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# Understanding How the State Budget Process Relates to the Policy Bill Process

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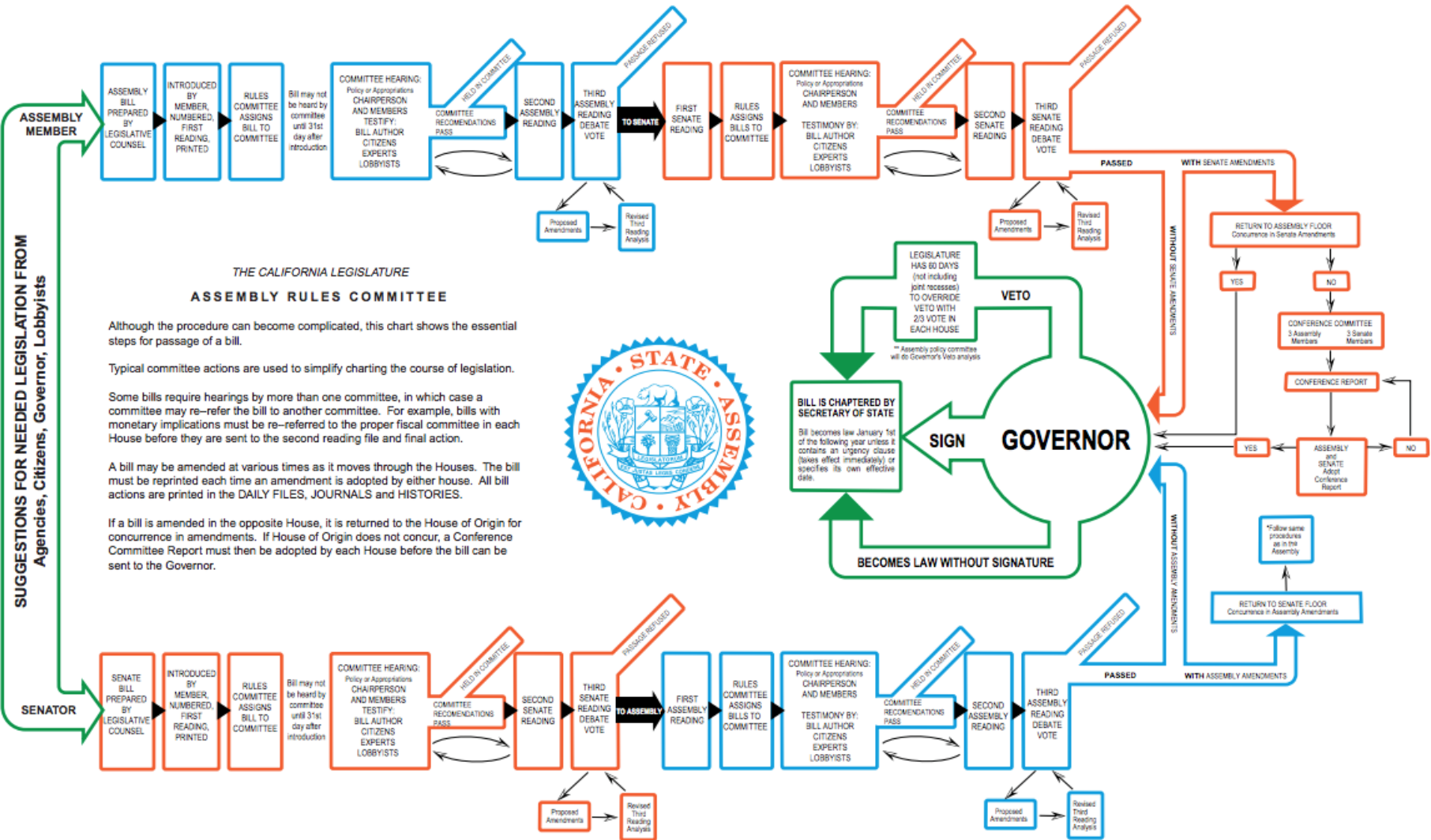
A WEBINAR PRESENTATION BY  
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CALIFORNIA BUDGET & POLICY CENTER  
MARCH 4, 2019

# Highlights of the Policy Bill Process and the Budget Process



# THE LIFE CYCLE OF LEGISLATION

## From Idea into Law



# Key Steps in the Policy Bill Process (Simplified!)



- ❑ **Bill introduced in 1<sup>st</sup> house**
  - ❖ Reviewed/amended by policy and fiscal committees
  - ❖ Floor vote (usually a simple majority vote)
- ❑ **Bill moves to 2<sup>nd</sup> house**
  - ❖ Reviewed/amended by policy and fiscal committees
  - ❖ Floor vote (usually a simple majority vote)
- ❑ **Bill goes to governor – if signed into law, typically takes effect on January 1**



# Navigating the State Budget Process

Each year the Governor and Legislature work to craft the state's spending plan. While the January-to-June period gets the most attention, the process of developing the budget is an ongoing enterprise, giving Californians ample opportunity to stay engaged and involved year-round.

## The Governor

The Governor has the lead role in developing the state budget. Each year the Governor proposes a spending plan, which is introduced as the budget bill in the Legislature. The Governor can sign or veto the budget bill passed by legislators as well as other bills in the budget package that make policy changes related to the budget. The Governor can also reduce or eliminate individual appropriations using the line-item veto.

## The Legislature

The Legislature – made up of the Assembly and Senate – reviews the Governor's proposed budget and crafts its own version of the spending plan. The Legislature can maintain, modify, or reject the Governor's proposals, with review occurring through each house's budget committee and related subcommittees. The Legislature must pass the budget bill, but not other bills in the budget package, by June 15. The Legislature can override a Governor's veto by a two-thirds vote of each house.

## The Public

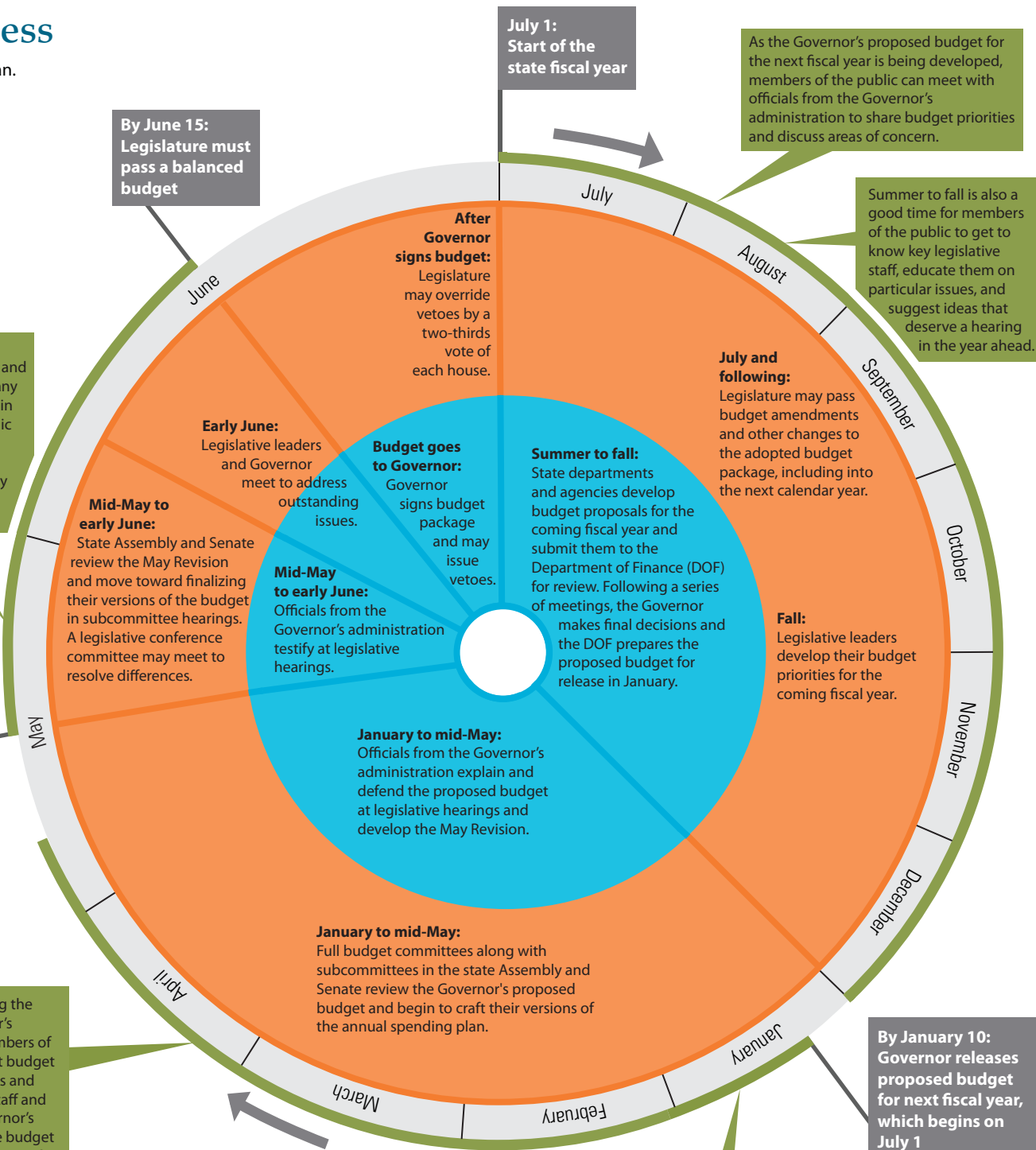
The public has various opportunities for input during the budget process. Members of the public can meet with officials from the Governor's administration and with legislators and their staffs, testify before budget committees and subcommittees, and write letters of support and opposition. Through individual engagement or as part of coalitions, members of the public can express their budget priorities and areas of concern.

Members of the public can meet with Governor's staff and legislative staff to discuss any changes or new proposals in the May Revision. The public can continue to offer comments at legislative hearings, although typically not during the two-house conference committee.

**By May 14:**  
Governor releases revised budget proposal ("May Revision")

In the months following the release of the Governor's proposed budget, members of the public can testify at budget subcommittee hearings and meet with legislative staff and officials from the Governor's administration to share budget priorities and discuss areas of concern.

After the release of the Governor's proposed budget, members of the public can submit letters of support/opposition to budget subcommittees, meet with budget subcommittee staff and legislative leadership staff, and get involved with coalitions.



# Key Steps in the Budget Process (Simplified!)



- ❑ **Governor's administration spends months developing budget proposal (due by January 10 each year)**
- ❑ **Assembly and Senate budget subcommittees review governor's proposals and develop their own versions of the state budget**
- ❑ **Governor and Legislature together determine funding priorities for upcoming fiscal year (starts July 1)**
- ❑ **Assembly and Senate vote on bills in budget package (usually a simple majority vote)**
- ❑ **Bills in budget package go to governor – if signed into law, typically take effect on July 1**



# **The Cost of a Proposal Helps to Determine Its Path Through the Legislature**





In many cases, good policy ideas aren't...





To move from concept to reality,  
proposals to change state policy  
often need funding.



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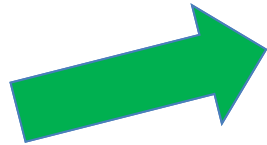
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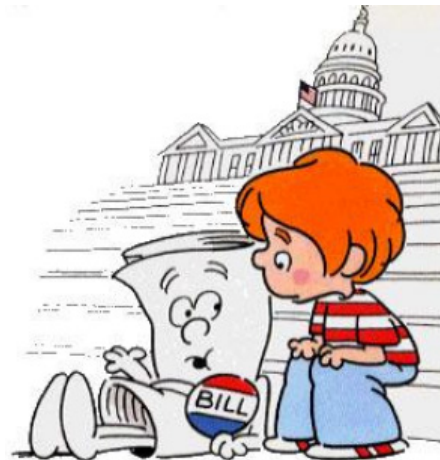
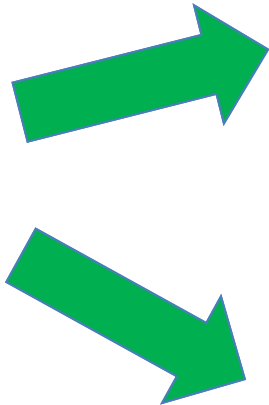
Sometimes  
a lot:



A relatively inexpensive proposal  
can move through the **budget process**...



A relatively inexpensive proposal  
can move through the **budget process**...  
...or as a **standalone policy bill** outside of  
the budget process.



# Key Points About Standalone Policy Bills That Would Increase State Costs

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- These bills generally **do not include funding** (an “appropriation”).
- Adding funding to a policy bill typically **would increase the vote threshold** to approve the bill from a simple majority **to two-thirds**, making it harder to pass.
- Instead, the cost of a policy bill may be
  - 1) funded through a future state budget or
  - 2) absorbed by a department’s budget.



A relatively costly proposal typically moves through the **budget process**.

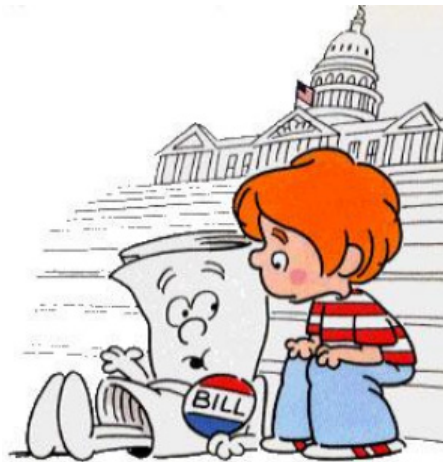
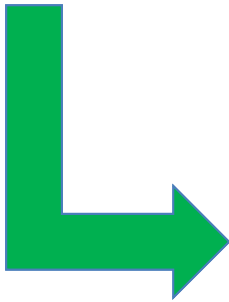


**However...**





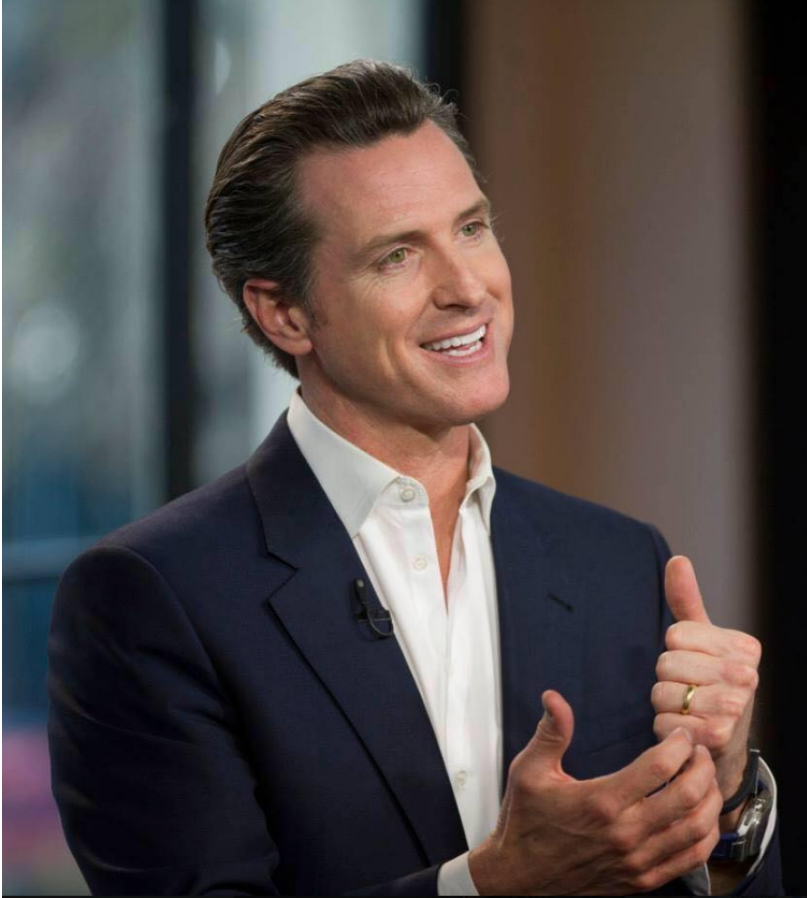
...an expensive proposal could benefit from **first moving as a policy bill** with the goal of shifting the proposal to the “budget track.”



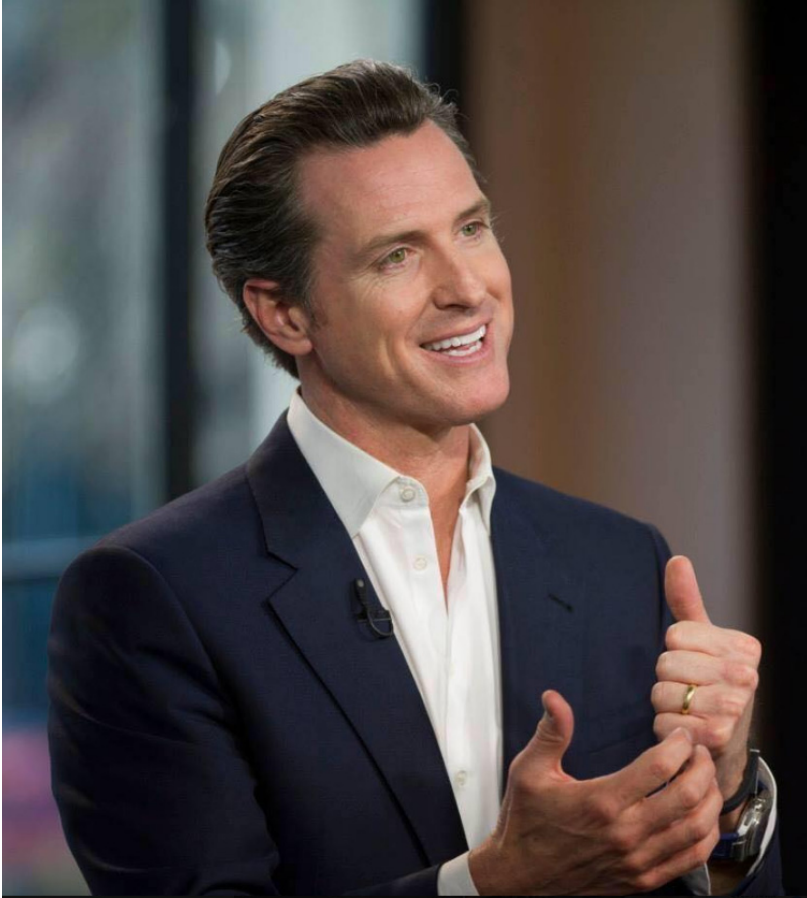
# Who Determines if a Proposal Is Expensive?



# The Governor Plays a Key Role in Deciding if a Proposal Is Costly or Not



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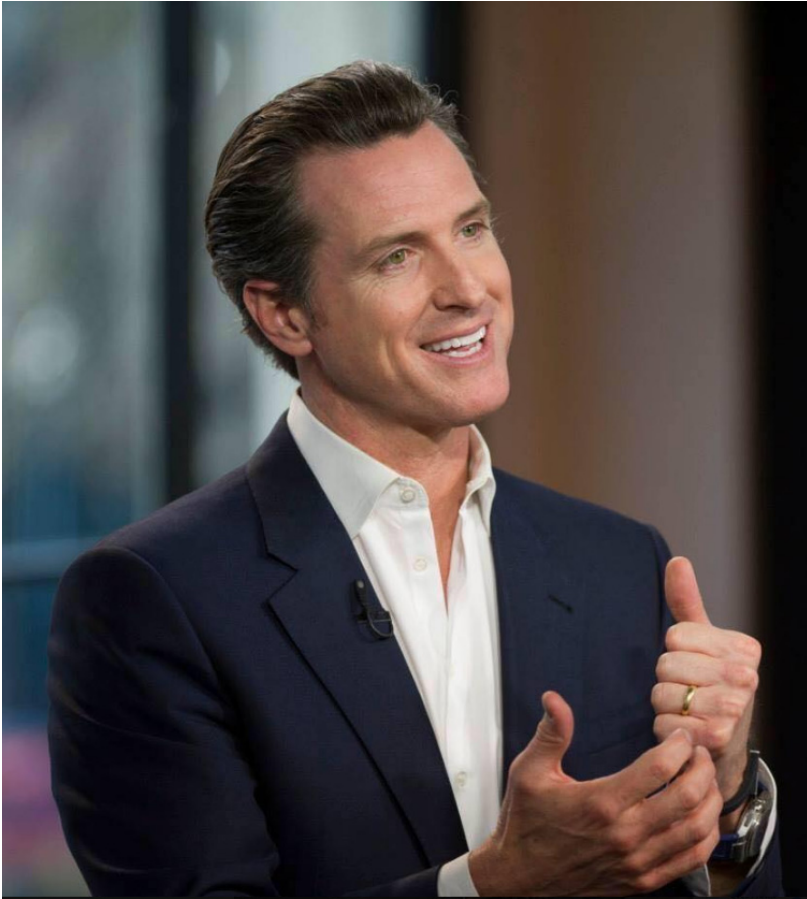
# The Governor Plays a Key Role in Deciding if a Proposal Is Costly or Not



- ❑ **Governors typically apply their own unique rule of thumb in assessing if a proposal is so costly that it should move through the budget process.**
- ❑ **However, the line that divides inexpensive proposals from costly ones:**
  - ❖ **Varies from governor to governor.**
  - ❖ **May not be applied consistently by any particular governor.**



# The Governor Plays a Key Role in Deciding if a Proposal Is Costly or Not



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- ❑ **However, the line that divides inexpensive proposals from costly ones:**
  - ❖ **Varies from governor to governor.**
  - ❖ **May not be applied consistently by any particular governor.**
- ❑ **Governor Newsom's rule of thumb is not yet clear.**





# What Was Governor Brown's Rule of Thumb for Deciding Which Proposals Were Costly?





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- ❑ Any proposal that would have resulted in a state cost of hundreds of thousands of dollars or more generally had to move through the budget process.



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- ❑ Any proposal that would have resulted in a state cost of hundreds of thousands of dollars or more generally had to move through the budget process.
- ❑ Governor Brown's signing message for Assembly Bill 480 (2017):
  - ❖ "I caution...against using legislation [policy bills] to enact new or expanded benefits. Negotiations on spending proposals belong in the annual budget process."



# Regardless of How a Governor Chooses to Define a “Costly” Policy Idea...

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- Requiring **relatively costly proposals** to move through the budget process means that many policy changes **must be examined in the context of the entire state budget.**
- This ensures that proposals with a major fiscal impact must be **weighed against other state funding priorities,** rather than considered in isolation.



# **The Critical Importance of Effective Advocacy**



# Smart and Persistent Advocacy Can Help to Lay the Groundwork for Policy Success

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- Whatever route a proposal takes through the Legislature, **it needs the support of a majority of legislators and the governor.**
- Effective advocacy and education can help to build support for a policy idea and lay the groundwork for success **when the political, policy, and fiscal conditions are right.**





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