A GUIDE TO PARTICIPATION

The California State Budget Process

Compliments of Assemblymember George Nakano

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ASSEMBLYMEMBER
53RD DISTRICT

CHAIR

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SELECT COMMITTEE ON AEROSPACE INDUSTRY

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Assembly
California Legislature

Dear Friend,

I hope you will find this booklet useful in understanding how the state budget process works in California.

The state budget determines how much money will be spent on education, law enforcement, social services, health care, and numerous other state and local programs. The state budget also determines how much we as taxpayers will pay to fund those services.

By understanding how the process works, you'll gain the tools you need to best communicate your concerns with your representative and influence the budget decisions that affect your everyday life.

If you have any questions or need additional information, please do not hesitate to contact me or my staff.

Sincerely,

George Nakano
Assemblymember 53rd District

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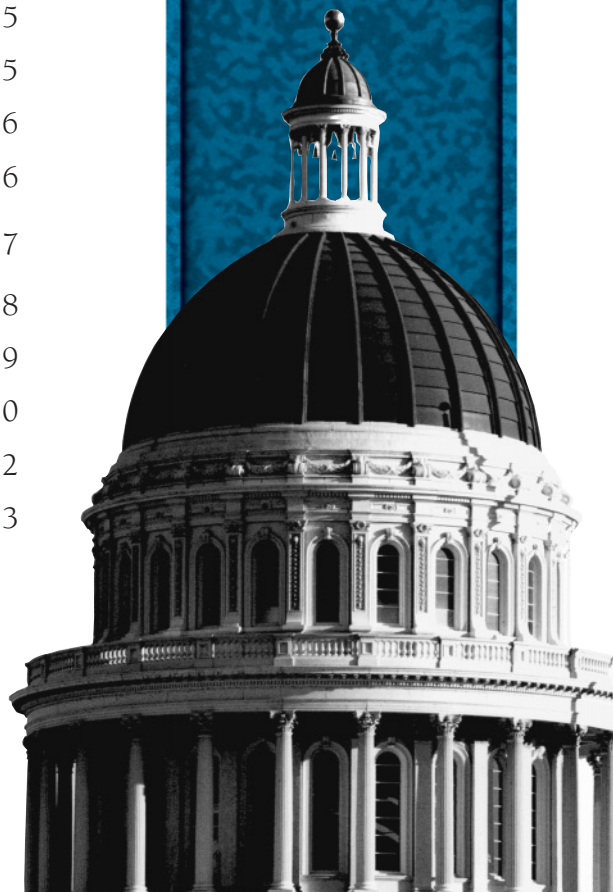


INTRODUCTION

ALTHOUGH CALIFORNIA HAS HAD A LEGISLATURE SINCE IT BECAME A STATE IN 1850, IT IS ONLY IN THE LAST 75 YEARS THAT IT HAS HAD A FORMAL BUDGET PROCESS.

THE word "budget" comes from a French word meaning leather bag or small purse. However, a small bag doesn't hold much; one must be creative and efficient to get everything in. The California State Budget is no different. Regardless of California's economic conditions, the budget "purse" is never large enough; there are always demands for more programs and services than money available. It is our elected state representatives who are given the responsibility to decide which priorities should be included.

The budget defines how much money will be available for education, law enforcement, fire protection and other public services. It also determines how much we pay in taxes and fees. The final decisions are a reflection of what we value and who we are as Californians.

With so much at stake, it's important to understand how the budget process works and how you can influence it.

The majority of budget work occurs during Budget Committee hearings.

A STATE BUDGET IS DEVELOPED

Between June and August of each year, state departments develop budget proposals to augment their existing level of service. Departments prepare Budget Change Proposals (BCPs), which are sent to the Department of Finance (DOF) for review. The DOF analyzes these budget proposals, estimates future state revenues, and prepares a balanced expenditure plan for the Governor's approval.

THE GOVERNOR'S BUDGET IS INTRODUCED

The Governor evaluates the DOF budget proposal and, on or before January 10 of each year, releases to the public and the California State Legislature the "Governor's Budget" for the coming fiscal year. The Governor's Budget is then introduced as two identical Budget Bills, one in the State Assembly and one in the State Senate, for consideration by each House.

The Legislative Analyst, the financial review division of the Legislature, prepares an extensive "Analysis of the Budget Bill," which includes program background, economic projections and recommended revisions. Soon after the Analysis is released, budget subcommittee hearings on the Budget Bill begin.

THE BUDGET IS HEARD IN COMMITTEES

The Budget Bill is introduced in both the Assembly Budget Committee and the Senate Budget and Fiscal Review Committee. The two committees divide the Budget Bill by subject matter and assign items to their appropriate subcommittees to begin hearings.

ASSEMBLY BUDGET SUBCOMMITTEES

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

SENATE BUDGET AND FISCAL REVIEW SUBCOMMITTEES

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

THE STATE BUDGET PROCESS

DEVELOPMENT OF THE STATE BUDGET IS A YEAR-LONG PROCESS.

THE BEST TIME FOR CONSTITUENTS TO BE HEARD ON ITEMS RELATING TO THE BUDGET IS BETWEEN MARCH AND MAY WHEN BUDGET SUBCOMMITTEES ARE MEETING.

THE BEST OPPORTUNITY FOR PUBLIC INPUT

Most of the changes in the Budget Bill are made in the budget subcommittees of each House.

State agencies, the Department of Finance and the Legislative Analyst's Office appear before the subcommittees with funding recommendations.

Interested citizens and groups also have an opportunity to offer input supporting the continuation, expansion or deletion of a budget item.

The most important time for constituents to be heard on items relating to the budget is between March and May when subcommittees are meeting.

In order to influence an item in the budget, it is important to contact:
1) Your State Assemblymember and State Senator;
2) Members of the appropriate budget committees and subcommittees; and
3) The Governor

Elected officials can be contacted by calling their district or capitol offices, writing a letter, scheduling an appointment or sending an e-mail.

THE MAY REVISE

In mid-May, the Governor releases updates to his or her original budget based upon changes to the state's revenue and expenditures. Known as the "May Revise," it includes the latest economic updates to ensure that the most current information is available before the budget is enacted. These figures are then used to draft amendments to bills being heard in the budget subcommittees. The Legislature typically waits for the May Revise update before final budget decisions are made on major programs such as education, corrections, and health and welfare.

THE AMENDED BUDGET BILLS ARE SENT TO EACH HOUSE

Upon completion of hearings, budget subcommittees approve, revise or disapprove specific details of the budget. Subcommittees then submit a report to their full budget committee.

The full budget committee of each House adopts its subcommittees' reports and sends revised Budget Bills to the Assembly and Senate floors for amendments and votes.

THE ASSEMBLY AND SENATE VOTE ON BUDGET BILLS

The Assembly and the Senate vote to pass their version of the Budget Bill and send it to the other House for concurrence. If either bill is not passed by the other House, it is sent to a Joint Budget Conference Committee to iron out the differences between the two bills.

THE JOINT BUDGET CONFERENCE COMMITTEE

Joint Budget Conference Committee hearings begin in early June and last until the budget is sent to each House for final passage.

The Conference Committee, made up of three members from each House, is formed to resolve the differences between the Assembly and Senate versions of the Budget Bill. These differences are often the most contentious in the budget. Generally, the committee is not allowed to consider new proposals or review those issues for which agreement between the two Houses already exists.

Legislators may testify only on the first day of Conference Committee hearings. This is commonly known as "Members' Day," the last chance for legislators to influence what is included in the budget. Following Members' Day, testimony is limited to representatives from the Legislative Analyst's Office and the California Department of Finance.

The Conference Committee methodically works through the agenda, approving compromises when possible and skipping over areas where conflict remains. This process is repeated until the last few issues are settled — often during intense negotiations with the Governor.

The Joint Budget Conference Committee passes and submits a Conference Committee Report containing the Budget Bill to both Houses of the Legislature.

If the Conference Committee cannot reach final agreement on the budget, the "Big 5," consisting of the Governor, the President pro Tem of the Senate, the Speaker of the Assembly, and the minority leaders of both Houses, often meets to resolve the stalemate.

PROPOSITION 98, PASSED BY CALIFORNIA VOTERS IN 1988, REQUIRES THAT AT LEAST 40% OF THE STATE BUDGET BE SPENT ON PUBLIC EDUCATION.

CALIFORNIA IS ONE OF THE FEW STATES IN THE NATION THAT REQUIRES THE BUDGET BILL BE PASSED BY A "SUPER MAJORITY" — TWO-THIRDS OF EACH HOUSE MUST APPROVE THE BUDGET BEFORE IT CAN BE SENT TO THE GOVERNOR FOR APPROVAL.

THE FINAL PASSAGE OF THE BUDGET

Once the full Assembly and the full Senate receive the Conference Committee Report, each caucus meets to be briefed on the contents of the final agreement, and a floor vote follows. At this time, the Conference Committee Report containing the Budget Bill cannot be amended.

If the Budget Bill has provisions that require changes to existing law, separate bills which implement those changes — "Trailer Bills" — are introduced and voted on, generally at the same time as the Budget Bill.

The Budget Bill must be approved by a two-thirds vote of each House before it can be sent to the Governor for approval. California is one of the few states in the nation that requires a "super majority" vote of both Houses to pass the State Budget. The California State Constitution requires that the Governor receive the Budget Bill by June 15.

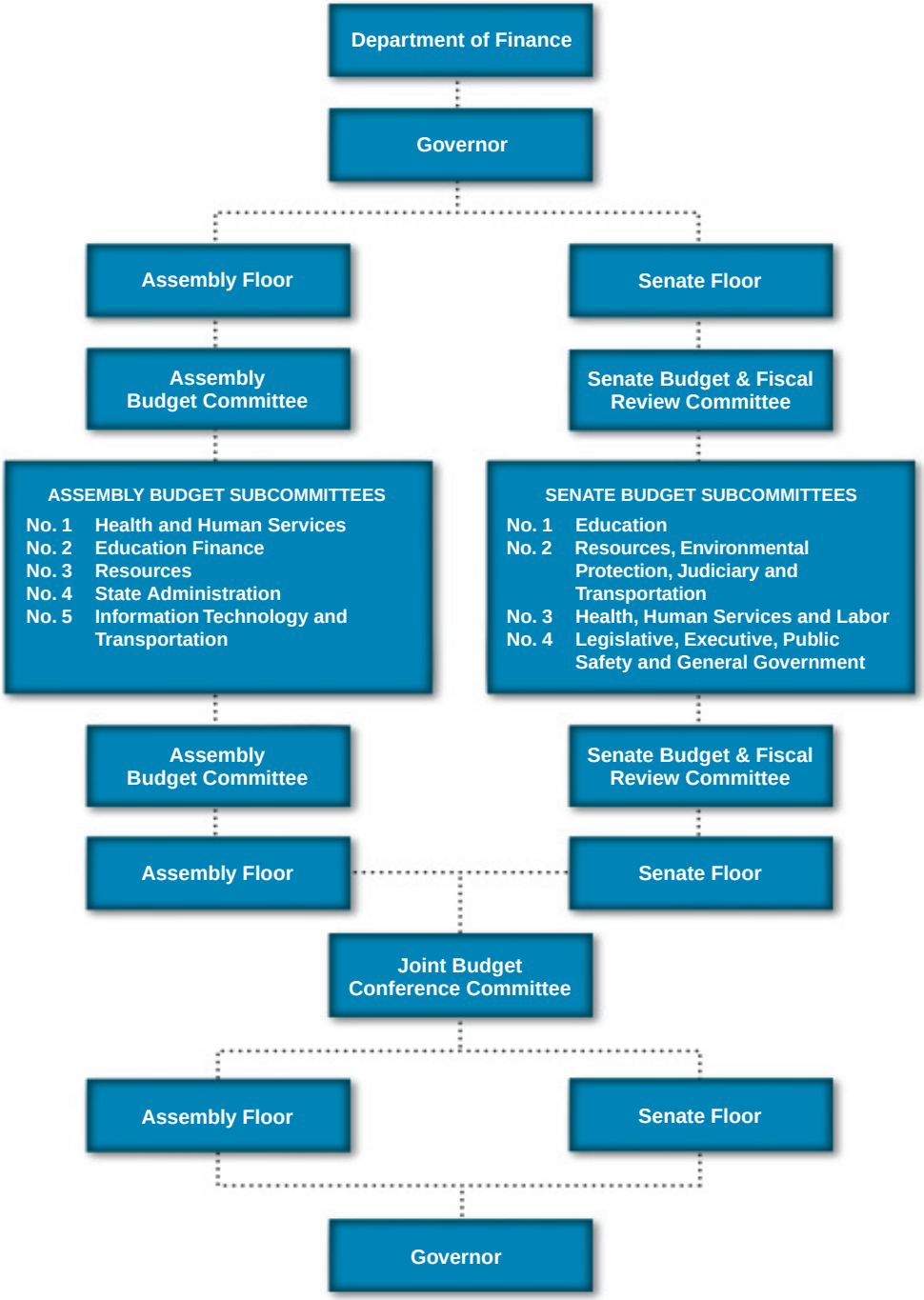
THE BUDGET BILL GOES TO THE GOVERNOR

The Governor has 12 working days to sign or veto the Budget Bill after receiving it from the Legislature. By using the line-item veto, the Governor may reduce or eliminate — "blue pencil" — any appropriation before the Budget Bill is signed. The Legislature can override a line-item veto with a two-thirds vote of both Houses.

Following the Governor's signature, the Budget Bill goes into effect on July 1.

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

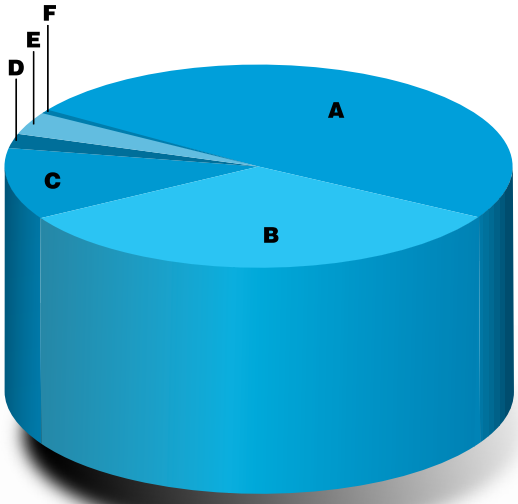
BUDGET BILL PROCESS AT-A-GLANCE



1998-99 STATE BUDGET REVENUES AND EXPENDITURES

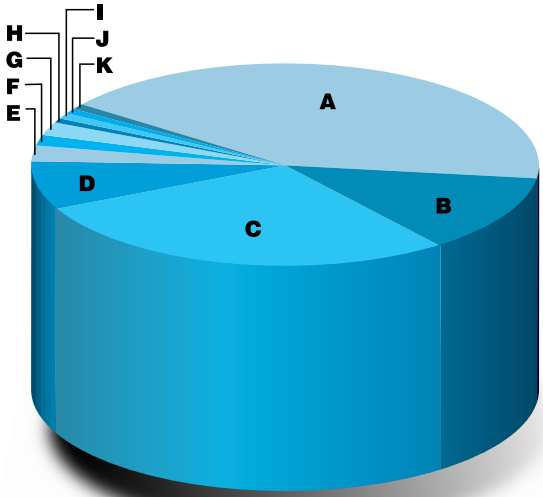
THE CALIFORNIA STATE CONSTITUTION REQUIRES THE LEGISLATURE TO PASS A BALANCED BUDGET — EXPENDITURES CANNOT EXCEED REVENUES.

General Fund Revenues $58.9 Billion



A. Personal Income Tax 49.1%
B. Sales Tax 33.0%
C. Bank and Corporation Taxes 11.1%
D. Insurance Tax 2.3%
E. Other Revenues 2.8%
F. Tobacco Taxes, Liquor Taxes, and Horse Racing Fees 0.9%

General Fund Expenditures $58.9 Billion



A. K-12 Education 42.5%
B. Higher Education 13.0%
C. Health and Welfare 27.2%
D. Youth and Adult Corrections 7.9%
E. Other 4.0%
F. Resources 1.4%
G. Courts 1.7%
H. Environmental Protection 0.2%
I. State & Consumer Services 0.7%
J. Tax Relief 0.8%
K. Business, Transportation & Housing 0.6%

BUDGET-RELATED PROPOSITIONS 1879 - 1996

1879 **CONSTITUTIONAL CONVENTION** Initiated a two-thirds vote requirement for passage of local school bonds.

1911 **CONSTITUTIONAL AMENDMENT** Created the state initiative process.

1922 **COMMONWEALTH CLUB INITIATIVE** Created the framework and timelines for consideration and enactment of the state budget.

1933 **RILEY-STEWART AMENDMENT** Established a two-thirds vote requirement for passage of the state budget.

1978 **PROPOSITION 13** Capped property-tax rates and limited hikes in assessed values. Gave control of local property tax revenues to the state and required a two-thirds vote of the legislature to increase taxes.

1979 **PROPOSITION 4** (Gann Spending limit) Limited state and local expenditures, adjusting for inflation and population.

1982 **PROPOSITION 6** Repealed most state inheritance and gift taxes.

1982 **PROPOSITION 7** Implemented full indexing of income tax brackets to account for increases in the Consumer Price Index.

1984 **PROPOSITION 37** Created the State Lottery, earmarking revenue for education.

1986 **PROPOSITION 62** Required a two-step voting process for local governments to raise new general taxes; required all special taxes to be approved by two-thirds of voters.

1988 **PROPOSITION 98** Required that 40% of general fund revenues go to public schools and community colleges.

1988 **PROPOSITION 99** Raised cigarette taxes by 25¢ a pack and allocated proceeds to health services, anti-tobacco education and research.

1990 **PROPOSITION 111** Increased the gasoline tax and revised the method for calculating the Gann spending limit. Modified Proposition 98, determining how much new revenue should go to schools.

1992 **PROPOSITION 162** Gave boards of public employee retirement systems complete authority for investment decisions and administration of the system.

1993 **PROPOSITION 172** Collected a half-cent sales tax for public safety.

1996 **PROPOSITION 218** Limited the use of fees and assessments by local governments. Allowed only property owners to vote to institute new fees, and required a confirmation vote of property owners on existing fees.

100 YEARS OF BUDGET-RELATED PROPOSITIONS

NEARLY 90% OF THE STATE BUDGET IS LOCKED INTO PLACE AND OUTSIDE THE INFLUENCE OF EITHER THE GOVERNOR OR THE LEGISLATURE.

MANY OF THESE CONSTRAINTS ARE THE RESULT OF VOTER-APPROVED BALLOT MEASURES, OFTEN REFERRED TO AS "BALLOT BOX BUDGETING."

GLOSSARY OF BUDGET TERMS

ALLOTMENT Part of an appropriation to be expended for a particular purpose during a specified period of time.

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

APPROPRIATION LIMIT Also known as the Gann Limit. Limits level of growth of certain appropriations from tax proceeds to prior year's appropriation as adjusted for changes in cost of living and population.

ASSEMBLY Legislative body made up of 80 Members who are elected every two years and limited to serving three terms.

AUGMENTATION An increase in an allotment.

BILL A proposed law introduced by a Member of the Legislature.

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

BUDGET CHANGE PROPOSAL (BCP) A proposal to change the level of service or funding for activities authored by the Legislature.

BUDGET COMMITTEE Senate and Assembly committees that review the Governor's proposed budget.

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

CONFERENCE COMMITTEE Group of six members made up of three representatives from each House who are appointed to consider matters upon which the two Houses disagree.

CONTINUING APPROPRIATION Amount available each year under a permanent constitutional or statutory expenditure authorization that is automatically renewed each year.

COST-OF-LIVING ADJUSTMENT (COLA) Increases provided in state-funded programs that include periodic adjustments predetermined in state law as well as adjustments that may be established at optional levels by the Legislature.

EXPENDITURE The 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 under the control of the Governor that analyzes legislation and the budget.

FISCAL YEAR (FY) A 12-month accounting period that 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 that may be transferred to the General Fund.

GENERAL FUND Predominant fund for financing state operations. The primary sources of revenue are personal income tax, sales tax, and bank and corporation taxes.

GOVERNOR Chief executive of the State of California elected every four years and limited to serving two terms.

LEGISLATIVE ANALYST The Legislature's nonpartisan fiscal analyst who analyzes the Governor's Budget and recommends changes.

LEGISLATURE Body of 120 members elected to pass laws.

LINE-ITEM VETO Governor may reduce or eliminate items of appropriation while approving the rest of the bill. Also known as a "Blue Pencil" veto.

QUORUM Number of legislative Members required to be present before business can be transacted on the floor of either house: 21 in the Senate and 41 in the Assembly.

RESERVE Amount set aside in a fund to provide for future unanticipated declines in revenues or increases 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.

SENATE Legislative body made up of 40 Members who are elected every four years and limited to serving two terms.

SESSION Period during which the Legislature meets.

SPECIALS FUNDS Funds where moneys have been collected from user fees or where revenues are set aside for a particular use.

URGENCY A matter affecting the public peace, health or safety; any measure so defined goes into immediate effect upon approval by the Legislature and the Governor.

VETO Action of a Governor in disapproval of a measure. May be overridden with a two-thirds vote of both Houses.

STATE BUDGET PUBLICATIONS AVAILABLE TO THE PUBLIC

MOST BUDGET PUBLICATIONS CAN BE FOUND ON THE INTERNET THROUGH THE ASSEMBLY HOMEPAGE:
www.assembly.ca.gov/

FOLLOW THE LINKS TO THE APPROPRIATE DEPARTMENT OR COMMITTEE THAT RELEASED THE PUBLICATION.

GOVERNOR'S BUDGET
The Governor's Budget, which usually contains more than 1,300 pages, provides expenditure details by department for three fiscal years (past year actual, current year revised and proposed budget year).

GOVERNOR'S BUDGET SUMMARY
The Governor's Budget Summary contains an overview of the major provisions of the proposed budget and is usually less than 200 pages.

SALARIES AND WAGES SUPPLEMENT
This publication contains a detailed three-year expenditure plan of state government employee positions.

THE BUDGET BILL
The Budget Bill is a technical two-volume legislative bill that is arranged by item order, which is in the same order as the Governor's Budget and reflects the same proposals and requests.

LEGISLATIVE ANALYST'S BUDGET ANALYSIS / PERSPECTIVES AND ISSUES
This publication is the most comprehensive review of the Budget Bill. It contains department-by-department analysis to support findings and recommendations by the Legislative Analyst. The Perspectives and Issues provides an overview of the state's economy and projected revenues.

MAY REVISE
The May Revise includes the latest economic data to provide as accurate a fiscal picture as possible prior to enactment of the budget.

SUBCOMMITTEE AGENDAS
These Agendas briefly describe the issues to be discussed during each subcommittee hearing. They provide a picture of the concerns the subcommittee has with each department and are usually available the day before a hearing.

SUBCOMMITTEE REPORTS
At the conclusion of budget subcommittee hearings, a report is sent to the chair of the full budget committee. These reports list the actions recommended by the subcommittee on all the items under their consideration.

CONFERENCE COMMITTEE AGENDA
The Agenda is a large, binder-size document that details the differences between the Budget Bills of each House. Due to cost controls, this document is not widely distributed but is available to the public for viewing or copying.

JOINT BUDGET CONFERENCE COMMITTEE REPORT
The Conference Committee Report lists budget items that are in conflict between the two versions passed by each legislative House and their final resolution by the Conference Committee.

BUDGET ACT OF 19__
The Budget Act is in the final Budget Bill, as enacted by the Legislature and signed into law by the Governor.

FINAL BUDGET SUMMARY
The Summary contains the final reconciliation of appropriations, including legislative actions and gubernatorial vetoes.

ACCESSING THE LEGISLATURE THROUGH THE INTERNET

VISIT THE ASSEMBLY WEBPAGE: www.assembly.ca.gov/

One of the most efficient and convenient methods of contacting your legislator is by using the California State Assembly Webpage at **www.assembly.ca.gov/**, your on-line computer gateway to state government. At this site you will find a wealth of information about your State Legislature, its day-to-day activities, legislation and your representative. Additionally, you can:

- Communicate with your Assemblymember by e-mail.
- Get information about past and present bills.
- Create a personal "Subscribe List" and automatically receive free e-mail bill updates.
- Create a personalized page that reflects issues and information sources that are important to you.
- Meet and discuss issues with other Californians in special forums that focus on important and timely subjects.

KEEP UP-TO-DATE AUTOMATICALLY

If you're interested in keeping track of specific legislation, here's an easy way to create a personal "Subscription List" and automatically receive free e-mail updates on bill changes:

- Click "Legislation" button.
- Type in bill author, number or subject; click "Search."
- Click "Subscribe" when bill information is displayed.
- Enter your e-mail address; click OK.

LET YOUR VIEWS BE KNOWN

If you want to send an e-mail to your legislator:

- Locate your legislator's e-mail address in the "Member's Directory."
- Write a short letter in a clear and concise manner.
- Identify measures by bill number and indicate your opposition or support.
- Close with a request for more information.
- Always include your full name, home address and telephone number.

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