



Budget Tidbits... just the facts

By Sen. Joe Zarelli, Ranking Republican
Senate Ways & Means

Budget Brief #7: (12/4/08)

Supplemental Budget: Prompt Passage Needed

Time is money, and quick action will yield maximum savings

I. First legislative action of 2009 needs to be the supplemental operating budget

During odd-numbered years the Legislature convenes for 105-day sessions. Budget writers pass two operating budgets in such sessions: a supplemental budget to close out the final six months of the current biennial spending plan, and a two-year spending plan for the following biennium.

In recent years the Legislature has waited until the session was nearly ended to pass the biennium-closing supplemental operating budget. Both the 2005 and 2007 supplemental budgets, designed to adjust spending through June 30th of those years, were passed at the end of April and signed into law in the middle of May.

And typically an end-of-biennium supplemental budget is bereft of policy changes.

Prudence demands different action this year. Faced with a deficit projected at \$5 billion-plus for the next biennium, and a \$413 million deficit in the current budget cycle before including caseload adjustments, *the Legislature's first action of 2009 should be to pass a supplemental budget within the first week of the session, with a specific focus on policy changes that will carry forward in 2009-11.*

II. Quick action now will ease problem in 2009-11 budget

The benefits of prompt action are twofold:

1. Savings compound

The math is simple. If \$500 million in ongoing policy savings are achieved in the final quarter of the current biennium, that translates to a savings of \$2 billion in the next biennium. And this can understate the amount in instances where savings from policy changes compound and grow over time.

Conversely, every week of delay in enacting changes is a savings opportunity foregone.

2. Avoid cuts

Implementing savings as quickly as possible also helps avoid cuts that would otherwise be necessary.

Simply put, ongoing dollar savings achieved in the current biennium reduces the amount that will have to be cut in 2009-11. And cuts that would have been "last in line" for 2009-11 can be avoided.

Prompt action is a crucial component to protecting vital programs for the most vulnerable.

III. Ongoing policy savings should be focus

Supplemental savings can and should be achieved through one-time maintenance adjustments, due to lower-than-expected costs or caseloads in a particular agency. But the primary focus of the upcoming supplemental budget should be to make policy changes of an ongoing nature.

If a program is proposed to be cut for 2009-11, every effort should be made to examine whether the change should be accelerated for implementation in the 2009 supplemental.

And, in many instances, the term "cuts" would be too strong. Many items would be merely foregoing an increase first authorized in the underlying budget. Instances would include rolling back vendor rate increases in light of forecast deflation; freezing enrollments in non-entitlement programs, such as the Basic Health Plan; foregoing scheduled eligibility expansion to 300% of the federal poverty level for children's health care coverage; returning illegal immigrant child health care coverage to 100% of the federal poverty level; and cancelling funding for cross-biennial studies.

IV. Governor should call budget leaders together by end of the month

Prompt action will require coordination in advance of the 2009 session. To this end, the governor should convene a meeting with the four caucus leaders and budget writers to reach consensus on what policy changes, and implementing legislation, could be agreed to quickly.

The goal should be as much savings as can be agreed upon. As noted, accelerated savings help save more money and avoid painful cuts. But, frankly, regardless of the overall amount, every bit helps.

The effort needs to be made. It is prudent, responsible, and incumbent.

Bottom Line

To maximize savings and help protect vital programs next biennium, should the Legislature act in the first week of the 2009 session to pass a supplemental operating budget replete with ongoing policy savings?