

## Glossary of Legislative Budget Terms

**MAY 2012**

<b>Allotment</b>	Part of an appropriation that may be expended or encumbered during a given period. An encumbrance is a restriction – for example a mortgage or a lien – on an asset. One of the most common encumbered assets is a house with a mortgage. If the homeowner sells the house, the mortgage is usually paid off with the proceeds of the sale.
<b>Base</b>	The base is the part of a budget request or recommendation that incorporates appropriations from the previous fiscal year. It may include inflation for an agency’s ongoing programs.
<b>Bond Rating</b>	A judgment of credit quality -- based on detailed analysis of specific data -- given to a state by a rating agency such as Moody’s Investors Service, Standard and Poor’s, and Fitch Ratings. Rating agencies determine bond ratings using factors such as a state’s ability to raise taxes and the relative size and diversity of a state’s economic base.
<b>Budget</b>	A plan of financial activity for a specified period of time (usually a fiscal year) indicating all planned revenues and expenses for the period.
<b>Budget Calendar</b>	The schedule of key dates in the budget preparation and adoption process.
<b>Budget Document</b>	The official written statement, prepared by a state’s budget office and supporting staff, that presents the proposed budget to the legislative body.

<b>Capital Budget</b>	The capital budget is the budget associated with acquisition or construction of major capital items, including land, buildings, structures, and equipment. Funds for these projects are usually appropriated from surpluses, earmarked revenues, or from bond sales.
<b>Consensus Forecast</b>	A revenue projection developed in agreement through an official forecasting group, typically comprised of state employees who represent the executive and legislative branches.
<b>Contingency Fund</b>	A fund set apart to provide for unforeseen expenditures or for anticipated purposes of uncertain amounts. Sometimes referred to as a “rainy day fund.”
<b>Current Services</b>	Current services is a budget recommendation or request that encompasses the base budget plus allowances for addressing demand, such as caseload growth or phased-in statutory responsibilities.
<b>Debt Management</b>	Debt management is the regulation of the size and handling of the structure of the public debt. In most states, this means the negotiation, issuance and refunding of bonds.
<b>Department</b>	A basic organizational unit of a jurisdiction that is functionally unique in its service delivery.
<b>Earmarked Revenues</b>	When certain sources of revenue are designated for the support of specific programs or agencies, they are “earmarked.” Revenues are earmarked either through statutory or constitutional provision.
<b>Economic Analysis</b>	Analysis of the national and/or state economy to develop predictions about levels of business activity and personal income.
<b>Expansion/ Program Change</b>	Expansion or program change is the part of a budget request or recommendation that includes programs or purposes not previously funded by the legislature (for example, new programs, additional positions, or expansion of existing programs beyond the scope for which they were initially authorized).

<b>Fiscal Policy</b>	A government’s policies with respect to revenues, spending, and debt management related to government services, programs, and capital investment. These policies provide an agreed-upon set of principles for the planning and programming of government budgets and their funding.
<b>Fiscal Year (FY)</b>	A twelve-month period designated as the operating year for accounting and budgeting purposes in an organization. Fiscal years sometimes run on a calendar year, but typically run from July 1 through June 30.
<b>Function</b>	A group of related activities aimed at accomplishing a major service or regulatory program for which a government is responsible (e.g., public safety).
<b>General Fund (GF)</b>	General fund refers to revenues accruing to the state from taxes, fees, interest earnings, and other sources that can be used for the general operation of state government. General fund revenues are not specifically required in statute or in the constitution to support particular programs or agencies.
<b>Goal</b>	A general and timeless statement of broad direction, purpose, or intent, based on the needs of the community. Goals are used in budgets to identify what the government wants to accomplish. For example, a goal could be to increase high school graduation rates. Activities that will assist the government in achieving these goals are identified – such as an increase in the number of teachers – and the cost of each activity needed to accomplish the goal is estimated in order to compile the budget.
<b>Incremental Budgeting</b>	An approach to budgeting that requires that only the additions or deletions to current budgeted expenditures be explained and justified. Funding decisions are made “on the margin” – i.e., only about the changes to the current budget -- and are based on the justification for the increased or decreased costs of operating agencies or programs. This process can be used in conjunction with either line-item budgeting and/or program budgeting.
<b>Indirect Measures</b>	A type of performance measure that relies on indirect analyses. For example, a state decides to build a highway. Direct performance measures might include reports on awarded contracts and completed contracts vis-à-vis the request for proposal(s); direct performance measures would analyze the differences between the original design and the finished product. An indirect performance measure examines

ancillary activity; that is, activities that are not directly related to the outcome of the project. For example, an indirect measure might include the average number of contractors who bid on the project. This is an indirect measure because it is believed that the more bidders, the more competitive the market is and the lower the cost will be.

<b>Item Veto</b>	Veto power that allows the governor to reject particular items in a piece of legislation, such as a sentence, paragraph, or part of a sentence. An item veto differs from a line-item veto because it allows a governor to veto words, phrases, or amounts that are contained within a line.
<b>Legislative Review</b>	Bills introduced into the legislature to inform policy makers and the public about the fiscal impact of the legislation.
<b>Line-Item Budget</b>	A line-item budget is the most commonly recognized budget. It is a budget that focuses on what is to be bought and is usually organized by executive department. Typical objects or lines of expenditures include personnel, supplies, contractual services, and capital outlay.
<b>Line-Item Veto</b>	A provision that allows a governor to veto components of the legislative budget on a line-by-line basis.
<b>Lump Sum Appropriations</b>	Made for a state purpose, or for a named department, without specifying further the amounts that may be spent for particular objects of expenditure. An example is an appropriation for the corrections department that does not specify the amounts to be spent for salaries and wages, travel, equipment, and so forth.
<b>Mandate</b>	A law, policy, program or provision that is passed or ordered by one level or branch of government, but applies to another.
<b>Nonrecurring Appropriation</b>	An appropriation made for one-time items or projects. Examples include capital or major equipment purchases, special studies, and information technology upgrades.
<b>Object Classification</b>	Analysis of obligations and expenditures according to the types of services, articles, or other items involved, e.g., personal services, supplies, materials, or equipment. For example, "Supplies and

Materials” may be an object classification and this object classification can be further broken down into sub-classes, such as, “Forensic Supplies and Materials,” “IT Supplies and Materials,” etc.

**Objective** Something that is to be accomplished in specific, well-defined, and measurable terms and is achievable within a specified time frame. Objectives are short-term achievements that will enable a government to reach a goal.

**Ongoing Appropriation** This type of appropriation is made for ongoing programs for which future appropriations will have to be made. Typically, most appropriations made in an operating budget are ongoing appropriations.

**Operating Budget** The budget established for operation of a state agency or program, typically based on legislative appropriation.

**Organizational Unit** A budget format that assigns expenditures by department level, without specifying what the funding level is for specific programs. For example, the Department of Corrections is an organizational unit; the Department of Budget and Management is an organizational unit. *See* “Department”, *above*.

**Outcome Measures** Outcome measures are indicators that assess the actual impact of an agency’s actions, comparing the actual result and the intended result of an appropriation. Outcome measures may include recidivism, restitution, and educational progress.

**Output** An output is the good or service produced by an agency. For example, a law enforcement department might consider having a certain number of patrolpersons per capita as the service it provides.

**Performance Budget** A budget that bases expenditures primarily on measurable performance of activities and programs. A performance budget allocates money to various activities or programs of a department or organizational unit, and at the same time, describes the work output that the department or organizational unit will produce with this money. The public works budget, for example, sets aside a specific amount of money to repair a specific amount of water pipes.

**Performance****Budgeting**

Performance budgeting is similar to program budgeting. Performance budgets are constructed by program, but focus on program goals and objectives, as measured by short-term outputs, projected longer term outcomes, and cost-benefit analysis. Appropriations in a performance budget are not only linked with programs, but also with expected results specified by these performance criteria.

**Performance****Measure**

A specific quantitative and qualitative measure of work performed within an activity or program. A quantitative performance measure might be an output, such as the number of new street lights installed, while a qualitative performance measure might be the reduced incidence of vandalism due to the new street lights.

**Program**

A group of related activities performed by one or more organizational units to accomplish a function for which the government is responsible; for example, cleaning streets, collecting refuse, or maintaining roadways.

**Program Budget**

A budget that allocates money based on the functions or activities of a government as opposed to lump sum, non-differentiated items of cost or departments.

**Program Performance****Budgeting**

Program performance budgets use statements of missions, goals and objectives to explain why money is being allocated. It is a way to allocate resources to achieve specific objectives based on program goals and measured results. In other words, services provided to citizens are broken down into identifiable service programs or performance units. A unit can be a department, a division, or any defined group within a government. Each program has an identifiable service or output and objectives to provide the service effectively. The effectiveness and efficiency of providing the service is measured by performance indicators.

**Relational Measures**

A type of performance measure that uses comparisons to other states; for example, reduced transportation costs relative to other states.

**Revenue Estimating**

The process used by a state to project available revenues for the support of operating costs and capital outlays in current and future fiscal years.

<b>Service Objectives</b>	The specific achievements that a government hopes to make throughout the provision of a service; the intended result of an activity. Service objectives are the impact that the community or citizens experience as a result of certain activities, programs, services, or outputs. For instance, the service objective to a new street lighting program might be an increased sense of community safety.
<b>Strategic Plan</b>	The written strategy defining a department's services and how those services will be delivered.
<b>Structural Deficit</b>	Structural deficits occur when growth in spending needed to maintain current services does not match the growth in revenues from current taxes and other revenue sources.
<b>Supplemental Appropriation</b>	A supplemental appropriation is an appropriation made to an agency or program during the current operating fiscal year to cover unforeseen events, projected over-expenditures, or to replace revenue shortfalls.
<b>Tax Expenditure</b>	Revenue the government foregoes because of special tax exemptions, deductions, exclusions, credits, preferential tax rates, or deferrals. For example, when homeowners deduct their mortgage interest payments from their tax bill, that is a tax expenditure for the government.
<b>Trust Funds</b>	Amounts received or appropriated and held in trust in accordance with an agreement or legislative act which may be expended only in accord with the terms of such trusts or acts; for example, a transportation trust fund.
<b>Zero-Based Budgeting</b>	Zero-based budgeting (ZBB) is a process or tool for creating budgets. It subjects all programs, activities and expenditures to justification (in contrast to incremental budgeting). ZBB requires departments to justify their expenditures and does not start at a base budget amount. The key characteristics of zero-based budgeting process are: (1) it begins at zero resources; (2) it forces the ranking of organizational purposes and programs; (3) it requires a clear focus on the priorities of and alternatives to the entity's operations; and it (4) analyzes the essence of a program, agency, department to determine its value and worth to residents.

## **FOR MORE INFORMATION**

This document was produced in May 2012 by the National Juvenile Justice Network's Fiscal Policy Center. If you would like more information about a term in this glossary – or have ideas for additional terms we should add – please contact us at [info@njjn.org](mailto:info@njjn.org).