# 3

# THE POLITICS OF PROCESS

> It is tempting to believe that if only we could come up with some clever budget rules, fiscal prudence would follow. Unfortunately, it does not work that way. The desire for fiscal responsibility must come first. Then rules can be important in strengthening the efforts of those supporting fiscally responsible policies.
>
> —Rudy Penner, former director of the Congressional Budget Office, in testimony before the House of Representatives Budget Committee, 2011

The budget process divides up the work of budgetary decision-making, assigns particular decisions to particular actors or groups of actors, and coordinates the decision-making among them. The budget process sets the rules for deliberations, selects the options that will be compared, and controls the level of competition for governmental resources.

The budget process is important because it influences policy outcomes and the distribution of political power. In terms of policy, process can make it easier or harder to spend public money, to balance the budget, to make long-term investments, or to borrow money. The budget process may tilt toward lower taxes and a smaller scope of government or toward higher taxes and more publicly provided goods and services. The budget process influences who benefits from taxation and spending decisions. In terms of the distribution of power, the budget process can give one group of actors a veto over the decisions of other actors; it can be inclusive of new groups or reinforce the power of long-entrenched groups; it can facilitate democratic participation or strengthen top-down decision-making. The budget process affects the distribution of power between and within the executive and legislative branches of government.

The budget process is often a key instrument of democratic accountability. The openness of the decision-making, the responsiveness of the process to democratically determined priorities, and the quality of reporting on how much money has been spent for what programs all reflect the degree of democratic control. Because the budget process is such an important part of governance, if there is public participation in and control over the budget, there is likely to be public control over government more broadly.

## BUDGET PROCESS AND THE CHARACTERISTICS OF PUBLIC BUDGETING

The characteristics of public budgeting described in Chapter 1 help to explain the functions and design of the budget process. Budget processes are not just a list of decision makers and a set of steps to coordinate timely decision-making. They help the decision makers adapt to changes in the environment, facilitate the resolution of competing claims, create a smooth flow of information between payers and deciders, and constrain decisions about taxation and allocations.

### Adaptation

Budget processes facilitate adaptation to the environment. The process may allow a variety of changes during the year to accommodate revenue declines or emergencies. The routines of decision-making normally offer ways of handling conflict when it spills over and threatens to derail the budget. And the process itself can change as needed. If the economy is weak, process rules may change to allow higher spending levels and permit deficits. On the other hand, if deficits and debts have become a problem, the budget process may shift to emphasize balance. If public support for government is low, elected officials may change the budget process to give the public more information and more control over budget decisions.

### Competition

Public budgets involve claimants who want different things from the budget and a variety of political actors who want to exercise control over budgetary decision-making. The budget process has to regulate competition among these claimants.

The budget process may make it equally easy for all funding applicants to make their pleas or may make it difficult for some and easier for others. For example, nonprofits applying for grants from cities may be required to fill out lengthy questionnaires, including indicators of their financial solvency and descriptions of their client base, while small businesses applying for assistance may have only to ask for the money.

The budget process also regulates the level of competition among claimants by determining which programs compete most directly with which other programs for how much money. For example, process rules may designate a group of claimants and assign them a particular pool of funds. Those claimants must then compete among themselves, sometimes intensely, for that limited pool of resources. At the other end of the continuum, some programs may be given their own source of revenue, with no other programs allowed to compete for those funds.

The budget process may favor some requests over others. For example, the process may assign decisions on funding of particular programs to decision makers who favor or oppose those programs. Budget rules often determine the order in which requests will be considered, giving money first to items such as debt repayment or entitlements, programs that are structured in such a way that all those eligible for benefits are paid before any other requests can be considered. In Colorado, voters who found the cuts to education under TABOR unacceptable put forth a successful constitutional amendment to require that education be fully funded. California's constitution requires payment of debt service, just behind school funding and before other expenditures. When times are tough and huge budget gaps need to be closed, these constitutional protections for some expenditures force others to be cut disproportionately. In California during a recent recession, vendors were paid with promissory notes, so-called IOUs, while bondholders were paid their interest in full and on time. The city of Stockton, California, entered bankruptcy proceedings in 2012, which normally requires negotiations with *all* creditors, but state law provides that pensions not be diminished. The contradiction between two sets of rules caused havoc. The minicase of Harrisburg, Pennsylvania, below, illustrates the kind of controversy that can happen over who should get paid how much when a city does not have enough money to pay its bills.

## Separation of Payer and Decider

The separation of payer and decision maker also has important implications for the budget process. To facilitate communication between government and the taxpaying public, the budget process often mandates open hearings before allocations are cast in law. Extensive reporting after the fact is also required to assure citizens that their money was spent in the fashion agreed to in the budget.

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### Harrisburg—Whose Priorities Dominate?

Some states allow their local governments to declare bankruptcy under Chapter 9 of the federal bankruptcy law. This law allows a city or county to negotiate with vendors and creditors and agree to pay a certain percentage of the bills owed. Chapter 9 does not give automatic priority to bondholders; if loans are considered unsecured, their payments may be cut along with other obligations. In recent years, controversy has developed about whether states should allow their local governments to declare bankruptcy, or whether the troubled local governments should instead give up their autonomy to a state-appointed financial crisis administrator who makes decisions on which bills will be paid in full. One reason for the state control option is to protect bondholders and, by implication, the ability of the state and its other governmental units to borrow at inexpensive rates. A default on bond repayment in one city increases the perception of risk and hence borrowing costs for other jurisdictions in the state.

When Harrisburg, Pennsylvania, experienced severe financial problems, city officials wanted to declare bankruptcy so all the city's major creditors, including the bondholders, would take some losses, but the state denied the city permission to declare bankruptcy and instead appointed a receiver. The deal ultimately worked out to get the city out of fiscal trouble required the bondholders to be paid in full. The city's employees were asked to forego a raise and pay part of their health insurance. The agreement worked out without benefit of bankruptcy proceedings was expected to protect the state and other cities in the state from an increase in the cost of borrowing.

*Source:* Mary Williams Walsh and John Hurdle, "Harrisburg Sees a Path to Restructuring Debts Without Bankruptcy Filing," *New York Times*, July 24, 2013, http://www.nytimes.com/2013/07/25/us/harrisburg-sees-path-to-restructuring-debts-without-bankruptcy-filing.html.



## Constraints

Of all the characteristics of public budgeting, the budget process most clearly represents constraints. Guidelines often set limits to expenditures, revenues, borrowing, or debt. The process may begin with goals for reallocation or productivity savings or targets for cutting back capital or staff. The budget process can include prior controls (such as ceilings on the number of personnel who may be hired) and/or post-controls, based on after-the-fact reporting of costs and accomplishments. The budget process can require that revenues exceed expenditures by particular margins. It can even put constraints on subparts of the budget, setting ceilings on revenue by fund and purpose (e.g., no more than ten mills of property tax rate may be levied for roads and bridges) or on expenditure (e.g., no more than $10 billion can be spent on the State Department).

One example of the kind of constraints that can be built into a budget process occurred at the federal level when Republicans withheld support for increasing the debt limit unless their preferred level of cuts became law. The result was the Budget Control Act of 2011, which reduced spending by $1.2 trillion over ten years, with a cap on discretionary spending each year. If the caps are exceeded, then an across-the-board cut (called a *sequester*) is automatically evoked.

Constraints on decision-making narrow the range of policy choices. For example, once general obligation borrowing has reached its legal limit in a city, decision makers can no longer consider the option of borrowing in that inexpensive, federally subsidized way to pay for capital projects.

## DESIGNING PROCESS TO ACHIEVE POLICY AND POLITICAL GOALS

Budget actors try to design and alter budget processes to produce the results they hope for, whether on a broad scale or in specific cases. Participants' efforts to change the process help make clear how particular parts of the budget process are intended or expected to work to achieve particular policy and power outcomes. What follows is a discussion of the parts of budget processes that political actors can change and the goals they hope to achieve through those changes.

### Budget Process and Policy

A variety of features in budget processes may be used to achieve particular policy goals. For example, if elected officials feel the need to build public trust, then the budgeters can solicit public opinion and demonstrate that public priorities have been followed and that the programs are well managed and effective. Budget documents can be laid out in programs, each of which has performance measures to show what was planned and what was accomplished.

If the goal of the budget process is to reduce spending, then the process can build in constraints, such as spending caps and incentives for end-of-year savings. Budget rules may create lockboxes or prohibitions on transfers between funds or accounts, so that savings in one area are not used to increase spending somewhere else. Budget actors may change the assumptions on which future budgets are built, reducing or eliminating baselines that include inflation costs or that include policy changes. They may build in automatic cuts if various actions are not taken. Target-based or zero-based budgets set limits for spending and systematically compare options to facilitate trade-offs and stay within ceilings.

Target-based and zero-based budgets are incorporated into the budget format. The format of the budget proposal influences the information that is presented to decision makers, posing particular questions and providing data for particular analyses. Budget format also influences the way government explains its budgetary decisions to the public.

Frequently used budget formats are the line-item budget, performance budgets, and program budgets. Zero-based and target-based budgets are also used, but although they may influence the layout of the budget and frame budgetary decision-making, they are more descriptive of process than of layout. Each is intended to accomplish a different set of policy and political goals.

A line-item budget lists each department and assigns a sum of money to the department or other administrative unit. The money is not granted in a lump sum, to be spent as needed, but is divided into categories for specific purposes—travel, payroll, commodities, and the like. Each category of expenditure is listed on a separate line in the budget document. The department then has to spend its allocation in accordance with the requirements of each line. If the budget is broken into many detailed lines, such as paper supplies, pencils, desks and chairs, computers, and stamps, the department head has very little discretion about how the money can be spent. This kind of budget emphasizes financial control. A line-item budget plays down competition, because it does not compare programs and makes it difficult to introduce new programs. Its orientation is to maintain the status quo in the distribution of funds and spending power.

A performance budget lists what each administrative unit is trying to accomplish, how much it is planning to do, and with what resources. The documents usually also report on how well administrators did with the resources they had in the prior year. A performance budget emphasizes getting the most service of a given quality for the dollar. This form of budget is high on accountability and may be used especially when public skepticism of government is high. The goal is to show elected officials and the public what government agencies are doing, how much work they are doing, and how well they are doing it, with the goals of demonstrating effectiveness and encouraging program administrators to improve compared to a series of well-chosen benchmarks.

A program budget divides expenditures by activities so that, for example, the costs for juvenile counseling are broken out from traffic patrol, and both of those are separated from crime detection. Sometimes program budgets are formally linked to a planning process, wherein public goals are stated and expenditures allocated to reach those goals. The emphasis in this format is on the appropriateness of current spending priorities and the possible need for trade-offs between programs. Program budgets have the most potential for allowing legislators to review the policy implications of spending decisions.

Zero-based budgeting is a kind of program budget. It associates service levels in each program with costs, and then it prioritizes all the options, treating high and low service levels as different program options. All those at the top of the priority list are funded. If there are more items than money, the ones on the bottom of the list are not funded. Zero-based budgeting formally allows for and creates a mechanism for reallocation: One department may suggest a higher level of service or a new program that is ranked high on the priority list, while another department's programs are ranked low. The new proposal may be funded at the expense of the older. The potential for generating competition and conflict is so great in this budget format that it is seldom used; but a less-extreme version, called "target budgeting," typically puts only 5 percent to 10 percent of departments' budgets at risk for reallocation. Target budgeting is common.

The information presented in each budget format allows different kinds of analyses to be made. The line-item budget forces attention to changes in accounting categories. Why are office supplies more expensive this year than last? This is a technical question of limited policy interest. When a budget is presented in line items, it can be very difficult to examine proposed expenditures for sound management practice or appropriateness. The program budget, especially with its zero-based budget component, forces comparisons between programs on the basis of stated priorities. These priorities are usually statements of policy—for example, a program that benefits the poor should have a higher priority than one that benefits the rich, or programs that emphasize prevention should receive funding before programs that emphasize suppression. Performance budgets lay out not only what programs cost and roughly what they achieve but also the (implied) criteria of productivity for the choices between programs.

Because the different budget formats have different strengths and weaknesses, many actual budgets combine formats. Everyone has to be concerned about financial control, so there is often a line-item budget conforming to administrative units; but sometimes program budgets are added to line-item budgets and, less often, performance budgets are added to the program budget. In times of financial stress or in response to demands to reduce spending, governments may adopt zero-based or target-based budgets and put them on top of program budgets.

## MACRO- AND MICROPOLITICS

Because the budget process influences policy outcomes and political power, political actors continually try to reshape it. Some seek macrochanges, in an effort to bring about major policy shifts and lock them in over time. Others seek microchanges, short-term deviations or alterations or suspension of the rules addressed to specific beneficiaries, often for partisan gain.

Macropolicy goals can include stimulating the economy during a recession, reducing the gap in wealth between the rich and the poor, balancing the budget, or shrinking the size and intrusiveness of government. One example of political actors' trying to achieve macropolicy change through the budget process occurred when some conservative Republicans in Washington proposed restructuring the budget process to encourage tax reduction. Presumably they hoped not only to reduce the level of taxation but also to reduce the scope of government services. By contrast, when political actors are seeking micropolitical goals, they try to influence particular decisions that may affect only one company or interest group. This second group may ignore, bend, or change the rules without regard for long-term or broader policy consequences. For example, one group of senators and representatives raised the caps on discretionary spending to increase outlays for highways and pork-type projects. These members of Congress did not argue that the caps themselves were wrong. They wanted to influence the outcome of a specific decision, not the rules that structure the outcomes more broadly. The rules were simply in the way.

The two minicases that follow illustrate macro- and microstrategies with respect to the budget process. The first, an illustration of macrostrategies, describes efforts of Republicans in Congress to change the process to achieve broad policy goals. The second is an example of microstrategies, the way rules can be used and abused for short-term political gain, without regard to broader policy issues. The chief Democratic counsel for the Senate Budget Committee in Washington, Bill Dauster, gave a partisan speech in 1996, pointing out a number of rule changes or evasions that the Republicans had devised for short-term advantage or to benefit a single constituent. It is not only Republicans who do such things when they are in the majority, but in this example, a Democrat was commenting on Republican behavior. (See the minicases on pages 89 and 90.)

### Budget Process and Power

Elected officials in the executive and legislative branches, budget office staff, and interest groups try to change the budget process to enhance their power over policy, and politicians also try to use it to ensure their reelection and the

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## Republican Macrolevel Reform Proposals

In 2016, the House Budget Committee circulated a draft proposal to change the Congressional Budget and Impoundment Control Act. The listed goals of the draft were as follows:

1. Enhance Constitutional Authority. Emphasize the goal of advancing Congress's power of the purse under Article I of the Constitution, and thereby its governing authority.
2. Strengthen Budget Enforcement. Tighten adherence to budget rules and restrictions on emergency-designated spending.
3. Reverse the Bias Toward Higher Spending. Dismantle the often-subtle procedures and assumptions that encourage higher spending rather than spending restraint.
4. Control Automatic Spending. Take control of "direct" or "mandatory" spending, which operates on effectively permanent authorizations, consuming increasing shares of Federal resources outside the regular purview of the Federal budget process.
5. Increase Transparency. Account for regulatory costs that reflect an extension of government burdens outside the fiscal budget; acknowledge the government's overall fiscal status; and make the budget more accessible to the general public.
6. Ensure Fiscal Sustainability. Expand the budgetary horizon to capture long-term commitments and risks.

Specific proposals to achieve more congressional power in the budget process included changing the timing of decision making, ensuring that budget committee resolutions would be prepared before the presidential proposal was transmitted to Congress, so congressional priorities would take precedence over the president's during deliberations. Another provision would require regular reauthorization of the Congressional Budget Office, which would give the majority party in Congress more control over the estimates made by this nonpartisan office. In another measure that would change the distribution of power, the draft included elimination of term limits for members of the budget committee. This provision would likely shift some budget power to the budget committees, and away from the taxing and spending committees, presumably increasing the authority of the budget resolutions and enhancing overall control. In another proposal, the budget committee recommended that the president submit to Congress a current-services budget proposal months before a policy proposal. The idea would be to shift the basis of consideration to what it would cost next year to provide this year's level of services, without policy changes or increases. The result

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of such a change presumably would be to decrease the president's power over the budget, Congress would act on this neutral base, and the president's preferences would enter the process later. It would also bias the budget consideration downward, starting with the current year's budget without additions. There were many more specific changes proposed, each of which was aimed at improving the process and achieving the stated macro goals.

*Source:* "Proposed Rewrite of the Congressional Budget Process Discussion Draft: Description and Rationale," House of Representatives, Committee on the Budget, November 30, 2016, https://budget.house.gov/uploadedfiles/bpr-longsummary-30nov2016.pdf.

MINICASE

## Micropolitics—Bending the Rules to Win Individual Decisions

Bill Dauster, then chief Democratic counsel of the Senate Budget Committee, argued in a speech that the Republican majority in Congress showed a willful disregard for rules and laws when it served their legislative purposes.[1] In one case, to approve some unrelated legislation favoring the Federal Express Corporation, the Senate Republicans changed a century-old, standing rule that limited conference committees to the subject of the legislation that was sent to the conference.

Dauster charged that the Senate overturned another century-old rule, this one limiting legislation in appropriations bills. At the national level, there is a difference between appropriations bills, which provide money, and bills that design and modify programs. Appropriations bills are supposed to contain money approved for each program; they are not supposed to contain new legislation modifying programs or creating new ones. New or modifying legislation can take years to hammer out, as compromises between interests are negotiated. By contrast, appropriations bills are "must-pass"—the government may shut down unless there is money appropriated to pay for its programs and services. Allowing legislation in appropriations bills empowers a simple majority of the Senate to add unrelated provisions to a fast-track budget vehicle that is likely to pass.

The reason for such an important change in the rules, according to Dauster, was to adopt an unrelated amendment sponsored by Senator. Kay Bailey Hutchison, R-Tex. Hutchison's amendment to an emergency supplemental appropriation bill was a rescission (withdrawal of funding) for the rest of the year, so that no new endangered species could be declared while an authorizing committee was working on revisions in the law to make it more difficult to declare a species endangered. Hutchison thus accomplished quickly and for the short term, without a reauthorization bill, what she hoped to accomplish with reauthorization legislation later in a broader, more deliberative setting.

Dauster also charged the Republicans with abusing their scorekeeping powers. He argued that on October 27, 1995, during consideration of an amendment by chair William Roth, R-Del., of the Finance Committee, Budget Committee chair Pete Domenici, R-N. Mex., misrepresented off-budget Social Security savings as if they were on-budget savings and thus paved the way for adoption of Roth's amendment. Under the Budget Enforcement Act, Social Security was supposed to be off-budget, so counting savings in Social Security was a violation of the Budget Act. One senator raised a point of order noting the violation, but rather than recognize the point of order, which would have required sixty votes to waive, Domenici chose to ignore it. Domenici did not disapprove of the rule; it was just in the way.[2]

[1] Bill Dauster, "Stupid Budget Laws: Remarks Before the American Association of Law Schools," January 5, 1996; *Congressional Record*, October 27, 1995.

[2] Ibid.

dominance of their party. Budget processes summarize the outcomes of those contests at any given moment. Sometimes the actors manage to make changes that are relatively long-lived, building them into constitutions that are hard to change; at other times, they make rule changes that do not have the force of law, let alone constitutional backing. The latter changes are much easier to overturn or modify. The longer-term changes are sometimes considered structural, though their effects are not determinative and may be modified by actual practice.

In normal budgetary decision-making, someone makes a budget request, someone reviews that request, and someone has to approve or cut or disallow that spending. But within that overall framework, there is variation in who makes which decisions and who can overrule whose decisions.

One of the key contests of power has been between the legislative and executive branches of government. In some cases, the executive branch dominates the decision-making, and in others, the legislative branch has an equal or even larger role. In the model of executive dominance, the chief executive is responsible for formulating the budget proposal, which reflects his or her priorities

▸ **Photo 3.1** In most states, the governor dominates the budget process; legislators sometimes go through the motions but do not have much independent power.

and policy agenda. The chief executive may keep the executive branch agencies completely away from the legislature, other than to present the chief executive's approved version of the proposal. The legislature may rubber-stamp the executive budget—that is, approve it without detailed examination or emendation. Should the legislature make any changes that the chief executive opposes, the chief executive can veto the changes and sometimes even rewrite the legislation. In the legislatively dominated budget process, the bureau chiefs write up their requests for spending, sometimes with the assistance of legislators who want some particular expenditure. The requests are not scrutinized by the chief executive but are handed directly to the legislature for review and approval.

Budget processes normally fall between the extremes of total dominance by either the executive or the legislature. Formally and legally, legislatures often have the power to approve taxation and proposals for spending, but they may delegate much of that power to the executive. One reason for delegating that authority is the belief that expenditures are out of control and that the legislature cannot discipline itself, especially on capital projects and jobs for constituents. The chief executive is expected to be able to cut out proposals that legislators make to please constituents and impose discipline on the legislature. The belief that legislatures are more vulnerable to interest group and constituent demands than the chief executive leads to pressure to shift budget power from the legislature to the chief executive. One way that the executive is supposed to exercise control is to veto any increases the legislature adds to the executive's proposed budget. (For how this actually works, as opposed to the ideal, see the minicase "How the Governor's Veto Is Used" on page 94.)

Although the allocation of budget power between the executive and legislative branches of government is a major and highly visible area of contested power, it is not the only one. A second politically significant characteristic of budget processes is their degree of centralization. Centralization refers to two related concepts: (1) the degree to which the budget process is bottom-up or top-down, and (2) the degree to which power is scattered among independent committees, commissions, and elected officials.

Bottom-up procedures begin with the budget requests of bureau chiefs. These requests are scrutinized either by the chief executive and his or her budget staff or by the legislature or by both, but the requests form the framework of decision-making and set the agenda. There is little or no prioritizing of programs in this model; each request is judged on its merits, independently of other requests. A loose coordination is achieved by setting revenue or spending limits at the beginning of the process; cost increases are kept within rough limits by giving no agency an increase much higher than the total percentage increase in revenues.

Top-down budgeting virtually ignores bureau chiefs. The chief executive may not even ask bureau chiefs for their budget requests or may give them detailed instructions on how to formulate their requests. The proposal can be made from whole cloth at the top of the executive branch by taking last year's actual budget and making changes in it in accordance with policy preferences, giving more to one and less to another, regardless of what those running the bureaus would have asked for. A more moderate top-down procedure takes the bureaus' requests and gives a bit more to one and somewhat less to another based on policy choices.

In the legislature, too, budget processes can be more top-down or more bottom-up, depending on whether spending and revenue committees receive budget and revenue targets to work with or do their own work and give the totals to the body as a whole.

Budgeting processes normally combine some top-down elements and some bottom-up elements. Budgeting tends to become more top-down when there is a revenue problem or a defined budget crisis that requires reduction in expenditures. Top-down budgeting is associated with spending control and a policy orientation in the budget. That is, if the chief executive has a marked preference for achieving some goal, he or she is more likely to use a top-down process to select some programs and reject others as a means to achieve that goal.

The second dimension of centralization is the extent to which power is scattered among relatively independent actors. For example, the chief executive may have to share power with other elected executive branch officers or with independent commissions. When power is widely shared, the effect may be to immobilize decision-making. No one has responsibility or can tell anyone else what to do; approval for any action has to go through a number of different actors. The purpose of a highly fragmented and decentralized budget process may be precisely to limit spending and curtail activist government.

One aspect of decentralization is the degree to which the public has access to the process, through participation in planning, direct access and access through the media to useful information, and the chance to testify at hearings. The most open processes are those that make all decisions in plain public view, before the press, the public, and interest groups. Meetings are held at convenient times for visitors and are announced well in advance. Representatives of various interests are invited to share their views during budget hearings and on advisory boards. The process is closed if the public, the press, and interest groups are not permitted to watch the decision-making or to express their views during the budget process. Or their views may be solicited but routinely disregarded. Budget processes may be more or less open.

Open budget processes are more accountable to the public, but they are also more vulnerable to interest group pressure. Closing the budget process may help control increases in expenditures; opening it is usually a way of increasing expenditures. Closing the process is also a way of helping to pass tax increases, because those who would object have a less direct role in the decisions. A more closed process should make it easier to balance the budget.

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### How the Governor's Veto Is Used

One of the major arguments for strong veto powers for the executive is that they enable the executive to remove pork that legislatures irresponsibly slip into the budget. According to this view, the executives are financially responsible—they seek the public policy goal of balanced budgets, with a minimum of waste. Legislators presumably are interested in narrower, more partisan issues, such as bringing projects home to their districts so as to be reelected. Because of this view, most governors were granted powerful vetoes over the state legislatures.

How is this veto power actually used? Is it used to maintain fiscal discipline or to remove projects and appropriations added by members of the opposite political party, making their reelection more difficult? Or is it used primarily to impose the governor's preferences over those of the legislature?

The question of how governors use their veto power was addressed in a now-classic article by Glenn Abney and Thomas P. Lauth. What these authors found was that governors were more likely to use the line-item veto when they faced legislative majorities of the opposite party. Line-item vetoes, at the time of the study, were used as a tool of partisan contestation.[1] James Gosling refined this finding to include policy issues as well as partisan ones; he confirmed that for the state of Wisconsin, saving money did not seem to be a major reason for the use of line-item vetoes.[2]

Is the line-item veto still used in a partisan fashion or to enforce the governor's policies as opposed to those of the legislature? For some governors, the answer is yes. For example, in 2015, Governor Chris Christie of New Jersey, a Republican governor facing a Democratic legislature, line-item vetoed $1.6 billion from the legislative budget. The Democrats in the legislature had increased taxes on the rich to pay for increased contribution into the severely underfunded pension system; the governor vetoed both the tax increase and the additional funding for the pensions.[3]

In Illinois, when the governor faces opposition control of the legislature, he or she is likely to use the line-item veto extensively to impose personal policy preferences; when the governor controls both houses by comfortable margins, proposals can move through easily and the governor does not need to use the veto. But when there is a relatively even split, with shifting majorities in each house from one election to the next, the governor negotiates with the legislative leadership, (usually) coming to agreement before the budget is formally submitted to the legislature. The leadership of the legislature has to control the rank and file sufficiently to ensure that the agreement with the governor is approved.

The major means of winning over the rank and file is what Illinoisans call *member initiative grants*, providing funds for legislators to spend in their districts. The leadership has allocated the funds in return for votes on the budget deal. The governor has also been able to award funds from various state grant-in-aid programs and capital development funds. These, too, could be used to reward the faithful. Voting against the leadership's negotiated budget could mean the loss of access to funds beneficial to a legislator's district and would endanger his or her chances of reelection.

Rather than using the line-item veto to eliminate pork—in this case, member initiative grants—the governor actually increased the use of the

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grants. In Illinois, the governor has not been interested in eliminating pork; it is too powerful a tool for gaining legislative support for the budget.[4] The wealthy governor, Bruce Rauner has changed the pattern a bit, encouraging legislators to vote for his policies by giving them donations from his private funds, but presumably not all future governors will be multimillionaires willing to spend their own money to win policy fights.

Recently, the Illinois governor, Rauner, a Republican facing a solidly Democratic legislature, refused to put forth a budget proposal and take responsibility for needed spending cuts and tax increases, forcing the legislature to propose a budget. The legislative budget proposal included a tax increase, which Rauner opposed, so he vetoed the entire budget. The state went without a budget for over two years as the governor sought to impose his sometimes-unrelated policy priorities, called the Turnaround Agenda, on the legislature, holding the budget hostage to try to force the legislature to go along with his demands. As the battle of wills wore on, Governor Rauner pared down his preconditions for negotiating about the budget: He wanted term limits for state lawmakers and a property tax freeze for local governments. Term limits weaken legislatures with regard to the budget. In other words, the governor set as a precondition for discussing the budget that the legislature yield more budget power to the governor, who, in Illinois, already wields very strong budgetary power. Predictably, the legislature was unwilling to comply. The stalemate was only broken when the legislature handed the governor a budget and then voted to overturn the governor's veto.[5] In this dramatic use of the governor's veto, Rauner's goal was clear; it was not to cut the budget—he could have at any time proposed his own smaller budget—it was to impose his priorities on the legislature and to shift blame for a tax increase to the legislature.

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[1] Glenn Abney and Thomas P. Lauth, "The Line-Item Veto in the States: An Instrument for Fiscal Restraint or an Instrument for Partisanship?" *Public Administration Review* 45, no. 3 (1985): 372–377.

[2] James Gosling, "Wisconsin Item-Veto Lessons," *Public Administration Review* 46, no. 4 (1986): 292–300.

[3] John Reitmeyer, "Budget Business as Usual: Christie Line-Item Vetoes $1.6b From Dems' Plan," *NJSpotlight*, June 27, 2015, http://www.njspotlight.com/ stories/15/06/26/budget-business-as-usual-christie-uses-line-item-veto-to-cut-1–6b-from-dem-s-spending-plan/.

[4] Douglas Snow and Irene Rubin, "Budgeting by Negotiation in Illinois," in *Budgeting in the States, Institutions, Processes, and Politics*, ed. Ed Clynch and Thomas P. Lauth (Westport, CT: Praeger, 2006).

[5] Natasha Korecki, Illinois Republicans Help Override Governor Rauner's Veto, Sealing the Budget Deal, *Politico*, July 6, 2017, https://www.politico.com/story/2017/07/06/republicans-override-illinois-governor-240276.

## VARIATION BETWEEN AND AMONG FEDERAL, STATE, AND LOCAL GOVERNMENTS

Because there is so much contestation for control, and because the outcomes of that contestation depend on existing structures, party dominance, the economic and political environment, and public opinion—as well as skill in using existing resources, laws, and rules—there is considerable difference in the budget process between federal, state, and local levels of government as well as among state and among local governments.

For years, scholars used the federal budget process as a model against which other processes could be compared and understood. But in recent years, the federal budget has been put together in a different way almost every year. The advent of ad hoc budgeting at the federal level shifted attention to the states and to local governments in the search for a pattern that would convey the idea of a budget process. However, a survey of state and local budget processes reveals enormous variation. To come up with an idea of budget process based on this survey requires a description of that variation and the mechanisms that generate it. This chapter illustrates some of the key ways that budget processes differ from one another. The next chapter describes how, and, to some extent, why federal, state, and local budget processes have changed and discusses some common themes in their evolution.

### Variation Between Levels of Government

Federal, state, and local budget processes differ in the distribution of power over the budget between the legislative and executive branches of government; they differ in the degree of dispersion or coordination of power within the executive and legislative branches; and they differ in terms of the composition of the budget and the integration or separation of budget processes for different kinds of resources and programs.

*Executive and Legislative Budget Powers.* See the minicase 'Maine—The Governor Versus the Legislature' on the next page One way of describing budget processes is according to the balance between the executive and the legislature in drawing up and reviewing the budget.

At the state level, the executive is usually stronger than the legislature, but the legislatures have made some gains toward more equal powers.[1] At the local level, for all but the smallest cities, the model of executive dominance generally

MINICASE

## Maine—The Governor Versus the Legislature

Maine has an executive budget process. The governor proposes the budget, the legislature can make changes to it as long as the budget remains balanced, but the governor can veto line items or funding for entire programs. He or she can reduce legislatively approved amounts and can replace a vetoed amount, so long as he or she does not increase the total budget by doing so. The governor has considerable power in this situation, but Governor LePage wanted to impose his policies on tax reform on a reluctant legislature and ended up demonstrating the relatively balanced powers of the governor and legislature.

In a battle that took place over six months, the governor insisted that the legislature pass a constitutional amendment to eliminate the income tax, which required a supermajority of legislators and a vote of the electorate. In the interim, the governor proposed to increase the sales tax and decrease the income tax. He also had other policy initiatives in his budget proposal that were not accepted by the legislature. Because his policy initiatives were rejected, Governor LePage first used line-item vetoes, which require only a simple majority to overturn, and then vetoed the entire budget passed by the legislature, which required a two-thirds vote to overturn. That veto would have resulted in a government shutdown at the beginning of the fiscal year, had the legislature not overridden his veto with two-thirds majorities in both houses.

*Sources:* Steve Mistler, "After Long, Fierce Fight, Maine Gets a Budget and Avoids a Shutdown," *Portland Herald Press*, June 30, 2015, http://www.pressherald.com/2015/06/30/house-overrides-lepage-budget-veto/;

Steve Mistler, "Maine House Votes to Override All 64 LePage Vetoes on Budget," *Kennebunk Journal/Morning Sentinel*, *CentralMain.com*, June 18, 2015, http://www.centralmaine.com/2015/06/18/lepage-vetoes-64-lines-worth-60-million-in-6–7b-budget/.

holds. Mayors often hold powerful vetoes, and city councils may be prohibited from increasing the mayor's estimates. Councils typically have little or no budget staff. However, councils must approve the budget in most cities, and in some, they play a substantial role in budget review.

Governors generally have broader veto powers than the president. Constitutionally, the president of the United States has to veto all of a bill or none of it, which permits Congress to package bills to discourage vetoes. Forty-five governors can veto a line item. Twenty-four governors can veto the wording in a line of the budget bill. Only five governors have the limited veto power that the president exercises.[2] While governors have stronger and more detailed veto powers than the president, those powers are not unlimited. The minicase

MINICASE

## Limits of Governor's Vetoes in New Mexico

While most governors can veto parts of legislation, the extent of those powers varies considerably, from being able to veto a single line in a budget to being able to wipe out entire programs and rewrite language or change numbers in an appropriation bill. The scope of these gubernatorial powers is often contested in court; the court in this sense is a player in budget process conflicts. In New Mexico, in 2011, Governor Susana Martinez vetoed legislation that increased the contribution by employers to the state's unemployment insurance fund. The legislature was trying to prevent depletion of the fund due to high unemployment in the recent recession. The court found for the legislature, arguing that the governor's veto contradicted existing law concerning the unemployment insurance program and made the rest of the law unworkable. The court had earlier ruled that the governor's "partial veto" or reduction of the legislature's appropriation for low-income housing was also illegal. The governor concluded (threatened?) that without a reduction veto, she would have to eliminate the entire line or total appropriation for the low-income housing program.

*Sources:* "Susana Martinez Overstepped Authority With Line-Item Veto: New Mexico State Supreme Court," *Huffington Post*, June, 23, 2011, www.huffingtonpost.com/2011/06/22/susana-martinez-veto-new-mexico-supreme-court_n_882719.html;

Steve Terrell, "Supreme Court Rules Against Martinez," Roundhouse Roundup: The Blog, December 14, 2011, roundhouseroundup.blogspot.com/2011/12/supreme-court-rules-against-Martinez.html.

about vetoes in New Mexico, illustrates the limits of these broader gubernatorial powers.

At the national level, since the president can veto only an entire bill, not parts of it, Congress sometimes puts a number of measures together, including some that the president wants badly, to make it difficult for the president to veto the entire bill. One type of budget legislation that often combines different pieces of legislation into one bill is a continuing resolution (CR). A CR is passed when one or more of the annual appropriations bills required to fund the federal government's operations are not passed on time. Congress funds the departments and programs whose appropriations have not yet passed with one (usually temporary) continuing resolution. If two or more appropriations have not yet passed, they are combined into one piece of legislation. The large scope makes it difficult to veto without harming some absolutely essential spending. Supplemental appropriations, passed during the year, also generally lump a number of separate items together, including some must-pass legislation, of such urgency that a veto seems unthinkable. Other, lower priority items often get mixed in.

A budget reconciliation bill also puts a number of separate pieces together into one bill. Reconciliation is a part of the congressional budget process, in which separate committees take action to comply with the budget resolution. The budget resolution is a kind of plan or road map for spending and taxing that is supposed to be approved by both houses of Congress, ideally before the budget deliberations begin. Based on this overall plan, the budget committees give instructions to the committees on tax and spending legislation. After the committees have carried out their assignments, making whatever changes they wish within the targets, Congress gathers up the committees' work and passes it as one omnibus piece of legislation. Unrelated legislation has often been put in the omnibus reconciliations because their broad scope makes them more difficult to veto.

At the state level, because the governor can generally veto parts of bills, omnibus legislation provides no protection against a veto. However, if the governor can only veto part of an appropriation if it appears in a line in the budget, the legislature can avoid putting one item in a line by itself. Or the legislature can combine many budget lines into one, so the governor has to accept the whole section of the budget or reject it all. For example, in Texas, the legislature responded to the governor's political use of the line-item veto by creating a lump sum appropriation for higher education rather than appropriating expenditures line by line.[3]

At the local level, most budgets are passed as a single ordinance, without unrelated provisions. The mayor and council often work out an agreement on the budget in advance,[4] so the council approves the mayor's or manager's proposed budget and the need for a veto is slight. City staff typically monitor council statements throughout the previous year, weigh the spending and tax proposals embodied in such discussions, and incorporate the ones that make sense to them into the budget. By the time the council gets the budget, the things they wish to see are usually already incorporated. The mayor or budget office sometimes lays aside a small amount of money for a limited number of addbacks in case council members insist on adding some project the mayor, manager, or budget office intentionally deleted.

Whether the mayor has a budget veto depends largely on the powers of the mayor and the form of government at the local level. The two most common structures are the mayor–council form of government and the council–manager form. In the first, the mayor often has broader executive powers, including budget veto power; in the second, a manager hired by the council exerts more budget control than the mayor. There are also hybrids of these forms, in which mayors may have more or less power than the legal form of government suggests. Tables 3.1 and 3.2 give an idea of the relationship between the form of local government and the veto powers of the mayor. (See also the minicase on San Diego changing its form of government on page 103.)

Sometimes negotiations between the mayor and council break down and the mayor threatens to use or actually uses his or her veto. Because municipal politics, unlike state and national politics, is normally not linked directly to Democratic or Republican Party politics, the use of the veto is less clearly linked with partisanship and may be more closely related to fiscal policy. Although party loyalty is seldom an issue at the local level, relations between the mayor and council over the budget can become confrontational if a council member is a potential rival for mayor; even then, the lack of a budget staff for the council makes it difficult for council members to pull the budget apart and make their own proposals. Council members can become a noisy opposition and, in some cases, can prevent the passage of the budget or force compromises as the price for their support.

**Table 3.1 Mayoral Veto Power in Large U.S. Cities**

| City | Government Structure | Mayoral Veto | Votes to Override |
|---|---|---|---|
| New York | Strong mayor–council | yes | 2/3 |
| Los Angeles | Strong mayor–council | yes | 2/3, some 3/4 |
| Chicago | Strong mayor–council | yes | 2/3 |
| Houston | Mayor–council | no | n/a |
| Philadelphia | Strong mayor | yes | 2/3 |
| Phoenix | Council–manager, weak mayor | no | n/a |
| San Diego | Strong mayor–council | yes | 5/8 |
| San Antonio | Council–manager | no | n/a |
| Dallas | Council–manager | no | n/a |
| San Jose | Council–manager, weak mayor | no | n/a |
| Detroit | Strong mayor | yes | 2/3 |
| Indianapolis | Strong mayor, city or county council | yes | 2/3 |
| Jacksonville | Strong mayor | yes | depends |
| San Francisco | Strong mayor | yes | 2/3 |

*Source:* Appendix 3 of the "San Diego Charter Review Committee Report," 2007.

*Note:* Chicago legally has a weak mayor form, but mayors have been strong by dint of their personality.

**Table 3.2 Mayoral Veto Power in California Cities**

| City | City Government Form | Mayoral Veto | Votes to Overturn |
|---|---|---|---|
| Los Angeles | Strong mayor–council | yes | 2/3, some 3/4 |
| San Diego | Strong mayor–council | yes | 5/8 |
| San Jose | Council–manager, weak mayor | no | n/a |
| San Francisco | Strong mayor, county board | yes | 2/3, some 3/4 |
| Long Beach | Mayor–council, weak mayor | yes | 2/3 for budget |
| Fresno | Strong mayor | yes | 5/7 |
| Sacramento | Council–manager, weak mayor | no | n/a |
| Oakland | Strong mayor–council | no | n/a |
| Santa Ana | Council–manager, weak mayor | no | n/a |
| Anaheim | Council–manager, weak mayor | no | n/a |
| Bakersfield | Council–manager, weak mayor | no | n/a |
| Riverside | Council–manager, weak mayor | no | n/a |
| Stockton | Council–manager, weak mayor | no | n/a |

*Source:* Appendix 3 of the "San Diego Charter Review Committee Report," 2007.

To summarize, there are major differences in the formal powers and patterns of negotiation between the executive and legislative branches at the federal, state, and local levels. At the federal level, where the balance is relatively even, executive and legislative members must engage in extensive formal or informal bargaining. The results of these negotiations tend to frame the budget and set limits for departments. While bottom-up budget requests continue to be generated and examined, they may play a small role in determining outcomes, because the agreements reached by the executive and legislative branches take priority over the expressed needs of the departments and agencies.[5] The result has been a considerable shift to top-down budgeting.

At the state level, governors generally have more powerful vetoes than the president. Since governors can usually veto individual lines in a bill, legislators may merge or obscure budget lines to evade the governor's line-item veto pen. Occasionally, the legislature may be able to override a governor's veto with a supermajority vote. In extreme cases, the legislature may sue the governor to reverse vetoes, so the court has to step in and decide the matter.

At the local level, the budget is typically a single piece of legislation. Budgeting may be dominated by the mayor or the manager and the council, depending on the form of government. There may be some contestation between the legislative and executive branches, especially over fiscal policy, such as which programs should be cut by how much to balance the budget. Bottom-up budgeting is more common, in which requests coming up from the departments and programs are accommodated as much as possible within revenue constraints. There is little or no political party influence and generally less policy conflict between the executive and legislative branches.

*Dispersion of Power.* Despite the policy orientation of the federal budget and its relatively top-down process, budgetary power is most dispersed and fragmented at the national level, partly because the decisions are so important that everyone wants a piece of the action. Before 1974, Congress divided budget

MINICASE

### San Diego—Fiscal Problems, Strong Mayor, and Veto Powers

Up until 2004, San Diego had a council–manager form of government, which is supposed to provide honest and efficient government. When the city ran into financial difficulties and shorted its pension funds, the public lost confidence in the council–manager form and opted for a five-year experimental period of strong-mayor government.

When San Diego changed to the strong-mayor form, the mayor wanted to increase his budgetary power vis-à-vis the council, including strong veto powers. He proposed requiring a majority of eight of the eleven council members to override his veto, a requirement notably more difficult to achieve than the override requirements of other cities. The council granted the mayor other budgetary powers—he can transfer funds between departments and cut up to 15 percent of the total budget without council approval. When the mayor presents a budget, the council has little time or ability to react to it and so routinely votes for passage. But the council balked at giving the mayor a real veto over its decisions, requiring only the same majority to overturn a veto as to pass legislation initially. A ballot measure in 2010 on whether to retain the strong-mayor form and increase the size of the majority required to override a veto to two-thirds passed easily.

*Sources:* P. Erie and Norma Damashek, "San Diego's Backroom Reform: A Push to Revise the City's Charter Is Little More Than a Power Grab by the Mayor," *Los Angeles Times*, October 7, 2007;

"The Mayor's Veto: City Council Retreats on Critical Charter Reform," editorial, *San Diego Union Tribune*, February 10, 2008, www.signonsandiego.com/uniontrib/20080210/news_lz1ed10top.html; Gene Cubbison, "'Strong Mayor' to Stay," *NBC San Diego*, June 9, 2010, www.nbcsandiego.com/news/politics/Strong-Mayor-Prop-95934794.html.

responsibility among legislative committees that designed and authorized programs, revenue committees, and appropriation committees. In 1974, it added budget committees to set spending and revenue targets and coordinate the other committees. The summit agreements between the executive branch and Congress that occurred from time to time added an additional level of fragmentation, because they performed some of the functions of the budget committees, they occurred at unpredictable intervals, and they were negotiated by a shifting set of actors. The congressional "supercommittee" in fall of 2011, which was supposed to come up with a plan to cut the federal budget but failed to do so, was a further illustration of power fragmentation at the national level, as it too bypassed completely existing committee structure.

By contrast, state and local governments have simpler and less fragmented decision-making, in part because the executive branch tends to dominate budgeting. Responsibility for budgeting in state legislatures tends to be more concentrated in appropriations and revenue committees, although, as at the federal level, sometimes the leadership of each house overrides committee decisions. In the cities, the structure is even simpler. At the local level, legislative consideration of the budget may be confined to a single finance committee that is responsible for both revenue and spending approval.

*Entitlements, Grants, Loans, and Operating and Capital Budgets.* Federal budgeting is really two processes that are only loosely linked. Some expenditures are approved annually by the appropriations committees, but a substantial portion of the federal budget is composed of entitlements, which do not go through the appropriations process and are approved for long periods of time rather than annually. Spending for entitlements is determined by how many people or organizations meet eligibility requirements.

One budget process applies to entitlements and one applies to other spending. Among the other spending, however, are some, such as loans, loan guarantees, and insurance, that don't conform to normal operating budget characteristics. Figuring out how much these loans, guarantees, and insurance actually cost the government has been difficult and controversial, but estimates are included in the budget. These estimates are not equivalent to budget estimates for, say, employee salaries in the Office of Personnel Management, so they are not merged and added to each other in a direct way.

Both state and local governments budget separately for capital and operating expenses, which the federal government does not do. The process for formulating and approving the capital budget is often distinct from the process for formulating the operating budget. Capital budgets have a different time frame from the operating budget, as the projects they fund often drag out over several years. While the operating budget may look the same (or nearly so) from year to year, the capital budget does not. Items in the capital budget come and go as projects are completed. States also have entitlement programs, some in cooperation with the federal government and some of their own. State governments are also the recipients of federal grants both for themselves and as agents for the local governments. State budgets are thus complicated mixes based on different kinds of resources that can remain segregated or be merged in different ways into the budget. States often have different processes of decision-making for each of these different categories of programs.

Local governments generally do not have entitlements and appropriate all or nearly all their budgets every year. Grant revenue from the federal government or from the state may be incorporated into the budget, or it may be budgeted separately. Tax breaks, which operate as entitlements at the federal level and often at the state level as well, are usually handled on a case-by-case basis at the local level, so the costs are known in advance on a yearly basis. There are few open-ended responsibilities that originate at the local level, but the states sometimes pass through mandates for services to their local governments. Nevertheless, most local government expenditures do not go up at the same time that revenues go down, as they do for the states and the national government.

## Variation in Budget Processes Among States and Among Cities

Not only do federal, state, and local governments differ from one another in their budget processes, but states differ from states, and cities differ from cities. Two examples at the state level illustrate the range of possibilities. The legislature dominates the budget process in Texas; the executive dominates in Georgia.

In Texas, the governor and the Legislative Budget Board (LBB) prepare a broad policy statement that informs the agencies' planning process. The LBB is composed of the lieutenant governor; the speaker of the house; the chairs of the Senate Committee on Finance, Senate Committee on State Affairs, House Committee on Appropriations, and House Committee on Ways and Means; two additional members of the senate appointed by the lieutenant governor; and two additional members of the house of representatives appointed by the speaker.

The governor also creates some goals and performance standards for the agencies. The agencies use this guidance to draw up plans, which have to be approved by the governor's budget office and the LBB. Later, the LBB sends out instructions to the agencies for the preparation of their budget requests, which must include the performance measures they described earlier in the process. Then the budget office and the LBB together hold hearings on the agencies' strategic plans and budget requests. Based on feedback the agencies receive during the hearings, they revise their plans and requests. The revised submissions form the basis for the LBB to put together the appropriations legislation. The governor makes budget recommendations, but the legislature can recommend different amounts of money than the agencies request or than the governor recommends. The approved budget goes to the governor for signature, though he or she has a line-item veto. The LBB and legislators oversee budget implementation. Oversight is reportedly detailed and forceful, to ensure that the agencies are doing what they promised to do and are taking the performance monitoring system seriously.

The Texas governor actually has little formal budget power, except at the conclusion of the process through the line-item veto. The governor's power is based more on indirect influence. Both the governor's policy guidance and detailed instructions to the departments from the budget office are blended with instructions from the LBB to the departments before they prepare their strategic plans and budget requests. The legislature is unusually active and powerful throughout the budgeting process.[6]

The picture is reversed in Georgia, where the legislature has had very little influence over the budget process. As one scholar described it, legislators have virtually no role in discussing budget reforms. The legislative session is extremely short, only forty days, during which the legislators see only the parts of the budget that the governor has proposed to change. Legislators discuss a few politicized programs and pay attention to pork-barrel-type spending for their districts.

> The legislative institutions available to provide oversight have atrophied from over a hundred years of single party dominance. The legislative budget office consists of few staff, many of whom are political appointees rather than professional budget analysts. The residuum of an early effort to create some audit and evaluation capacity, the Budget Research and Oversight Committee has been underfunded and understaffed. Institutionally, the legislature is hardly prepared to consider a regular budget much less make use of increased information that would result from a budgetary reform.[7]

The budget requests are prepared by the agencies and submitted to the executive budget office. Then the governor has hearings with the agencies to discuss their budgets and work out differences. The governor makes his or her recommendations to the legislature that are subject to hearings by the house and senate appropriations committees. The house votes first and then the senate votes on its version. From there, the budget goes to a committee appointed by both houses to work out differences.[8] The budget then goes back to the governor, who can make changes with a powerful veto.

If the legislative budget office were fully staffed by budget professionals and if there were time during the session for legislators to examine the budget proposal and make their own recommendations, power would be more nearly equal, even with the governor's powerful veto. In the past few years, one-party dominance has ended, with the result that there is some pressure from the legislature to play a more active role in reviewing the budget, but change has been slow.

Most states fall between the extremes of executive and legislative dominance, but they lean more toward executive budgeting. In some states, such as Kentucky and Florida, agencies submit budget proposals to the legislature either before or at the same time as to the executive budget office.[9] The legislature can choose between the governor's proposals and the agencies', where the proposals differ. This arrangement dilutes executive power over the agencies. If the legislature is of the opposite party to the governor, members may spend more time and energy examining the governor's requests or coming up with their own.[10]

The major systematic source of variation in municipal budget processes is the form of government. In the town meeting, citizens vote directly on the budget, providing the maximum imaginable level of accountability. This structural form is necessarily limited to small towns and relatively simple issues. In the commissioner form, which was widely adopted in the early 1900s, the department heads sit as the council and jointly make budget decisions. This form makes no distinction between the executive and legislative branches. It has become rare in recent years, in part because it created problems of accountability.

Most cities today have either a mayor–council form or a council–manager form of government. In mayor–council forms, the mayor may be chosen by the council and may have little more authority than other council members, or the mayor may be chosen by the citizens directly and have considerably more power than other council members. Although small cities may still budget legislatively, with spending recommendations coming from the departments to the council finance committee for review, in medium- and large-sized cities the mayor and members of his or her staff generally prepare the budget and the council has limited ability to make changes in or even review the budget. In council–manager cities, the executive–legislative distinction is blurred because the city manager, who prepares the budget, is hired and fired by the council. If the manager insists on a budget that departs from council priorities, he or she can be fired. Councils tend to play a more active role in budgeting in council–manager cities, at least to the point of making their policy preferences known and ensuring that their interests are represented in the budget. The council–manager form is more common in middle-sized cities, whereas strong, independently elected mayors are typical of larger cities.

## SUMMARY AND CONCLUSIONS

Budget processes are partly technical, coordinating decision-making and keeping the flow of resources to the agencies timely, and partly political. Because budget power is perceived as such an important component of overall political power, there is considerable jockeying for decision-making power within the budget process. More broadly, many budget actors try to change the budget process to help achieve the goals they value, whether those be public policy goals, such as growth or decline in the scope and size of government, or short-term partisan and electoral goals, such as the distribution of pork or deregulation that benefits specific constituents or contributors.

A decentralized, legislative budgeting process is very open to interest groups and short-term issues and not as open to longer-term policy concerns. A more top-down, executive-dominated process can be more responsive to policy concerns. Budget formats that make comparisons among programs also encourage a policy orientation. The process can rein in interest groups to some extent; it can exaggerate or tone down competition and can encourage or discourage budget trade-offs.

Budget processes differ at the federal, state, and local levels as well as across states and between cities. The differences depend in part on the structure. For example, in our federal system of government, state and local governments receive grants from the national government but not the other way around. The separation between the executive and legislative branches is more marked at the national and state levels than at the local level. Budget processes also vary among states and among local governments, partly as a result of structural differences, such as those between strong-mayor and council–manager forms of municipal government but also as a result of divided government: In states where the executive and legislature are of different parties, budget processes differ from those in states where they are of the same party. But above all, budget processes differ depending on how particular actors have changed the process to match their needs, values, and problems.

## USEFUL WEBSITES

**NASBO, the National Association of State Budget Officials**, periodically updates a handy report on state budget processes, called Budget Processes in the States (http://www.nasbo.org/sites/default/files/2015%20Budget%20Processes%20-%20S.pdf).

The **Congressional Research Service (CRS)** has a number of publications that describe the federal budget process. These reports should soon be posted online by

CRS, but until recently, the studies were for members of Congress and distribution was limited. One or another report was obtained by someone outside of Congress and reposted. Until they are all posted by CRS, one can get many of them at Open CRS. Other CRS reports to Congress on federal budget process are posted on www.Senate.gov. Use the search engine on the website to find them. A new website, CRSreports.com, boasts it has found and posted the largest number of CRS reports, many of which deal with budget process. Just put the word "budget" in the keyword search to bring up hundreds of reports. Another possibility is Every CRS report, https://www.everycrsreport.com/; this site is better for more recent reports, while CRSreports includes older studies.

Particularly useful CRS studies include *The Congressional Budget Process: A Brief Overview*, by James V. Saturno, 2011 (http://assets.opencrs.com/rpts/RS20095_20110303.pdf). See also Jessica Tollestrup, *The Congressional Appropriations Process: An Introduction*, CRS, November 14, 2014, http://www.senate.gov/CRSReports/crs-publish.cfm?pid=%260BL%2BP%3C%3B3%0A.

The **U.S. House of Representatives Committee on Rules** publishes reports on its activities for each Congress. The report includes waivers of rules of the relevant budget process legislation and what each waiver was for. Some are pretty obvious, such as waivers of limits in 302 a or b allocations for emergency supplementals, such as natural disasters, but some are much more obscure and narrow. See, for example, House Report 113-726, online at https://www.gpo.gov/fdsys/pkg/CRPT-113hrpt726/pdf/CRPT-113hrpt726.pdf. Since these are prepared regularly, one can compare over time the particular rules that were waived, the frequency of budget rule waivers, and the substance of the legislation for which the rule was waived. The series online runs from the 104th to the 114th Congress.