

Dollars and Democracy I: Understanding the California State Budget Process and the Governor's Proposed 2005-06 Budget

A Workshop Presented By:

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Why Are Budgets Important?

- ▶ Budgets express our priorities and values as a society.
- ▶ Budgets provide the framework and dollars for funding public programs and services.
- ▶ Great policy ideas usually require money.
- ▶ State budget decisions affect our daily lives in a multitude of ways.

Bills Versus Budgets

- ▶ Budgets:
 - Provide authority to spend money for a single year.
- ▶ Bills:
 - Make statutory changes, create programs, establish or modify eligibility, or raise or lower taxes. Legislative changes are permanent -- until a subsequent bill is passed.
- ▶ Both are important.
- ▶ If you want to change eligibility for a program or establish a new program, you need legislation to establish the ongoing authorization.
- ▶ The budget moves on its own schedule.

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Speaking the Language

- ▶ **Governor's Budget and Budget Bill:** The document presenting the Governor's recommendations and estimates for financial operations of the state for the upcoming fiscal year.
- ▶ **General Fund (GF):** The predominant fund for financing state government programs. The General Fund accounts for revenues that are not specifically designated to be accounted for by any other fund.
- ▶ **Special Funds:** Any fund created by statute that must be devoted to a specific use in accordance with that statute. Special funds are commonly defined as those funds used to account for revenues from taxes, licenses, and fees where the use of such revenues is restricted by law for particular functions or activities of government.
- ▶ **Trailer Bill:** A bill making statutory changes needed to implement the budget. No different than any other bill, but moves as part of an overall package.
- ▶ **Appropriation:** Authorization to spend money from a specific fund for a specific agency for specific purposes. Appropriations for anything other than education must be approved by a 2/3 vote of each house of the Legislature.
- ▶ **Fiscal Year (FY):** A 12-month accounting period, that varies from the calendar year and the federal fiscal year. The state's fiscal year runs from July 1 through the following June 30.

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Speaking the Language (2)

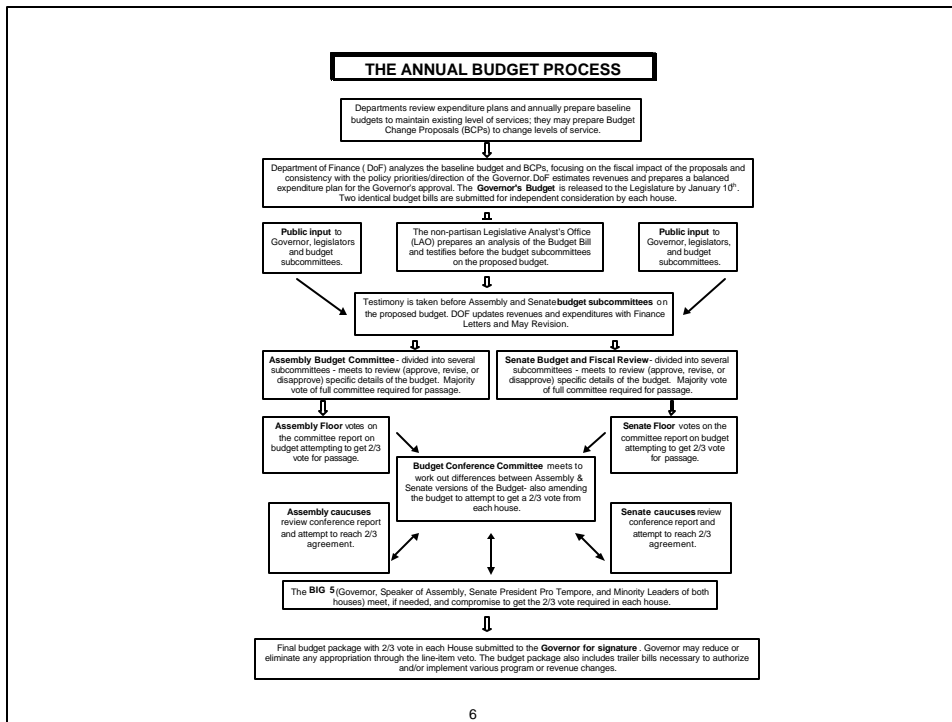
- ▶ **Veto:** The Governor's constitutional authority to reject a bill or reduce or eliminate one or more items of appropriation while approving other portions of a bill. Veto power allows the Governor to have last word unless the Legislature can override the veto by a 2/3 vote of each house.
- ▶ **May Revision:** Modifies the policy proposals and revenue and expenditure projections contained in the Governor's Budget.
- ▶ **Reserve:** An amount set aside in a fund for economic uncertainties.
- ▶ **Big Five:** The Governor plus the leader of each party in each house of the Legislature.
- ▶ **Department of Finance (DOF):** The department responsible for preparing the Governor's Budget. The Director of Finance functions as the Governor's chief fiscal adviser.
- ▶ **Legislative Analyst Office (LAO):** A nonpartisan body which provides advice to the Legislature on fiscal matters. The LAO annually publishes a detailed analysis of the Governor's Budget. This document becomes the initial basis for legislative hearings on the Budget Bill.

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The Constitution and the Budget

- ▶ Governor must introduce a balanced budget within the first ten days of each calendar year.
- ▶ The Legislature shall pass a budget by June 15.
- ▶ A 2/3 vote of both houses of the Legislature is required for:
 - Any bill, including the budget, that appropriates money from the state General Fund (exception: appropriations for public schools).
 - Any measure enacted for the purpose of increasing taxes.
 - Bills that take effect immediately (urgency bills).
 - Bond measures.
- ▶ State appropriations subject to limit; excess goes to taxpayers and public education.
- ▶ Under Proposition 1A, the state must reimburse local governments for mandated programs, or the mandate must be suspended absent funding.
- ▶ Proposition 98 established education as the first priority for state spending and provided a minimum funding guarantee for school districts and community college districts (K-14), beginning with fiscal year 1988-89.

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- ### The Budget Process: Key Dates
- ▶ Summer - Fall: Departments review expenditure plans and prepare baseline budgets.
 - ▶ On or before January 10: Introduction of the Governor's Budget.
 - ▶ March - May: Budget subcommittees review the budget.
 - ▶ Early May: Governor releases the May Revision to the Budget.
 - ▶ Late May: Each house passes a budget.
 - ▶ Late May - ???: Two house conference committee meets to resolve differences.
 - ▶ June 15: Constitutional deadline for the Legislature to pass the budget.
 - ▶ June - ???: "Big Five" meets to resolve major policy differences.
 - ▶ July 1: New fiscal year begins.
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Budget Process: Who Does What?

- ▶ The Governor:
 - Reviews, approves, or rejects Budget Change Proposals from state agencies and departments.
 - Proposes a spending plan and policy initiatives for the year.
 - Introduces his version of the budget in bill form in each house of the Legislature.
 - Signs or vetoes the final budget bill approved by the Legislature.
 - Can veto all or part of individual spending proposals (line items) in the budget approved by the Legislature.
 - Cannot increase funding above the level proposed in the budget.
- ▶ The Legislature:
 - Reviews, increases, or decreases individual spending proposals contained in the Governor's budget.
 - Can add new programs to the budget as proposed by the Governor.
 - Can require state agencies to conduct studies or prepare reports to the Legislature (Supplemental Report Language).
 - Can specify restrictions over the use of funds allocated in the budget (Budget Control Language).
 - Must approve passage of the budget by a 2/3 vote of each house.
 - Can override the Governor's veto by a 2/3 vote.

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Key Budget Resources

- ▶ **The Governor's Budget Summary:** Released in early January. Summarizes key policy proposals. Presents the economic and fiscal context of the budget.
- ▶ **The Governor's Budget:** Released in early January.
- ▶ **Legislative Analyst's Perspectives and Issues:** Released in February. Presents overview of revenues and expenditures, analyzing key policy initiatives.
- ▶ **Legislative Analyst's Analysis of the Budget Bill:** Released in February. Don't leave home without it. Detailed analysis of state spending.
- ▶ **The Red Book:** Budget overview prepared by the Senate Budget and Fiscal Review Committee.
- ▶ **California Budget Project Budget Overview:** Released in late January. Presents an overview of key proposals, social and economic trends.

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Web Resources

- ▶ **Department of Finance:** Access to Governor's Budget documents.
www.dof.ca.gov
- ▶ **Legislative Analyst:** Access to reports and issue analyses.
www.lao.ca.gov
- ▶ **State Senate:** Includes free bill tracking service and ability to monitor Senate hearings and floor sessions via the internet. www.sen.ca.gov
- ▶ **State Assembly:** Provides the same services as the Senate web site.
www.assembly.ca.gov
- ▶ **Legislative Counsel:** Provides free bill tracking service and allows you to search California Codes. www.leginfo.ca.gov
- ▶ **California Budget Project:** Issue analysis, email update service.
www.cbp.org
- ▶ **California State homepage:** Gateway to agency information and data.
www.ca.gov