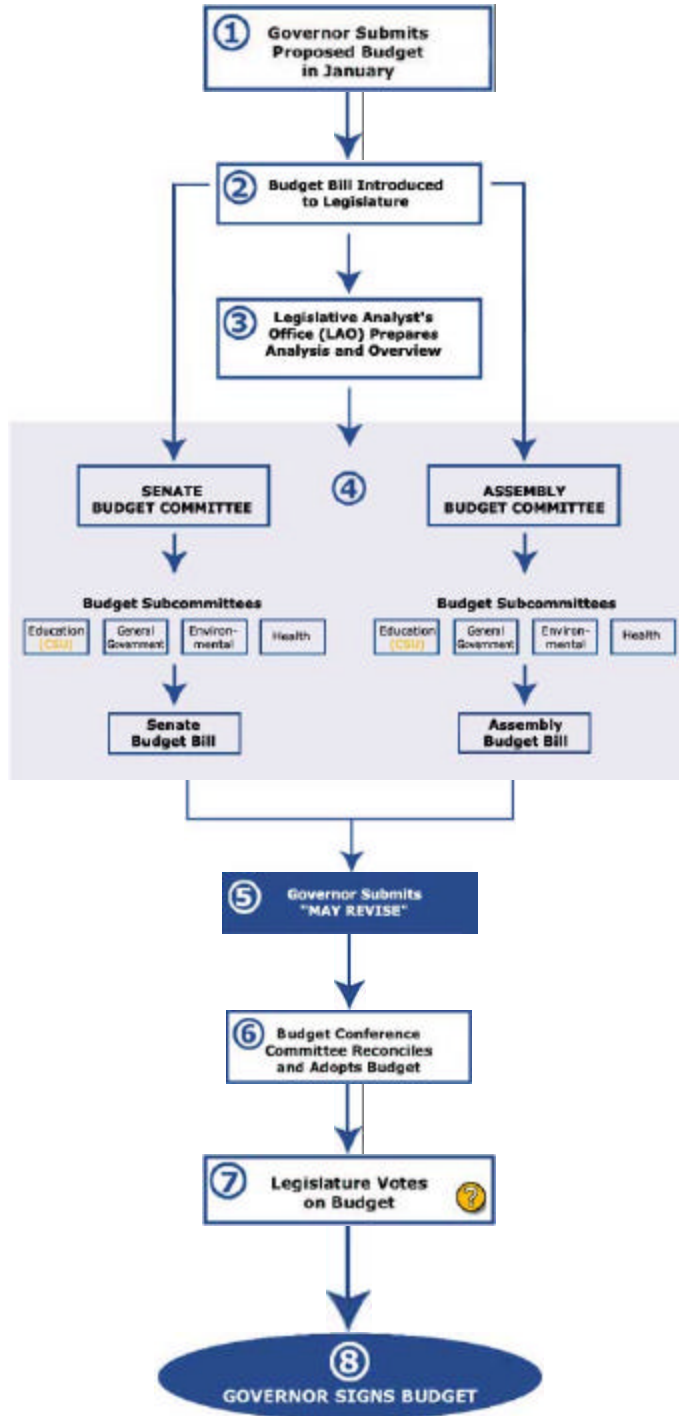


# California's State Budget: An 8-Step Guide



## **An 8-Step Guide**

The process of constructing the state budget has eight significant steps. The amount of time it takes the Legislature and Governor to move through these steps depends, among other things, on the economy and state revenues, the political makeup of the Legislature, and the spending priorities of both the Governor and the Legislature. The State Constitution declares that the Budget Bill must be passed by the Legislature no later than midnight, June 15, of each year, although the deadline is rarely met.

### **Step 1**

The State Constitution requires the Governor to submit to each house of the legislature a budget containing a complete plan and itemized statement of all proposed expenditures of the state on or before January 10 of each year. The Governor annually unveils the budget at a formal press conference. The Governor's State of the State address typically includes a general presentation of the Administration's budget policies and priorities.

### **Step 2**

After the Governor has submitted his or her budget, a budget bill is introduced in each house of the Legislature and referred to both the Assembly Budget Committee and the Senate Budget and Fiscal Review Committee.

### **Step 3**

The Legislative Analyst's Office (LAO) provides an analysis of the Governor's budget and publishes a detailed review at the end of February. This document, the "Analysis of the Budget Bill," includes individual department findings and recommendations for legislative action. A companion document, "Perspectives and Issues," provides an overview of the state's fiscal picture and identifies some of the major policy issues confronting the Legislature. These documents help set the agenda for the work of the Legislature's fiscal committees in developing a state budget. LAO staff works with these committees throughout the budget process and provides public testimony on the office's recommendations.

### **Step 4**

The Assembly Budget Committee and the Senate Budget and Fiscal Review Committee consider each item in the budget through their subcommittees, which have jurisdiction over different programmatic areas, such as education, health and human services, state operations and resources. Based on various factors, the subcommittees approve, reject or make adjustments to spending levels in their respective areas of responsibility and amend or add budget language directing specific actions or outcomes. The Senate and Assembly subcommittees meet concurrently so that each house develops its own version of the budget.

## **Step 5**

In May, the Governor will submit a revision of his/her January proposed budget. This is known as "May Revise." This revision takes into account revised general fund revenues, and is utilized by the governor to adjust the proposed spending levels for various items contained in the budget. The Governor's May Revise proposals must be adopted by the legislature during the subcommittee process, and each house retains the discretion to make adjustments in those proposals.

## **Step 6**

After the budget committees in both houses have developed their versions of the budget, there are generally differences in the proposed spending levels (and budget language) for various items. To reconcile these differences, a Conference Committee is formed consisting of three members of the Senate and three members of the Assembly (two members from the majority party and one member from the minority party in each house). According to legislative rules, the conferees go through each line item in which there is a difference in funding levels between the two houses. They will then vote to adopt either the Assembly or Senate version for each of these items. In recent years, the conference committee has conducted an "open conference," meaning that ALL budget items - when those on which the houses took the same action - may be reviewed and adjusted during the hearings. During the conference committee process, the conferees work closely with administration officials to reconcile the differences and create a budget that is acceptable to both the Legislature and the Governor.

## **Step 7**

After the Conference Committee deliberations, a budget is submitted to both houses for a vote. Passage of the budget requires a two-thirds vote, which provides the minority party with some leverage in the process. In recent years, many of the critical budget decisions necessary to generate the required two-thirds vote have taken place at the leadership level between the governor and the majority and minority leaders in each house - the so-called "Big Five."

## **Step 8**

Once the budget has been approved by the Legislature, it is sent to the Governor for his signature. At this point, the Governor can use his/her line-item veto power to reduce or eliminate expenditures (or budget language) from the budget (this is also called "blue penciling"). The State Constitution allows the Governor the Item Veto, which empowers the Governor to eliminate and/or reduce items in an appropriation bill containing multiple appropriations, while approving other portions of the same bill. Any items vetoed by the Governor can be reconsidered separately or overridden in the same manner as other bills (with a two-thirds vote requirement). The budget goes into effect upon the Governor's approval of the budget bill.