Dollars and Democracy: An Introduction to the State Budget Process

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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

<table>
<thead>
<tr>
<th>Category</th>
<th>Expenditure Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health and Human Services</td>
<td>32.2%</td>
</tr>
<tr>
<td>K-12 Education</td>
<td>30.7%</td>
</tr>
<tr>
<td>Higher Education</td>
<td>8.7%</td>
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<tr>
<td>Corrections</td>
<td>7.9%</td>
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<tr>
<td>Other</td>
<td>6.5%</td>
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<tr>
<td>Transportation</td>
<td>5.5%</td>
</tr>
<tr>
<td>Legislative, Executive, and Judicial</td>
<td>4.2%</td>
</tr>
<tr>
<td>Environment and Natural Resources</td>
<td>4.2%</td>
</tr>
</tbody>
</table>

Note: Percentages do not sum to 100 due to rounding.
Source: Department of Finance
More Than 7 in 10 Federal Dollars Spent Through the State Budget Support Health and Human Services

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

- Health and Human Services: 72.2%
- K-12 Education: 7.9%
- Labor and Workforce Development: 6.9%
- Higher Education: 5.2%
- Transportation: 5.1%
- Other*: 2.6%

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

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

Source: Department of Finance
The “budget package” consists of the budget bill and budget-related bills.
Bills in the 2016-17 Budget Package

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

State Constitution = 194 pages

Index to State Constitution = 76 pages

US Constitution = 30 pages
Prior Ballot Measures With a Significant Impact on the State Budget Process

- Prop. 13 (1978)
- Prop. 4 (1979)
- Prop. 98 (1988)
- Prop. 1A (2004)
- Prop. 58 (2004)
- Prop. 25 (2010)
- Prop. 26 (2010)
- Prop. 2 (2014)
- Prop. 54 (2016)
- Prop. 55 (2016)
The state Constitution sets two budget-related deadlines: January 10 and June 15.
Bills must be published, in their final form, at least 72 hours before being passed by the Legislature. (Proposition 54 of 2016)
The budget bill and most budget-related bills can be passed by a simple majority vote.  
(Prop. 25 of 2010)
“Placeholder” Proposition 25 Trailer Bills for the 2016-17 Budget

- **SEC. 39.00.** The Legislature hereby finds and declares that the **following bills are** other bills providing for appropriations **related to the Budget Bill** within the meaning of subdivision (e) of Section 12 of Article IV of the California Constitution: AB 1600, AB 1601, AB 1602, AB 1603, AB 1604, AB 1605, AB 1606, AB 1607, AB 1608, AB 1609, AB 1610, AB 1611, AB 1612, AB 1613, AB 1614, AB 1615, AB 1616, AB 1617, AB 1618, AB 1619, AB 1620, AB 1621, AB 1624, AB 1625, AB 1626, AB 1627, AB 1628, AB 1629, AB 1630, AB 1631, AB 1632, AB 1633, AB 1634, AB 1635, AB 1636, AB 1637, SB 828, SB 829, SB 830, SB 831, SB 832, SB 833, SB 834, SB 835, SB 836, SB 837, SB 838, SB 839, SB 840, SB 841, SB 842, SB 843, SB 844, SB 845, SB 846, SB 847, SB 848, SB 849, SB 850, SB 851, SB 852, SB 854, SB 855 SB 856, SB 857, SB 858, SB 859, SB 860, SB 861, SB 862, SB 863, SB 864, and SB 865.
A supermajority (two-thirds) vote is needed to approve any tax increase. (Prop. 26 of 2010)
Prop. 26 added this key phrase to the state Constitution:

“Any change in state statute which results in any taxpayer paying a higher tax” requires a two-thirds vote of each house of the Legislature.
The state Constitution contains complex formulas that establish state budget priorities.
Three Key Budget Formulas in the State Constitution

• **Prop. 98 (1988):**
  — Guarantees a minimum level of funding for K-12 schools and community colleges.

• **Prop. 2 (2014):**
  — Requires some state revenues to be set aside to pay down debts and save for a rainy day.

• **Prop. 55 (2016):**
  — Creates a formula to boost funding for Medi-Cal, which provides health care services for low-income residents.
The 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 modify, approve, or reject the Governor’s proposals, with review occurring through each house’s budget committee and related subcommittees. The Legislature must pass the budget bill, but not other bills in the budget package, by June 15. The Legislature can override a Governor’s veto by a two-thirds vote of each house.

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

**Key Dates**
- **January to mid-May:** Officials from the Governor’s administration explain and defend the proposed budget at legislative hearings and develop the May Revision.
- **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.
- **By June 15:** Legislature must pass a balanced budget.
- **July 1:** Start of the state fiscal year.
- **Late June:** As the Governor’s proposed budget for the next fiscal year is being developed, members of the public can meet with officials from the Governor’s administration to share budget priorities and discuss areas of concern.
- **July and following:** Legislature may pass budget amendments and other changes to the adopted budget package, including into the next calendar year.
- **Fall:** Legislative leaders develop their budget priorities for the coming fiscal year.

**Conclusion**
- In the months following 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.
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.