



California Budget
& Policy Center

Dollars and Democracy: An Introduction to the State Budget Process

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Goals of the Presentation

- Highlight **key terms and definitions** about the state budget process in California
- 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.**

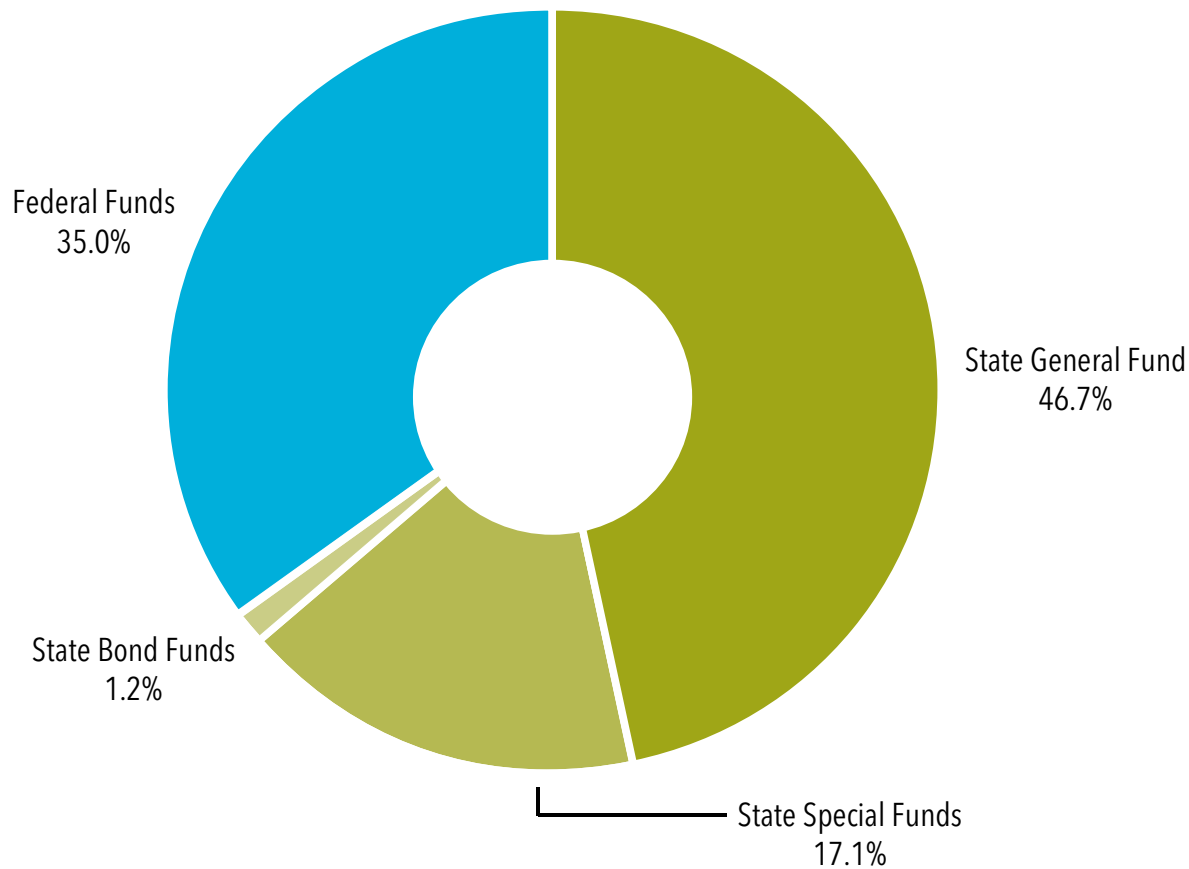


**The state budget =
state funds + federal funds.**



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

Total Proposed 2016-17 Expenditures = \$262.6 Billion



Source: Department of Finance

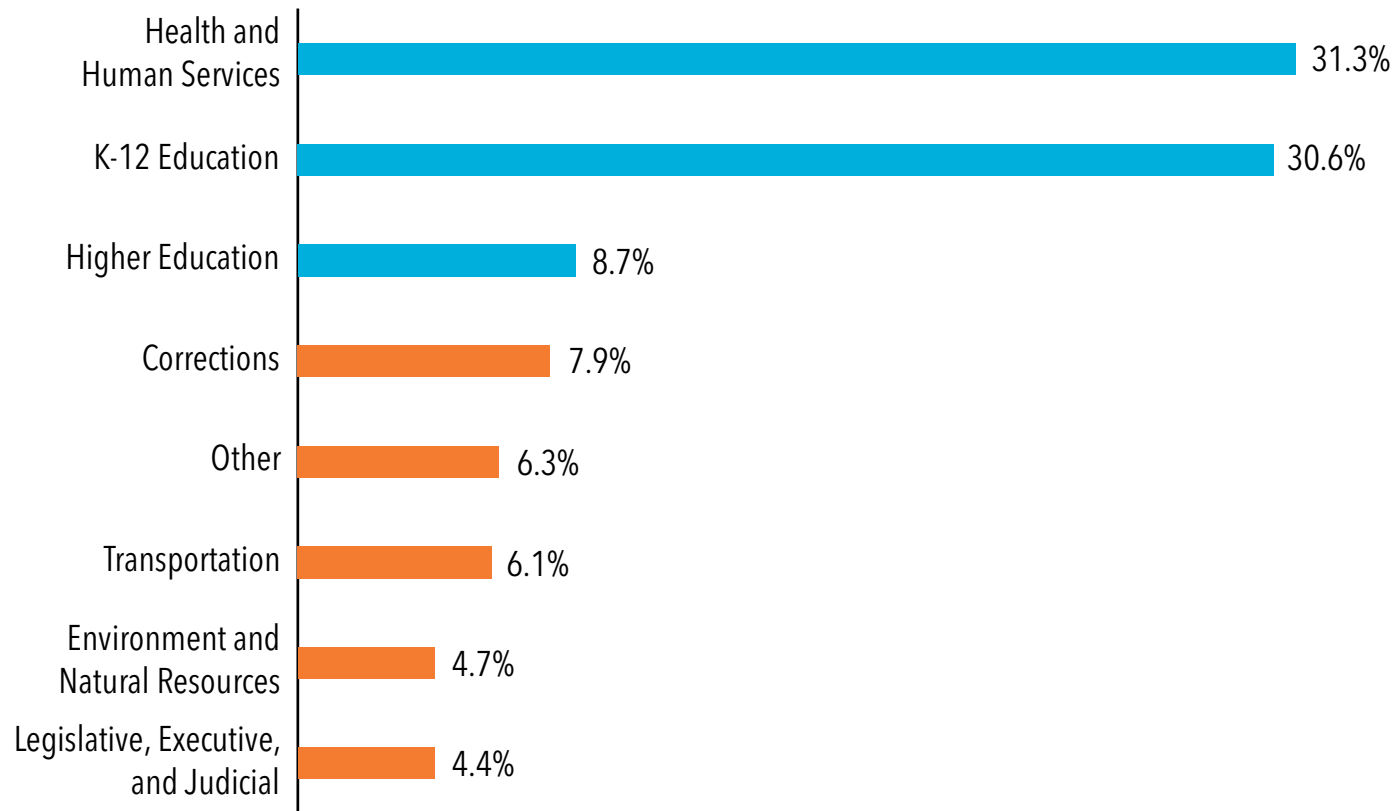


The state budget supports a range of public services and systems.



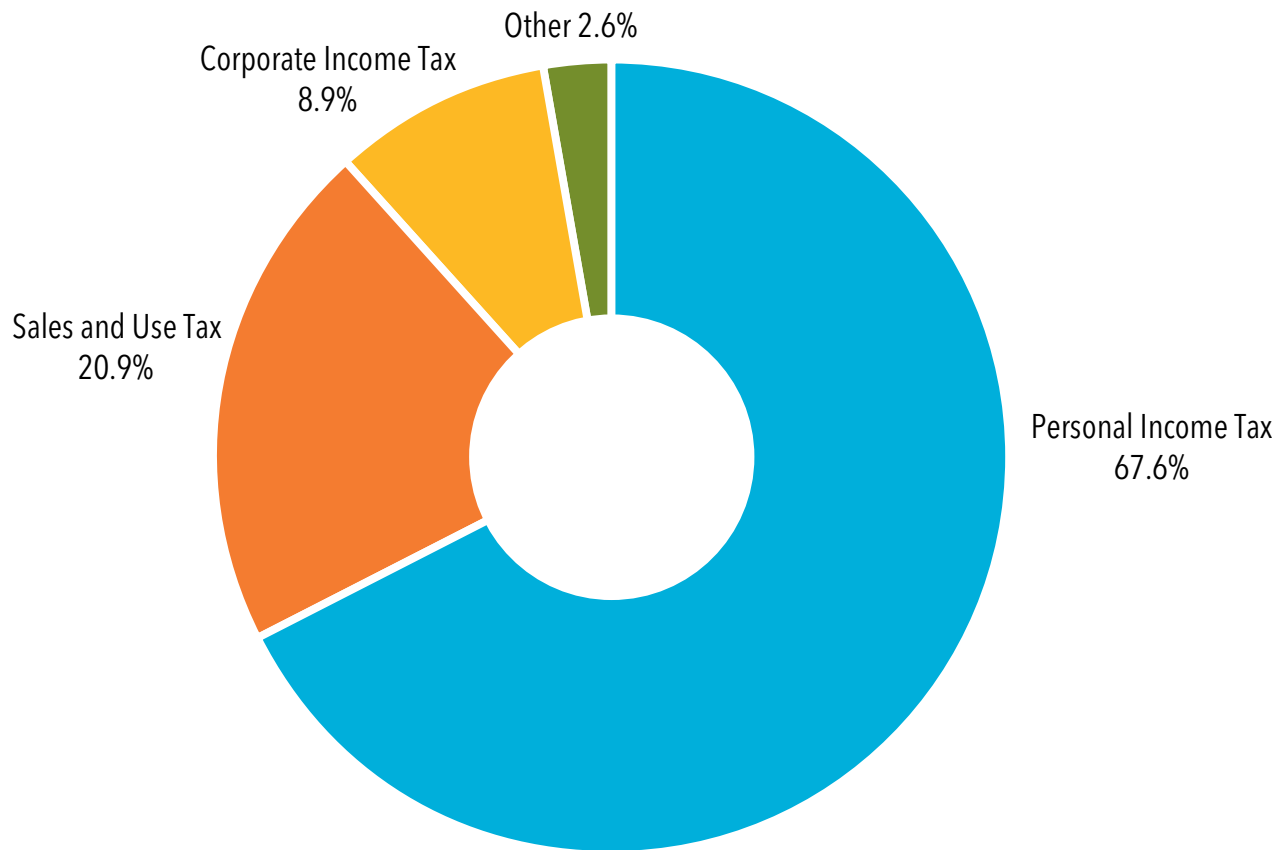
More Than 7 in 10 State Dollars Support Health and Human Services or Education

Proposed 2016-17 General Fund and Special Fund Expenditures = \$167.6 Billion



The Personal Income Tax Is Projected to Account for Two-Thirds of California's General Fund Revenues

Projected 2016-17 General Fund Revenues = \$123.4 Billion



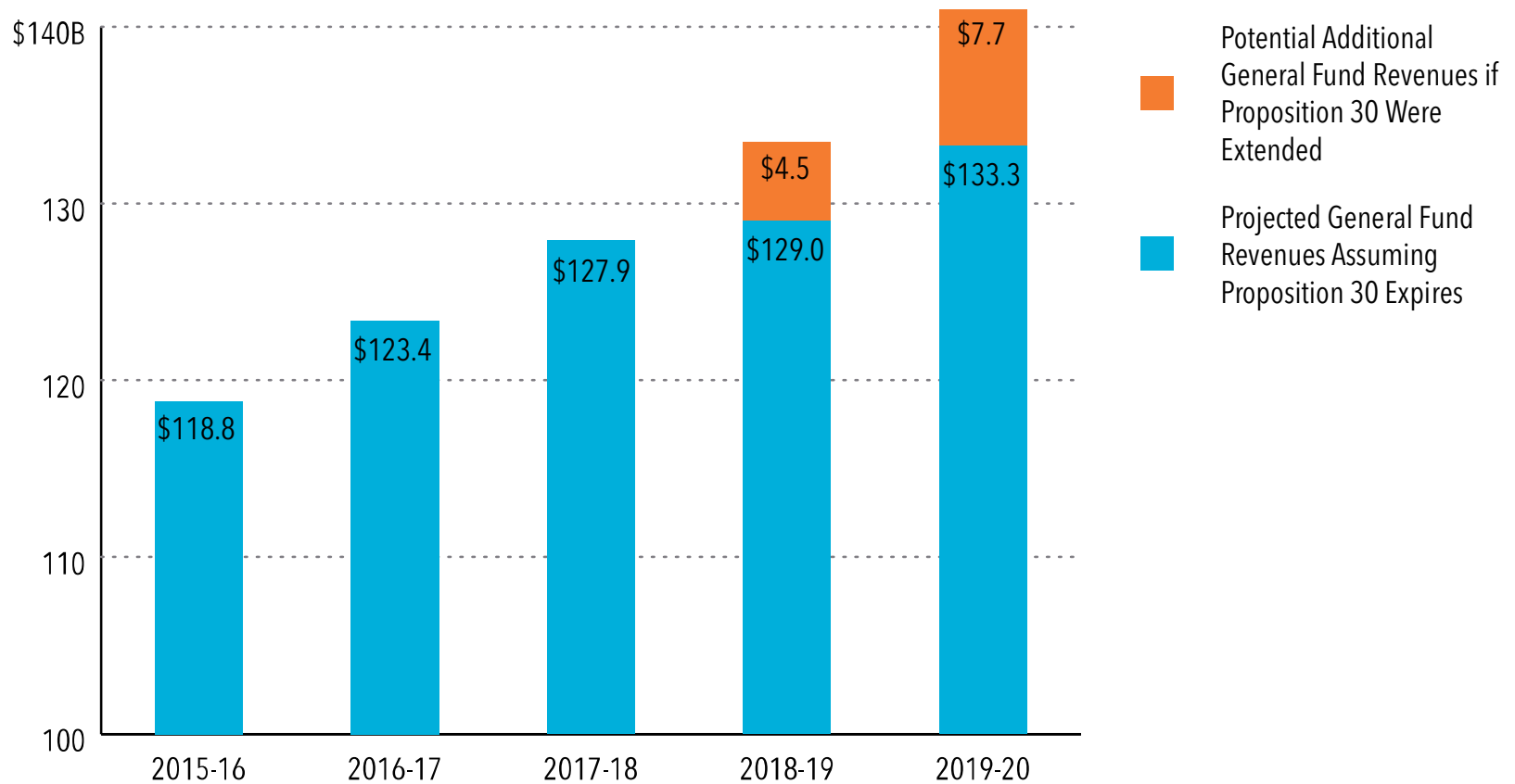
Note: Reflects total projected General Fund revenues before a \$1.3 billion transfer to the state's rainy day fund as required by Proposition 2, the ballot measure passed by voters in November 2014, and an additional \$2 billion transfer proposed by the Governor.

Source: Department of Finance



Expiration of Proposition 30's Personal Income Tax Rate Increases Would Leave Permanent Gap in State Revenues

General Fund Revenues Before Transfers to the Budget Stabilization Account, in Billions



Note: 2015-16 is estimated; 2016-17 onward are projected. Additional revenues for 2018-19 and 2019-20 assume that personal income tax (PIT) revenue growth under an extended Prop. 30 would reflect the Administration's projected underlying PIT growth rate absent Prop. 30 taxes.
Source: Department of Finance (DOF); Budget Center calculations based on DOF data



The State Budget Process: Key Terms and Definitions



Speaking the Language

- **Governor's Proposed Budget:**
 - Shows spending for the prior and current fiscal years and proposed spending for the upcoming fiscal year.
- **Governor's Budget Summary:**
 - Provides the Governor's economic and revenue outlook, highlights major policy initiatives, and summarizes state expenditures assumed in the proposed budget.
- **May Revision:**
 - Updates the Governor's economic and revenue outlook and revises, supplements, or withdraws policy initiatives included in the Governor's proposed budget.



Speaking the Language (continued)

- **Department of Finance (DOF):**
 - Prepares the Governor's budget documents. The DOF director is the Governor's chief fiscal adviser.
- **Assembly Budget Committee and Senate Budget and Fiscal Review Committee:**
 - Review the Governor's proposals and help develop the Legislature's version of the budget. Committee analyses are released beginning in January.
- **Legislative Analyst's Office (LAO):**
 - Provides fiscal and policy advice to the Legislature. LAO budget analyses are released beginning in January.



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



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



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



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



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



Proposition 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.**



**K-14 education is guaranteed
a minimum level of funding.
(Proposition 98 of 1988)**



**Some state revenues must
be set aside to pay down
debts and save for a rainy day.
(Proposition 2 of 2014)**



**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

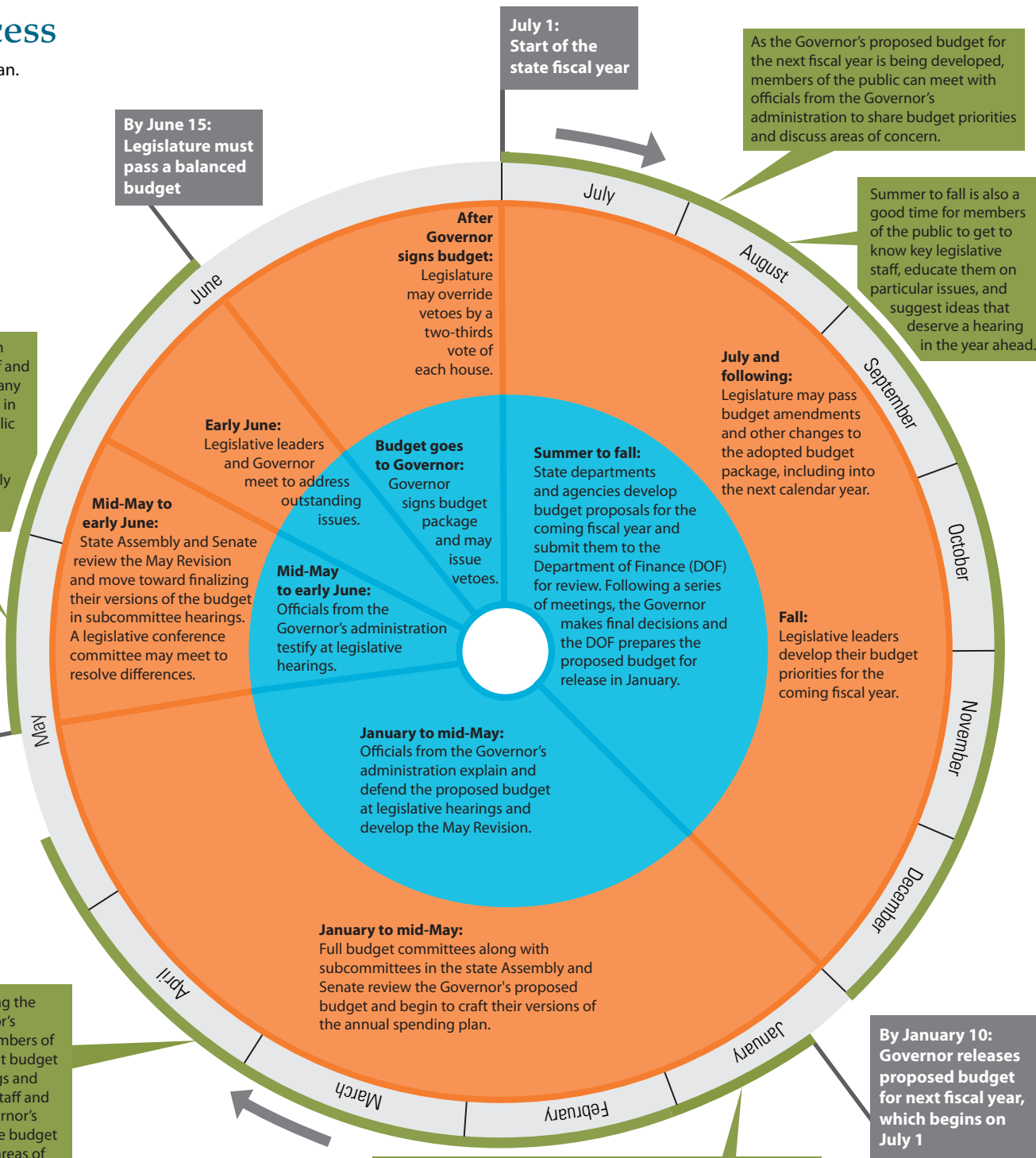
The public has various opportunities for input during the budget process. Members of the public can meet with officials from the Governor's administration and with legislators and their staffs, testify before budget committees and subcommittees, and write letters of support and opposition. Through individual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

Members of the public can meet with Governor's staff and legislative staff to discuss any changes or new proposals in the May Revision. The public can continue to offer comments at legislative hearings, although typically not during the two-house conference committee.

By May 14: Governor releases revised budget proposal ("May Revision")

In the months following the release of the Governor's proposed budget, members of the public can testify at budget subcommittee hearings and meet with legislative staff and officials from the Governor's administration to share budget priorities and discuss areas of concern.

After the release of the Governor's proposed budget, members of the public can submit letters of support/opposition to budget subcommittees, meet with budget subcommittee staff and legislative leadership staff, and get involved with coalitions.



The Governor has the lead role in crafting the budget.

Department of Finance (DOF)

Governor's proposed budget

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.



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 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

May Revision released by May 14.

Assembly and Senate finalize their versions of the budget.

“Big 3” negotiate 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.



State Budget Resources

- California Budget & Policy Center: Analyses and commentary, presentations and events, and technical assistance (calbudgetcenter.org).
- Department of Finance: The Governor's budget proposals and related documents (www.dof.ca.gov).
- Legislative Analyst's Office: Budget and policy analyses, budget recommendations, and historical budget data (www.lao.ca.gov).



State Budget Resources (continued)

- Legislative Counsel: Bills and bill analyses, a free bill-tracking service, the state codes, and the state Constitution (leginfo.legislature.ca.gov).
- State Assembly and Senate: Committee agendas and other publications, floor session and committee schedules, the annual legislative calendar, and live audio streaming of legislative proceedings (assembly.ca.gov and senate.ca.gov).
- The California Channel: Live and archived webcasts of legislative hearings and floor sessions (www.calchannel.com).





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