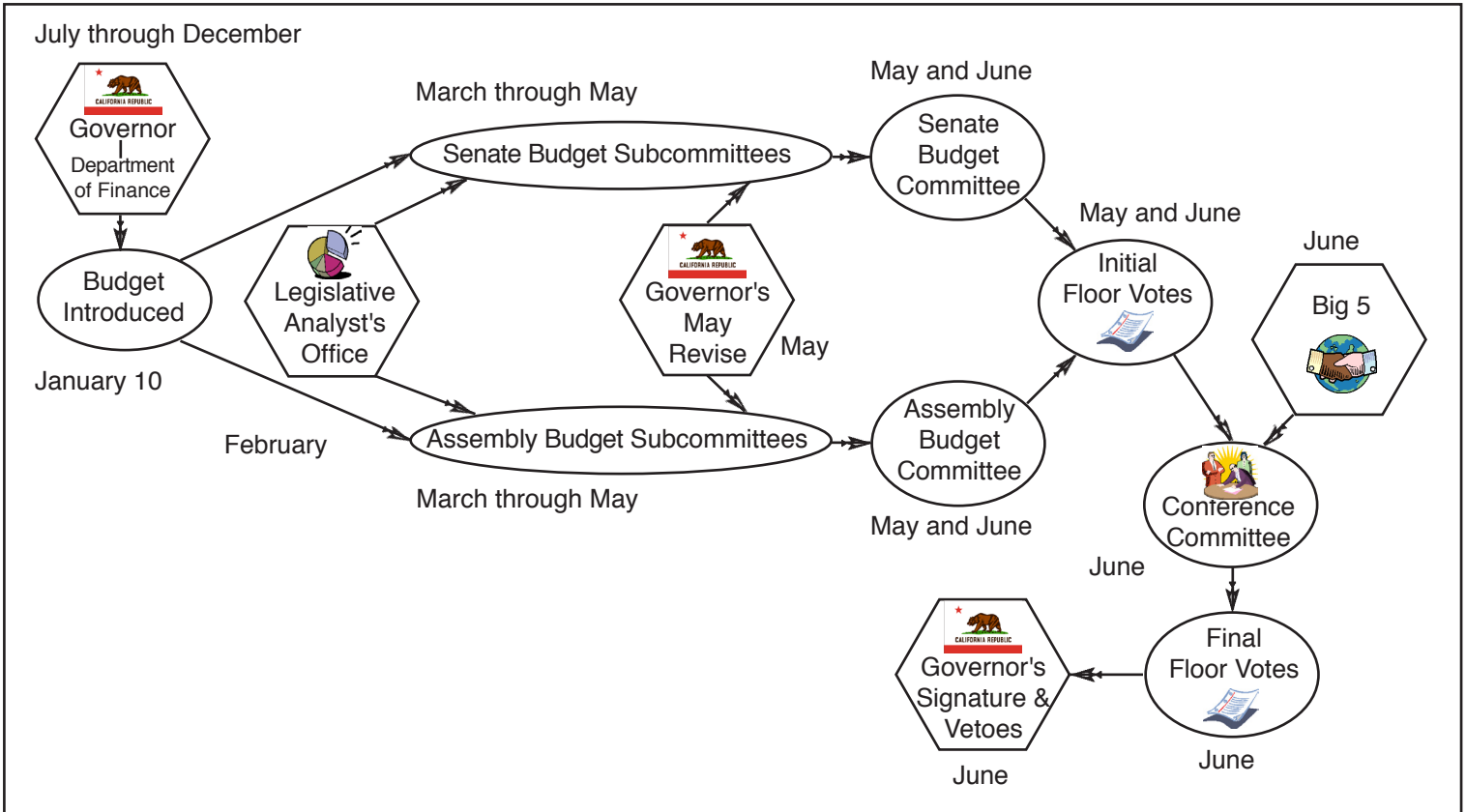




The California State Budget Process

Each year, the Governor (as designated by law) is required to present his version of the State Budget to the Legislature by January 10. The State Budget is the most important policy bill the Legislature and Governor negotiate each year. It determines which programs are funded and which are not and the level and quality of services that can be provided. California's economy is the eighth largest in the world. Funding for any state program may be increased or decreased depending on state revenues and changing priorities. An understanding of the state budget process is essential if we are to protect and maintain existing programs and services for children and families.



GOVERNOR & DEPARTMENT OF FINANCE July through December

On July 1, the beginning of the new state fiscal year, the Department of Finance (the fiscal policy advisor to the Governor) works with other state Departments and Agencies to start preparing the budget for the next year. This process involves projections of caseload and demand for state services as well as a review by agencies and departments of state programs. An estimate is made of the cost to maintain existing levels of service. Departments request changes to the level of service through Budget Change Proposals (BCPs).

The Department of Finance projects state revenues and analyzes departmental budgets and BCPs for their fiscal impact and consistency with the Governor's policy priorities. The Department of Finance develops a balanced budget proposal for the Governor to submit to the Legislature. This budget

outlines proposed expenditures for all state programs including any new initiatives by the Governor. Public input into this process is generally through the Governor's Office by letters, faxes, emails, or meetings.

BUDGET INTRODUCED January

The *Governor's Proposed Budget* is introduced into the Senate and the Assembly on or before January 10 in the form of two identical budget bills. They display the Governor's proposed funding level for each state program and service area identified by specific line-item numbers.

LEGISLATIVE ANALYST'S OFFICE February

By the end of February, the Legislative Analyst's Office (the fiscal advisor to the Legislature) publishes their analyses of the budget

and other relevant information (covering different areas of fiscal policy depending upon the Governor's proposals and the economic situation). These nonpartisan documents describe program histories, analyze economic forecasts, and make recommendations. They form the basis for the initial review of the Budget by the Legislature.

BUDGET SUBCOMMITTEES March through May

The Senate Budget & Fiscal Review Committee and the Assembly Budget Committee assign responsibility for reviewing specific budget areas to Subcommittees. For example, the Senate Budget Subcommittee on Education and the Assembly Budget Subcommittee on Education Finance hold hearings to review the Governor's proposals and approve funding levels for education programs such as subsidized child care and development. The Senate and Assembly

Budget Subcommittees on Health and Human Services hold hearings and approve funding levels for human services programs such as Child Care Licensing and CalWORKs Child Care.

Votes on individual budget items are taken at the budget subcommittee hearings. Representatives from the Department of Finance and Legislative Analyst's Office each make their recommendations. The Governor submits Finance letters to the subcommittees if there is a formal request to change the January budget proposal. Interested citizens and organizations, as well as relevant state agencies, are allowed to testify at the hearings to explain why programs should be continued, expanded, or ended.

GOVERNOR'S MAY REVISE May

After tax returns are filed on April 15, the Department of Finance updates their forecasts of revenues and expenditures. The Governor releases a revision of the January Budget Proposal, known as the *May Revise* around May 15. It contains the Governor's new budget recommendations based on the updated projections and often takes into account the response of the Legislature to the initial budget proposal. It also contains revised estimates for cost-of-living adjustments and program growth.

BUDGET SUBCOMMITTEES May

The budget subcommittees hold hearings and finalize their decisions on all Budget items by the end of May and send their reports to the full budget committees. Testimony is generally limited during these hearings to address changes proposed by the May Revise and any outstanding issues not already resolved.

BUDGET COMMITTEES May and June

The full budget committees will review subcommittee recommendations and generally adopt them without change. Senate and Assembly budget committees submit amendments for each of the budget bills to reflect any changes made to the Governor's initial proposal. No longer identical, the two budget bills and appropriate trailer bills are sent to their respective floors for a vote.

INITIAL FLOOR VOTE May and June

The Senate and Assembly debate and vote on their own versions of the Budget Bill. Except for a few politically hot items most budget items will not be argued or amended on the house floors though more general political differences over the approach to the budget will be aired. Passage requires a majority vote (21 in the Senate and 41 in the Assembly) though any tax increases still require a 2/3 vote. At least one bill is sent to the Joint Budget Conference Committee so that the differences between the Senate and Assembly can be worked out.

BUDGET CONFERENCE COMMITTEE June

A Joint Budget Conference Committee with at least six members is appointed to reconcile differences between the Senate and Assembly versions of the budget bill. Generally, the great majority of items in both bills will be the same. The committee consists of three members from each house, including the chairs of both budget committees as well as representatives of both major political parties.

Conference Committee meetings are open to the public, although testimony is only permitted on special items at the discretion of the committee. Other members of the Assembly and Senate with particular budget concerns may forward their concern to the committee or work through their caucus and representative on the conference committee. Communication with committee members on items being considered by the committee ("in conference") or having your legislator champion your issue is the best way to have an impact at this point.

Conferees primarily discuss items upon which the two houses differ. Although they may reduce or eliminate funding for a disputed item, conference committee members usually do not recommend more funding than either house proposes. Representatives from the Department of Finance and the Legislative Analyst's Office present their recommendations. Conference committee decisions are amended into either the Senate or Assembly version of the budget bill (alternating yearly) and a single budget bill is sent to the floors of both the Senate and Assembly. The Conference Committee also finalizes

budget trailer bills (which make statutory changes to implement the budget).

THE BIG 5 June

The Governor and key legislative leaders: the Assembly Speaker, Assembly Minority Leader, Senate President *pro tem*, and Senate Minority Leader meet to negotiate contentious issues that might otherwise keep the budget from passing and develop compromises on issues related to the budget.

FINAL FLOOR VOTE June

A single final budget bill must be adopted and passed by both the Senate and the Assembly before being sent to the Governor. The budget and associated trailer bills require a majority vote of each house. The California Constitution requires the Legislature to pass a balanced budget by June 15. If the budget requires tax increases in order to be balanced, the tax increases require a 2/3 majority vote. If the Legislature fails to adopt a balanced budget by June 15, the Legislators do not get paid again until a budget is adopted.

GOVERNOR June

The beginning of the new fiscal year is July 1, by which the Governor is expected to sign the budget so that the state has the authority to pay its expenses. Since the Legislature may complete its work after the June 15 deadline, the Governor usually must be prepared to complete a review as quickly as possible so that the budget can be signed and go into effect. The budget bill always contains an urgency clause and becomes effective July 1 or immediately after the Governor signs it. Asking for the Governor's support for particular programs should be done before the Legislature sends the Budget to the Governor. Trailer bills with urgency clauses become effective immediately and others become effective January 1 of the following year.

Budget Vetoes

The Governor has line-item veto power over the budget bill. This means that the Governor may reduce or eliminate funding for any program contained in the budget bill while allowing the rest of the bill to become law. Line-item vetoes can be overridden by a two-thirds majority in each house though this rarely happens.