



CALIFORNIA BUDGET PROJECT

# A BUDGET FOR ALL CALIFORNIANS:

Improving the Transparency and  
Accountability of the State Budget

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# California Budget Project

The CBP was founded in 1994 to provide Californians with a source of timely, objective, and accessible expertise on state fiscal and economic policy issues. The CBP engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low- and middle-income Californians. Support for the CBP comes from foundation grants, publications, and individual contributions.

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# EXECUTIVE SUMMARY

California is emerging from a prolonged budget crisis that focused attention on flaws in the budget and budget process. While most agree on the need to balance the state’s budget, there is little agreement over how to bring the budget into balance. It should be easy for policymakers, advocates, the press, and the public to agree on one thing, however: more clear, more understandable, and more comprehensive information can help foster sound budget decision-making. Making California’s budget more open and accessible, while important, is not a simple task, nor can it be accomplished overnight. California’s budget documents and process have evolved through long-standing institutional practices that are not unique to any single administration or legislature. *A Budget for All Californians* examines current practices with the aim of initiating a dialogue over how to increase the transparency of the state’s budget.<sup>1</sup> This report focuses on why availability and accessibility are important, and how the state can improve.

*A Budget for All Californians* uses a “budget transparency scorecard” to assess the transparency of existing practices and processes, assigning “star ratings” based on six parameters. Overall, California’s budget received a score of three stars; scores on individual sections ranged from two stars to five stars (Table 1).<sup>2</sup>

*A Budget for All Californians* examines the transparency of California’s budget. Webster’s Dictionary defines transparent as “open; frank; candid.” Do these terms apply to California’s budget? If not, what can be done to make the budget more user-friendly? This report analyzes the transparency of the budget by examining the availability, understandability, and detail of budget information; the openness of the budget process to the public; and the level of analysis that is available to put budget proposals into context. Finally, this report discusses what improvements can be made (Table 2).

*A Budget for All Californians* addresses the following questions:

- What is budget transparency?
- Why is budget transparency important?
- Who should care about budget transparency?
- How can budget transparency be measured?
- How can the state make the budget more transparent?

Appendix A provides more detail on the methodology used in this report. Appendix B includes the actual budget transparency scorecard for California.

Table 1: How Did California Score?

Parameters	Points for California	Maximum Possible Points	California's Score as a Percentage of Maximum Possible	Rating for California
Does the Budget Provide Detailed Spending and Revenue Estimates?	57	139	41%	3 stars
Does the State Provide Updated Estimates During the Budget Process?	13	27	48%	3 stars
Does the Budget Provide Information to Put Programs in Context?	46	102	45%	3 stars
Does the State Publish Detailed Information on Taxes?	13	34	38%	2 stars
Is the Budget Process Open to the Public?	12	30	40%	2 stars
Does the State Provide Budget and Tax Information Through the Internet?	25	27	93%	5 stars
<b>OVERALL SCORE</b>				<b>3 stars</b>

**Table 2: How Can California Make Its Budget More Transparent?**

Parameters	Recommendations
Does the Budget Provide Detailed Spending and Revenue Estimates?	<ul style="list-style-type: none"> <li>• Include spending levels that were approved in the final budget for the current year. (The budget currently includes only updated estimates of actual revenues and expenditures).</li> <li>• Provide a baseline comparison, or current-services budget (the funding necessary to maintain the current level of services, adjusted for inflation and population).</li> <li>• Present spending by broad functional category or issue area, such as child care.</li> </ul>
Does the State Provide Updated Estimates During the Budget Process?	<ul style="list-style-type: none"> <li>• Provide projected revenue and spending impacts of budget trailer bills beyond the budget year.</li> <li>• Provide a user-friendly mechanism for tracking individual budget items or programs through the process.</li> </ul>
Does the Budget Provide Information to Put Programs in Context?	<ul style="list-style-type: none"> <li>• Include program goals and performance measures in the budget document.</li> <li>• Make agency budget requests available to the public.</li> </ul>
Does the State Publish Detailed Information on Taxes?	<ul style="list-style-type: none"> <li>• Functionally integrate the annual tax expenditure report into the budget process.</li> <li>• Publish an annual tax incidence report and tax incidence analyses of new tax proposals.</li> </ul>
Is the Budget Process Open to the Public?	<ul style="list-style-type: none"> <li>• Publish specific agendas and meeting times for budget conference committee hearings.</li> <li>• Hold public hearings and solicit public input on proposals prior to release of the proposed budget in January.</li> </ul>
Does the State Provide Budget and Tax Information Through the Internet?	<ul style="list-style-type: none"> <li>• Publish conference committee updates on-line.</li> <li>• Publish all fiscal analyses, including those prepared by the Department of Finance (DOF) and other agencies, on the Internet.</li> </ul>

# INTRODUCTION

*A Budget for All Californians* addresses the following questions:

- **What is budget transparency?** A transparent budget provides comprehensive information and is readily accessible and understandable to everyone, not just “insiders.”
- **Why is budget transparency important?** Transparency helps ensure accountability, promotes public confidence in government, and is key to an informed policy debate on budget reform. Transparency fosters understanding of the state’s priorities by clarifying how dollars are spent.
- **Who should care about transparency?** Everyone – policymakers, analysts, advocates, the media, and the public – benefits from being able to evaluate the costs and benefits of various budget proposals.
- **How can budget transparency be measured?** This report uses a “budget transparency scorecard” to assess the transparency of existing practices and processes.

- **How can the state make the budget more transparent?** This report makes specific recommendations to improve the transparency of the state’s budget.

## What Is Budget Transparency?

The state’s budget is a document that is developed through a formal process. The governor presents his or her proposed budget, the *Governor’s Proposed Budget*, and an explanatory narrative, the *Governor’s Budget Summary*, to the legislature on or before January 10 of each year.<sup>3</sup> The actual budget is also presented to the legislature and the public in the form of a bill; this legislation is accompanied by a set of bills needed to implement policy changes included in the budget.<sup>4</sup> The legislature spends several months reviewing and amending the governor’s budget proposals. When these deliberations – which typically include meetings between the legislative leadership and the governor – are complete, the legislature passes a set of bills to the governor for his or her signature.

## What Can’t Be Found in the Budget?

Information that is seemingly basic can be difficult, if not impossible, to find in the *Governor’s Proposed Budget*. For example:

- **How much does the state spend on multifamily housing?** Although the Multifamily Housing Program is one of the state’s largest housing programs, it is difficult, if not impossible, for a layperson to identify how much funding this program receives by reading the *Governor’s Proposed Budget*. The Department of Housing and Community Development (HCD) has a “Detailed Expenditures by Program” section, with a subcategory called “Financial Assistance Program.” Most, if not all, of HCD’s housing assistance programs fall under the Financial Assistance Program. However, the *Governor’s Proposed Budget* simply lists the names of the funds that support the Financial Assistance Program, with no cross-reference to explain which funds support individual sub-programs such as the Multifamily Housing Program.
- **What is the balance of outstanding loans from special funds to the General Fund?** During the recent budget crisis, the state borrowed from various internal special funds to fill gaps in the state’s General Fund, such as the much publicized transfers from transportation programs to the General Fund. The *Governor’s Budget Summary* narrative discusses only a few of the biggest loans and transfers, however, and most of these loans and transfers are difficult, if not impossible, to track in the budget itself. Compiling all the outstanding loans from special funds to the General Fund would require reviewing past budget bills and determining specific loan amounts and repayment schedules, a difficult task even for those familiar with the budget.
- **How much budget-related debt has the state incurred?** In recent years, the state has looked beyond traditional solutions to help address the budget deficit. For example, Proposition 57, approved by voters in March 2004, authorized the state to issue up to \$15 billion in “deficit financing bonds.” Repayment of these bonds is based on diversion of one-quarter cent of the state sales tax rate for up to 14 years, at an estimated cost of approximately \$1.3 billion per year. The budget does not, however, list the annual payments in an easy-to-find fashion, despite the fact that the diversion significantly reduces the amount of state sales tax revenue that can be spent for other purposes. While the budget does include sections such as debt service on general obligation bonds, it does not summarize all of the state’s debt obligations in one place.

A transparent budget decision-making process is accessible to the public observer, who should not feel as though the process is for insiders only. Jargon should be explained, the process should be understandable, and the content under discussion should be clear. Budget documents should be available to anyone who wants them and should be consistent in logic and form. Budget documents should contain sufficient detail on both spending and revenues and should include both historical and projected revenue and expenditure information to provide a better understanding of the effects of past and present budget decisions.

## Why Budget Transparency?

The budget is the single most important document that a government produces. Through its allocation of resources for public services, a budget articulates the priorities and values of the administration and legislature. If a budget is too complex to easily read and understand, it is difficult for the public, advocates, analysts, the media, and even policymakers to grasp how the state spends its tax dollars. If the budget process is not open to public participation, policymakers may make budget decisions without being fully informed as to how their choices affect relevant constituencies. Lack of a transparent budget may also inhibit or prevent the public from assessing the actions of lawmakers and the governor – thereby undermining the public's confidence in the most fundamental decisions regarding the allocation of public resources. Accountability is not possible without transparency; if one cannot understand what actions have been taken, one cannot hold lawmakers accountable for those actions.

California's recent budget crisis has prompted widespread calls by advocates, legislators, editorial boards, and others for budget reform.<sup>5</sup> There is little agreement, however, over what constitutes a desirable "reform." Most would agree that meaningful changes to state budgeting practices require informed policy deliberations, and that making the budget process more transparent can aid in this effort. Lack of transparency excludes people from the budget process, discourages public understanding and involvement, and excludes all but a few "insiders" from the process. In their consideration of reform, policymakers should examine the transparency of the budget – specifically, the accessibility of the budget to policymakers, advocates, analysts, the media, and the public.

## Transparency for Whom?

As noted above, efforts to improve budget transparency aim to increase public understanding of the state budget and to enhance the openness and inclusiveness of the budget process. While the state budget touches the life of every Californian, many feel locked out of the key budget decisions. Education on how the

budget works can help the public both to better understand why policymakers make the decisions they do, and to hold them accountable for the consequences of their actions. Transparency can also help analysts and advocates to provide input at crucial points in the policy development process and to translate budget-related actions into understandable terms for those without direct access to budget and policy debates. Finally, transparency is particularly important in the era of term limits, which have changed the balance among elected officials, lobbyists, and legislative staff in terms of knowledge of and influence on policy and budget outcomes. Increasing the transparency of the budget process can help even out this balance by helping newly elected lawmakers to more quickly navigate the large budget learning curve. A more transparent budget can assist lawmakers in making more informed decisions by helping present a clearer view of both the range and consequences of fiscal choices.

## Benefits of Increased Budget Transparency

A transparent budget can help foster public trust in government, which polls show is sorely lacking.<sup>6</sup> Transparency can:

- Help promote informed debate;
- Help clarify where government money comes from and where it goes;
- Help ensure that the public can hold public officials accountable for their decisions;
- Help the public better understand how and why key budget decisions are made;
- Help legislators better understand the needs of programs and program constituencies; and
- Help the public evaluate the costs and benefits of various budget proposals.

## How Does California's Budget Measure Up?

California's budget received an overall score of three stars. This score was determined by using a budget transparency scorecard to assess the transparency of California's budget practices, processes, and documents and score them against an ideal standard using a star rating system based on six parameters.<sup>7</sup> The following sections discuss these findings.

# DOES THE BUDGET PROVIDE DETAILED SPENDING AND REVENUE ESTIMATES?



✓ **How is this defined?**

- The ability to examine the budgets of state departments and programs and easily understand past, current, and projected future spending.

✓ **What does California do well?**

- The *Governor's Proposed Budget* provides updated estimates of current year revenues and expenditures.
- The *Governor's Proposed Budget* breaks down spending, in most cases, to the program level.

✓ **How could California do better?**

- Include spending levels that were approved in the final budget for the current year. (The budget currently includes only updated estimates of actual revenues and expenditures).
- Provide a baseline comparison, or current-services budget (the funding necessary to maintain the current level of services, adjusted for inflation and population).
- Present spending by broad functional category or issue area, such as child care.

✓ **Example: How much does the state spend on child care?**

- Problem: Child care programs fall under multiple departments and agencies. In order to determine how much the state spends on child care, one would have to compile a list of relevant programs, then find out which departments and agencies administer those programs.
- Solution: The *Governor's Proposed Budget* and/or *Governor's Budget Summary* could provide a list or table of child care programs, the department or agency that administers each program, and the proposed level of funding for each program.

California scored three out of a possible five stars (57 of 139 points) on the availability of basic spending and revenue information. On the positive side, the *Governor's Proposed Budget* and *Governor's Budget Summary* include actual revenues and expenditures for prior years, estimated current year expenditures, and spending breakdowns by agency, department, and program. However, the state lost points for failing to include **budgeted** current year spending – for example, the appropriations provided in the budget as signed – in the proposed budget. Including

budgeted current year spending in addition to estimated current year spending could capture recent adjustments, such as mid-year spending reductions or augmentations or changes in caseload trends. The state also lost points due to its lack of a current-services (baseline) budget and the lack of a presentation of spending by broad issue area (the budget generally presents spending by agency rather than by issue area).<sup>8</sup> Currently, about a dozen states include baseline estimates in their budgets.<sup>9</sup>

# DOES THE STATE PROVIDE UPDATED ESTIMATES DURING THE BUDGET PROCESS?



✓ **How is this defined?**

- Timely access to data and analyses that evaluate competing budget and tax proposals as they move through the process.

✓ **What does California do well?**

- Franchise Tax Board (FTB), Board of Equalization (BOE), and legislative analyses provide future-year cost estimates for specific revenue and spending proposals.

✓ **How could California do better?**

- Provide projected revenue and spending impacts of budget trailer bills beyond the budget year.
- Provide a user-friendly mechanism for tracking individual budget items or programs through the process.

✓ **Example: How much will repayment of Proposition 42 loans cost the state?**

- **Problem:** In an effort to address large budget deficits in recent years, the state partially or fully suspended several annual transfers from the General Fund to the Traffic Congestion Relief Fund (TCRF). The 2005-06 budget agreement provided for repayment of these loans upon sale of tribal gaming bonds, expected to generate \$1 billion; however, the budget did not estimate debt service costs.
- **Solution:** Providing an estimate of annual debt service payments on the tribal gaming bonds, in addition to information on how the suspended funding affected state transportation projects, would help policymakers better understand the full costs of using the TCRF to help address the General Fund deficit.

California scored three out of a possible five stars (13 of 27 points) on the availability of information during the budget decision-making process. On the plus side, the state scored points for providing future-year estimates for some revenue and expenditure proposals. The state lost points, however, because it does not always provide the future-year revenue and spending effects of legislation implementing the budget. In addition, the

budget lacks an accessible mechanism to track how budget committees change initial budget proposals. Finally, analyses of budget implementation legislation generally provide budget-year impacts, but fail to include future-year estimates, and the actual bills and analyses are often not available to the public until after the legislature votes on the budget.

# DOES THE BUDGET PROVIDE INFORMATION TO PUT PROGRAMS IN CONTEXT?



- ✓ **How is this defined?**
  - The ability to find out how programs work, who receives services, and other information to put the program in context – not just how much money is being spent.
- ✓ **What does California do well?**
  - The *Governor's Budget Summary* provides a narrative description of programs and current economic conditions.
  - The *Governor's Budget Summary* provides current and projected caseloads where relevant.
- ✓ **How could California do better?**
  - Include program goals and performance measures in the budget document.
  - Make agency budget requests available to the public.
- ✓ **Example: Are program goals being met with current funding?**
  - Problem: Program goals and performance measures, when they exist, are not included in the budget document.
  - Solution: Integrating performance measures into the program budget could help policymakers determine whether current funding is sufficient to meet program goals and statutory requirements.

California scored three out of a possible five stars (46 of 102 points) on the availability, detail, and understandability of budget information. The state scored points for including a narrative description of each major program area, providing a broad summary and overview of funding changes from the prior year, using charts and graphs to illustrate points clearly, and presenting current and projected caseload data for programs where relevant. The state also scored well on availability of budget information; the state provides a glossary of budget terms, a description of

the budget process, and actual budget documents to the public. California lost points, however, for its lack of performance data and its failure to make agency budget requests available to the public. The Department of Finance (DOF) currently treats agency budget requests as confidential, making it impossible to determine whether the department or agency that runs the program feels that funding levels are sufficient.<sup>10</sup>

# DOES THE STATE PUBLISH DETAILED INFORMATION ON TAXES?



✓ **How is this defined?**

- The ability to understand the basics of how government is financed, as well as the short- and long-term impacts of tax cuts and increases on state revenues and taxpayers (tax incidence).

✓ **What does California do well?**

- The Legislative Analyst's Office (LAO) and FTB occasionally publish reports on key revenue issues and policies.
- The DOF traditionally published an annual tax expenditure report. (This report, however, was not published in 2004-05.)

✓ **How could California do better?**

- Functionally integrate the annual tax expenditure report into the budget process.
- Publish an annual tax incidence report and tax incidence analyses of new tax proposals.

✓ **Example: How much money is the state spending on tax incentives, credits, exclusions, and the like?**

- Problem: Tax expenditures are not accounted for in the annual budget document, despite the fact that they represent a large revenue loss to the state each year. For example, the state's research and development tax credit alone will cost the state an estimated \$483 million in 2005-06.
- Solution: Publishing a comprehensive tax expenditure report in conjunction with the budget, and incorporating a formal review of tax expenditures into the budget process, would foster understanding of the true cost of state expenditures.

California scored two out of a possible five stars (13 of 34 points) on the availability of tax and revenue information. The state scored points for traditionally publishing a tax expenditure report each year. This report, published by the DOF, does not include all state tax expenditures and was not published at all in 2004-05. The LAO publishes a tax expenditure report, but only occasionally (the most recent was published in 1999), and the FTB publishes an annual tax expenditure report that does not include all tax expenditures and does not always include a narrative. Since these reports are not integrated with the annual state budget,

policymakers do not consider tax expenditures along with funds appropriated in the budget. Finally, the state does not publish a tax incidence report that assesses how the state's tax policies affect taxpayers at different income levels. For example, Texas state law requires the Comptroller of Public Accounts to publish a biennial report that analyzes the incidence of the state's school district property tax and "any state tax generating more than 2.5 percent of state tax revenue in the prior fiscal year."<sup>11</sup>

# IS THE BUDGET PROCESS OPEN TO THE PUBLIC?



✓ **How is this defined?**

- The ability for the public to follow the budget and to voice opinions regarding budget and tax issues to legislators, the administration, and interest groups at each stage of the process.

✓ **What does California do well?**

- On paper, the budget process is fairly open and lengthy; the governor must introduce the budget in January and the legislature must pass it by June 15.
- The state has a bipartisan legislative fiscal office (the LAO).

✓ **How could California do better?**

- Publish specific agendas and meeting times for budget conference committee hearings.
- Hold public hearings and solicit public input on proposals prior to release of the proposed budget in January.

✓ **Example: How can I testify in favor of restoring a May Revision cut?**

- Problem: Currently, testimony is allowed in budget committee and subcommittee hearings, which occur primarily before the May Revision is released. Many key budget decisions are made by the budget conference committee, however, which does not tend to follow a schedule and generally allows testimony only from DOF and LAO staff.
- Solution: Schedule regular hearings of the conference committee, publish an agenda for each hearing, and allow public testimony in those hearings (particularly on programs for which significant funding changes are considered).

California scored two out of a possible five stars (12 of 30 points) on the openness of its budget process. California scored points for having a long budget process that begins with the release of the proposed budget in January and continues with budget subcommittee hearings that generally run from February or March until May. It should be noted, however, that if the May Revision includes major new policy proposals, and/or significant changes in revenue estimates, the legislature has very little time to consider these changes before the June 15 constitutional deadline for the legislature to pass a budget. The budget conference committee process has improved significantly in recent years – for example,

the conference committee agenda is now published on the Internet – but it still lacks some key transparency aspects, such as regularly scheduled hearings. (Currently, the conference committee tends to meet with little or no notice, and often the chair deems the entire budget to be open for discussion.) Finally, the public is not given a chance to review and comment on proposals before the governor releases the proposed budget in January, as these proposals are not publicly available and no legislative hearings are held prior to the release of the proposed budget.

# DOES THE STATE PROVIDE BUDGET AND TAX INFORMATION THROUGH THE INTERNET?



- ✓ **How is this defined?**
  - The ability to access key budget and tax documents on-line, including legislative analyses and hearings.
- ✓ **What does California do well?**
  - Major budget and tax documents are available on-line.
  - Legislative hearings, including budget committee and subcommittee hearings, are broadcast on the Internet.
- ✓ **How could California do better?**
  - Publish conference committee updates on-line.
  - Publish all fiscal analyses, including those prepared by the DOF and other agencies, on the Internet.
- ✓ **Example: How can I track the conference committee if I can't attend hearings?**
  - Problem: Currently, the budget conference committee publishes the initial overall agenda in both hardcopy and on-line. Subsequently, however, the committee produces errata and summaries that tend to be handed out only in the actual hearings.
  - Solution: Publish all updates on the Internet, including actions on individual items. Note: the 2005-06 conference committee did publish a comprehensive "final action report" on-line after all the hearings were complete.

California achieved its highest score, rating five out of a possible five stars (25 of 27 points) on the availability of budget and tax information through the Internet. Legislative hearings and major budget documents are all available on the Internet; however, not all agency analyses are posted on the Internet.

# CONCLUSION

A transparent budget helps ensure broad and meaningful input on one of the most important issues facing government – the distribution of public resources. Transparency encourages public participation in the budget process. It also helps the public and policymakers to recognize both the intended and unintended consequences of budget decisions, as well as the long-term needs of the state. This is particularly important in California’s current term-limited environment, which tends to promote short-term thinking among elected officials rather than the long-term thinking needed to address overarching budget issues such as structural deficits. Transparency means more information, which can foster understanding both of why budget deficits occur and of the costs and benefits of various alternatives to address the problem.

California’s budget is respectably transparent, but there is room for improvement. While transparency can open up the budget

process, it does not provide guarantees. Not every Californian will understand the budget, have time to analyze it, or have the ability to come to Sacramento to testify at budget hearings; not every legislator will care that the budget decisions they make today may have negative impacts after they leave office. In their ongoing consideration of budget reform, however, state policymakers should consider measures to increase budget transparency in order to foster their own understanding of, as well as public understanding of and participation in, the budget process. More clear, more understandable, and more comprehensive information can encourage sound budget decision-making, limit public frustration and disenchantment with state government, and reduce damaging unintended consequences of key budget decisions.

## The “eBudget” Has Decreased Budget Transparency

Although the legislature has made significant progress toward making the budget more transparent – for example, by broadcasting budget committee and subcommittee hearings on the Internet and posting agendas on the Internet – recent changes to the *Governor’s Proposed Budget* document have made the budget less accessible to the public. Until recently, budget consumers could purchase the printed budget or go to their local library to read it. In 2005, however, the state released its first “eBudget;” the budget is now only available to the public on-line, although the state continues to distribute hardcopies to local libraries. According to the DOF, the eBudget is intended to make the process more efficient and “to provide the general public with a Governor’s Budget that is easily accessible and understandable.”<sup>12</sup> In some cases, however, the eBudget makes information less accessible and less understandable:

- Computer access, and especially high-speed Internet access, is required. Failing to provide the budget on paper locks out budget consumers who do not have a computer with high-speed Internet access, or who lack a computer altogether. The *Governor’s Proposed Budget* is a very large document, numbering hundreds of pages; it would be a long, slow process to try to navigate the eBudget with dial-up access. A 2005 California Public Utilities Commission report found that although broadband access is available in every zip code in California, “Certain communities are lagging behind: low-income consumers, residents of rural areas, and persons with disabilities.”<sup>13</sup> A University of California, Santa Cruz analysis found that only 50.6 percent of black adults and 44.4 percent of Latino adults had a home computer in California in 2001, as compared to 79.9 percent of Asian adults and 72.6 percent of white adults. Moreover, only 34.6 percent of black adults and 21.0 percent of Latino adults had Internet access at home, as compared to 55.9 percent of Asian adults and 56.2 percent of white adults.<sup>14</sup>
- The format is sometimes difficult to follow. Although the eBudget generally provides the same amount of information as past budgets, the new format is sometimes confusing. For example, if one goes to the DOF website and clicks on “Governor’s Budget,” one must navigate through several screens to get to one that looks like the traditional budget format. In some cases, however, this screen does not contain all the information that has traditionally been included. These changes can make it difficult to compare spending to prior years.
- Analysis of individual programs can be more difficult. The traditional budget format was organized by department; then within each department, a program objectives statement, major budget adjustments, and authority (for example, the statute enacting the program) were grouped together for each program. The eBudget, on the other hand, is organized by program authority, program changes, and legal citations and authority, rather than by program. Because of these changes, it can be more difficult to find details on individual programs in the on-line format.
- Some information from the traditional format is missing. Traditionally, both the *Governor’s Proposed Budget* and the *Governor’s Budget Summary* included a set of appendices, commonly known as “the A-pages,” including items such as a glossary of budget terms and detailed schedules of spending and revenues. Beginning in 2005, however, the appendices related to the Generally Accepted Accounting Principles were omitted. In addition, although the A-pages were traditionally included in both the *Governor’s Proposed Budget* and the *Governor’s Budget Summary*, beginning in 2005 only the *Governor’s Budget Summary* included the A-pages.

The eBudget, while a good alternative to the traditional budget, should not be the only avenue for people who want to examine the budget. While it is fairly simple to look up one program, an analyst wanting to compare multiple programs or departments is effectively forced to print out large sections of the budget. Moreover, individuals without high-speed Internet access, or without access to computers altogether, cannot even read the budget.

# APPENDIX A: DETERMINING THE TRANSPARENCY OF CALIFORNIA'S BUDGET

## Criteria

This report grades the state's level of budget transparency using "star ratings" in six categories. These ratings represent the summary of the detailed evaluation of the state budget process and budget documents outlined in Appendix B. Within each of the six major categories, the CBP asked a series of questions, assigning each answer a certain point value. The questions were designed to assess the transparency of key features of the state's budget and budget process.

The Center on Budget and Policy Priorities (CBPP), a nonpartisan organization in Washington, DC that conducts research and analysis on fiscal policies and public programs that affect low- and moderate-income families and individuals, developed the original scorecard based on existing models, including the awards criteria for Government Finance Officers Association's Distinguished Budget Presentation Awards Program; the International Monetary Fund's *Code of Good Practices on Fiscal Transparency*; and the National Association of State Budget Officers' *Principles for State Executive Budget Offices*. While the CBP made several revisions to streamline the CBPP's scorecard and make it applicable to California, the primary difference in the CBP's version is the addition of several questions regarding on-line budget information.

## Translating Results into Stars

The scorecard was developed by translating these principles into a series of questions through a budget transparency "scorecard." California's ratings on the scorecard were then determined based on a careful examination of budget-related documents generally available to the public.<sup>15</sup> The state's scores were then converted into "star ratings" by first calculating the total points earned in each section of the attached scorecard. Then the points for each section were totaled and compared to the maximum possible

points for the section. This calculation yielded the percentages used to assign star ratings (Table 3). California's total score was calculated based on equal weights for Parameters 1 through 5, with a half-weight for Parameter 6.

Potential Percentage Points	Ratings
81% - 100%	5 stars
61% - 80%	4 stars
41% - 60%	3 stars
21% - 40%	2 stars
0% - 20%	1 star

# APPENDIX B: BUDGET TRANSPARENCY SCORECARD FOR CALIFORNIA

## Does the Budget Provide Detailed Spending and Revenue Estimates?

	0 Points	1 Point	2 Points	3 Points	4 Points	5 Points
<b>Prior year revenues:</b>						
1. Actual revenues for prior years - Aggregate <sup>16</sup>	NA		1-2 yrs	3-5 yrs	6-9 yrs	10+ yrs
2. Actual revenues for prior years - By type of tax or fee <sup>17</sup>	NA		1-2 yrs	3-5 yrs	6-9 yrs	10+ yrs
3. Budgeted versus actual revenues for prior years - Aggregate <sup>18</sup>	NA		1 yr	2+ yrs		
4. Budgeted versus actual revenues for prior years - By type of tax or fee <sup>18</sup>	NA		1 yr	2+ yrs		
<b>Future year revenues:</b>						
5. Estimated revenue for future years (current law) - Aggregate	NA		1 yr	2 yrs	3-4 yrs	5+ yrs
6. Estimated revenue for future years (current law) - By type of tax or fee	NA		1 yr	2 yrs	3-4 yrs	5+ yrs
7. Estimated revenue for future years (Governor's proposed budget) - Aggregate <sup>19</sup>	NA		1 yr	2 yrs	3-4 yrs	5+ yrs
8. Estimated revenue for future years (Governor's proposed budget) - By type of tax or fee <sup>19</sup>	NA		1 yr	2 yrs	3-4 yrs	5+ yrs
<b>Prior year expenditures:</b>						
9. Actual prior-year expenditures - Broad functional areas that may cut across agencies <sup>20</sup>	NA		1-2 yrs	3-5 yrs	6-9 yrs	10+ yrs
10. Actual prior-year expenditures - Agency or department level <sup>21</sup>	NA		1-2 yrs	3-5 yrs		
11. Actual prior-year expenditures - Division or program level <sup>21</sup>	NA		1-2 yrs	3-5 yrs		
12. Actual prior-year expenditures, broken down by personnel services and non-personnel services <sup>22</sup>	NA		1-2 yrs	3-5 yrs		
13. Budgeted vs. actual prior-year expenditures - Broad functional areas that may cut across agencies <sup>20</sup>	NA		1 yr	2+ yrs		
14. Budgeted vs. actual prior-year expenditures - Agency or department level <sup>18</sup>	NA		1 yr	2+ yrs		

## Does the Budget Provide Detailed Spending and Revenue Estimates? - Continued

	0 Points	1 Point	2 Points	3 Points	4 Points	5 Points
<b>Prior year expenditures - continued</b>						
15. Budgeted vs. actual prior-year expenditures - Division or program level <sup>18</sup>	NA		1 yr	2+ yrs		
16. Budgeted vs. actual prior-year expenditures, broken down by personnel services and non-personnel services <sup>18</sup>	NA		1 yr	2+ yrs		
<b>Future year expenditures:</b>						
17. Estimated future-year expenditures (current-services baseline) - Broad functional areas that may cut across agencies <sup>20</sup>	NA		1 yr	2 yrs	3-4 yrs	5+ yrs
18. Estimated future-year expenditures (current-services baseline) - Agency or department level <sup>23</sup>	NA		1 yr	2 yrs		
19. Estimated future-year expenditures (current-services baseline) - Division or program level <sup>23</sup>	NA		1 yr	2 yrs		
20. Estimated future-year expenditures (current services baseline) - Broken down by personnel services and non-personnel services <sup>23</sup>	NA		1 yr	2 yrs		
21. Estimated future-year expenditures (proposed budget) - Broad functional areas that may cut across agencies <sup>20</sup>	NA		1 yr	2 yrs	3-4 yrs	5+ yrs
22. Estimated future-year expenditures (proposed budget) - Agency or department level <sup>19</sup>	NA		1 yr	2 yrs		
23. Estimated future-year expenditures (proposed budget) - Division or program level <sup>19</sup>	NA		1 yr	2 yrs		
24. Estimated future-year expenditures (proposed budget) - Broken down by personnel services and non-personnel services <sup>19</sup>	NA		1 yr	2 yrs		
<b>Prior year fund balances:</b>						
25. Actual year-end fund balances for prior years <sup>24</sup>	NA		1-2 yrs	3-5 yrs	6+ yrs	

## Does the Budget Provide Detailed Spending and Revenue Estimates? - Continued

	0 Points	1 Point	2 Points	3 Points	4 Points	5 Points
<b>Future year fund balances:</b>						
26. Estimated future year-end fund balances (current-services baseline) <sup>23</sup>	NA		1 yr	2 yrs	3-4 yrs	5+ yrs
27. Estimated future year-end fund balances (proposed budget)	NA		1 yr	2 yrs	3-4 yrs	5+ yrs

<b>Current year revenues, expenditures, and fund balances:</b>						
28. Revenues for current fiscal year - Aggregate <sup>17</sup>	NA		Estimate as of budget adoption	Year-to-date actuals	Current full-year estimate	
29. Revenues for current fiscal year - By type of tax or fee <sup>17</sup>	NA		Estimate as of budget adoption	Year-to-date actuals	Current full-year estimate	
30. Current year expenditures - Broad functional areas that may cut across agencies <sup>20</sup>	NA		Appropriation	Year-to-date actuals	Current full-year estimate	
31. Current year expenditures - Agency or department level <sup>25</sup>	NA		Appropriation	Year-to-date actuals	Current full-year estimate	
32. Current year expenditures - Division or program level <sup>25</sup>	NA		Appropriation	Year-to-date actuals	Current full-year estimate	
33. Current year expenditures broken down by personnel services and non-personnel services <sup>22</sup>	NA		Appropriation	Year-to-date actuals	Current full-year estimate	
34. Fund balance for current fiscal year <sup>24</sup>	NA		Estimate as of budget adoption		Current year-end estimate	

## Does the Budget Provide Detailed Spending and Revenue Estimates? - Continued

	0 Points	1 Point	2 Points	3 Points	4 Points	5 Points
<b>Summary tables for budget period:</b>						
35.	The budget document presents a summary table of revenue sources broken down by fund		<input checked="" type="radio"/> No	<input type="radio"/> Yes		
36.	The budget document presents a summary table of expenditures in each broad functional area broken down by fund <sup>20</sup>		<input checked="" type="radio"/> No	<input type="radio"/> Yes		
37.	The budget document presents a summary table of expenditures in each agency or department broken down by fund <sup>17</sup>		<input type="radio"/> No	<input checked="" type="radio"/> Yes		
38.	The budget document presents a summary table of fund balances broken down by fund <sup>24</sup>		<input type="radio"/> No	<input checked="" type="radio"/> Yes		

## Does the State Provide Updated Estimates During the Budget Process?

	0 Points	1 Point	2 Points	3 Points	4 Points	5 Points
39. Period for which agency or legislative bill analyses of discrete revenue proposals usually project revenue impacts <sup>26</sup>	NA		1 yr	2 yrs	3-4 yrs	5+ yrs
40. Period for which bill analyses for discrete expenditure proposals or individual appropriations bills usually project costs <sup>27</sup>	NA		1 yr	2 yrs	3-4 yrs	5+ yrs
41. Period for which bill analysis of "budget trailer" legislation projects revenue impacts	NA		1 yr	2 yrs	3-4 yrs	5+ yrs
42. Period for which bill analysis of "budget trailer" legislation projects expenditure impacts	NA		1 yr	2 yrs	3-4 yrs	5+ yrs
43. Period for which bill analysis of "budget trailer" legislation projects year-end fund balances	NA		1 yr	2 yrs	3-4 yrs	5+ yrs
44. Budget/appropriations bill(s) are structured to permit tracking of how initial budget proposals have been changed by committee and subsequent action <sup>28</sup>	No		Yes			

## Does the Budget Provide Information to Put Programs in Context?

0 Points      1 Point      2 Points      3 Points      4 Points      5 Points

### Assumptions underlying revenue and expenditure projections:

#### Economic assumptions underlying projections identified?

45. For proposed budget<sup>29</sup>      No       Yes

46. For bill analyses       No      Yes

#### Demographic/caseload assumptions underlying projections identified?

47. For proposed budget<sup>30</sup>      No       Yes

48. For current-services baseline budget<sup>23</sup>       No      Yes

49. For bill analyses       No      Yes

### Consequences of variation in assumptions described and quantified:

50. For proposed budget       NA      Described      Described & quantified

51. For current-services baseline budget<sup>23</sup>       NA      Described      Described & quantified

52. For bill analyses       NA      Described      Described & quantified

53. Variables incorporated in current-services baseline expenditure projections<sup>23</sup>       NA      Previously enacted program and facility expansions      Preceding plus inflation      Preceding plus changes in workload      Preceding plus real income growth for service providers

### Program information:

54. Budget document contains narrative description of each program area<sup>31</sup>      No       Yes

55. Budget describes goals of major state programs and presents performance measurements to indicate extent to which goals in major programs were achieved       No      Yes

56. Budget presents current and projected caseload for programs where relevant<sup>32</sup>      No       Yes

57. Budget identifies number of employees in each program<sup>33</sup>       No      Yes

## Does the Budget Provide Information to Put Programs in Context? - Continued

	0 Points	1 Point	2 Points	3 Points	4 Points	5 Points
<b>Availability of budget documents:</b>						
58. A proposed budget exists in the form of a budget document <sup>22</sup>	No		Yes			
59. The governor submits a budget bill to the legislature	No		Yes			
60. Agency budget submissions to executive budget agency are available to the public <sup>34</sup>	No		Yes			
61. Shortly after the conclusion of a legislative session, a document is published that provides information on final enacted appropriations at a level of detail comparable to that contained in the proposed budget <sup>35</sup>	No		Yes			
62. Revisions to the budget made through supplemental appropriations or budget cuts made between budget consideration periods are published <sup>36</sup>	No		Yes			
63. Release date of executive budget documents is announced in advance <sup>37</sup>	No		Yes			
64. Executive budget documents are available to the public within a week after they are sent to the legislature	No		Yes			
65. Printed copies of the executive budget documents are available for free or for no more than a nominal fee <sup>38</sup>	No	Partial	Yes			
66. Printed copies of the executive budget documents are distributed to public libraries around the state <sup>39</sup>	No		Yes			
67. Budget information is available on Web or for purchase in spreadsheet or database format to facilitate analysis	No		Yes			

## Does the Budget Provide Information to Put Programs in Context? - Continued

	0 Points	1 Point	2 Points	3 Points	4 Points	5 Points
<b>User guidance provided:</b>						
68.	The budget documents include a summary page that describes what budget documents and analyses are available and where they can be found <sup>40</sup>	No	Partial	Yes		
69.	The budget documents provide an overview of/guide to the budget documents <sup>31</sup>	No		Yes		
70.	The budget documents provide a guide to reading the budget tables	No		Yes		
71.	The budget documents include a glossary that defines terms used in the budget tables and descriptions <sup>41</sup>	No		Yes		
72.	The budget documents include a narrative summary/overview that explains major changes from the previous year in the budget being proposed <sup>31</sup>	No		Yes		
73.	The budget documents use graphs where appropriate to illustrate points clearly <sup>31</sup>	No		Yes		
74.	The budget documents summarize the budget process <sup>42</sup>	No	Partial	Yes		
75.	The budget documents use same revenue and spending categories as those used in "comprehensive annual financial report" <sup>43</sup>	No		Yes		
76.	Budget lists which programs are included in each functional area <sup>20</sup>	No		Yes		
77.	Budget lists agency requests for budget period in addition to the governor's recommendations <sup>34</sup>	No		Yes		
78.	Explanations of any account changes in previous three years are included in the narrative of the budget document or as footnotes to the relevant tables	No		Yes		
79.	The budget identifies relevant fiscal rules, such as statutory or constitutional tax and expenditure limitations	No		Yes		
80.	Major financial risks and contingent liabilities are described and quantified <sup>44</sup>	No		Described	Described & quantified	
81.	The funding status of state pension funds (including state-financed funds for local government employees) are described and quantified	No		Described	Described & quantified	

## Does the Budget Provide Information to Put Programs in Context? - Continued

	0 Points	1 Point	2 Points	3 Points	4 Points	5 Points
<b>Fund information:</b>						
<b>The proposed budget:</b>						
82. Presents an overview of the state's fund structure <sup>45</sup>	<input type="radio"/> No			Yes		
83. Describes purpose of each fund <sup>45</sup>	<input type="radio"/> No			Yes		
84. Describes or lists revenue sources for each fund	No		<input checked="" type="radio"/> Yes			
85. Describes or lists expenditures from each fund in general terms <sup>24</sup>	No		<input checked="" type="radio"/> Yes			
86. Describes spending restrictions for each fund	<input type="radio"/> No			Yes		
87. Describes policies for transferring money among funds	<input type="radio"/> No			Yes		
88. Enables user to readily identify source fund and destination fund of all inter-fund transfers	<input type="radio"/> No			Yes		

<b>Debt information:</b>						
<b>A document is available to the public which:</b>						
89. Describes future year debt repayment obligations (principal vs. interest) for all debt currently outstanding <sup>46</sup>	No			<input checked="" type="radio"/> Yes		
90. Describes the relationship between current debt levels and legal debt limits <sup>47</sup>	<input type="radio"/> No			Yes		
91. Categorizes current debt obligations (e.g., general obligation vs. revenue bonds) <sup>46</sup>	No	Partial		<input checked="" type="radio"/> Yes		

## Does the State Publish Detailed Information on Taxes?

	0 Points	1 Point	2 Points	3 Points	4 Points	5 Points
<b>Availability and comprehensiveness of tax incidence information:</b>						
92. Major taxes are included in a tax incidence report	NA		1 state tax	2 state taxes	3+ state taxes	3+ state taxes plus local property tax
93. A tax incidence report includes the impact of both individual taxes and business taxes passed through to households	No		Yes			
94. A tax incidence report is published at least once each budget cycle	No		Yes			
95. The governor's budget includes an analysis of the incidence of the governor's proposed tax changes or of the entire tax system if changes were to be implemented	No		Yes			
96. Bill analyses routinely analyze the effect of proposed tax changes on the incidence of the affected tax or the entire tax system <sup>49</sup>	No	Partial	Yes			

<b>Tax expenditure information:</b>						
97. Some type of tax expenditure report has been published, whether or not it includes estimates of foregone revenues <sup>48</sup>	No		Yes			
98. Major taxes are included in a tax expenditure report that does provide estimates of foregone revenues <sup>48</sup>	NA		1 state tax	2 state taxes	3+ state taxes	3+ state taxes plus local property tax
99. A tax expenditure report includes some type of information on beneficiaries of each tax expenditure (e.g., by income class)	No	Partial	Yes			
100. A report lists tax expenditures adopted through conformity with the federal tax code, not just state-enacted tax expenditures	No		Yes			
101. A tax expenditure report is published at least once each budget cycle <sup>48</sup>	No		Yes			
102. A tax expenditure budget, projecting foregone revenues from tax expenditures during upcoming budget period, is published	No		Yes			

## Does the State Publish Detailed Information on Taxes? - Continued

	0 Points	1 Point	2 Points	3 Points	4 Points	5 Points
<b>Revenue source information:</b>						
<b>A document is available to public which:</b>						
103.	Describes tax base, tax rate, fee structure for each revenue source <sup>50</sup>		No	<input checked="" type="radio"/> Yes		
104.	Identifies which revenue sources are earmarked and for what uses		No	<input checked="" type="radio"/> Yes		
105.	Gives brief history of major legislated changes in tax/revenue items		No	<input checked="" type="radio"/> Yes		

## Is the Budget Process Open to the Public?

	0 Points	1 Point	2 Points	3 Points	4 Points	5 Points
<b>Public hearings:</b>						
<b>Public hearings are conducted:</b>						
106. Prior to submission of agency budget requests <sup>34</sup>	<input type="radio"/> No		<input type="radio"/> Yes			
107. Prior to release of the proposed budget	<input type="radio"/> No		<input type="radio"/> Yes			
108. During legislative debate	<input type="radio"/> No		<input checked="" type="radio"/> Yes			
<b>Adequate notice is given of hearing dates and times:</b>						
109. Prior to submission of agency budget requests	<input type="radio"/> No		<input type="radio"/> Yes			
110. Prior to release of the proposed budget	<input type="radio"/> No		<input type="radio"/> Yes			
111. During legislative debate <sup>51</sup>	<input type="radio"/> No	<input checked="" type="radio"/> Partial	<input type="radio"/> Yes			
<b>Public input into hearings is permitted:</b>						
112. Prior to submission of agency budget requests	<input type="radio"/> No		<input type="radio"/> Yes			
113. Prior to release of the proposed budget	<input type="radio"/> No		<input type="radio"/> Yes			
114. During legislative debate	<input type="radio"/> No		<input checked="" type="radio"/> Yes			

<b>Legislative procedures:</b>						
115. A bipartisan legislative fiscal office exists <sup>52</sup>	<input type="radio"/> No		<input checked="" type="radio"/> Yes			
116. The legislature has sufficient time to review and act on proposed budget <sup>53</sup>	<input type="radio"/> <10 weeks		<input type="radio"/> 10-16 weeks	<input checked="" type="radio"/> >16 weeks		
117. At least 48 hours are required between publication of the final budget bill and the final vote <sup>54</sup>	<input type="radio"/> No		<input type="radio"/> Yes			
118. A single committee addresses budget and revenue issues	<input type="radio"/> No		<input type="radio"/> In one house	<input type="radio"/> In both houses		
119. There is a process for the allocation of non-General Fund resources	<input type="radio"/> No		<input checked="" type="radio"/> Yes			

## Does the State Provide Budget and Tax Information Through the Internet?

	0 Points	1 Point	2 Points	3 Points	4 Points	5 Points
120. Executive budget documents are available on the Web <sup>55</sup>	NA		Within 2 weeks after printed release	Same time as printed release		
121. Executive budget documents are easy to find on the Web <sup>55</sup>	NA		Yes			
122. Legislative hearings on proposed budget are available on the Web, either through webcast or audio	NA		Varies	Usually	Always	
123. Agendas for legislative hearings on proposed budget are available on the Web	NA		Varies	After the hearing	When the hearing begins	Before the hearing
124. Bill analyses on legislative proposals are available on the Web <sup>56</sup>	NA		Varies	After the hearing	When the hearing begins	Before the hearing
125. A tax expenditure report is available on the Web	NA		Yes			
126. A tax incidence report is available on the Web	NA		Yes			
127. A comprehensive annual financial report is available on the Web <sup>43</sup>	NA		Yes			
128. A document that describes debt repayment obligations is available on the Web <sup>43</sup>	NA		Yes			

# ENDNOTES

- <sup>1</sup> This report generally refers to budget documents and the budget process as “the budget.”
- <sup>2</sup> See Appendix A for a description of the methodology used in this report.
- <sup>3</sup> Article IV, Section 12(a), requires the governor to submit the proposed budget and “an explanatory message” to the legislature within the first 10 days of each calendar year.
- <sup>4</sup> Legislation implementing the budget, known as “trailer bills,” is no different from any other legislation; it simply implements the policy changes made in the budget. Trailer bills are generally introduced as placeholders; substantive language is usually not inserted until the very end of the budget process, when the legislature is ready to act on the entire budget package.
- <sup>5</sup> After the economic boom of the late 1990s, the state’s economy took a sudden downturn in 2001, leaving legislators and the administration to grapple with multibillion-dollar deficits. In January 2006, the LAO estimated the operating deficit at over \$5 billion for the 2006-07 budget year, assuming enactment of the *Governor’s Proposed Budget*.
- <sup>6</sup> For example, a November 2005 poll by the Public Policy Institute of California found that 56 percent disapproved of the Governor and 66 percent disapproved of the Legislature. Public Policy Institute of California, *Special Post-Election Voter Survey: Bah, Humbug! Angry Special Election Voters Cast Vote of No Confidence in State Leaders, Policymaking Process* (December 2, 2005), downloaded from <http://ppic.org/main/pressreleaseindex.asp> on January 5, 2006.
- <sup>7</sup> The CBP’s scorecard largely follows a scorecard developed by the Center on Budget and Policy Priorities, a nonpartisan organization in Washington, DC, that works on fiscal policies and public programs that affect low- and moderate-income families and individuals. See Appendices A and B for more details.
- <sup>8</sup> A baseline, or current-services, budget estimates funding necessary to maintain current levels of services, adjusted for inflation and population.
- <sup>9</sup> Personal communication with Center on Budget and Policy Priorities (November 16, 2005).
- <sup>10</sup> Although approved Budget Change Proposals (BCPs) are held confidential only until release of the *Governor’s Proposed Budget*, the DOF prohibits agencies from releasing disapproved BCPs.
- <sup>11</sup> Texas Government Code, Section 403.0141(a). For the most recent report, see Carole Keeton Strayhorn, Texas Comptroller, *Tax Exemptions and Tax Incidence: A Report to the Governor and the 79th Texas Legislature* (January 2005), at <http://www.window.state.tx.us/taxinfo/incidence05/>.
- <sup>12</sup> Department of Finance, *Budget Letter 05-17: 2006-07 eBudget Process Overview* (July 27, 2005).
- <sup>13</sup> California Public Utilities Commission, *Broadband Deployment in California* (May 5, 2005), p. 11.
- <sup>14</sup> Robert W. Fairlie, *Is There a Digital Divide? Ethnic and Racial Differences in Access to Technology and Possible Explanations* (University of California, Santa Cruz: November 2003).
- <sup>15</sup> The primary budget documents analyzed for this report were the *Governor’s Budget Summary* and the *Governor’s Proposed Budget* for 2004-05 and 2005-06. Also referenced were the *Governor’s Budget Summary* and *Governor’s Proposed Budget* for 2006-07; FTB and legislative analyses; Department of Finance, *Salaries and Wages 2005-06*; Department of Finance, *State of California 2004-05 Final Budget Summary*; Department of Finance, *State of California Budget for the Fiscal Year 2004-05: Final Change Book*; Phil Angelides, State Treasurer, *The State of California 2004 Debt Affordability Report* (October 1, 2004); Steve Westly, State Controller, *State of California Comprehensive Annual Financial Report for the Year Ended June 30, 2004*; DOF and LAO tax expenditure reports; and the DOF, Assembly, and Senate websites. Some of the information discussed in this report is included in FTB and BOE annual reports, which were not referenced for this report.
- <sup>16</sup> Department of Finance, *Governor’s Budget Summary 2005-06*, Schedule 6, p. A-11.
- <sup>17</sup> Department of Finance, *Governor’s Budget Summary 2005-06*, Schedule 8, p. A-12.
- <sup>18</sup> In order to obtain this information, one would have to reference prior documents for comparison, such as the *Final Change Book* or the *Final Budget Summary*.
- <sup>19</sup> This information is available through the budget year; for example, the *Governor’s Proposed Budget 2006-07* includes revenues and expenditures for 2004-05 (prior year), 2005-06 (current year), and 2006-07 (budget year).
- <sup>20</sup> California does not use functional budgeting. A functional budget would be, for example, a child care budget, which would cross several departments and agencies. Currently, California’s budget documents are based on departmental budgets.
- <sup>21</sup> This information is provided in both the *Governor’s Proposed Budget* and the *Governor’s Budget Summary*.
- <sup>22</sup> This information is available in the *Governor’s Proposed Budget*.
- <sup>23</sup> California does not do current-services (baseline) budgeting. A current-services budget details the funding necessary to maintain the current level of services, adjusted for inflation and population.
- <sup>24</sup> Department of Finance, *Governor’s Budget Summary 2005-06*, Schedule 10, p. A-41.
- <sup>25</sup> Department of Finance, *Governor’s Budget Summary 2004-05*, Schedule 9, p. A-33, provides department and division level, but not program level.
- <sup>26</sup> Refers to FTB analyses; DOF analyses are not released to the public so periods estimated by the Department of Finance (DOF) are unknown.
- <sup>27</sup> Refers to analyses of specific revenue and expenditure proposals by the Senate and Assembly Appropriations Committees. For example, analyses of tax expenditure bills often include estimated revenue impacts for several subsequent years, but can vary.
- <sup>28</sup> Bills only show how they were amended from the immediate prior version. One would have to reference prior versions of the bill in order to determine how the bill was changed from the original version.
- <sup>29</sup> Department of Finance, *Governor’s Budget Summary 2005-06*, p. 22.
- <sup>30</sup> For example, see Department of Finance, *Governor’s Budget Summary 2005-06*, pp. 54-55 (demographic data), p. 138 (corrections caseload), and p. 94 (health and human services caseloads).
- <sup>31</sup> Department of Finance, *Governor’s Budget Summary 2005-06*.
- <sup>32</sup> Caseloads are not always projected beyond the budget year.
- <sup>33</sup> The *Governor’s Proposed Budget 2005-06* and *Salaries and Wages Supplement* identify personnel years by department, but not by program level.
- <sup>34</sup> DOF directions to agencies specify that, “Until release of the Governor’s Budget, please remember that all information contained in budget documents used during the

- development process is strictly confidential.” Department of Finance, *Budget Letter #05-04: 2006-07 Budget Preparation Guidelines* (April 4, 2005), p. 2.
- <sup>35</sup> The *Final Change Book* and *Final Budget Summary* are produced annually and released a month or so after the budget is signed by the governor.
- <sup>36</sup> This information is sometimes included in the *Governor's Proposed Budget*, released in January. It is also included in the budget bill. Changes can be difficult to reconcile, however, especially for novice users of the budget.
- <sup>37</sup> Article IV, Section 12 of the California Constitution requires the governor to introduce his proposed budget within the first 10 days of the calendar year; it is usually introduced January 10.
- <sup>38</sup> The *Governor's Proposed Budget* has traditionally been available in hardcopy only for a fee (except at public libraries). In 2004, for the first time, it was available on cd-rom for free, but was not available in hardcopy. In 2005, the *Governor's Proposed Budget* was only available online.
- <sup>39</sup> Personal communication with the Department of Finance (February 9, 2006).
- <sup>40</sup> Department of Finance, *Governor's Budget Summary 2005-06*, Budget Process Overview, p. A-1. This appendix describes major documents but not where to find them.
- <sup>41</sup> On-line version of *Governor's Budget 2006-07*, “Budget References,” at <http://www.ebudget.ca.gov/references.html>.
- <sup>42</sup> The *Governor's Budget Summary 2005-06*, Budget Process Overview, p. A-1, briefly summarizes the budget process, as does the *Governor's Proposed Budget 2005-06* (under “Budget References”). The DOF website provides an explanation and flow chart of the budget process (see [http://www.dof.ca.gov/HTML/BUD\\_DOCS/faqs.htm](http://www.dof.ca.gov/HTML/BUD_DOCS/faqs.htm), Question 15).
- <sup>43</sup> Steve Westly, California State Controller, *State of California Comprehensive Annual Financial Report for the Year Ended June 30, 2004*, downloaded from <http://www.sco.ca.gov/pubs/index.shtml#stago> on August 17, 2005.
- <sup>44</sup> For example, major pending lawsuits and major tax refund claims arising from a court's finding that a state tax is unconstitutional.
- <sup>45</sup> This was included in the *Governor's Budget Summary 2004-05*, Description of Fund Classifications in the Treasury, p. A-8, and *Governor's Budget 2004-05*, Description of Fund Classifications in the Treasury, p. A-8, but was not included in budget documents or the eBudget beginning in 2005-06.
- <sup>46</sup> Phil Angelides, California State Treasurer, *The State of California 2004 Debt Affordability Report* (October 1, 2004), downloaded from <http://www.treasurer.ca.gov/publications/index.htm/> on August 17, 2005.
- <sup>47</sup> California does not have a legal debt limit.
- <sup>48</sup> The DOF traditionally published an annual Tax Expenditure Report, but it did not include all tax expenditures and was not published in 2004-05. The LAO publishes a more comprehensive report, but only occasionally. The FTB also occasionally publishes a tax expenditure report.
- <sup>49</sup> FTB analyses occasionally include this information.
- <sup>50</sup> Legislative Analyst's Office, *California's Tax Expenditure Programs* (February 1999). This report is only published occasionally.
- <sup>51</sup> Budget conference committee hearings are noticed in the *Daily File*, but are often scheduled as “Upon Call of the Chair.” The committee is frequently scheduled to meet at a certain time, but at that time a sign is put on the door of the hearing room specifying a later time.
- <sup>52</sup> The LAO is a nonpartisan fiscal analysis unit.
- <sup>53</sup> The California Constitution requires the governor to submit his proposed budget to the legislature by January 10, and requires the legislature to pass it by June 15. Most of the budget is considered in subcommittee hearings by the time the May Revision is published in May. If the May Revision includes major new policy proposals and/or significant changes in revenue estimates, the legislature has very little time to consider these changes before the constitutional deadline.
- <sup>54</sup> In order to provide time for public review, the California Constitution and legislative joint rules require a waiting period between the date an amended bill (including the budget bill) is published, and the date the legislature may act upon it. Since the legislature typically does not act upon the budget until near or after the constitutional deadline, however, it tends to waive such rules in order to expedite the process.
- <sup>55</sup> See DOF website at [www.dof.ca.gov/](http://www.dof.ca.gov/).
- <sup>56</sup> Legislative analyses and FTB analyses, but not DOF or other agency analyses, are available on the Internet.