

Common Budget Terms

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Common Budget Terms

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Common Budget Terms

This document contains definitions that may be encountered throughout the budget process. It is intended to be a basic reference. For further explanation or details, please contact Fiscal Division staff.

BUDGET BASICS:

Revenue Estimating Conference (REC) Committee established in the constitution to prepare and publish initial and revised estimates of revenues to be received by the state general fund and dedicated funds that will be available for appropriation (“official forecast”).

Joint Legislative Committee on the Budget (JLCB) Statutory committee which serves as the budgetary and fiscal representative of the legislature. Comprised of the House Committee on Appropriations, the Senate Finance Committee, the chairman of House Committee on Ways and Means, and the chairman of the Senate Committee on Revenue and Fiscal Affairs. (*See R.S. 24:653 for more detail*).

Fiscal Year (FY) The one-year period that a government or company uses for accounting purposes. The state’s fiscal year runs from July 1st to June 30th.

Example: The fiscal year running from July 1, 2019 to June 30, 2020 is expressed as FY19-20 or FY 20.

Means of Finance (MOF) The various sources of funds used to pay budgeted expenses. For the state, the Means of Finance are:

- State General Fund (Direct) (SGF) – Revenue from collected taxes, licenses, and other revenue streams *except* those identified below. Typically, when a reference is made to “state general fund” it implies State General Fund (Direct).
- Fees and Self-Generated Revenue (FSGR) –Revenue collected from any of the following:
 - Income charged by state agencies for their services.
 - Licenses, permits, fees, and fines imposed under legislative authority for engaging in business.
 - Income from the sale of merchandise or commodities by an agency.

Note: Appropriations of self-generated monies are limited by the amount of revenues actually collected.

- Statutory Dedications (Stat. Ded.) – Revenue dedicated by law to a particular fund. Dedicated funds can have a unique funding source and a specific use.
- Interagency Transfers (IAT) – Revenue transferred from one state agency to another.
- Federal Funds (FED) – Revenue received from the federal government.

Existing Operating Budget (EOB) The budget for the current fiscal year comprised of the initial appropriated operating budget plus any adjustments (increases or decreases). Shows expenditures to date. The Division of Administration typically uses December 1st as the standard EOB date for the executive budget presentation.

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Surplus When revenues exceed expenditures at the end of a fiscal year. Existence is determined in late fall/early winter once all prior year budget items are closed out. This term is specific to *prior* fiscal years; it is not used in relation to the current fiscal year. State constitution restricts uses of surplus to six enumerated items (La. Const. Art. VII, Sec. 10(D)(2)).

Note: A surplus should *not* be confused with a current year *excess*.

Deficit When expenditures exceed revenues at the end of a fiscal year. Existence is determined in mid-August, once all prior year budget items are closed out. This term is specific to *prior* fiscal years; it is not used in relation to the current fiscal year.

Excess Revenues recognized in the *current* fiscal year in excess of prior projections. Officially occurs when the Revenue Estimating Conference adopts a revenue forecast that shows an increase in current fiscal year collections. Unlike a surplus, appropriation of excess revenues is not limited to specific expenditures.

Shortfall Occurs when the Revenue Estimating Conference lowers the revenue forecast for the *current* fiscal year. Since the appropriations bills for the current year were funded and passed based on earlier (and higher) forecast figures, the new forecast will be lower than the amount of appropriated funds.

Non-recurring revenue A short-term source of funds. Cannot be spent on recurring expenditures (such as payroll, utilities, etc.). For revenue to be reclassified from non-recurring to recurring, it must be collected for at least 3 consecutive years. Non-recurring revenue can only be spent on certain constitutionally defined items—*see* La. Const. Art. VII, Sec. 10(D) for more detail on expenditure limitations.

Example: A budget surplus is a common source of nonrecurring revenue.

Budget Stabilization Fund (Rainy Day Fund) A constitutionally established fund designed to cover fiscal shortfalls as identified by the official forecast. The legislature must deposit at least \$25 million into the fund each fiscal year. The fund also receives funding from mineral revenues and a certain portion of any budget surplus. The balance of the fund cannot exceed 4% of the total state revenue receipts for the previous fiscal year. No more than 1/3rd of the fund may be used in any fiscal year. See La. Const. Art. VII Sec. 10.3.

BUDGET BILLS:

General Appropriation Bill (GAB) Appropriates funding for the ordinary operating expenses of government. Includes the operating expenses for the executive branch of government. Traditionally known as House Bill 1 (HB1).

Supplemental Appropriation Bill Adjusts funding for the *current* fiscal year by amending the most recently enacted budget bills. The bill can reduce the existing operating budget in times of a projected deficit or increase to spend excess. Adjustments in the Supplemental Bill can be to any means of finance, not just State General Funds.

Legislative Appropriation Bill Appropriates funding for the legislative branch. Includes funding for the House of Representatives, Senate, Legislative Auditor, the Legislative Fiscal Office, and the

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Louisiana State Law Institute. For the legislative branch, budget preparation and expenditure control are vested in the Legislative Budgetary Control Council.

Judicial Appropriation Bill Appropriates funding for the judicial branch. Includes funding for the state Supreme Court, the state Courts of Appeal, District Courts, and others. For the judicial branch, budget preparation and expenditure control are vested in the Judicial Budgetary Control Board.

Ancillary Appropriation Bill The mechanism for funding agencies that provide support services to other entities. These appropriations are usually funded with Fees, Self-Generated Revenue, and Interagency Transfers from the agency receiving the service.

Examples: Office of Group Benefits, Risk Management, and Prison Enterprises.

Funds Bill A bill that transfers or deposits money among state funds. It can also create new funds or amend or repeal existing funds.

Example: directing the treasurer to withdraw \$X from W Fund and transfer it to Y Fund.

Revenue Sharing Bill As required by the state constitution, the bill distributes the \$90,000,000 annually allotted to parishes. Monies in the fund are distributed based on population and the number of homesteads in each parish. See La. Const. Art. VII, Sec. 26.

Capital Outlay Bill (HB2) Appropriates funding for capital outlay projects, defined as expenditures for acquiring lands, buildings, equipment, or other permanent properties, or for their preservation or development or permanent improvement. Funding partially accomplished by sale of bonds, authorized each year in House Bill No. 3.

BUDGET COMPONENTS AND PROCESS:

Appropriation Authority the legislature gives a department to expend funds up to an authorized amount. Good for one fiscal year.

Non-Appropriated Requirements Various state obligations that must be paid every fiscal year—primarily General Obligation Debt Service, but also includes Severance Tax dedications, Interim Emergency Fund, and Parish Royalty Fund Payments. Funding for these obligations is allocated *prior* to creation of the annual budget.

Budget Request A proposed operating budget for the next fiscal year. Created each year by each budget unit and submitted to the division of administration by November 1st. See R.S. 39:32 for more detail.

Continuation Budget A budget illustrating the cost to provide the same services the next year adjusting only for inflation and changes in use of the provided services. Presented to the Joint Legislative Committee on the Budget by the Division of Administration in January.

Executive Budget The budget proposed by the governor to fund operations for the next fiscal year. Proposed expenditures cannot exceed the official forecast of the REC. See R.S. 39:34 for more detail. Typically becomes House Bill 1.

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Standard Statewide Adjustment Adjustments made by the Division of Administration to each executive branch department's budget. These adjustments are for items such as salary increases, health insurance costs, retirement payments, payroll shrinkage due to attrition, risk management costs, legislative auditor fees, and rent.

Non-recur Termination in the budget of an expense that will not be needed in the future.

Example: a grant from the previous year ends and the funding for the grant will be non-recurred in the proposed budget for the next fiscal year.

Annualization Spreading a short-term change in a budget (reduction or increase) out over the course of a full fiscal year.

Example: if an agency is renting space for \$X per month and on January 1st the landlord increases the rent by \$10,000 per month, the \$60,000 increase that occurs between January 1 and June 30 must be annualized and applied to the proposed budget for the next fiscal year.

Means of Finance Substitution/Swap Amending a budget to exchange one means of finance for another.

Example: reducing \$1 million in state general fund and replacing it with \$1 million in fees and self-generated revenues.

BA-7 A request from an executive branch agency for a mid-year budget adjustment. Some may be approved by the commissioner of administration and others require JLCB approval to become effective.

Carryforward An appropriation from the prior fiscal year that the legislature authorizes an agency to carry over into the new fiscal year. Executed through a BA-7. The commissioner of administration and Joint Legislative Committee on the Budget must approve an agency's Carryforward BA-7 before August 15th. Approved carryforwards are not included in the budget development process for the following fiscal year.

Example: At the end of the fiscal year, an agency could have obligations or liabilities (such as contracts and purchase orders) for which it has not received the goods or services and has therefore not provided payment prior to the end of the fiscal year.

Excess Budget Authority A budgeted amount that will not be spent.

Example: An agency may have \$1 million budgeted in fees and self-generated revenue but only collects and spends \$900,000. The difference of \$100,000 in funding would be considered excess budget authority.

Expenditure Trend An analysis of historical expenditures used to estimate future spending trends.

Discretionary Expenses Expenditures for which there is no existing legal requirement binding the state to pay.

Non-discretionary Expenses Expenditures whose payment is mandated by the constitution, court order, or contract (debt service). Unavoidable expenses.

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POSITIONS:

Table of Organization Positions (T.O.) The number of positions authorized in an appropriation bill for a state agency. T.O. positions appear next to each program in the General Appropriation Bill. One T.O. position is equal to one Full Time Equivalent position.

Non-T.O. Positions Temporary positions that are not specifically funded in an appropriation bill as full-time or full-time equivalents.

Example: Temporary wage employees, student workers, seasonal workers, part-time employees, and board members.

Authorized Other Charges Positions Employment positions funded from appropriations in the “other charges” expenditure category and approved by the legislature. Contrast Table of Organized Positions.

Example: disaster recovery employees for hurricanes and flooding in GOHSEP paid by a federal grant.

Full-time Equivalent (FTE) An agency’s employee count adjusted to reflect the number of full-time positions. For example, a full-time employee who works 40 hours per week equals one FTE; similarly, two part-time employees who each work 20 hours per week also equal one FTE.

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