Budgets are statements about 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
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

- Health and Human Services: 32.2%
- K-12 Education: 30.7%
- Higher Education: 8.7%
- Corrections: 7.9%
- Other: 6.5%
- Transportation: 5.5%
- Legislative, Executive, and Judicial: 4.2%
- Environment and Natural Resources: 4.2%

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.
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
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. (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.
Two 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.
The state 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.

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**Key Dates**

- January 10: Governor releases proposed budget for next fiscal year, which begins on July 1
- 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.
- February: Legislative leaders develop their budget priorities for the coming fiscal year.
- March: Officials from the Governor’s administration explain and defend the proposed budget at legislative hearings and develop the May Revision.
- April: Mid-May to early June: Legislative leaders and Governor meet to address outstanding issues.
- May: By May 14: Governor releases revised budget proposal (“May Revision”).
- By June 15: Legislature must pass a balanced budget
- June: Early June: Legislative leaders and Governor meet to address outstanding issues.
- Summer: Legislative leaders develop their budget priorities for the coming fiscal year.
- July 1: Start of the state fiscal year
- July and following: State departments and agencies develop budget proposals for the coming fiscal year and submit them to the Department of Finance (DOF) for review. Following a series of meetings, the Governor makes final decisions and the DOF prepares the proposed budget for release in January.
- August: Full budget committees along with subcommittees in the state Assembly and Senate review the Governor’s proposed budget and move toward finalizing their versions of the budget in subcommittee hearings. A legislative conference committee may meet to resolve differences.
- September: Officials from the Governor’s administration testify at legislative hearings.
- October: Budget goes to Governor: Governor signs budget package and may issue vetoes.
- November: After Governor signs budget: Legislature may override vetoes by a two-thirds vote of each house.
- December: Summer to fall: Legislative leaders develop their budget priorities for the coming fiscal year.
- January: 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.

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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.
Budgets are statements about our values and priorities.