



California Budget
& Policy Center

Dollars and Democracy: An Introduction to the State Budget Process

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SACRAMENTO, JULY 30, 2018

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**What comes to mind
when you think of the
state budget?**











**Budgets are statements of
our values and priorities.**



Goals of the Presentation

- Highlight **key facts** about California's state budget
- Describe the **constitutional framework** for the state budget process
- Review the budget process timeline, including the **Governor's role** and the **Legislature's role**
- Discuss when and how **members of the public** can get involved



Key Facts About the State Budget

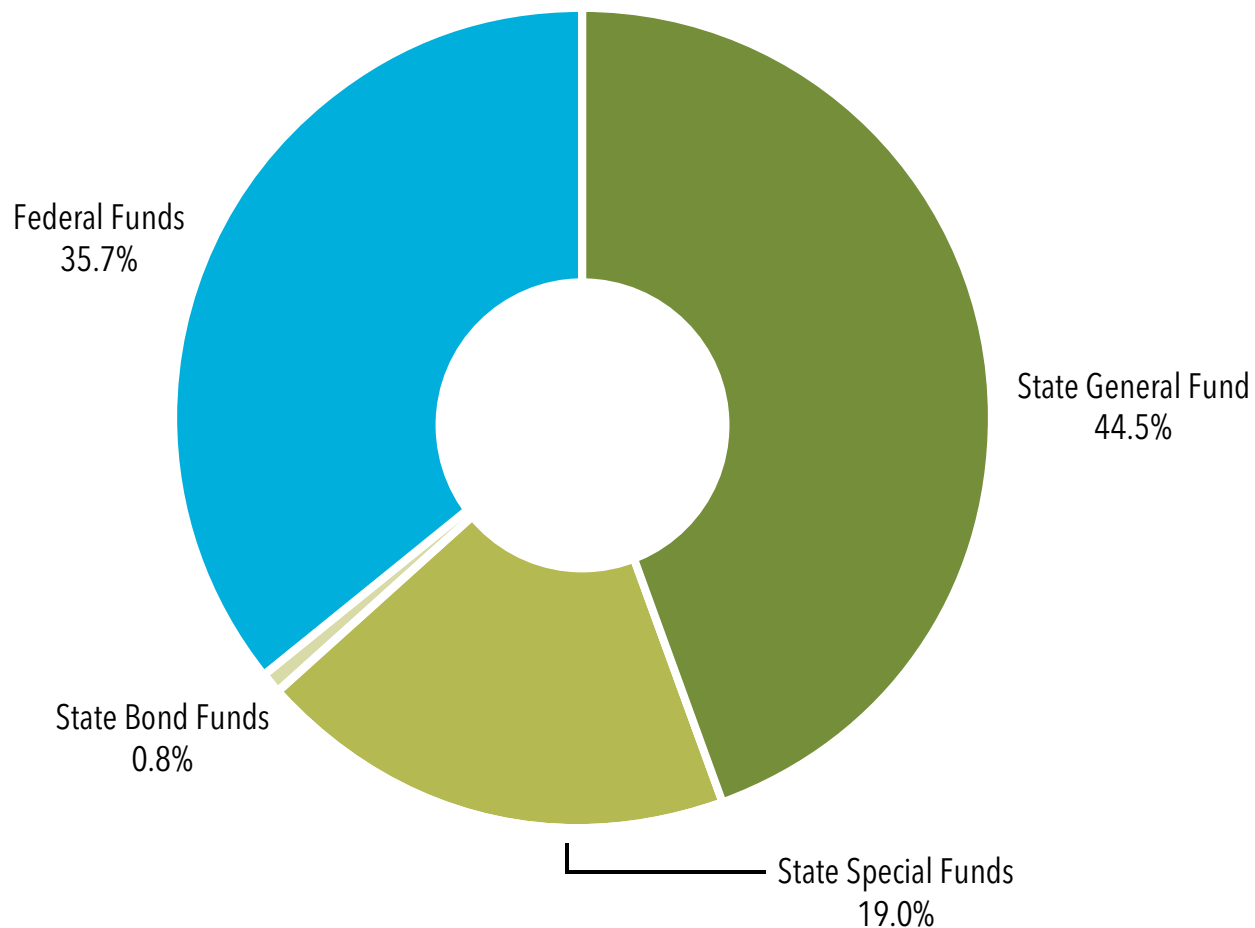


**The state budget =
state funds + federal funds.**



State Funds Account for Nearly Two-Thirds of California's State Budget

Total Proposed 2018-19 Expenditures = \$296.2 Billion



Source: Department of Finance



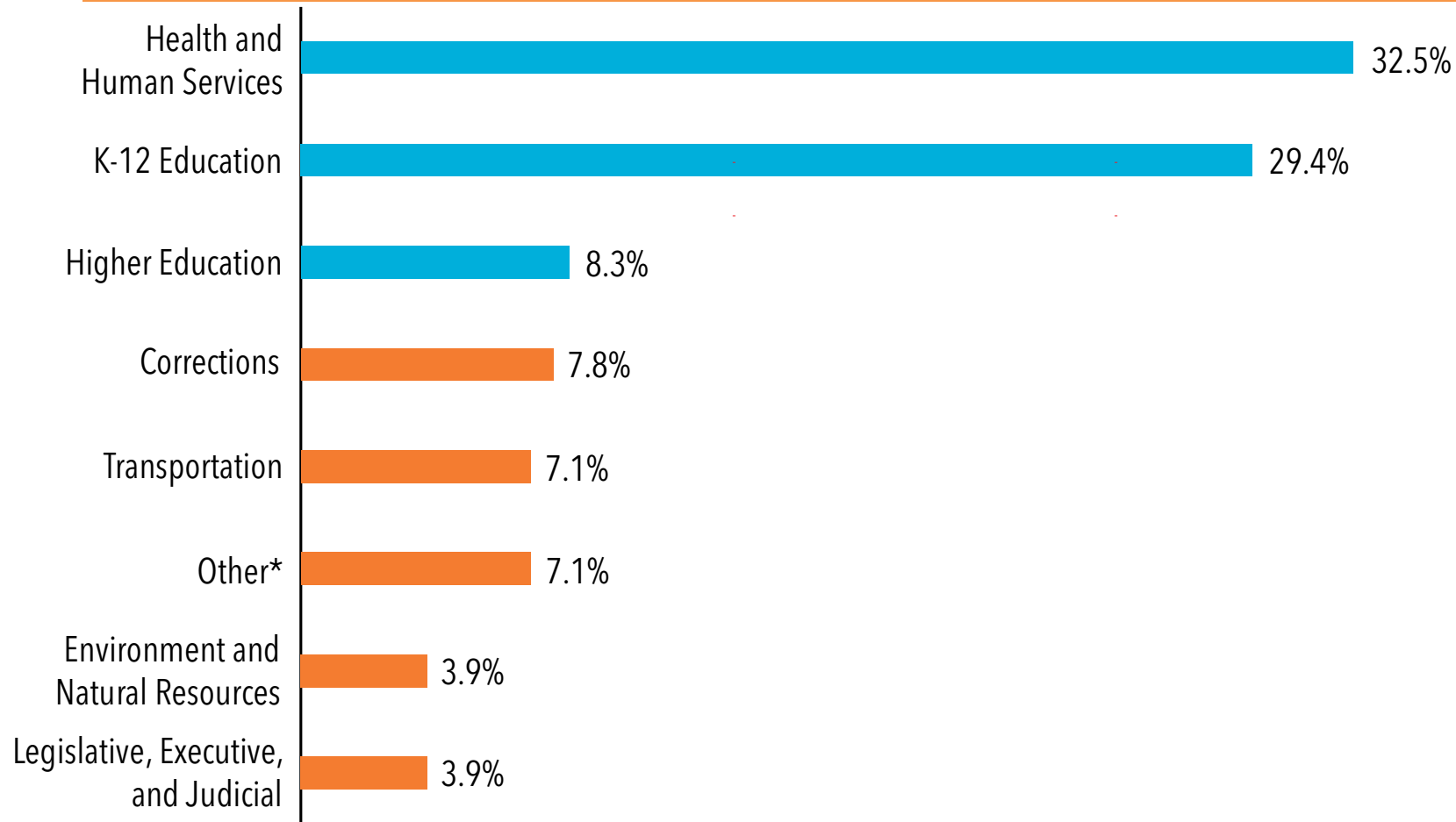
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**The state budget supports a
broad range of public services
and systems.**



More Than 7 in 10 State Dollars Support Health and Human Services or Education

Proposed 2018-19 General Fund and Special Fund Expenditures = \$187.8 Billion

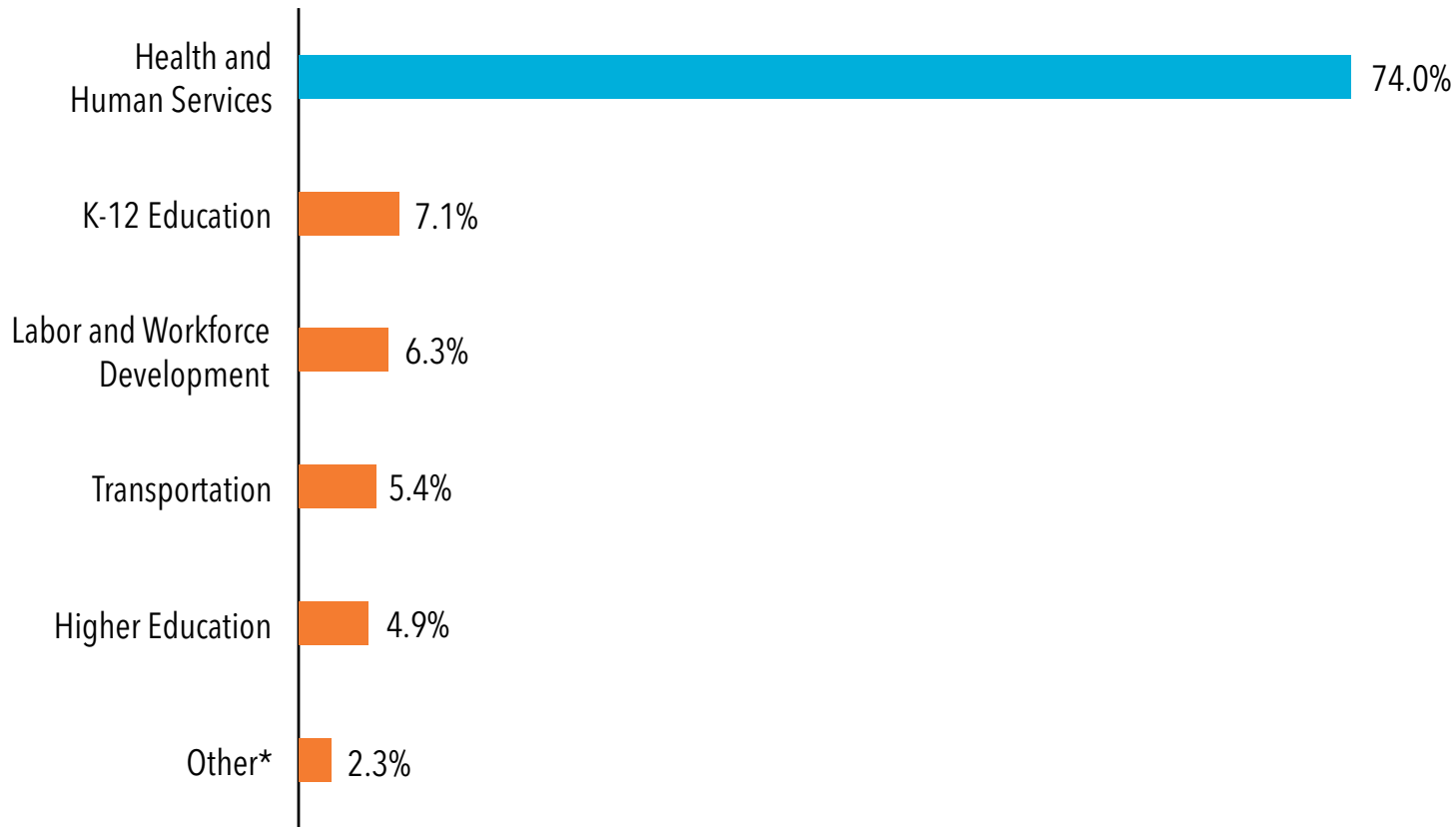


*Includes Business, Consumer Services, and Housing; Labor and Workforce Development; Government Operations; and General Government.
Source: Department of Finance



More Than 7 in 10 Federal Dollars Spent Through the State Budget Support Health and Human Services

Federal Funds Estimated to Be Spent Through the State Budget in 2018-19 = \$105.9 Billion



* Includes Environmental Protection; Legislative, Judicial, and Executive; Corrections and Rehabilitation; and other state budget categories that account for relatively small shares of federal funds.

Source: Department of Finance



**California's state budget is
actually a budget "package."**



The budget package consists of one or more **budget bills** plus budget-related **trailer bills**.



There is no limit on the number of trailer bills that may be included.



The 34 Bills in the 2017-18 Budget Package (So Far)

- **AB 97:** The initial **2017-18 budget bill**
- **AB 109, AB 120, AB 134, SB 108, and SB 113:** Additional budget bills that **amended the initial 2017-18 budget bill**
- **SB 107:** Another budget bill that **amended the 2016-17 budget bill**
- **Other bills in the budget package:** AB 99, AB 102, AB 103, AB 107, AB 111, AB 114, AB 115, AB 119, AB 126, AB 129, AB 130, AB 131, AB 133, AB 135, SB 84, SB 85, SB 88, SB 89, SB 90, SB 92, SB 94, SB 96, SB 97, SB 103, SB 110, SB 112, and SB 117



The Constitutional Framework for the State Budget Process



**California's Constitution
establishes the basic rules
of the state budget process.**



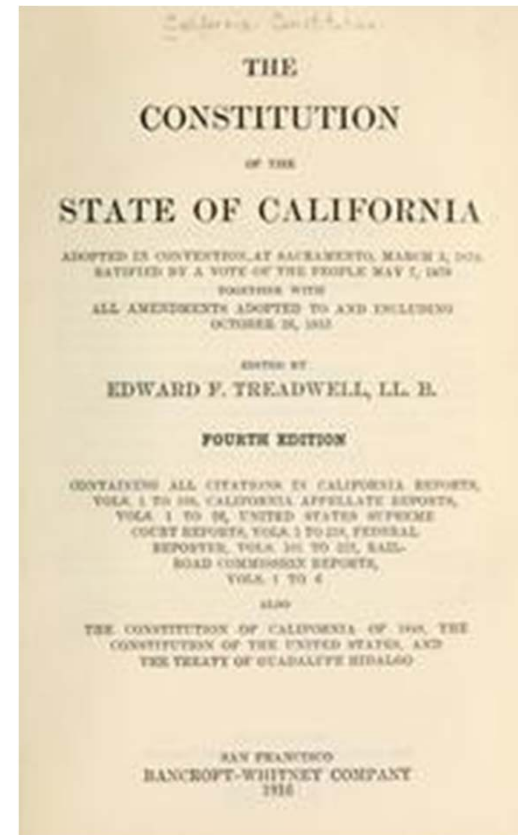
US Constitution

- Roughly 7,800 words
- Amended 27 times



California Constitution

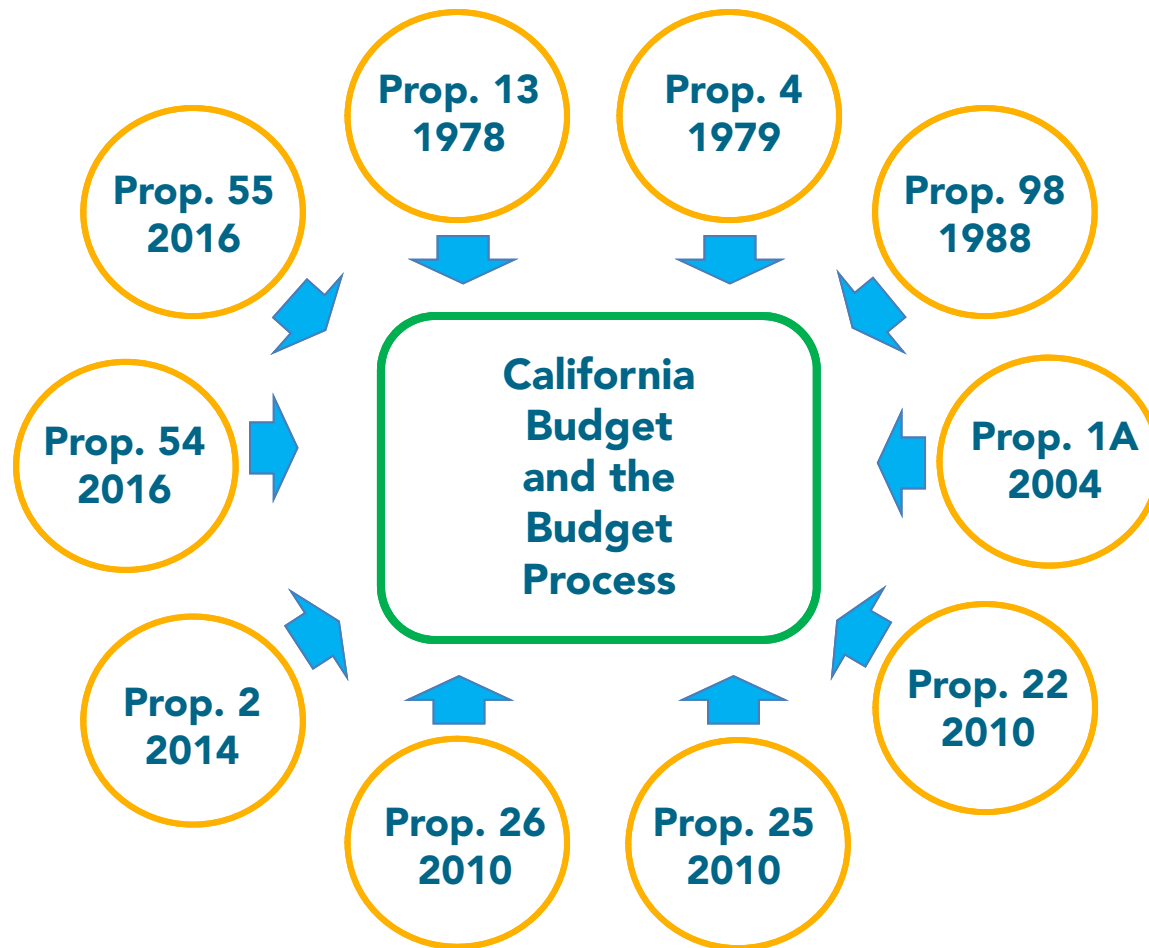
- Roughly 75,000 words
- Amended 500+ times



**Several ballot measures,
dating back to the 1970s,
have had an impact on
the budget and the budget
process.**



Ballot Measures With an Impact on the State Budget and the Budget Process



**The state Constitution
sets two budget-related
deadlines:
January 10 and June 15.**



**Bills must be published, in their final form, at least 72 hours before being passed by the Legislature.
(Proposition 54 of 2016)**



**The budget bill and most
budget-related bills can be
passed by a simple majority
vote.
(Prop. 25 of 2010)**



**A supermajority (two-thirds)
vote is needed to approve any
tax increase.
(Prop. 26 of 2010)**



Prop. 26 added this key phrase to the state Constitution:

“Any change in state statute which results in **any** taxpayer paying a higher tax” requires a two-thirds vote of each house of the Legislature.



**The state Constitution
contains complex formulas
that establish state budget
priorities.**



Three Key Budget Formulas in the State Constitution

- **Prop. 98 (1988):**
 - Guarantees a minimum level of funding for K-12 schools and community colleges.
- **Prop. 2 (2014):**
 - Requires some state revenues to be set aside to pay down debts and save for a rainy day.
- **Prop. 55 (2016):**
 - Creates a formula to boost funding for Medi-Cal, which provides health care services for low-income residents.



The State Budget Process: Key Players and Timeline



The budget process is cyclical.

**Decisions are made throughout the year, both
in public settings and behind the scenes.**



**The key players in the
state budget process are...**



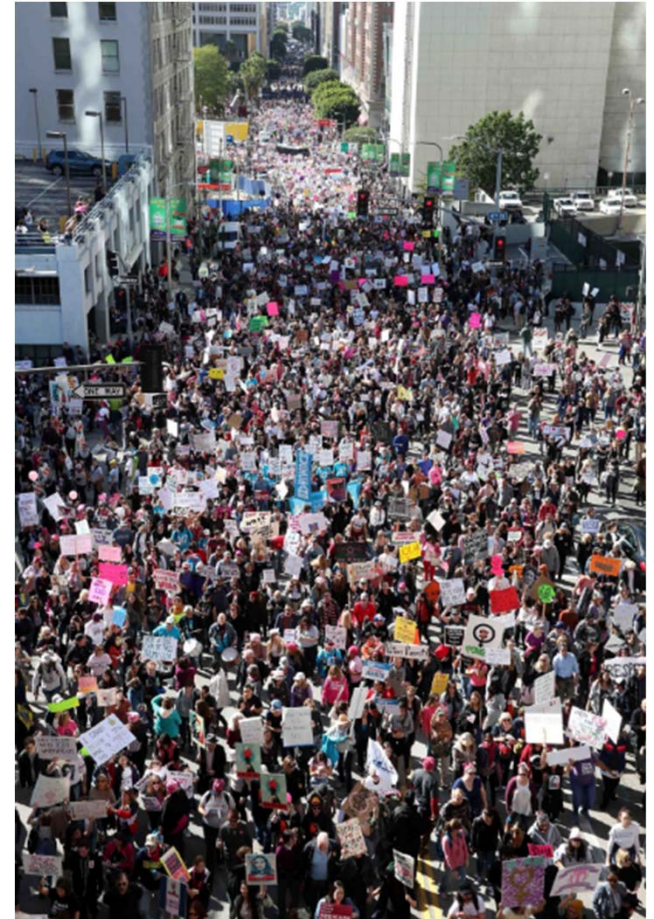
The Governor



The Legislature



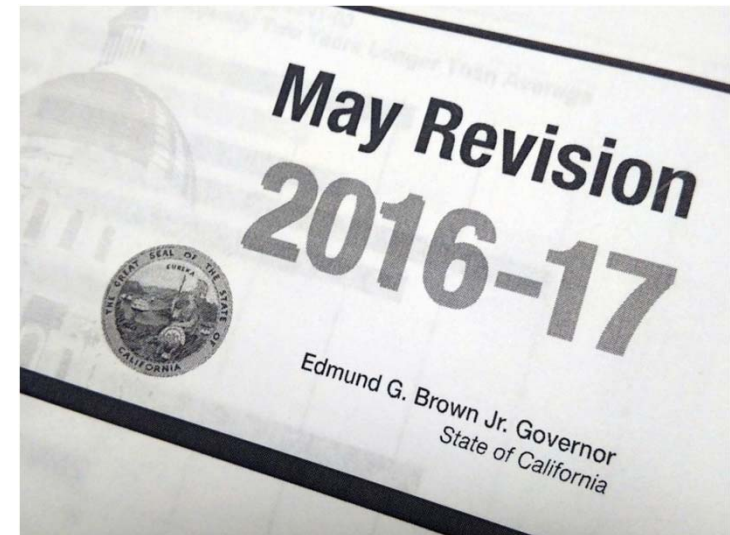
The Public



**The Governor has the lead
role in crafting the budget.**



State of California
DEPARTMENT OF FINANCE



**The Legislature reviews
and revises the Governor's
proposals, with help from the
Legislative Analyst's Office
(LAO).**



Holly Mitchell,
Chair, Senate
Budget and
Fiscal Review
Committee



Mac Taylor,
Legislative
Analyst



Phil Ting,
Chair,
Assembly
Budget
Committee



Members of the public have various opportunities to make their voices heard during the budget process.





The state budget process can be divided into three distinct periods.

July to December

January to Mid-May

Mid-May to June



July to December



Governor's Administration

- **Department of Finance (DOF) leads development of Governor's proposed budget.**
 - Look for opportunities to engage with Administration officials.

Legislature

- **Legislative leaders develop budget priorities.**
 - Seek to have your priorities considered.
- **Budget committee staff look ahead to upcoming budget deliberations.**
 - Build relationships and suggest ideas for hearings.



January to Mid-May



Governor's Administration

- **Proposed budget released by January 10.**
 - Weigh in on the Governor's proposals.
- **DOF makes budget adjustments and prepares May Revision.**
 - Engage with budget officials, offering candid feedback on Governor's initial proposals.

Legislature

- **Budget subcommittees hold dozens of hearings to review proposed budget.**
 - Testify at hearings and continue to meet with key legislators and staff.



Mid-May to June



Governor's Administration

Legislature

- **May Revision released by May 14.**
 - Look for opportunities to engage with Administration officials.
- **Budget subcommittees convene hearings on May Revision proposals.**
 - Testify at hearings and continue to meet with key legislators and staff.
- **Budget conference committee meets to iron out differences.**

The “Big 3” negotiate the final outlines of budget package.



The Bottom Line

- The state budget expresses our **values and priorities**.
- The **state Constitution** establishes the “rules of the game.”
- The budget process is **cyclical** – budget decisions are made throughout the year.
- The **Governor** has the lead role in crafting the budget; the **Legislature** reviews and revises the Governor’s proposals.
- **Public input** is a key part of the budget process and comes in many forms.





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Goals of the Presentation

- Highlight key facts about **counties** and **county budgets**
- Review the **state rules and local practices** that shape the county **budget process**
- Describe the county budget process **timeline**
- Highlight opportunities for **members of the public** to get involved



California's 58 Counties: The Basics



California County Government Basics

- 57 out of 58 counties are governed by an **elected, five-member Board of Supervisors**, with no elected chief executive. (San Francisco has an 11-member Board and an independently elected mayor.)
- Other independently **elected** county officials include the **Sheriff**, the **District Attorney**, and the **Assessor**.
- An **appointed County Manager** oversees the daily operations of the county government and prepares the annual budget (except in San Francisco).
- As legal subdivisions of the state, counties have **multiple roles in delivering public services**.



**County budgets express our
values and priorities.**



**County budgets are shaped
by budget and policy choices
at the *state* level.**



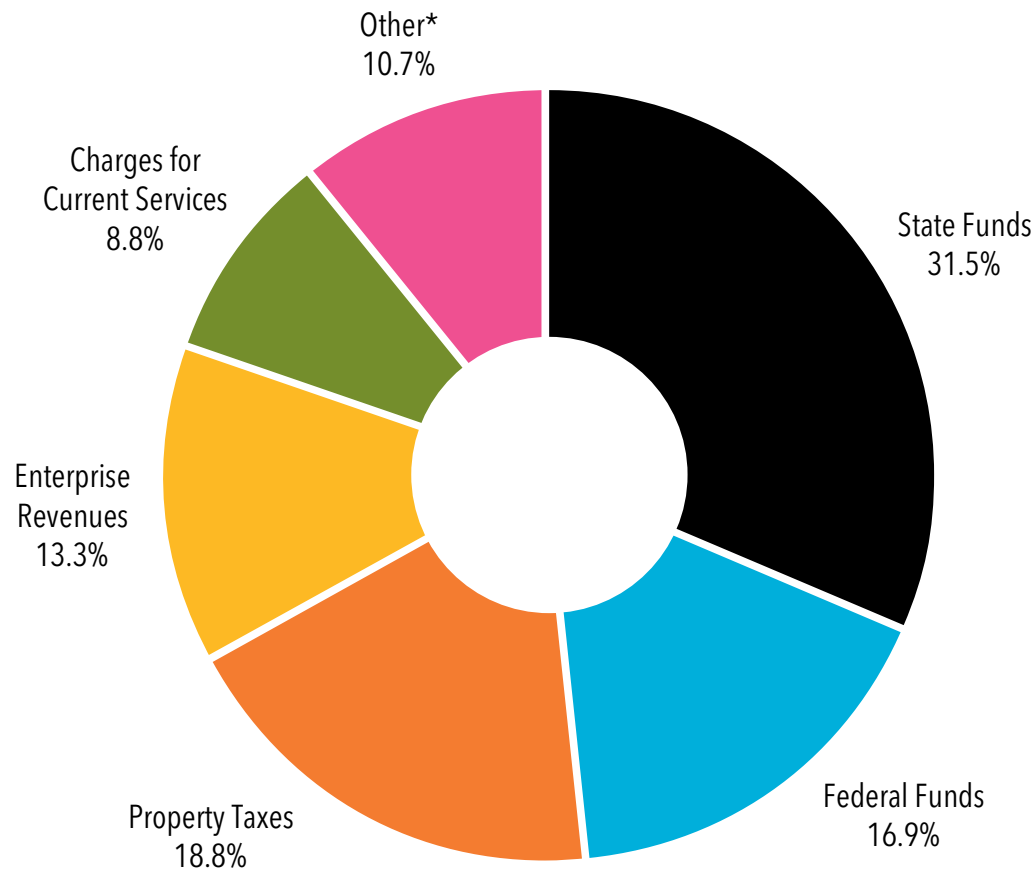
**County budgets also reflect
local choices.**



**County revenues =
state funds +
federal funds +
local funds**



State and Federal Funds Combined Comprise Nearly Half of County Revenues, 2012-13



* Reflects a range of smaller revenue sources, including other taxes, fines, licenses, and permits.

Note: Data exclude the City and County of San Francisco.

Source: State Controller's Office



State rules constrain counties' ability to raise revenues.

Counties cannot raise property tax rates to boost funding for local services (Prop. 13).

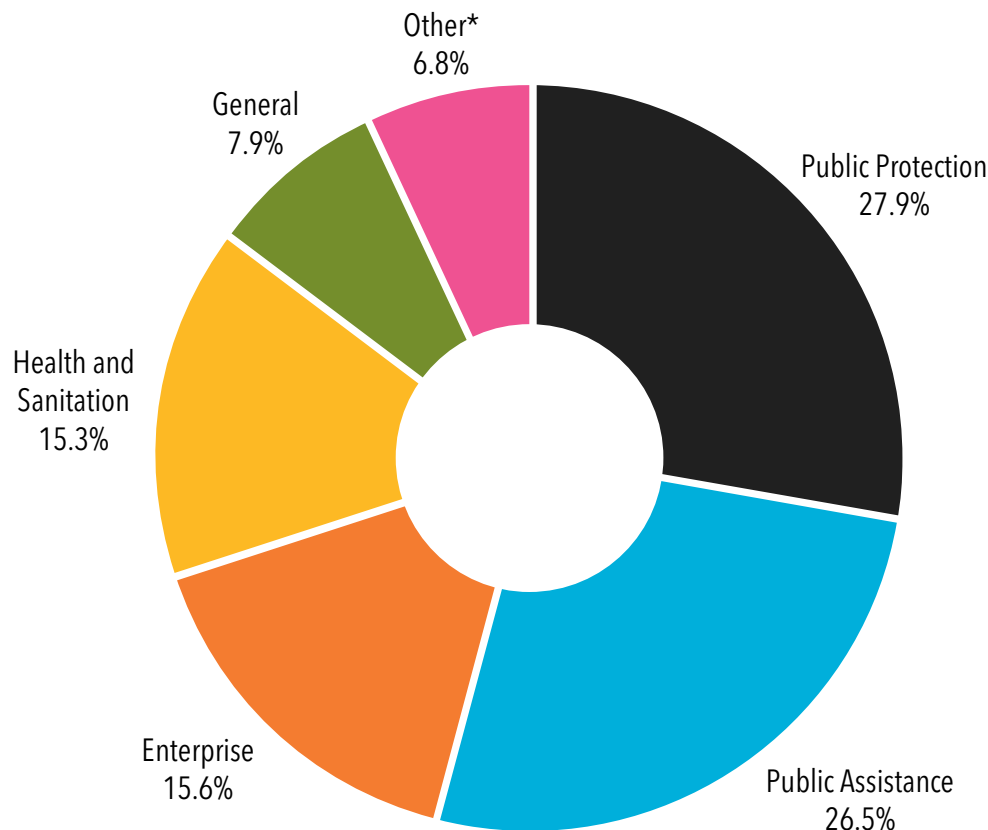
Other tax increases require approval by local voters (Prop. 13 and Prop. 218).



**County budgets support a
broad range of public services
and systems.**



Public Protection and Public Assistance Combined Account for Over Half of County Expenditures, 2014-15



* Reflects spending for public facilities, debt service, recreation and cultural activities, and education.

Note: Data exclude the City and County of San Francisco.

Source: State Controller's Office



Counties develop their budgets according to rules outlined in state law (the “County Budget Act”).

Local practices also shape the county budget process.



State law recognizes three distinct versions of the annual county budget.

Recommended Budget

Adopted Budget

Final Budget



State law gives counties two models for adopting their budgets.

The Board of Supervisors must adopt the county budget by either October 2 or – at county option – by June 30.



State law allows the Board of Supervisors to make many budget decisions by a simple majority vote.

However, a supermajority vote of the Board is required for some budget-related actions.



The county budget process is cyclical, with decisions made throughout the year.

Members of the public have various opportunities for input during the county budget process.



**The county budget process
and the state budget process
proceed on parallel tracks.**



County Budget Process: January to April

The county manager works with county staff to prepare the Recommended Budget.

The Recommended Budget reflects the objectives and guidance of the Board of Supervisors.



County Budget Process: May to June

The Board of Supervisors releases the Recommended Budget and holds a hearing.

By June 30, the Board either (1) formally adopts the county budget or (2) approves only the Recommended Budget, pending final action at a later date.



County Budget Process: July to September

If the Board of Supervisors does not formally adopt the budget by June 30, then they must do so by October 2.



County Budget Process: After the Budget Is Adopted

The county provides a copy of the budget to the State Controller.

The County Manager provides budget updates throughout the year.

Supervisors may revise the budget.



The Bottom Line

- County budgets are about **more than dollars and cents**.
- County budgets and the state budget are **intertwined** because counties are legal subdivisions of the state.
- Counties' ability to raise revenues is **constrained by state rules**.
- The county budget process is **cyclical** and is shaped by both **state law** and **local practices**.
- **Public input** is a key part of the process.





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