



California Budget
& Policy Center

Dollars and Democracy: An Introduction to the State Budget Process

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THE STATE BUDGET PROCESS AND WHAT TO
WATCH FOR IN 2017

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Goals of the Presentation

- Highlight **key facts** about California's state budget
- Describe the **constitutional framework** for the state budget process
- Review the budget process timeline, including the **Governor's role** and the **Legislature's role**
- Discuss when and how **members of the public** can get involved



**The state budget expresses
our values and priorities.**

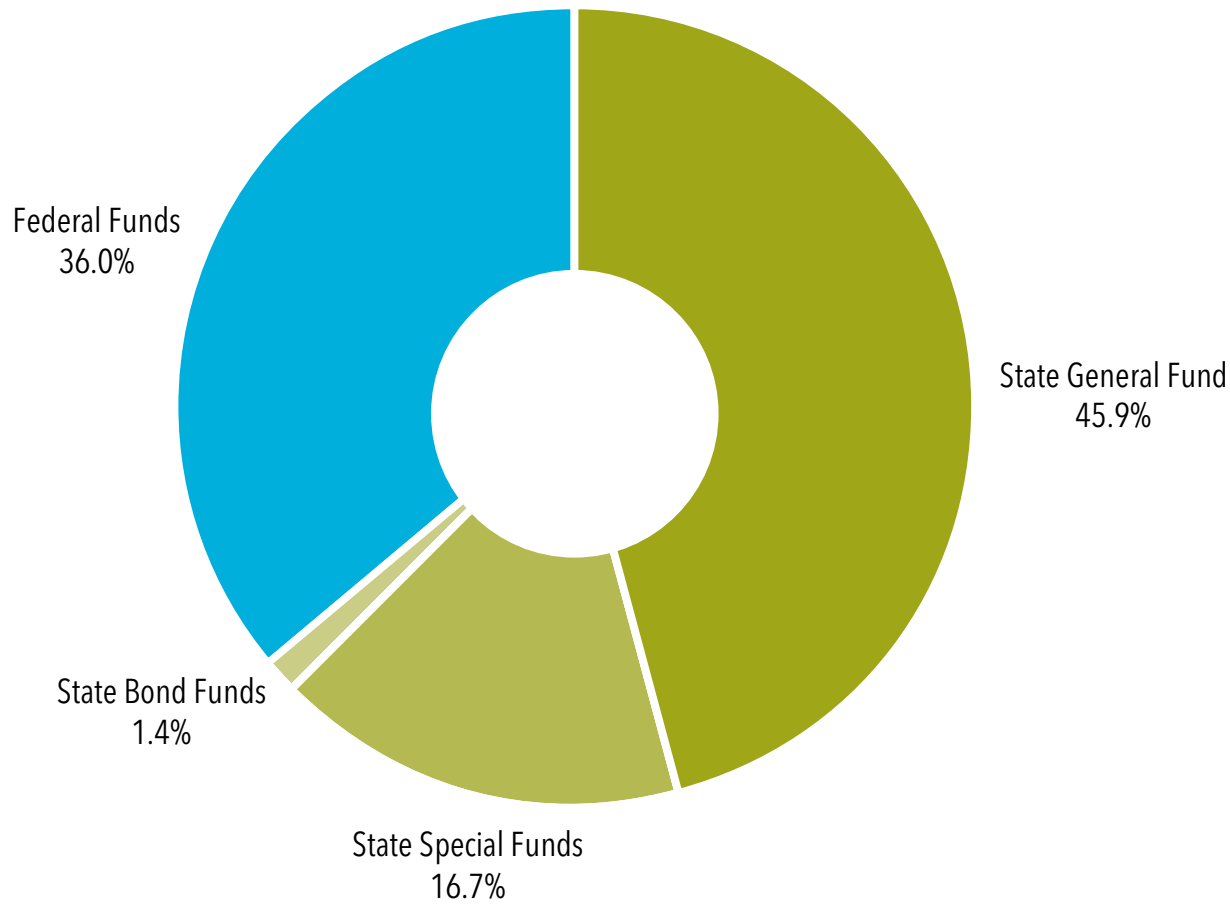


**The state budget =
state funds + federal funds.**



State Funds Account for Nearly Two-Thirds of California's State Budget

Total Enacted 2016-17 Expenditures = \$266.8 Billion



Source: Department of Finance

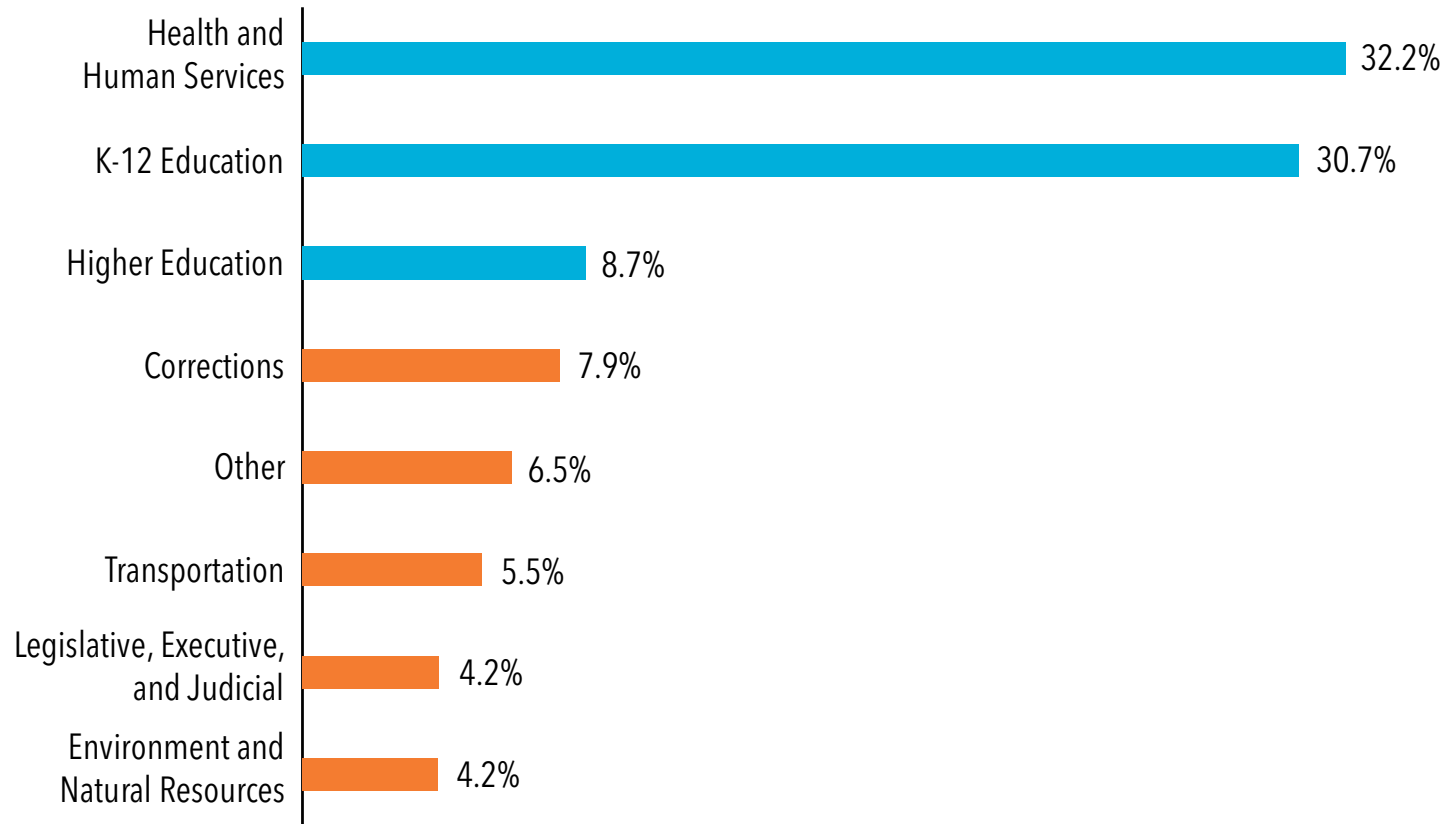


The state budget supports a range of public services and systems.



More Than 7 in 10 State Dollars Support Health and Human Services or Education

Enacted 2016-17 General Fund and Special Fund Expenditures = \$167.1 Billion

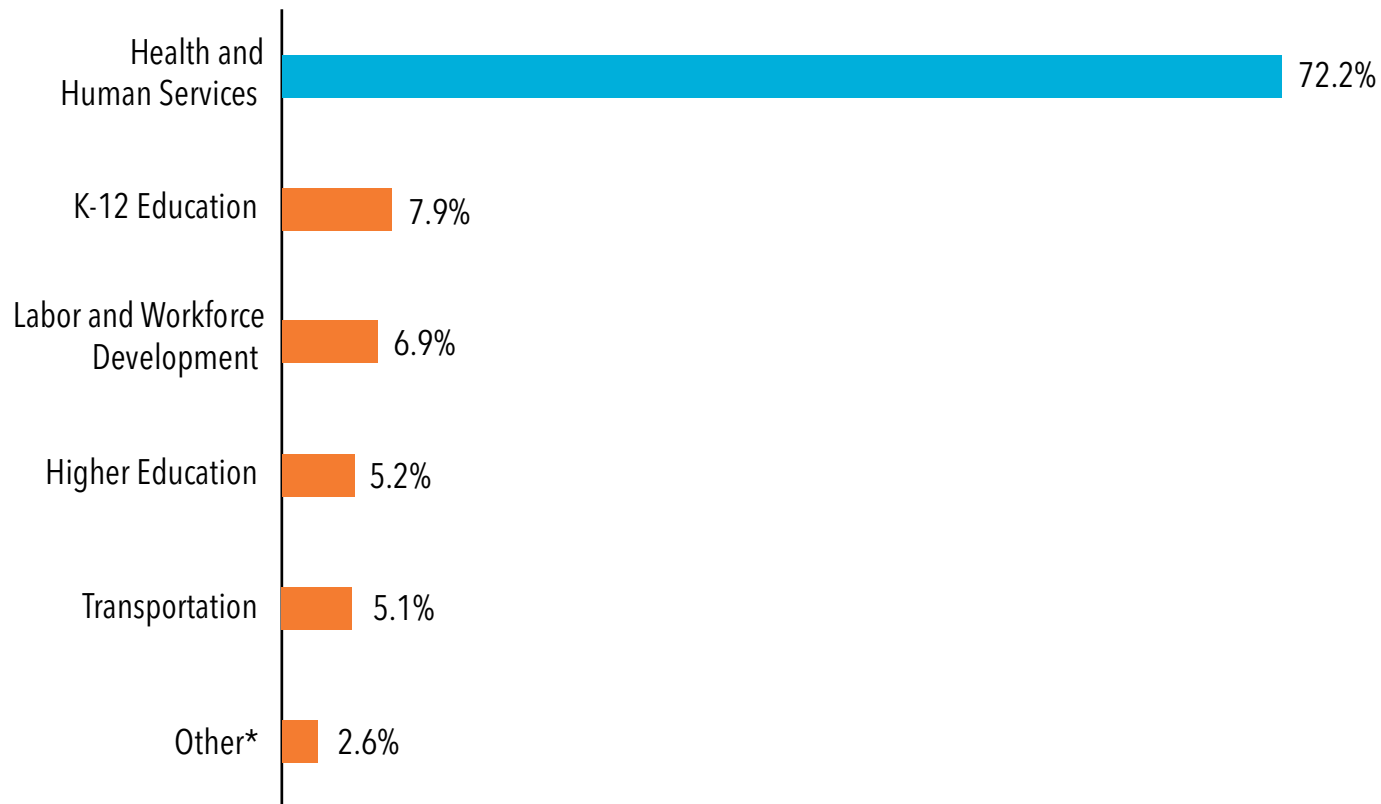


Note: Percentages do not sum to 100 due to rounding.
Source: Department of Finance



More Than 7 in 10 Federal Dollars Spent Through the State Budget Support Health and Human Services

Federal Funds Estimated to Be Spent Through the State Budget in 2016-17 = \$95.9 Billion



* Includes Environmental Protection; Legislative, Judicial, and Executive; Corrections and Rehabilitation; and other state budget categories that account for relatively small shares of federal funds.

Note: Percentages do not sum to 100 due to rounding.

Source: Department of Finance



**The “budget package”
consists of the budget bill
and budget-related bills.**



Bills in the 2016-17 Budget Package

- **SB 826:** The initial **2016-17 budget bill**
- **AB 1613, AB 1622, and AB 1623:** Additional budget bills that **amended the initial 2016-17 budget bill**
- **SB 827:** Another budget bill that **amended the 2015-16 budget bill**
- **Other bills in the budget package:** AB 1602, AB 1603, AB 1606, AB 1607, AB 1618, AB 1624, AB 1625, AB 1627, AB 1628, AB 1630, SB 828, SB 831, SB 833, SB 835, SB 836, SB 837, SB 838, SB 839, SB 840, SB 843, SB 844, SB 848, and SB 859



**The state Constitution
establishes the rules of the
budget process.**



The state Constitution establishes the rules of the budget process.

State Constitution = 194 pages

Index to State Constitution = 76 pages

US Constitution = 30 pages



Prior Ballot Measures With a Significant Impact on the State Budget Process

- Prop. 13 (1978)
- Prop. 4 (1979)
- Prop. 98 (1988)
- Prop. 1A (2004)
- Prop. 58 (2004)
- Prop. 25 (2010)
- Prop. 26 (2010)
- Prop. 2 (2014)
- Prop. 54 (2016)
- Prop. 55 (2016)



**The state Constitution
sets two budget-related
deadlines:
January 10 and June 15.**



**Bills must be published, in their final form, at least 72 hours before being passed by the Legislature.
(Proposition 54 of 2016)**



**The budget bill and most budget-related bills can be passed by a simple majority vote.
(Prop. 25 of 2010)**



“Placeholder” Proposition 25 Trailer Bills for the 2016-17 Budget

- **SEC. 39.00.** The Legislature hereby finds and declares that **the following bills are** other bills providing for appropriations **related to the Budget Bill** within the meaning of subdivision (e) of Section 12 of Article IV of the California Constitution: AB 1600, AB 1601, AB 1602, AB 1603, AB 1604, AB 1605, AB 1606, AB 1607, AB 1608, AB 1609, AB 1610, AB 1611, AB 1612, AB 1613, AB 1614, AB 1615, AB 1616, AB 1617, AB 1618, AB 1619, AB 1620, AB 1621, AB 1624, AB 1625, AB 1626, AB 1627, AB 1628, AB 1629, AB 1630, AB 1631, AB 1632, AB 1633, AB 1634, AB 1635, AB 1636, AB 1637, SB 828, SB 829, SB 830, SB 831, SB 832, SB 833, SB 834, SB 835, SB 836, SB 837, SB 838, SB 839, SB 840, SB 841, SB 842, SB 843, SB 844, SB 845, SB 846, SB 847, SB 848, SB 849, SB 850, SB 851, SB 852, SB 854, SB 855, SB 856, SB 857, SB 858, SB 859, SB 860, SB 861, SB 862, SB 863, SB 864, and SB 865.



**A supermajority (two-thirds)
vote is needed to approve any
tax increase.
(Prop. 26 of 2010)**



Prop. 26 added this key phrase to the state Constitution:

“Any change in state statute which results in **any** taxpayer paying a higher tax” requires a two-thirds vote of each house of the Legislature.



**The state Constitution
contains complex formulas
that establish state budget
priorities.**



Three Key Budget Formulas in the State Constitution

- **Prop. 98 (1988):**
 - Guarantees a minimum level of funding for K-12 schools and community colleges.
- **Prop. 2 (2014):**
 - Requires some state revenues to be set aside to pay down debts and save for a rainy day.
- **Prop. 55 (2016):**
 - Creates a formula to boost funding for Medi-Cal, which provides health care services for low-income residents.



**The budget process is cyclical,
not linear.**

**Decisions are made throughout the year, both
in public settings and behind the scenes.**



Navigating the State Budget Process

Each year the Governor and Legislature work to craft the state's spending plan. While the January-to-June period gets the most attention, the process of developing the budget is an ongoing enterprise, giving Californians ample opportunity to stay engaged and involved year-round.

The Governor

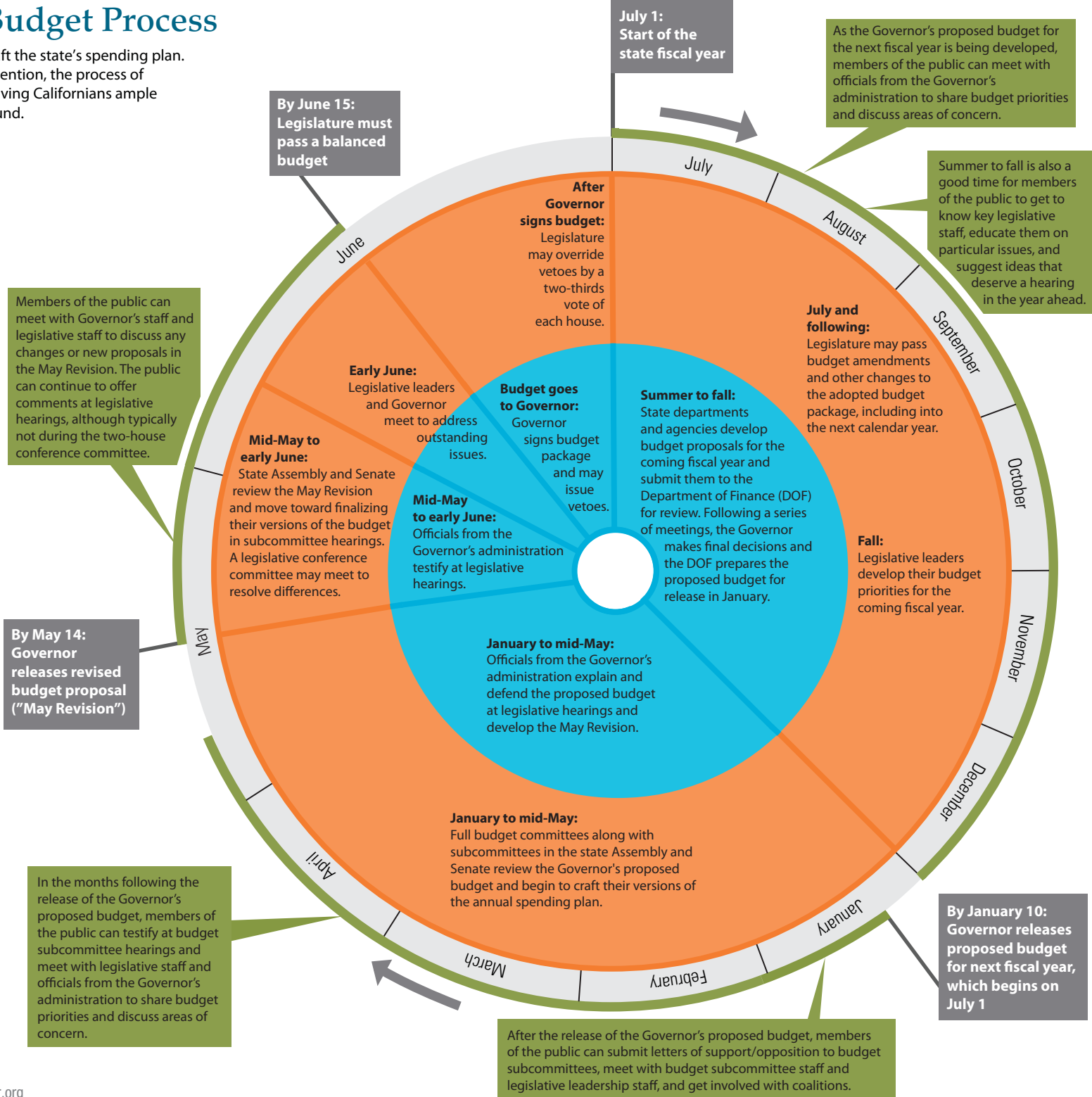
The Governor has the lead role in developing the state budget. Each year the Governor proposes a spending plan, which is introduced as the budget bill in the Legislature. The Governor can sign or veto the budget bill passed by legislators as well as other bills in the budget package that make policy changes related to the budget. The Governor can also reduce or eliminate individual appropriations using the line-item veto.

The Legislature

The Legislature – made up of the Assembly and Senate – reviews the Governor's proposed budget and crafts its own version of the spending plan. The Legislature can maintain, modify, or reject the Governor's proposals, with review occurring through each house's budget committee and related subcommittees. The Legislature must pass the budget bill, but not other bills in the budget package, by June 15. The Legislature can override a Governor's veto by a two-thirds vote of each house.

The Public

The public has various opportunities for input during the budget process. Members of the public can meet with officials from the Governor's administration and with legislators and their staffs, testify before budget committees and subcommittees, and write letters of support and opposition. Through individual engagement or as part of coalitions, members of the public can express their budget priorities and areas of concern.



Key Players in the Budget Process:

The Governor

The Legislature

The Public



The Governor has the lead role in crafting the budget.

Department of Finance (DOF)

Governor's proposed budget (January)

May Revision

Line-item veto authority



The Legislature reviews and revises the Governor's proposals.

Assembly Budget Committee

Senate Budget and Fiscal Review Committee

Legislative Analyst's Office (LAO)



Members of the public have various opportunities for input during the budget process.



The Three Periods of the State Budget Process:

July to December

January to Mid-May

Mid-May to June



State Budget Process: July to December

DOF crafts the Governor's proposed budget.

Legislative leaders develop budget priorities.

Legislative staffers look ahead to the upcoming budget hearings and deliberations.



State Budget Process: January to Mid-May

Proposed budget released by January 10.

Budget committees review proposed budget.

Governor's staff explains and defends the proposed budget.



State Budget Process: Mid-May to June

Governor's May Revision released by May 14.

Assembly and Senate finalize their versions of the budget.

"Big 3" negotiate a final budget deal.



The Bottom Line

- The state budget expresses our **values and priorities**.
- The **state Constitution** establishes the “rules of the game.”
- The budget process is **cyclical** – budget decisions are made throughout the year.
- The **Governor** has the lead role in crafting the budget; the **Legislature** reviews and revises the Governor’s proposals.
- **Public input** is a key part of the budget process and comes in many forms.





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