

December 5, 2007

[How Does California Develop The State's Budget?](#)

-- by Dave Johnson

This post originally appeared at [Speak Out California](#)

Last week [I began to explore California's budget, and wrote,](#)

Our budget reflects our values. So where do we spend our money? How many Californians even know? I didn't know so I decided to find out.

That post [outlined this year's budget](#), with an overview of the departments and amounts.

This week I take a look at how we in California put together our budget. By understanding the process more of us can begin to get involved and work to ensure that the budget really does reflect our values.

As you consider the budget process and its limitations and constraints, compare it to how your own home budget operates. What do you do if you need a new car, or need to fix up your house - or just repair the roof -- or provide a good education for your kids, put healthy foods on the table, and things like that. The state isn't really different, just bigger.

The first thing to understand about the state's budget is that there are constraints placed on the ability to easily alter the budget to reflect the wishes of the public. In some ways this may be wise, like requiring that the budget be balanced -- just look at the massive federal borrowing (\$9 trillion so far) that has resulted from politicians pandering to a public desire to avoid paying taxes. But in other ways these constraints limit the public from truly putting their money where their values are. A [League of Women Voters \(LWV\) document](#) (PDF) on the budget process describes some of these constraints:

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.

This returns us to our comparison with your own home budget. How would you proceed if you had a fixed amount you could spend, with an ever increasing amount of it already committed to "non-discretionary services and payments" -- like rent or a mortgage and rising credit card interest? And what if asking for a raise is pretty much ruled out, no matter how bad you might need it?

Additionally, by the way:

Source URL: http://www.seeingtheforest.com/archives/2007/12/how_does_califo.htm
Saylor URL: <http://www.saylor.org/courses/econ305>

Attributed to [Dave Johnson]



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.

So to learn how our money is being used you have to be proactive, make contact and ask questions.

The Process:

There is [a summary of the budget process](#) available on the Department of Finance website. To summarize the summary:

California's Constitution requires the Governor to submit a budget by January 10 each year. If the spending in that budget exceeds estimated revenues the Governor has to recommend sources of additional funding.

The preparation of this budget is directed by the Governor's Director of Finance, issuing guidelines to the agencies and departments. Current department funding is used as a base. Then a Budget Change Proposal is developed by each department to the [Department of Finance](#) for review and analysis.

As each department puts together its budget they try to work out all of the issues, with Department of Finance participation. Issues that are unresolved or are discussed at hearings and ultimately unresolved issues are presented to the Governor for a decision.

Then the Department of Finance puts together four documents, [available at their website](#):

Governor's Budget Summary -- A summary volume which includes the Governor's goals and objectives for the forthcoming year, and the policy perspectives and highlights of changes in the Governor's Budget.

Governor's Budget -- A detailed presentation for each department for the past, current, and budget years.

Governor's Budget Highlights -- A pocket size highlights book of narrative, charts and graphs issued on the Press Conference day.

Salaries and Wages Supplement -- A detailed presentation of authorized staffing and related salaries.

Next, a Budget Bill is introduced in each house of the Legislature. The Legislature then does everything they can to prevent passing any budget. (Not really, even if it seems that way. Just seeing if you're reading.)

These Budget Bills go before the Senate Budget and Fiscal Review Committee and the Assembly Budget Committee. The items in the bill are assigned to subcommittees, which hold hearings, usually beginning in late February.

The Legislature appoints a Legislative Analyst who presents a nonpartisan "Analysis of the Budget Bill" and recommendations for changes to the Governor's budget plan, and testifies at the hearings. Staff from the Department of Finance also testify at the hearings. Also at these hearings partisan consultants, lobbyists and the public may provide testimony.

By Spring the Department of Finance develops "Finance Letters" proposing adjustments to the Governor's budget. Then, the subcommittees report their recommendations to the Senate and Assembly committees, which vote to adopt the budget, and send them to the full Senate and Assembly. Each are required to pass the budget by a 2/3 vote. Should this somehow ever happen, there is a Budget Conference Committee that works out any differences between the Senate and Assembly versions, also requiring a 2/3 vote. The final bill is sent to both houses for passage, again requiring a 2/3 vote.

The resulting bill is sent to the Governor, who can then reduce or eliminate any item. Both houses must again vote 2/3 on that specific item to restore it to the budget.

Finally the Department of Finance publishes three documents:

California State Budget Highlights -- A pocket size highlight book of narrative, charts and graphs.

Final Budget Summary -- This document is an annotated version of the Budget Act which includes summary tables, technical corrections to the Budget Act, and the effect of vetoes on the items and sections of the Budget Act.

Final Change Book -- This document provides the detail of changes between the January 10 budget and the enacted budget.

Often there items in the budget are that require changes to existing laws. When this happens, separate "trailer bills" bills are introduced and are heard concurrently with the Budget Bill.

The Department of Finance provides a flowchart of this process, in PDF form, [here](#).

This process allows everyone the opportunity to know what is going on, and input on changes they want. However, in a state as large as California there are complexities that make it difficult to track everything.

How can you keep track of items that interest you?