

How the Budget Process Works

Taken from "The Budget Process" prepared by the Senate Rules Committee

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 of the fiscal year beginning on July 1.

The state 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. The voters through the initiative process have imposed many of these constraints. Proposition 13 limits the amount of property tax that can be levied and increases state control over local finances; Proposition 4 of 1979 limits the amount of money that the state can appropriate. Proposition 98 mandates funding levels for K-14 education.

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

After the budget's introduction, the legislature has until June 15 to pass the budget. This five 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, officially known as the Senate Budget and Fiscal Review Committee, breaks the budget into broad subject

areas (such as Education, Natural Resources or Health and Welfare), and assigns each state agency and department to one of four subcommittees. Subcommittee hearings begin in March. Before each hearing the subcommittee staff prepare extensive agendas detailing the governor's proposals and alternatives. The agendas are available on the committee's Website.

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. 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" or "May Revise." The subcommittees have about a week to consider the changes proposed in the May Revise.

TIMING IS CRITICAL: Make sure that any communication you attempt is accomplished as early in the budget process as possible. 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 Senate budget committee.

The full committee may accept the report or amend it. The revisions are incorporated into the budget bill and sent to the full membership of the Senate for consideration. The Assembly follows a similar process.

Each house discusses and then votes on its version of the budget bill. A few 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. Any member of the legislature may suggest amendments. From the floor, each house's budget bill is referred to a joint budget conference committee where differences between the houses can be resolved.

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. Legislative rules require that any conference committee change must garner two votes from each house.

In the event the conference committee cannot conclude its deliberations in a manner 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 develops a compromise, they request the conference committee to conclude its deliberations and include the compromise.

When the conference committee adopts a compromise, it amends the budget bill, referred to at this point as the “conference committee report”. The report is passed 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: Typically, the governor has 12 working days to sign the budget bill. The Governor also has the authority to “blue pencil” (reduce or eliminate) any appropriation contained in the budget. Because the budget bill is an urgency measure, it goes into effect as soon as it is signed.

VETO OVERRIDE: The legislature can override any blue-penciled item with a two-third vote of both houses. In practice, the legislature rarely overrides a budget veto.