



The Budget Process



**A
CITIZEN'S
GUIDE
TO
PARTICIPATION**



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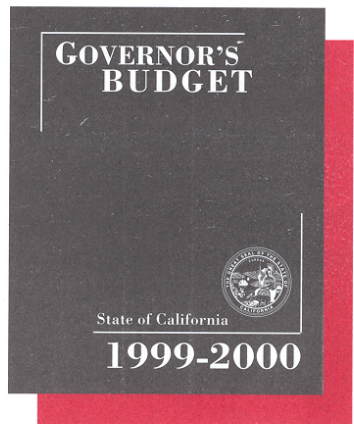
Introduction

Will my taxes go up next year? How much money will my neighborhood school get this year? Will my daughter's college tuition go up again? Will there be enough sheriff's deputies patrolling my neighborhood to keep it safe? All of these questions and more are answered by the California state budget.

If California were a nation it would have the fifth largest economy in the world. The budget is arguably the most important document in state government. It spells out how much money will be available for education, law enforcement, fire protection and numerous other public services. It also determines how much we pay in taxes and fees. Given the importance of the state budget, there is very little media attention and scru-

tiny given to the document or to the process by which it is constructed. With so much at stake, it's important to understand how the budget process works and how you can influence it.

The state budget is an expression of the values of our society. There are always more demands for programs and services than possible with the dollars budgeted. Concurrently, there is always a desire to pay less in taxes. The final decisions are a reflection of what we value and who we are as Californians.



How the Budget Process Works



THE GOVERNOR'S BUDGET PROPOSAL

Legislative review of the budget begins in early January and typically runs through June.

The State Constitution requires the Governor to submit a balanced budget proposal to the Legislature by January 10 of each year. The proposal details his or her spending plan for the fiscal year beginning on July 1.

The Constitution requires that the Governor's proposal be introduced in both the Assembly and the Senate as identical budget bills.

A large portion of state spending is locked into place and is outside the influence of either the Governor or the Legislature. Many of these constraints have been imposed by the voters through the initiative process. Proposition 13 limits the amount of property tax that can be levied; Proposition 4 of 1979 limits the amount of money that the state can appropriate. Proposition 98 requires that a minimum percentage of the total state budget be spent on K-14 education. At the same time that limits have been placed on revenue, the state's shifting demographics have increased demand for public services.

A new budget is adopted for the state every year. The fiscal year runs from July 1 through June 30.

After the budget's introduction, the Legislature has until June 15 to pass the budget. This six month period—a comparatively short time frame for consideration and passage of the state's \$100 billion budget—is the critical period for providing public comment on the state's spending priorities.

The Legislative Analyst's Office (LAO), the Legislature's nonpartisan fiscal advisor, publishes an extensive review of the Governor's budget proposal in mid-February. The LAO's *Analysis of the Budget* becomes the starting point for discussion in both houses of the Legislature. The Analysis includes program background, economic projections and recommended revisions.



LEGISLATIVE BUDGET COMMITTEE HEARINGS

In each house, the budget committee reviews the budget bill through May. The Senate budget committee typically meets in February to set spending priorities.

The committee then breaks the budget into broad subject matters (such as Education, Natural Resources or Health and Welfare), and assigns the subject matter to a subcommittee. The Senate Budget and Fiscal Review Committee has four subcommittees covering the entire



budget. Subcommittee hearings begin in March. Before each hearing, the subcommittee staff prepare extensive agendas detailing the governor's proposals and alternatives.

During the subcommittee hearings, the Legislature has its broadest discussion of budget alternatives and makes most of its changes. State agencies, the Governor's Department of Finance and the LAO appear before subcommittees with their recommendations. Interested citizens or groups may also appear before subcommittees. The

subcommittee hearings may be the best time to have your voice heard. Agendas for the subcommittee meetings may be obtained from the committee at (916) 445-5202. Subcommittee meetings are open to the public and often televised on the California Channel.

On May 14, the Governor announces an updated revenue forecast, which accounts for changes in revenues since January. If the forecast changes significantly, the Governor may propose changes in spending as well at this time. The update is known as the "May Revision." The subcommittees have about a week to consider the changes proposed in the May Revision.

It is in the subcommittee hearings where most of the legislative changes in the budget bill are made. This is an important time to make your voice heard.

Timing is critical. Make sure that any communication you attempt is accomplished as early in the budget process as possible.

Timing is Critical

If you are concerned about budget issues let your legislator know.

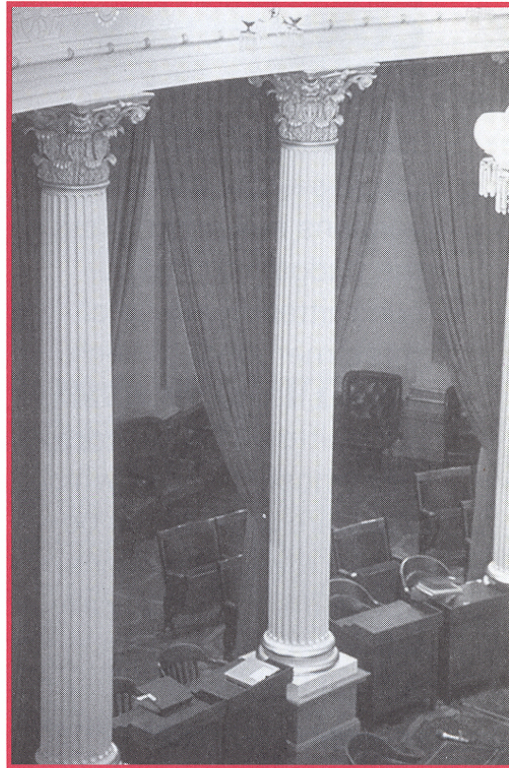
- Call the district office.
- Write a letter.
- Meet with your legislator, or a member of his/her staff.
- Send an E-mail message via Internet.

After completion of the hearings, each subcommittee votes on the proposed changes and submits a report to the full committee.

The full budget committee may accept the report or amend it. The revisions are incorporated into the budget bill and sent to the full

membership of each house for consideration.

Each house discusses and then votes on its version of the budget bill. Several



items may receive careful scrutiny at this time, but most are accepted. It is possible for the bill to be amended on the floor of either house. Amendments may be suggested by any member of the Legislature.

From the floor, each house's budget bill is referred to a joint budget conference committee.

LEGISLATIVE CONFERENCE COMMITTEE

The differences between the Assembly and Senate versions are worked out in the budget conference committee made up of three members of each house. Traditionally, the committee may only discuss those items in which there are differences between the two versions. These items are typically the most contentious in the budget. The hearings of the budget conference committee are open to the public. The California Channel broadcasts all the meetings of the budget conference committee.

No public testimony is heard during the conference committee hearings. Your legislator will have an

opportunity to present items of importance to the conferees.

Upon completion of its review, the conference committee votes on the proposed version. It takes two votes from each house to pass the bill out of the conference committee.

In the event the conference committee cannot conclude its deliberations acceptable to all parties, legislative leadership may meet privately with the Governor.

LEADERSHIP MEETINGS

In recent years, some of the most difficult budget disagreements have been worked out in private meetings of the Governor, Senate President pro Tempore, Assembly Speaker, Senate Minority Leader and Assembly Minority Leader.

When the leadership develop a compromise, they request the conference committee to conclude its

deliberations and include the compromise.

When the conference committee passes a compromise, known as the "conference committee report," it passes an amended budget to the floor of each house simultaneously. A conference committee report cannot be amended and must be approved by two-thirds of each house. If substantive statutory law must be amended in order to implement the budget, these statutory changes must also be passed by each house. Such bills are known as "trailer bills," as they "trail" the budget.

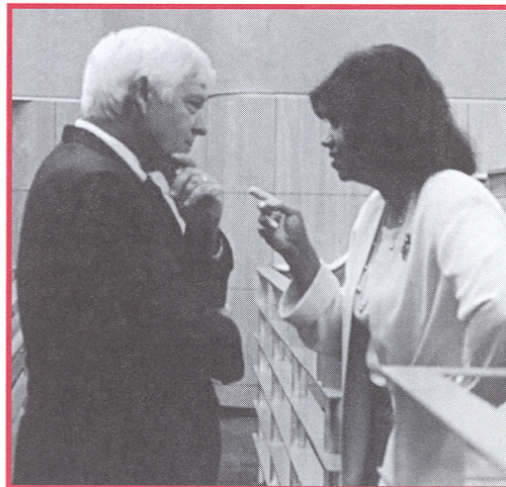
GOVERNOR'S SIGNATURE

The Governor has 12 working days to sign the bill. The Governor also has the authority to "blue pencil" (reduce or eliminate) any item contained in the budget. It is critical that you

contact the Governor either by letter or by phone to complete the communication process about the item you have worked so hard to have included in the budget. Because the budget bill is an urgency measure, it goes into effect on July 1, or as soon as it is signed if it is signed after July 1.

VETO OVERRIDE

The Legislature can override any blue-penciled item with a two-thirds vote of both houses. In practice, the Legislature rarely overrides a budget veto.



Budget Timeline

**JULY 9 -
SEPTEMBER 15**



Department directors and agency heads initiate detailed reviews and develop budget proposals for their programs. These requests for program changes are then sent to the Department of Finance for review.

**OCTOBER -
JANUARY 10**



The Governor evaluates the requests as reviewed by the Department of Finance and sends his or her proposed budget to the Legislature.

On or before January 10, the Governor delivers a state-of-the-state speech and proposes his/her budget.

**JANUARY -
FEBRUARY**



The budget committee chairs in each house introduce the governor's budget proposal in bill form on January 10. The Legislative Analyst prepares an extensive review of the budget bill.

MARCH - MAY



LATE MAY - JUNE 15



JUNE 15 - JULY 1



Each house refers its budget bill to their respective budget committees. The budget bills are sent from each house to their respective budget committees. The bills are then broken down by subject and assigned to the appropriate subcommittees by subject areas. After completion of the hearings, each subcommittee votes and then sends its report to the full budget committee.

The budget committee of each house considers the subcommittees' reports and sends a revised budget bill to the floor for evaluation by the full body. Each house discusses and then votes on its version of the budget bill. The differences between the Assembly and Senate versions of the budget bill are worked out in a conference committee made up of three members from each house. Upon completion of its review, the conference committee submits a single version of the budget bill to both houses. The Senate and Assembly each vote on this final version before it is sent to the Governor.

The houses also vote on trailer bills, if statutory changes are necessary to implement provisions of the budget bill.

The Governor receives the budget bill and has until July 1, the start of the fiscal year, to sign or veto the budget bill. The bill becomes law as soon as it is signed by the Governor due to its status as an urgency measure.

Documents



GOVERNOR'S BUDGET

Is over 1,300 pages long and contains detail of expenditures proposed for the next budget year. Each item of appropriation is numbered with a 10-digit code that identifies the department, general purpose and funding source. The Governor's budget is available on the web at www.dof.ca.gov



GOVERNOR'S BUDGET SUMMARY

Contains an overview of the major provisions of the proposed budget and is a more manageable document of less than 200 pages. The Governor's budget summary is avail-

able on the web at www.dof.ca.gov



SALARIES AND WAGES SUPPLEMENT

Contains the three-year detail of expenditures for positions in state government.



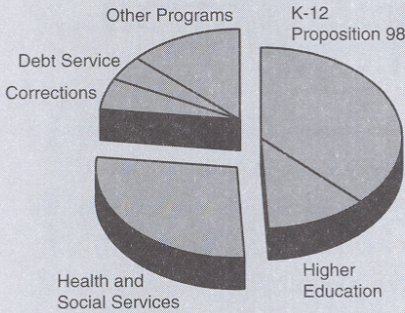
BUDGET BILL

Prepared by the Department of Finance, identical bills are introduced in each house of the Legislature by the chairs of each budget committee. The bill is arranged in the same order as the Governor's budget and reflects the same proposals and requests. The budget bill is available on the web at www.leginfo.ca.gov

FIGURE 1

Education, Health, and Social Services Account for Most Spending

*General Fund by Program Area
2001-02*



LEGISLATIVE ANALYST'S ANALYSIS OF THE BUDGET

The Legislative Analyst's Office analyzes items contained in the Governor's budget. The *Analysis* is available on the web at www.lao.ca.gov

SENATE BUDGET COMMITTEE'S OVERVIEW OF THE BUDGET

Sometimes known as the "Redbook," the *Overview* provides a general discussion of the Governor's budget and an item-specific description of the major initiatives proposed by the Governor. The *Overview* is available on the web at www.sen.ca.gov/ftp/sen/committee/standing/BFR

SUBCOMMITTEE AGENDAS

For each hearing the subcommittee staff prepare extensive agendas for the budget items discussed at that hearing. Agendas are available at the hearing.

SUBCOMMITTEE REPORTS

Each subcommittee issues a report to the budget committee at the conclusion of the subcommittee's

hearings. The reports list the actions recommended by the subcommittee on all the items it has had under consideration. The subcommittee report is available on the Senate budget committee's webpage.



CONFERENCE COMMITTEE REPORT

Lists budget items in conflict between the two houses and the final resolution of the conference committee. The conference committee agenda is available from the Senate Budget and Fiscal Review Committee.



BUDGET ACT

The final budget bill, as enacted by the Legislature and signed into law by the Governor.



SENATE BUDGET COMMITTEE'S FINAL ACTION REPORT

The report provides a general discussion of the signed budget, vetoes, and an item-specific description of the major initiatives in the budget. The report also lists the disposition of member requests. The review is available on the web at www.sen.ca.gov/ftp/sen/committee/standing/BFR

BUDGET SUBCOMMITTEES



SENATE

- No.1 Education
- No.2 Resources, Environmental Protection, Judiciary, Transportation and Energy
- No.3 Health, Human Services, and Veterans Affairs
- No.4 Legislative, Executive, Public Safety, and General Government

ASSEMBLY

- No.1 Health and Human Services
- No.2 Education Finance
- No.3 Resources
- No.4 State Administration
- No.5 Information Technology/Transportation





Glossary of Budget Terms

A

ACCRUAL - an accounting principal which attributes revenue or costs to the fiscal year in which they occur, rather than when the revenue is collected or costs are paid.

ANALYSIS OF THE BUDGET BILL - Legislative Analyst's comprehensive examination of the Governor's budget available to legislators and the public about six weeks after the budget is submitted to the Legislature.

APPROPRIATION - money set apart in the budget or by a piece of legislation, for a specific use.

APPROPRIATION LIMIT - established by Prop. 4 (Section 8 of Article XIII B of the California Constitution). Passed by voters in 1979, this is the maximum amount of tax proceeds that state and local government may appropriate in a fiscal year. The limit is adjusted annually but based on 1986-87 appropriation limits.

AUGMENTATION - an increase in an appropriation.

B

BILL - a proposed law introduced by a member of the Legislature. The budget bill is a list of appropriations for the fiscal year, by department, fund source and type.

BLUE PENCIL - the California Constitution grants the Governor "line item veto" authority to reduce or eliminate any item of appropriation from any bill including the budget bill.

BUDGET - suggested allocation of state moneys presented annually by the Governor to the Legislature for consideration.

BUDGET ACT - budget bill after it has been signed into law by the Governor.

BUDGET CHANGE PROPOSAL (BCP) - document prepared by a state agency to propose and

document budget changes to maintain or to change the existing level of service; and is used in preparing the Governor's budget.

BUDGET COMMITTEE - the Senate Budget and Fiscal Review Committee and the Assembly Budget Committee review and amend the Governor's budget proposal.

BUDGET CONTROL LANGUAGE - provisional language placing conditions on the use of an appropriation.

C

CAPITAL OUTLAY - expenditures which result in acquisition of or addition to major fixed assets, such as buildings.

CONFERENCE COMMITTEE - group of six members, with three representatives from each house, appointed to consider matters upon which the two houses disagree.

CONTINUOUS APPROPRIATION - amount available each year under a permanent constitutional or statutory expenditure authorization which is automatically renewed each year.

COST-OF-LIVING ADJUSTMENT (COLA) - increases provided in state-funded programs which include periodic adjustments predetermined in state law as well as adjustments which may be established at optional levels by the Legislature. COLAs are intended to offset the effects of inflation.

D

DEFICIENCY - if a department has an unanticipated increase in its costs, it may incur costs in excess of the funding appropriated in the Budget Act.

DOF - Department of Finance: The Governor's fiscal office, which analyzes fiscal legislation and prepares the budget.

E

ENCUMBRANCE - if an entity is appropriated money, but is unable to spend the money in the fiscal year, the Department of Finance may encumber the funds for an additional year.

EXPENDITURE - amount of an appropriation used for goods and services ordered and received.

F

FILE - daily printed program or agenda of business before the house and its committees.

FISCAL COMMITTEE - in addition to the Budget Committee, the Appropriations Committee in the Assembly and the Appropriations Committee in the Senate are the fiscal committees to which all fiscal bills, except the budget and related bills, are referred if they are approved by policy committees. If the fiscal committee approves a bill, it then moves to the floor.

FISCAL DEADLINE - date on the legislative calendar by which all bills with fiscal implications must have been taken up in a policy committee and referred to a fiscal committee. Any fiscal bill missing the deadline is considered "dead" unless it receives a rule waiver allowing further consideration.

FISCAL YEAR (FY) - a 12-month accounting period. In California the fiscal year runs from July 1 through the following June 30.

FLOOR - a colloquialism describing the interior of either house, sometimes distinguishing the membership from the

presiding officer; matters before the house may be referred to as "on the floor".

FUNGIBLE - special funds which may be transferred to the General Fund.

G

GENERAL FUND - predominant fund for financing state operations; used to account for revenues which are not specifically designated by any other fund. The primary sources of revenue are personal income tax, sales tax, and bank and corporation taxes.

GENERAL FUND FUNGIBLE - special funds which may be transferred to the General Fund.

GOVERNOR'S BUDGET - spending plan submitted by the Governor in January.

J

JLBC - the Joint Legislative Budget Committee which hears requests from the Administration on budget deficiencies. The LAO staffs the JLBC.

L

LAO - Legislative Analyst's Office, the non-partisan fiscal advisor of the Legislature.

LEGISLATURE - body elected to pass laws.

M

MAY REVISION - sometimes referred to as the “May Revise” and occurring in mid-May, the updated estimate of revenues and expenditures that replaces the estimates contained in the Governor’s budget submitted in January.

MEMBER REQUESTS - generally, district-specific requests by members for one-time projects, such as parks.

P

PROPOSITION 98 GUARANTEE - Constitutional and statutory provisions that require the state to appropriate levels of funding at K-12 and community colleges.

Q

QUORUM - number of members required to be present before business can be transacted: 21 in the Senate and 41 in the Assembly.

R

RESERVE - amount set aside in a fund to provide for an unanticipated decline in revenue or increase in expenditures.

REVENUE - government income from all sources appropriated for the payment of public expenses. Generally

derived from taxes, licenses and fees or investment earnings.

S

SESSION - period during which the Legislature meets.

SPECIAL FUNDS - funds where monies have been collected for user fees or where revenues are set aside for a particular use.

T

TRAILER BILL - a bill that accompanies the budget which makes statutory changes necessary to implement the provisions of the Budget Act.

U

URGENCY - a matter affecting the public peace, health or safety; any measure so defined goes into immediate effect. A bill keyed “urgency” generally requires a 2/3rds vote of both houses.

V

VETO - action of a Governor in disapproval of a measure. May be overridden with a two-thirds vote of both houses. Item veto – Governor may reduce or eliminate items of appropriation while approving the rest of the bill.

