed of 31 members and five subcommittees.

Budget Overview

Ohio's operating budget for fiscal year 2001 is approximately $40 billion; of this total, spending from the general revenue fund is approximately $20.5 billion with remaining operating budget revenues included in separate restricted funds. The major revenue sources for the general revenue fund are personal income tax (37 percent), sales and use taxes (29 percent), and federal welfare reimbursement (19 percent). The major categories of spending from the general fund are for human services and elementary and secondary education, which together constitute 52 percent of the total expense budget. Ohio's budget is structured as a traditional line item budget and is also organized programmatically. Within an individual agency's budget, a program series represents a major area of activity or goal for the agency and includes all line items for programs within that series.

Ohio's spending is constrained by constitutional and legal requirements and by restrictions on the use of surplus funds. The state constitution prohibits the state from borrowing to fund operating expenses, and the governor is required to present a balanced budget request to the legislature. First, state law requires that any funds in excess of operating expenses be used to maintain the budget stabilization fund, created in 1981, at 5 percent of general revenue fund revenues. This fund has been maintained at the 5 percent level since fiscal year 1996 but was depleted as recently as fiscal year 1992. Nonappropriated funds in excess of the amount necessary for a beginning carryover fund balance[2] and above the amount maintained in the budget stabilization fund are considered surplus funds. Second, state law requires that any additional surplus funds be deposited into the income tax reduction fund created in 1996. In each fiscal year from 1996 through 2000, this fund has been used as a mechanism for providing a one-time income tax reduction. Alternatively, during periods of declining revenues the governor has the authority to restrict the expenditure of budgeted funds in

[2]A beginning carryover fund balance is defined as one half of 1 percent of general revenue fund revenues.

order to achieve budget balance in the event that revenues are insufficient to finance appropriations.

Budget Process

In Ohio, the budget process begins in the summer prior to the start of the next biennium,[3] when the governor's Office of Budget and Management (OBM) issues budget guidance on preparing budget requests to the state agencies. Beginning in early August, budget requests are submitted by each agency on a timeline according to the size and complexity of the agency's budget. The smaller, less complex agencies submit their budget requests first, and the largest agencies submit their requests in the fall. Agencies are required to prepare a "core budget level" request for funding that essentially maintains the base budget level. Supplemental requests are required for funding above the core budget level for new programs or expansion of services. In the budget request for the current biennium, OBM limited the amount of supplemental requests to a 7 percent increase from one fiscal year to the next for most agencies. In addition to the agency budget request, which results in expenditure estimates, OBM and the Legislative Budget Office (LBO) also develop revenue estimates based in part on information from the governor's Council of Economic Advisors and the Department of Taxation. Revenue estimates are updated in June before the final budget is adopted.

The governor submits the proposed budget for the next biennium to the legislature within 4 weeks of the organization of the General Assembly, usually in late January or early February, in each odd-numbered year. When there is a new governor, the date is extended to March 15. The governor's executive budget document includes 6 years of budget information: 3 years of actual expenditures, estimated expenditures for the current fiscal year, and the proposed budget for the 2 years of the biennium. This budget document does not include estimates of revenues and expenditures beyond the biennium. Currently, there are five separate budget bills. Appropriations for most state agencies are included in the main operating budget bill. In addition, there are three budget bills for appropriations for state agencies with separate funding sources, and there is a bill for the

[3]For example, the budget process for the biennium for fiscal years 2002 and 2003 begins in the summer of calendar year 2000.

Department of Education.[4] Traditionally, budget bills are introduced in the House and reviewed by the Finance and Appropriations Committee and its subcommittees. The committee reports out a bill to the full House of Representatives. The House passes a bill, which is then sent to the Senate and reviewed by the Finance and Financial Institutions Committee. The bill is redrafted and considered in full committee and is then submitted to the full Senate for review. Usually, a conference committee, consisting of three members from each chamber, resolves differences between the House and Senate versions of the bill and prepares a report for approval by both chambers. Approval by a majority in each house of the legislature is required to enact a bill. In Ohio, the governor has the right to veto any item in an appropriations bill, and the legislature can override a vetoed item with a three-fifths majority affirmative vote of each house.

The capital budget process takes place in the second year of the biennium and consists of a capital improvements bill, and a capital reappropriations bill reappropriating any unspent capital funds from the previous biennium.[5] The capital budget is often the vehicle for updating the operating budget in the off year by including expense and revenue adjustments in one of the proposed capital bills. The operating budget can also be updated with a separate corrective action bill.

The Controlling Board

The Controlling Board is a joint legislative-executive body with broad authority over state fiscal activities. The board reviews and approves a range of budgetary changes within a biennium, including (1) transfers of appropriations between line items within the same agency and fund and between years within the same line item, (2) increases in non-general revenue fund appropriations, (3) providing of emergency resources to an agency, (4) creating new funds and establishing new line items, (5) releasing funds for capital construction, and (6) waiving the competitive selection process for operating and capital contracts. The board does not have the authority to transfer funds between agencies or to increase or decrease the amount of general revenue fund appropriations.

[4]Separate budget bills are prepared for the Bureau of Workers' Compensation, the Industrial Commission, and the non-general revenue fund portions of the budget for the Departments of Transportation and Public Safety, and beginning in the current biennium, for the Department of Education and other education-related agencies.

[5]Ohio's constitution restricts appropriations to a 2-year period, which results in the need to reappropriate unspent funds for projects that continue past the biennium.

The board has delegated some transfer authority to OBM—the ability to transfer appropriations between existing operating line item appropriations within a state agency in amounts not to exceed a total of 10 percent of the appropriation or $25,000, whichever is less—but more comprehensive transfer authority remains with the Controlling Board. In addition to this ongoing budgetary authority, the legislature can assign specific duties for monitoring or reviewing agency activities to the Controlling Board. The Ohio Revised Code requires that board action must carry out the legislative intent of the General Assembly.

The board, originally created in 1917, is a seven-member body composed of the director of the governor’s budget office—or the director’s designee—who serves as the president of the board, the chair of the House Finance and Appropriations Committee, and the chair of the Senate Finance and Financial Institutions Committee; one majority member and one minority member of the House appointed by the Speaker of the House; and one majority member and one minority member of the Senate appointed by the Senate President. At least four affirmative votes are required for board approval of an action. The board generally meets on a biweekly basis. The executive branch, represented by the board president, sets the agenda and chairs the meetings, and we were told that all agenda items are reviewed in detail by OBM staff prior to appearing on the agenda. The Controlling Board considers approximately 2,000 to 2,500 items a year and generally approves most agenda items. We were told that two common reasons for board action on the budget were (1) agency requests to transfer funds within their budgets and (2) the appropriation of additional funds—generally federal funds that have become available since the budget was appropriated or fees generated by agencies. The board approved increases in non-general revenue fund appropriations totaling $647.5 million, or 1.8 percent of the adopted budget, in fiscal year 1999 and $534.5 million, or 1.4 percent of the adopted budget, in fiscal year 2000. The budgets for higher education and human services were among the largest for which transfers within the budget were approved by the Controlling Board in both of these fiscal years. The higher education budgets also had the largest number of transfers in both of these years. We were told, however, that more of the board’s time is spent on reviewing requests for exceptions to the competitive bidding process for goods and services than on budget adjustments. Officials stated that the Controlling Board was an effective mechanism for maintaining a level of legislative approval over changes to the budget throughout the year. Without the board, they said, the legislature would need to give more decision-making authority over budget adjustments to the executive branch or would need to pass more corrective bills adjusting appropriations during the fiscal year.

Off-Year Budget Process

Both executive and legislative branch representatives in Ohio said that the biennial budget process works well because there is a high level of agreement and support for maintaining the biennial cycle between the executive and the legislative leadership and within the legislature. Although there are mechanisms for updating the budget in the second year, the budget is not routinely updated, and adjustments to appropriations were described as minor. Officials said that agencies are expected to manage their budgets and, if necessary, to request transfers of funds within their budgets from OBM in order to stay within available funding levels in the second year. We were told that OBM closely monitors the budgets for every agency and determines when adjustments are needed, but does not have a formal process for agencies to request additional funding in the off year. Off-year changes that are made to the operating budget generally include technical adjustments and legal mandates, which recently have been introduced to the legislature in the capital budget bill or the capital reappropriations bill.

For fiscal year 2001, the second year of the current biennium, the governor included changes to the operating budget in the Capital Appropriations Bill. These proposals fell into the following categories: corrective items, technical adjustments, other provisions, and new policy proposals. Of these categories, corrective items mostly included transfers from one line item to another within departmental budgets to adjust for changes in the estimated need for funding for specific programs. Technical adjustments included transfers of funds from one agency to another as the result of a merger of state agencies and transfers of balances in inactive funds within an agency to the general revenue fund. Other provisions included statutory changes as a result of collective bargaining agreements and debt management initiatives. New policy initiatives included additional funding for selected programs in education and economic development. All of these categories of changes amounted to a proposed increase of approximately $74.3 million, or 0.19 percent, in the operating budget, of which $51.1 million was the increase in spending from the general revenue fund. When we asked officials how this year's proposals compared to previous off-year proposals for the second year of a biennium, we were told that there may have been more proposals for policy initiatives than usual because the governor is newly elected and just proposed his first biennial budget. We were also told that the transfers of funds included as corrective items and technical adjustments in the governor's proposal could most likely have been approved by the Controlling Board, but that these items were probably included in the capital bill for greater visibility within the legislature.

Actual changes adopted by the legislature for fiscal year 2001 amount to an increase of approximately $57.5 million, or 0.14 percent of the operating budget. This total represents the net effect of all budget adjustments and interfund transfers. Of this total, $32.1 million represents the net change to the general revenue fund. Although small in comparison to the size of the budget, these changes include funding for some education and economic development policy initiatives.

The off-year capital budget process not only allows for adjustments to be made to the operating budget but also provides funding for new capital initiatives. As the off year of the biennium is followed by an election for state legislators, one official noted that the capital budget serves an important role in allowing legislators to provide funding for projects in their districts without revising the operating budget. (See table 3 for an overview of Ohio's budget process.)

Table 3: Ohio Biennial Budget Cycle

Date	Budget process
July	**Even-numbered year:** OBM issues budget preparation instructions to agencies.
August-November	**Even-numbered year:** Agencies submit core budget level and supplemental biennial budget requests to OBM. OBM reviews requests as they are received.
December	OBM submits budget recommendations to governor.
February 1[a]	**Odd-numbered year:** Governor submits proposed biennial budget to legislature. **Even-numbered year:** Corrections and adjustments to biennial budget appropriations may be included in proposed capital budget or corrective bill.[b]
February-June	Legislative appropriations committees review governor's proposal, hold hearings, and report bills. Traditionally, budget bill is introduced and passed in House first and then referred to Senate.
June	Conference committee resolves differences between House and Senate versions of bills and reports to full legislature.
By end of legislative session	**Odd-numbered year:** Legislature appropriates funds to agencies for the biennium beginning on July 1. **Even-numbered year:** Legislature usually enacts adjustments to biennial budget in capital budget bill or corrective bill.
July 1	Fiscal year begins.

[a]In the odd-numbered year, the governor transmits the budget to the legislature no later than 4 weeks after its organization, usually by February 1. If the governor is newly elected, the date is extended to March 15.

[b]Since the mid-1980s the capital budget has been prepared in the even-numbered year of the biennium, and the timing of the capital bill has been somewhat later than the timing of the biennial budget in the odd-numbered year. In recent years, the practice has been to include adjustments to the operating budget in one of the capital bills. Alternatively, the operating budget can also be updated with a separate corrective action bill.

Legislative Oversight

Ohio has had a biennial budget process in place for about a hundred years, and there is no mandate for increased legislative oversight in the off year. We were told that although there is more time available in the off year for activities other than the budget, the legislature does not perform more oversight through either the standing committees or the appropriations committees. Overall, legislative oversight was characterized as minimal and unstructured.

Ohio has some budgetary requirements for state agencies that could facilitate oversight activities, and there are several formal structures in place for performing legislative oversight. The movement toward program budgeting includes goals for each agency and categorizes activities into program series in the budget presentation. Within the General Assembly, the Legislative Service Commission, a 14-member bipartisan legislative commission created in 1953 to provide technical and research services to the General Assembly, has staff available to perform studies on specific programs. Special oversight committees, such as the Welfare Oversight Council, have been developed to review and monitor state programs in specific areas. Some of these committees have full-time dedicated staffs, such as the Legislative Office of Education Oversight, which was created in 1989 to evaluate education programs. A review of administrative rules performed by the Joint Committee for Agency Rule Review (JCARR) is another means of legislative oversight. JCARR, created in 1978, is a 10-member bipartisan committee with 5 members each from the House and the Senate and is primarily responsible for reviewing proposed and adopted agency rules.[6] Some officials viewed the Controlling Board as an oversight mechanism, mentioning the board's role in approving contracts and monitoring specific agency activities. However, some officials also felt that the board could play a greater oversight role. Although resources for performing oversight exist, officials said that overall the legislature has not expressed interest in increasing oversight activities and that most oversight occurs through hearings on agency budgets during the appropriations process.

[6]A rule is a formal written statement of administrative law established to carry out certain policies or to administer certain programs that have been statutorily assigned to that agency.

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