The Budget Process

A CITIZEN’S GUIDE TO PARTICIPATION
The law does not permit the committee or individual legislators to use public funds to keep constituents updated on items of interest unless specifically requested to do so.

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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 sixth 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 scrutiny 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

A large portion of state spending is locked into place and 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.

According to the state’s Constitution, the governor must submit his or her proposed budget to the Legislature and to the people of California by January 10. This proposal contains his or her proposed spending plan for the coming fiscal year.

The budget proposal is introduced in both the Assembly and the Senate as identical budget bills. The budget bill is subject to many of the rules governing other bills in the Legislature. However, the process
moves more quickly than for many bills because the Legislature must have the budget bill to the governor by June 15. This short time frame, combined with the complexity of the state budget, makes giving input on a budget item more difficult.

The Legislature’s financial review arm, the Legislative Analyst, prepares an extensive analysis of the budget bill which 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**

The budget bills are assigned to the budget committees of each house. The bills are broken down by subject and assigned to the appropriate subcommittees by subject areas.

Subcommittee hearings begin in February or early March and continue for several months. This window is the best opportunity for public input. Three major contact points for influencing a budget item are your
legislators, the fiscal committees, and the governor.

Your legislator can be your most effective lobbyist of the budget committee members, as well as provide access to budget information and publications. Because the budget process moves so quickly, it is difficult to follow an item of interest without assistance. Most bills are amended each time a change is made. For the budget, however, changes do not show in the bill until subcommittee recommendations are adopted by the full committee. Your legislator can find out whether a capital outlay project has been approved for your community.

State agencies, the Department of Finance and the Legislative Analyst’s office also appear before the subcommittees with their recommendations. Interested citizens and groups may offer input supporting the continuation, expansion or deletion of an existing item.

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.

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**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.
In mid-May, the governor releases changes to his/her proposed budget based on actual and projected changes to the state’s income and expenditures. This is called the May Revision.

Contact both the Senate and Assembly budget committees. *If you are successful in getting the same dollar amount in both the Assembly and Senate versions of the budget, the item will not have to go to the conference committee, where differences between the Assembly and Senate versions are worked out.*

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.
LEGISLATIVE CONFERENCE COMMITTEE

The differences between the Assembly and Senate versions are worked out in a joint 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.

If you were not successful in getting the same amount of money for your item in both houses of the Legislature, your item will be heard before the conference committee. No public testimony is heard during the conference committee hearings.

However, 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. Like most 6-member conference committees, it takes two votes from each house to pass the bill out of the conference committee.

LEADERSHIP MEETINGS

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

A conference report on the budget is submitted to both
houses, and it cannot be amended on the floor. The bill must be approved by a two-thirds vote of each house before it can be sent to the governor. California is the only state that requires a two-thirds vote of both houses to pass the state budget.

GOVERNOR’S SIGNATURE

The governor has 12 working days to sign the bill. The governor also has the authority to “blue pencil” 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.

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VETO OVERRIDE

The Legislature can override any blue-penciled item with a two-thirds vote of both houses. However, this very rarely happens.

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.
Department directors and agency heads initiate detailed reviews and proposal development to arrive at specific requests for each program. These requests are then sent to the Department of Finance for review.

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

The budget proposal is introduced in both the Assembly and the Senate as identical budget bills. The Legislative Analyst prepares an extensive analysis of the budget bill which becomes the starting point for budget subcommittee hearings in the Senate and Assembly.
**MARCH - APRIL**

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.

**LATE APRIL - JUNE 15**

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.

**JUNE 15 - JULY 1**

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**

Document is over 1,300 pages 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.

**SALARIES AND WAGES SUPPLEMENT**

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

**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.

**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.
Lists budget items in conflict between the two houses and the final resolution of the conference committee.

A SAMPLE FROM THE BUDGET ANALYSIS

The Legislative Analyst’s Office analyzes the items contained in the governor’s budget. The analysis is listed in the same order as the budget bill, and items are identified in the same numerical sequence.

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.

CONFERENCE COMMITTEE REPORT

Lists budget items in conflict between the two houses and the final resolution of the conference committee.

BUDGET ACT

The final budget bill, as enacted by the Legislature and signed into law by the governor.
1999-2000 BUDGET SUBCOMMITTEES

SENATE

No. 1 Education
No. 2 Resources, Environmental Protection, Judiciary and Transportation
No. 3 Health, Human Services, Labor and Veterans Affairs
No. 4 Legislative, Executive, Public Safety, and General Government
No. 5 Energy, Executive and Off-Budget Fiscal Issues

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

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.

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** - Senate and Assembly committees that review the governor’s proposed budget.

**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.

**CONTINUING 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.

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

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

**FINANCE, DEPARTMENT OF** - state department which analyzes fiscal legislation and prepares the budget.
**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 which 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.

**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.

**GOVERNOR’S BUDGET** - spending plan submitted by the governor in January.

**LEGISLATURE** - body elected to pass laws.

**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.

**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 future 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.

**U**

**URGENCY** - a matter affecting the public peace, health or safety; any measure so defined goes into immediate effect.

**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.