

# HOW THE CALIFORNIA STATE BUDGET IS CRAFTED

Presented by: Deveau Burr Group, LLC & Resilient Advocacy

# How the California State Budget is Crafted

The California State Budget provides the framework and funding for public services and programs within the state and also, perhaps more importantly, exemplifies California's values and priorities.

The Budget is crafted by the Governor and legislators according to the rules outlined in the state constitution and moves through its own legislative process – separate from the process and timelines “regular” legislation must follow.



According to the California State Constitution, the Legislature must pass the Budget bill for the upcoming fiscal year by midnight on June 15 and it must be balanced. Although there have only been a few changes to the budget process, via state propositions, they have been significant.

In 2010, Proposition 25 passed allowing lawmakers to pass the Budget by a simple majority vote of the legislature rather than the previous 2/3 majority hurdle. And in 2016, the people passed Proposition 54 requiring bills to be distributed to legislators and published on the Internet, in their final form, at least 72 hours before being passed by the Legislature. This rule applies to all bills, including the Budget bill and other legislation included in the budget package.

In this day and age where technology seems to rule all aspects of our lives, the “legislative process” and the “budget process” are done through the hands-on work of people interacting, cajoling, debating - elected officials, a myriad of staff members from the legislature, the governor's office, state and local departments and agencies, advocates and the general public.



# Stage 1: Study

November-February

- **November:** LAO releases annual “Fiscal Outlook” a multi-year Revenue/Expenditure forecast for the next five years.
- **Prior to January 10th:** Department of Finance reviews and Governor sends his/her proposed budget to the Legislature.
- **January 10:** Governor proposes budget, usually during his/her state-of-the-state speech and budget committee chairs in each house introduce the Governor’s budget proposal.
- Staff and LAO review and analyze proposed budget, various reports issued.
- Legislators, Local Governments, Advocates, and Interests familiarize themselves with proposed budget.
- Legislative Caucuses have summits/retreats to discuss budget.

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# Stage 2: Public Participation/Listening

(March to Mid-May)

- Each House refers its budget bill to their respective budget committees, where bills are broken down by subject and assigned to the appropriate subcommittees.
- Subcommittees begin hearings, often 2 hearings per week, then subcommittees vote and send their reports to the full budget committee.
- Public Hearings include proposals from the Governor, the LAO, the Legislature, and the Public.
- Governor issues updates to his/her proposed budget, by submitting “Finance Letters” to the Legislature.
- Any changes to the Governor’s original January Budget proposal must be approved by a Subcommittee vote.

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# Stage 3: Action

(Mid-May to End of May)

- **May 14:** Governor submits his/her “May Revision,” which is a comprehensive update to his/her January Budget proposal.
- Everything that happened in Phase 1 and Phase 2 has to happen again...but in only two weeks.
- Very intense time, subcommittees meet several times over this period, often into the evening.
- Subcommittees take final actions.
- Each house discusses and votes on its version of the budget bill.
- Full Committee votes to create “Assembly Version” and “Senate Version” of the budget, then those versions are sent to the Governor.

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# Stage 4: Negotiation

(June 1 to June 10)

- Conference Committee meets to iron out differences among the Assembly, Senate and Governor versions and submits a single version of the budget bill to both houses.
- The Conference Committee includes equal number of Assembly members and Senators, ranging from 3 to 5 from each house.
- Leadership conversations also occur to hammer out key major issues.
- The houses also vote on trailer bills if statutory changes are necessary to implement provisions of the budget bill.

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# Stage 5: Vote and Signing

(June 15 - June 27)

- **June 15:** the Constitutional deadline to pass the budget.
- The Budget Bill, and typically about 20 Trailer Bills, are voted on this day.
- The Governor has 12 days to sign the budget, which may include line-item vetoes. Due to its status as an urgency measure, the bill becomes law as soon as it is signed by the Governor.

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# Stage 6: Clean-up/Follow-up

(July – Mid-September  
and beyond)

- Issues that required more time to complete are often dealt with after the budget.
- Any technical errors in the Budget Bill or Trailer Bills are fixed in cleanup bills.
- State department directors and agency heads initiate detailed reviews and develop budget proposals for their programs, which are then sent to the Department of Finance for review.

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# Budget Stages and Timeline

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## Stage 1: Study

November-February

In this stage, data is paramount and engaging with Department of Finance and key legislators as they analyze spending for the prior and current fiscal years and the proposed spending for the upcoming fiscal year provides an excellent platform to highlight academic studies and policy papers to educate and discuss budget priorities for the upcoming fiscal year. This is also an opportunity to start cultivating legislative champions who will be invaluable down the road. DBG can begin the foundational work of providing resource and material to these critical offices as they are preparing for the proposed budget.

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## Stage 2: Public Participation/Listening

March to Mid-May

With the Governor's budget in print providing an economic and revenue outlook, highlighting major policy initiatives, and summarizing assumed state expenditures, this stage is the opportunity to review line-item priorities within specified agencies and engage with agency staff as well as subcommittee members and staff to highlight concerns or express support for the prioritization of certain line items or policy changes. This stage also presents an opportunity to engage with the Governor's Office to highlight priorities with the Governor's May Revise in the works during this period. DBG can coordinate participation in hearings and needed testimony before the legislature as hearings budget committees begin to meet.

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## Stage 3: Action

Mid-May to End of May

Early engagement in the process offers a chance to build a foundation with legislators, staff, and the Governor's Office. Given the rapid pace of this stage, continued engagement with legislative leadership and the Governor's Office will be most impactful. Legislators who are championing certain causes will be also be impactful at this stage, particularly with elevating concerns or priorities to leadership and the Governor's Office. As both houses are beginning to take action, DBG will continue to shepherd budget priorities through each subcommittee and full budget review and adoption.

# Budget Stages and Timeline

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## Stage 4: Negotiation

June 1 to June 10

Conversations with budget staff and conference committee members are crucial at this point in the process, which is quickly nearing its end. This is one of the last opportunities in the budget give-and-take where an issue or issues most important may be added, deleted or changed before the final budget bill is approved. Real-time monitoring and engagement is key. DBG knows who the decision-makers are, allowing for the exchange of real-time information that can often decide the fate of your budget item at the eleventh hour.

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## Stage 5: Vote and Signing

June 15 - June 27

Although the budget bill and trailer bills are finalized and being teed up to be voted on by the members of the legislature at this stage, it does not mean the work is done. Some members of the legislature may be uncertain as to whether they are willing to support part or all of the budget “package”. DBG continues its efforts by helping legislative leadership garner the votes required, if needed, to pass the budget agreement by engaging staff and electeds by providing timely information and guidance. Conversely, DBG may also deliver relevant intelligence to members of the legislature who may share similar concerns with DBG clients regarding specific budget language.

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## Stage 6: Clean-up / Follow-up

July – Mid-September and beyond

No state budget is perfect. After the governor has signed the budget and trailer bills, it is not unusual to find unintended omissions, additions and/or errors that require clarifying language to support the original intent of the bill. The DBG team is highly attuned to the importance of the specific language that makes up the State Budget and makes certain to scour the final version of each piece of the “package” to make certain it clearly states what was intended. If errors are found to sections of the budget that affect DBG clients, DBG communicates these findings to any and all relevant members of the legislature, legislative budget staff and governor’s office, and remains focused until the issue(s) are resolved.



# State Budget Lexicon

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<b>Governor’s Proposed Budget</b>	Shows spending for the prior and current fiscal years and the proposed spending for the upcoming fiscal year.
<b>Governor’s Budget Summary</b>	Provides the Governor’s economic and revenue outlook, highlights major policy initiatives, and summarizes state expenditures assumed in the proposed budget.
<b>May Revision</b>	Updates the Governor’s economic and revenue outlook, revises, supplements, or withdraws the policy initiatives included in the Governor’s proposed budget and adjusts proposed state expenditures.
<b>Budget Bill</b>	Itemizes appropriations, which authorize agencies to spend money from a specific fund for a specific purpose. Can contain multiple appropriations. Takes effect immediately with majority vote.
<b>Budget Bill Jr.</b>	A bill that amends the main Budget Bill.
<b>Budget-Related Bills (“Trailer Bills”)</b>	Generally makes law changes related to the budget bill. Generally move in tandem with the budget bill as part of a “budget package.” Can move independently of the budget bill, including through the Legislature’s policy bill process. Can take effect immediately with a majority vote if it contains an appropriation related to the budget bill and is listed as a “trailer bill” in the budget bill.
<b>Conference Committee</b>	A temporary body composed of Assembly and Senate conferees which is appointed by the leadership of both houses for the purpose of reconciling differences in each respective house’s version of the budget bill.
<b>Urgency Measure</b>	A bill that must pass each house with a 2/3 majority vote to pass. If an urgency bill is signed by the Governor, it becomes law immediately rather than on January 1st of the following year (as with majority vote bills).
<b>Veto/Line Item Vetoes</b>	The Governor’s authority to reject a bill or reduce or eliminate specific items of appropriation.
<b>Department of Finance (DOF)</b>	Prepares the Governor’s budget documents. The DOF director is the Governor’s chief fiscal Adviser.
<b>Assembly Budget Committee and Senate Budget and Fiscal Review Committee</b>	Review the Governor’s proposals and help develop the Legislature’s version of the budget. Committee analyses are released beginning in January.
<b>Legislative Analyst’s Office (LAO)</b>	Provides fiscal and policy advice to the Legislature. LAO budget analyses are released beginning in January.
<b>Supplemental Report</b>	Separate report that requests specific actions from state agencies and departments (does not have force of law).