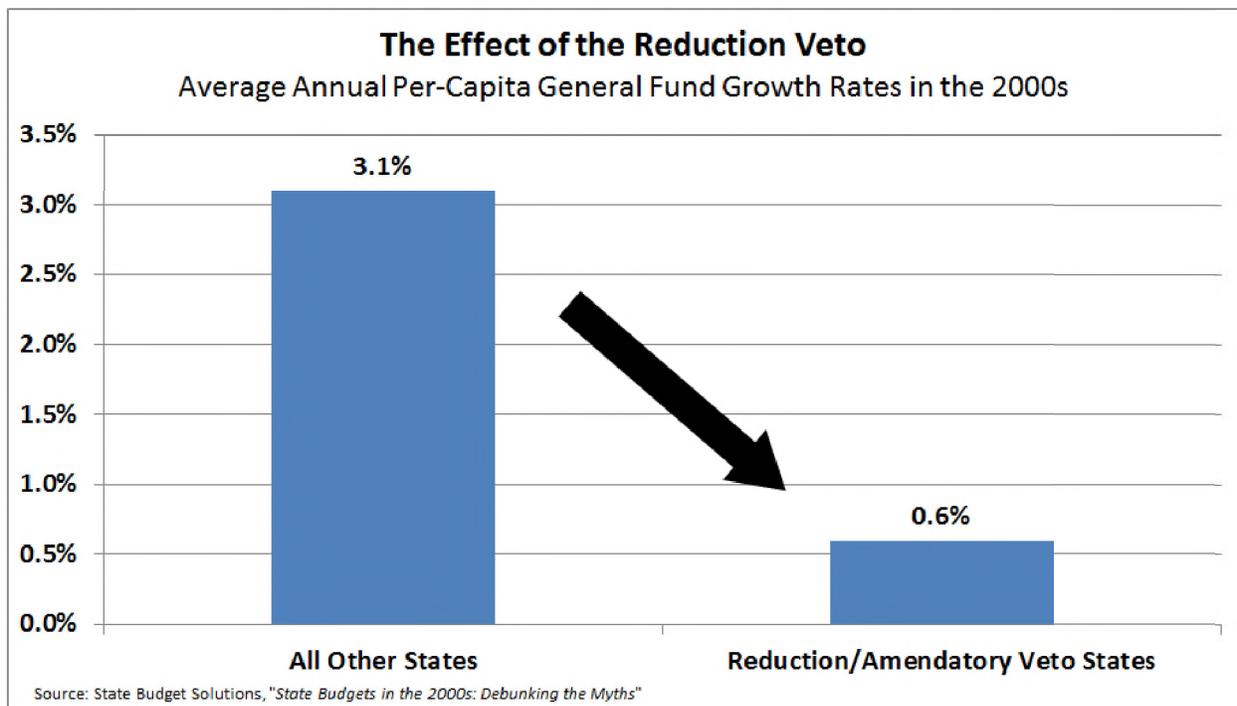


REFORM AND RESTRUCTURING

*REFORM***Reduction Veto**

When the Governor is presented with the budget each year, she must choose between vetoing each item in its entirety or else letting it become law at the amount approved by the General Assembly. This “all or nothing” approach commonly forces the Governor to swing an axe when only a scalpel is required. This problem was exacerbated in 2011, when the Supreme Court ruled in *Jackson v. Sanford* that the executive could no longer isolate General Funds from other funding sources when issuing vetoes.

Sixteen other states, including Virginia and Tennessee, have found a solution to this problem – it is the reduction veto. In these states, once the Governor receives the budget, he or she has the ability to recommend that specific appropriations be reduced to lower levels. These recommendations are then returned to the General Assembly, which may elect to either accept them or reject them. In the latter case, the original amounts immediately become law. This approach has the virtue of giving the executive an opportunity to make reasonable and specific suggestions to the General Assembly, but in a way that leaves the legislature with the final say on spending levels.



The reduction veto has a clear fiscal impact. During the 2000s, states that had an amendatory or reduction veto had average per-capita annual General Fund growth rates that were 2.5% lower than the states that lacked one.