Dollars and Democracy: An Introduction to the State Budget Process

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THE STATE BUDGET PROCESS AND KEY ISSUES TO WATCH FOR IN 2018
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calbudgetcenter.org
What comes to mind when you think of the state budget?
Budgets are statements of our values and priorities.
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
Key Facts About the State Budget
The state budget = state funds + federal funds.
State Funds Account for Nearly Two-Thirds of California’s State Budget

Total Enacted 2017-18 Expenditures = $290.8 Billion

- Federal Funds 37.0%
- State General Fund 43.0%
- State Special Funds 18.9%
- State Bond Funds 1.1%

Source: Department of Finance
The state budget supports a broad range of public services and systems.
More Than 7 in 10 State Dollars Support Health and Human Services or Education

Enacted 2017-18 General Fund and Special Fund Expenditures = $180.0 Billion

<table>
<thead>
<tr>
<th>Category</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health and Human Services</td>
<td>33.5%</td>
</tr>
<tr>
<td>K-12 Education</td>
<td>29.8%</td>
</tr>
<tr>
<td>Higher Education</td>
<td>8.4%</td>
</tr>
<tr>
<td>Corrections</td>
<td>7.7%</td>
</tr>
<tr>
<td>Transportation</td>
<td>6.6%</td>
</tr>
<tr>
<td>Other*</td>
<td>6.1%</td>
</tr>
<tr>
<td>Environment and Natural</td>
<td>4.1%</td>
</tr>
<tr>
<td>Legislative, Executive, and</td>
<td>3.8%</td>
</tr>
<tr>
<td>Judicial</td>
<td></td>
</tr>
</tbody>
</table>

* Includes Business, Consumer Services, and Housing; Labor and Workforce Development; Government Operations; and General Government.

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 2017-18 = $107.5 Billion

- Health and Human Services: 74.6%
- K-12 Education: 7.1%
- Labor and Workforce Development: 6.5%
- Higher Education: 4.8%
- Transportation: 4.6%
- Other*: 2.4%

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

Source: Department of Finance
California’s state budget is actually a budget “package.”
The budget package consists of one or more budget bills plus budget-related trailer bills.

There is no limit on the number of trailer bills that may be included.
The 34 Bills in the 2017-18 Budget Package (So Far)

- **AB 97**: The initial 2017-18 budget bill

- **AB 109, AB 120, AB 134, SB 108, and SB 113**: Additional budget bills that amended the initial 2017-18 budget bill

- **SB 107**: Another budget bill that amended the 2016-17 budget bill

- **Other bills in the budget package**: AB 99, AB 102, AB 103, AB 107, AB 111, AB 114, AB 115, AB 119, AB 126, AB 129, AB 130, AB 131, AB 133, AB 135, SB 84, SB 85, SB 88, SB 89, SB 90, SB 92, SB 94, SB 96, SB 97, SB 103, SB 110, SB 112, and SB 117
The Constitutional Framework for the State Budget Process
California’s Constitution establishes the basic rules of the state budget process.
US Constitution
- Roughly 7,800 words
- Amended 27 times

California Constitution
- Roughly 75,000 words
- Amended 500+ times
Several ballot measures, dating back to the 1970s, have had an impact on the budget and the budget process.
Ballot Measures With an Impact on the State Budget and the Budget Process

- Prop. 13 1978
- Prop. 4 1979
- Prop. 98 1988
- Prop. 1A 2004
- Prop. 22 2010
- Prop. 25 2010
- Prop. 26 2010
- Prop. 2 2014
- Prop. 54 2016
- Prop. 55 2016
- Prop. 2 2014
- Prop. 54 2016
- Prop. 55 2016

California Budget and the Budget Process
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)
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 State Budget Process: Key Players and Timeline
The budget process is cyclical.

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.

By January 10: Governor releases proposed budget for next fiscal year, which begins on July 1

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

By June 15: Legislature must pass a balanced budget

After Governor signs budget: Legislature may override vetoes by a two-thirds vote of each house.

Budget goes to Governor: Governor signs budget package and may issue vetoes.

Mid-May to early June: State Assembly and Senate review the May Revision and move toward finalizing their versions of the budget in subcommittee hearings. A legislative conference committee may meet to resolve differences.

Mid-May to early June: Officials from the Governor’s administration testify at legislative hearings.

January to mid-May: Officials from the Governor’s administration explain and defend the proposed budget at legislative hearings and develop the May Revision.

January to mid-May: Full budget committees along with subcommittees in the state Assembly and Senate review the Governor’s proposed budget and begin to craft their versions of the annual spending plan.

Mid-May to early June: Legislative leaders and Governor meet to address outstanding issues.

Early June: Legislative leaders and Governor meet to address outstanding issues.

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The key players in the state budget process are...
The Governor  

The Legislature  

The Public
The Governor has the lead role in crafting the budget.
The Legislature reviews and revises the Governor’s proposals, with help from the Legislative Analyst’s Office (LAO).
Holly Mitchell, Chair, Senate Budget and Fiscal Review Committee

Mac Taylor, Legislative Analyst

Phil Ting, Chair, Assembly Budget Committee
Members of the public have various opportunities to make their voices heard during the budget process.
The state budget process can be divided into three distinct periods.

- July to December
- January to Mid-May
- Mid-May to June
July to December
### Governor’s Administration

- Department of Finance (DOF) leads development of Governor’s proposed budget.
  - Look for opportunities to engage with Administration officials.

### Legislature

- Legislative leaders develop budget priorities.
  - Seek to have your priorities considered.
- Budget committee staff look ahead to upcoming budget deliberations.
  - Build relationships and suggest ideas for hearings.
January to Mid-May
<table>
<thead>
<tr>
<th>Governor’s Administration</th>
<th>Legislature</th>
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<tbody>
<tr>
<td>• Proposed budget released by January 10.</td>
<td>• Budget subcommittees hold dozens of hearings to review proposed budget.</td>
</tr>
<tr>
<td>➢ Weigh in on the Governor’s proposals.</td>
<td>➢ Testify at hearings and continue to meet with key legislators and staff.</td>
</tr>
<tr>
<td>• DOF makes budget adjustments and prepares May Revision.</td>
<td></td>
</tr>
<tr>
<td>➢ Engage with budget officials, offering candid feedback on Governor’s initial proposals.</td>
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Mid-May to June
<table>
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</tr>
</thead>
<tbody>
<tr>
<td>• May Revision released by May 14.</td>
<td>• Budget subcommittees convene hearings on May Revision proposals.</td>
</tr>
<tr>
<td>➢ Look for opportunities to engage with Administration officials.</td>
<td>➢ Testify at hearings and continue to meet with key legislators and staff.</td>
</tr>
<tr>
<td></td>
<td>• Budget conference committee meets to iron out differences.</td>
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The “Big 3” negotiate the final outlines of budget package.
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.