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California State Senate

COMMITTEE
ON
BUDGET AND FISCAL REVIEW

ROOM 5019, STATE CAPITOL
SACRAMENTO, CA 95814

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JENNIFER TROIA
DIANE VAN MAREN
SEIJA VIRTANEN

COMMITTEE ASSISTANT
GLENDA HIGGINS

(916) 651-4103
FAX (916) 323-8386

VOTE ONLY AGENDA May 27, 2010 Room 4203 Upon Adjournment of Appropriations Committee

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**BUDGET AND FISCAL REVIEW COMMITTEE
VOTE ONLY ITEMS**

Item/Issue No.	Governor's Proposal	2010-11 (\$ in thousands)	Comments
0739-000-0000	State School Building Aid Fund		
	SRL to require DOF to review availability of funds in the State School Building Aid Fund.	0	The January Budget estimated \$1 million in transfers from this fund to the GF. The May Revision adjusted that number to \$10 million, which is in line with historical revenues available for transfer. After this transfer, the Fund will have approximately \$20 million remaining. However, it is unclear what obligations exist on the remaining funds. The Assembly adopted SRL requiring DOF to review the availability of funds in Fund (0739) and to report back to the JLBC by January 1, 2011. Staff Recommendation: Adopt the Assembly SRL.
0840-000-0000	State Controller's Office		
1	Trailer bill language to remove the repayment requirement for a loan authorized to construct a California Olympic Training Center and require that, in lieu of repayment, revenues deposited in the California Olympic Training Account, which are derived from special fees related to sales of special Olympic license plates, be transferred to the GF.	0	The loan was authorized in 1989, to be paid in full no later than 20 years from date of receipt. The Administration has determined that there are no funds available for repayment and indicates that forgiving the loan would properly reflect a debt that is not collectible and therefore not overstate accounts receivable. These loan funds were not accounted for in the revenue estimates in the Governor's January Budget. Staff Recommendation: Adopt the May Revision trailer bill language request.
0911-000-0000	Citizens Redistricting Initiative		
1	Trailer bill language: JLBC Notification	0	There is a minor difference between the Assembly and Senate adopted trailer bill language on this item involving JLBC notification of Commission and Secretary of State budget requests related to Proposition 11 activities. Staff Recommendation: Adopt Assembly version of the trailer bill language to include JLBC notification.

**BUDGET AND FISCAL REVIEW COMMITTEE
VOTE ONLY ITEMS**

Item/Issue No.	Governor's Proposal	2010-11 (\$ in thousands)	Comments
3360-001-0001 1	California Energy Commission Placeholder budget bill language specifying that \$1,000 of proposed funding from the Renewable Resources Trust Fund is to be used to support the Biomass Energy Program.	0	<p>Although SB 705 (Chapter 481 statutes of 2003), prohibited open field burning of agricultural waste in the Central Valley, the local air district has not adopted a rule to enforce the ban. As such, burning of agricultural waste adds to air quality problems in the valley.</p> <p>The Biomass Energy Program was created in the early 2000's to help pay for the costs of getting high-quality biomass fuels out of the fields, and processed and transported to biomass conversion plants that use those materials to create electricity from renewable energy. Staff Recommendation: Approve placeholder BBL specifying that a token amount (\$1,000) of the existing appropriation from the Renewable Resources Trust Fund is to be used to support the Biomass Energy Program. This action will send this item to Conference for further discussion on how to responsibly and economically dispose of agricultural waste.</p>
3790-301-6051 3790-491 3790-495	Department of Parks and Recreation		
1	Capital Outlay -- April Finance Letter	299	<p>The Governor requests approximately \$300,000 from Proposition 84 for an Old Town San Diego State Historical Park Public Use Facilities project, and additionally requests various reappropriations. These items were inadvertently left off of an earlier subcommittee agenda. Staff Recommendation: Approve as budgeted.</p>
2	Various Reappropriations		<p>Two reappropriations were inadvertently omitted from an earlier subcommittee agenda. These include Murray-Haden funds for: (1) the Richmond Natatorium seismic retrofit project; and (2) the Girls Today Women Tomorrow project. Staff Recommendation: Approve the reappropriations. (Staff to circulate language.)</p>

**BUDGET AND FISCAL REVIEW COMMITTEE
VOTE ONLY ITEMS**

Item/Issue No.	Governor's Proposal	2010-11 (\$ in thousands)	Comments
6110-196-0001	California Department of Education		
1	Child Care - Extend San Francisco Pilot Project by Six Months	0	The San Francisco Individualized Child Care Subsidy Plan Pilot Project will sunset January 1, 2011. The pilot project was intended to last for the fiscal year and this language would extend the project to June 30, 2011. Staff Recommendation: Approve time extension.
6440-001-0001	University of California		
1	UC Riverside Medical School Reporting Language	0	Budget bill language requiring UC Riverside Medical School to report on specified issues. The UCR Medical School is new and will begin accepting students in the Fall of 2012. Staff Recommendation: Approve budget bill language. (Staff to circulate language.)
6870-001-0001	California Community Colleges		
1	Technical clean-up of cash deferral language		Governor's trailer bill language requesting technical changes to community college cash deferral. Staff Recommendation: Approve Governor's Jan 10 trailer bill language.
CS 8.26	Control Section 8.26		
1	Federal revenue trigger that would cause new cuts and revenue if less than \$6.9 million in new federal funds are received. Withdrawn with May Revision		Senate has already rejected related trailer bill in many areas. Staff Recommendation: Adopt May Revision to delete Control Section
Budget Reform			
SB 1020 (Wolk)	Performance Based Budgeting		This bill was heard by the committee on April 12, 2010. It represents the performance based budgeting recommendations put forward by the bipartisan California Forward organization. Staff Recommendation: Approve SB 1020
SB 1426 (DeSaulnier)	Multi-Year Budget Plan		Components of this bill were contained in SCA 19 (De Saulnier) when they were heard by the committee on April 12, 2010. This bill would require the Governor to present a budget plan for the budget year and subsequent year as well as other requirements to ensure that the Governor's budget plan has sufficient revenues and or expenditure reductions to cover any new programs or tax expenditures. This bill would make these changes statutorily and not in the constitution. Staff Recommendation: Approve SB 1426

SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW
Denise Moreno Ducheny, Chair

Bill No:	SB 1020
Author:	Wolk
As Amended:	February 11, 2010
Consultant:	Keely Martin Bosler
Fiscal:	Yes
Hearing Date:	May 27, 2010

Subject: State budget.

Summary: This bill provides a statutory framework for the implementation of performance based budgeting and for a systematic program performance review by the Legislature. The provisions of this bill are the same performance based budgeting and program performance review provisions contained in the larger package of reforms sponsored by *California Forward*.

Background:

Historic Budget Reform Efforts. There have been numerous proposals to reform the budget over the past decades. Historical reform efforts include, but are not limited to, the following:

- Pilot projects on performance budgeting in four State departments starting in 1993 by then Governor Pete Wilson.
- Recommendations by the **California Constitution Revision Commission** that convened from 1994 to 1996 at the direction of statute and made various recommendations regarding the State budget process and alignment of programs between State and local governments.
- Recommendations by the **California Citizens Budget Commission** in 1998 that proposed statutory and constitutional changes to the budget process, including reducing the vote requirement for the State budget to a majority vote.
- Recommendations in the Governor's 2004 **California Performance Review** regarding the State budget process, including a recommendation to adopt a biennial budget and a performance-based budgeting system.

California Forward Organization. *California Forward* has sponsored the most recent efforts regarding government reform. *California Forward* is an organization that was created by California Common Cause, the Center for Governmental Studies, the New California Network, and the Commonwealth Club of California's Voices for Reform Project in March 2008. The organization's main goal is to contribute to improving the quality of life for all Californians by creating a more responsive, representative, and cost-effective government. This organization is funded by the following foundations: the California Endowment, the Evelyn and Walter Haas Jr. Fund, the William and Flora Hewlett Foundation, the James Irvine Foundation, and the David and Lucile Packard Foundation.

In 2008, *California Forward* started a process of consultation and engagement with the public and community leaders regarding a government reform agenda. They have made hundreds of presentations, consulted with hundreds of community leaders, conducted focus groups and public opinion research in the development of a reform agenda that includes budget process reform and local government reform. Performance-based budgeting and program performance review are just two of the reforms proposed by *California Forward*.

Proposed Law:

This bill does the following:

Program Performance Review. This bill requires the Legislature to establish a process for reviewing the performance of all state programs at least once every ten years, including tax expenditures. Six months prior to the deadline for review of each program, a joint committee shall refer the initial program review to the appropriate policy committee of each house of the Legislature. A joint committee shall propose legislation based on the policy committee recommendations and other recommendations that will reduce costs, improve outcomes, or terminate the program. The proposed legislation of the joint committees shall be submitted to the Rules Committee in each house and referred to appropriate committees for public hearings and further actions. This bill requires the proposed legislation to be posted on the joint committee's website.

Performance Data in Budget Document. This bill requires each state agency to submit performance data that reflect desired outcomes for existing and proposed activities as part of the annual budget submission. This bill also requires each state agency to identify and update the following: the mission and goals of the agency, the activities and programs focused on achieving those goals, performance metrics, prior-year performance data, and proposed changes in statute to improve outcomes or reduce costs. This data shall be available on the Governor's website.

Development of a Performance-Based Budget. This bill requires that performance based budgeting methods be implemented for all budgets submitted to the Legislature by the 2014-15 fiscal year. This bill requires the LAO to review the adequacy of the performance metrics.

This bill creates a task force consisting of the Department of Finance (DOF), the State Controller's Office (SCO), and the Chairpersons and Vice Chairpersons of the budget committees that shall review and comment on DOF's guidelines for developing performance-based budgets, on DOF's training program to ensure successful implementation of performance-based budgets, and on DOF's plans for implementing performance-based budgeting.

Fiscal Effect:

This bill is likely to require new state spending in the tens of millions of dollars annually to develop and implement new performance standards. This includes additional resources for the DOF and the LAO given their expanded roles under this bill. In addition, new information technology expenditures could result to address the new requirements.

Source: California Forward

Support:

American Council of Engineering Companies of California
California Business Properties Association
California Chapter of the American Fence Association
California Construction and Industrial Materials Association
California Fence Contractors' Association
California Forestry Association
California Grocers Association
California Independent Oil Marketers Association
California League of Food Processors
California Manufacturers & Technology Association
California Taxpayers Association

Chemical Industry Council of California
Engineering Contractors' Association
Flasher/Barricade Association
Marin Builders' Association
Western Growers
Western States Petroleum Association

Supporters of SB 777 the 2009 version of SB 1020:

California Forward (Sponsor)
California Association of Nonprofits
California Taxpayers Association (Cal-Tax)
Children Now
Northbay Leadership Council
Fresno Unified School District
San Jose Unified School District
Orange County Business Council
Saving California Communities
Yolo County
City of Long Beach
City of Riverside
City of Monterey
Kern County Taxpayers Association
Valley Industry and Commerce Association
Inland Empire Economic Partnership
Monterey County Business Council

Individuals

Bill Slaton, SMUD board member
Robert Goetsch, President, Zephyr Development
Bruce Presser, CEO, The Covello Group
Fred Main, California Forward Advisory Committee

Opposed: None on file.

Comments:

1. **Performance Measures and Management.** Performance measures can be a useful tool for managers to assess how effective programs are in meeting their goals and to help focus managers on outcomes and not processes. However, many state departments would have to make significant changes to their management structure, training, and data collection systems before they could effectively use performance measures to guide management decisions. Given this, it is unclear whether the state could meet the deadline for performance measures set forth in this constitutional amendment. This is especially true if there is not sustained leadership in the executive branch on this effort.
2. **Measurements and Priorities.** Performance measurements can be useful tools in helping the Legislature evaluate program performance and efficacy. However, they are not a substitute for setting Legislative priorities. For example, public needs still require funding regardless of a department's administrative performance in achieving an agreed upon performance level.

**Introduced by Senators Wolk, DeSaulnier, and Huff
(Principal coauthor: Senator Ashburn)**

(Principal coauthors: Assembly Members Buchanan and Niello)

February 11, 2010

An act to add Sections 9143.5, 13335.3, and 13335.5 to the Government Code, relating to the state budget.

LEGISLATIVE COUNSEL'S DIGEST

SB 1020, as introduced, Wolk. State budget.

(1) The California Constitution requires the Governor to submit annually to the Legislature a budget itemizing state expenditures and estimating state revenues and requires the Legislature to pass the Budget Bill by midnight on June 15.

This bill would require that the budget submitted by the Governor to the Legislature for the 2014–15 fiscal year and each fiscal year thereafter be developed pursuant to performance-based budgeting, as defined, for each state agency.

(2) Under existing law, a state agency for which an appropriation is made is generally required to submit to the Department of Finance for approval a complete and detailed budget setting forth all proposed expenditures and estimated revenues for the ensuing fiscal year.

The bill would require the budget of a state agency, as defined, submitted to the department to utilize a performance-based budgeting, as defined. The bill also would establish a task force comprised of the Director of Finance, the Controller, and the chairpersons and vice chairpersons of the Senate Committee on Budget and Assembly Committee on Budget to develop performance-based budgeting guidelines and procedures and a process for phasing in requirements of performance-based budgeting and to review and comment on a

training and education program for state agency personnel involved in the budget process developed by the Department of Finance.

Vote: majority. Appropriation: no. Fiscal committee: yes.
 State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 9143.5 is added to the Government Code,
 2 to read:
 3 9143.5. (a) Within one year of the effective date of the act that
 4 added this section, the Legislature shall establish a process,
 5 including the creation of a new or use of an existing joint
 6 committee, and shall include a schedule and a deadline for
 7 reviewing the performance of all programs at least once every 10
 8 years in a bill implementing the Budget Act. The schedule shall
 9 provide for reviewing programs with expenditures that total
 10 one-third or more of total expenditures by July 1, 2015, and that
 11 total two-thirds of total expenditures by January 1, 2018. For
 12 purposes of this section, “expenditures” include statutory
 13 exemptions, deductions, credits, or exclusions from taxes or fees
 14 that would otherwise apply.
 15 (b) Six months prior to the deadline for review of each program,
 16 the joint committee shall refer the initial program review to the
 17 appropriate policy committees of each house of the Legislature.
 18 For programs with common objectives, the reviews may be
 19 combined. Within 90 days prior to the deadline, the policy
 20 committees shall make recommendations regarding a program to
 21 the joint committee. The joint committee’s review may be based
 22 on the recommendations of the policy committees, as well as
 23 recommendations that may be made by the Milton Marks “Little
 24 Hoover” Commission on California State Government Organization
 25 and Economy, the Legislative Analyst, the Bureau of State Audits,
 26 or the public. In preparing proposed legislation for each program,
 27 the joint committee shall propose, but is not limited to, one or more
 28 of the following:
 29 (1) Modifications to the program that will reduce costs.
 30 (2) Modifications to the program that will improve outcomes.
 31 (3) Reorganization of the program by consolidating it with
 32 programs that have similar objectives.
 33 (4) Termination of the program.

1 (c) Proposed legislation shall be submitted to the Committee
2 on Rules of each house for referral to the appropriate policy
3 committee for public hearing and further action.

4 (d) The joint committee shall post on an Internet Web site its
5 recommendations and the results of the Legislature’s action.

6 (e) “Performance-based budgeting” has the same meaning as
7 set forth in subdivision (d) of Section 13335.3.

8 SEC. 2. Section 13335.3 is added to the Government Code, to
9 read:

10 13335.3. (a) The purpose of performance-based budgeting is
11 to inform policy, fiscal, and oversight decisions by the Governor
12 and Members of the Legislature; to focus managers, supervisors,
13 and rank and file workers on achieving desired goals; and to
14 communicate to the public the value of public programs, progress
15 toward desired results, and the choices available to improve the
16 expenditure of public funds.

17 (b) Every state agency for which an appropriation has been
18 made shall submit to the department for approval a complete and
19 detailed budget at the time and in the form prescribed by the
20 department, setting forth all proposed expenditures and estimated
21 revenues for the ensuing fiscal year.

22 (c) The budget submitted to the department and proposed by
23 the Governor shall use performance-based budgeting methods that
24 make it clear to policymakers and the public the value and results
25 of existing operations and proposed changes.

26 (d) As used in this article, “performance-based budgeting”
27 means establishing clear accountability by achieving measurable
28 performance results from the expenditure of state resources.

29 (e) A performance-based budget shall identify and update all
30 of the following:

31 (1) The mission and goals of the agency.

32 (2) The activities and programs focused on achieving those
33 goals.

34 (3) Performance metrics that reflect desired outcomes for
35 existing and proposed activities and a targeted performance level
36 for the following year.

37 (4) Prior-year performance data and an explanation of deviation
38 from previous-year targets.

1 (5) Proposed changes in statute, including the creation of
2 incentives or elimination of disincentives that could improve
3 outcomes or hold down costs.

4 (f) The Governor’s Internet Web site shall provide a summary
5 of each state agency’s mission, goals, prior-year performance, and
6 future-year objectives.

7 SEC. 3. Section 13335.5 is added to the Government Code, to
8 read:

9 13335.5. (a) Not later than the 2014–15 fiscal year, and each
10 fiscal year thereafter, the budget submitted by the Governor to the
11 Legislature, as required by Section 12 of Article IV of the
12 California Constitution, shall be developed by utilizing
13 performance-based budgeting methods.

14 (b) The amount of each appropriation made in the Budget Act
15 for the 2014–15 fiscal year, and each fiscal year thereafter, for
16 expenditure by any state agency shall be determined after
17 considering performance-related data. The Budget Act introduced
18 by the Governor also shall include performance standards, which
19 may be amended by the Legislature in the same manner as
20 amendments to appropriations in the Budget Bill. These standards
21 shall be applied to each state agency, and should allow the public
22 and policymakers to understand the effectiveness and efficiency
23 of each program.

24 (c) The Legislative Analyst’s Office shall review the adequacy
25 of performance metrics and progress toward targeted outcomes in
26 preparing its review of the Governor’s budget proposal.

27 (d) A task force consisting of the director, the Controller, and
28 the chairpersons and vice chairpersons of the Senate Committee
29 on Budget and Fiscal Review and the Assembly Committee on
30 Budget shall do all of the following:

31 (1) Review and comment on guidelines and procedures drafted
32 by the department to be used by state agencies in developing
33 performance-based budgets pursuant to Sections 13320 and
34 13335.3. The guidelines shall describe how state employees will
35 be involved in establishing and implementing performance
36 standards.

37 (2) Review and comment on a training program developed by
38 the department for appropriate executive branch personnel to ensure
39 the successful implementation of performance-based budgeting
40 and management by state agencies.

1 (3) Review and comment on a plan prepared by the department
2 for systematically phasing in the requirements of Sections 13320
3 and 13335.3. The plan should ensure that, by the 2012–13 fiscal
4 year, performance-based budgeting methods are used in preparing,
5 reviewing, and enacting one-third or more of the total General
6 Fund expenditures as proposed in the Governor’s Budget for that
7 fiscal year.

8 (e) For purposes of this article, “state agency” means any
9 agency, department, or other entity of the executive branch of the
10 state that is required to submit a budget pursuant to Article 2
11 (commencing with Section 13320).

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SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW
Denise Moreno Ducheny, Chair

Bill No:	SB 1426
Author:	DeSaulnier
As Amended:	May 26, 2010
Consultant:	Keely Martin Bosler
Fiscal:	Yes
Hearing Date:	May 27, 2010

Subject: State budget: 2-year spending plan.

Summary: This bill proposes a two-year budget process starting in 2011-12.

Background:

State Budget Process Overview. Under the current State Constitution the Legislature has the power to appropriate State funds and make midyear adjustments to those appropriations. The annual State budget act is the Legislature’s primary method of authorizing expenses for a particular fiscal year. Also, under the current State Constitution the Governor is required to propose a balanced budget by January 10 for the next fiscal year (beginning July 1) and the Legislature is required to pass the annual budget act by June 15. Under current law the Governor may also reduce or eliminate specific appropriation items using his or her “line-item veto” power and the Legislature may override a veto with a two-thirds vote in each house. However, once the budget has been approved by the Legislature and the Governor, current law provides the Governor with limited authority to reduce spending during the year without legislative approval.

Proposed Law:

This bill requires the Director of Finance provide the Legislature updated projections of state revenues and state expenditures on or before October 15 of each year.

This bill requires the Governor to submit a budget for both the budget year and the succeeding fiscal year. The budget shall contain provisional language, performance measurement standards, and a projection of anticipated state revenues, including revenues anticipated to be one-time revenue.

This bill also requires that the budget contain a projection of state expenditures and revenues for the three fiscal years following the fiscal year succeeding the budget year and budget plans for those three fiscal years.

If the expenditures exceed estimated revenues in the budget year or succeeding fiscal year, this bill would require that the Governor recommend reductions in expenditures or the sources of additional revenues, or both. The bill further requires an analysis of the recommendations on the long-term impact that expenditure reductions or additional revenues have on the economy of California.

This bill also requires the Governor to submit to the Legislature, annually with the budget, any legislation needed to implement appropriations contained in the budget and a five-year capital infrastructure and strategic growth plan.

This bill requires that if the Governor's budget expands or creates a new program or expand the scope of an existing program, which results in an increase in state costs or reduces a state tax in the budget year or succeeding year, the proposal must be accompanied by a statement identifying state program reductions or additional revenue that are equal or greater than the net increase in the state costs of the new or expanded program or tax expenditure.

Fiscal Effect:

The direct fiscal effects of this bill are likely to be minimal. The indirect effects of this bill are unknown and depend on future actions by the Legislature.

Source: Author

Support: None on file.

Opposed: None on file.

Comments:

1. **Planning May Improve.** This bill may result in improved planning to the extent that the Governor's plan must take into account large expenditure increases or revenue reductions in year two of the two-year cycle. However, the state currently has limited abilities to forecast caseload, expenditures and revenues accurately beyond the fiscal year. This would most likely make the second year of the two-year cycle inaccurate and require significant revisions.

AMENDED IN SENATE MAY 26, 2010

SENATE BILL

No. 1426

Introduced by Senator DeSaulnier
(Coauthors: Senators Wolk and Wyland)
(Coauthor: Senator Wolk)
(Coauthor: Assembly Member Hill)

February 19, 2010

An act to amend ~~Section 13320 of, and to add Section 13338.5 to,~~ Sections 13308 and 13337 of the Government Code, relating to the state budget.

LEGISLATIVE COUNSEL'S DIGEST

SB 1426, as amended, DeSaulnier. State budget: ~~2-year spending plan.~~

Existing law requires the Governor to submit to the Legislature, within the first 10 days of each calendar year, a budget for the ensuing fiscal year. Under existing law, the budget is required to contain a complete plan and itemized statements of all proposed expenditures and all estimated revenues of the state for the ensuing fiscal year, together with a comparison with the actual revenues and expenditures for the last completed fiscal year; the estimated revenues and expenditures for the existing fiscal year, and the budgeted revenues and expenditures for the next fiscal year. Existing law further requires the Director of Finance to provide to the Legislature, on or before May 14 of each year, an estimate of General Fund revenues for the current fiscal year and the ensuing fiscal year; any proposals to reduce expenditures to reflect updated revenue estimates, and specified proposed adjustments to the Governor's budget.

This bill would instead require the budget submitted by the Governor to contain itemized statements, provisional language, performance measurement standards for state agencies and programs, recommended state expenditures, and a projection of anticipated state revenues, including revenues anticipated to be one-time revenues. In addition, the bill would require the budget to contain an estimate of the total resources available for the state expenditures recommended for the budget year and the succeeding fiscal year, and would further require the budget to contain a projection of anticipated state expenditures and anticipated state revenues for the 3 fiscal years following the fiscal year succeeding the budget year, along with budget-related plans and proposals for those 3 fiscal years. In the event recommended expenditures exceed estimated revenues, the Governor would be required to recommend reductions in expenditures or the sources from which the additional revenues should be provided and to include an estimate of the long-term impact that the expenditure reductions or additional revenues will have on the state economy. The Governor would also be required to submit with the budget any legislation necessary to implement appropriations contained in the budget, together with a 5-year capital infrastructure and strategic growth plan. If the Governor's budget proposes to create a new state program or agency, or to expand the scope of an existing state program or agency, resulting in a net increase in state costs during the budget year or the succeeding fiscal year, or proposes to reduce a state tax resulting in a net decrease in state revenue in the budget year or the succeeding fiscal year, the proposal would be required to be accompanied by a statement identifying state program reductions or sources of additional state revenue in an amount that is equal to or greater than the net increase in state costs or net decrease in state revenue. The bill would also require the Director of Finance to provide to the Legislature, on or before October 15 of each year, updated projections of state revenues and state expenditures for the current fiscal year and for the ensuing fiscal year.

The bill would also state the intent of the Legislature to establish an oversight process for evaluating and improving the performance of all state programs and to establish a schedule of review for all state programs, whether managed by a state or local agency.

~~The California Constitution requires the Governor to submit annually to the Legislature a budget itemizing state expenditures and estimating~~

state revenues and requires the Legislature to pass the Budget Bill by midnight on June 15:

~~This bill would require the Governor to submit, together with the Governor’s Budget for each fiscal year that begins in an odd-numbered year, commencing with the 2011–12 fiscal year, a proposed budget plan for the immediately following fiscal year. The bill would specify that the Governor’s Budget subsequently submitted for that immediately following fiscal year identify proposed modifications to the budget plan previously submitted for that year.~~

~~Under existing statutory law, every state agency and court for which an appropriation is made is required to submit to the Department of Finance for approval, a complete and detailed budget setting forth all proposed expenditures and estimated revenues for the ensuing fiscal year.~~

~~This bill would require that this budget, as submitted for each ensuing fiscal year that begins in an odd-numbered year, commencing with the 2011–12 fiscal year, be accompanied by a budget plan that sets forth proposed expenditures and estimated revenues for the immediately following fiscal year.~~

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 13308 of the Government Code is
2 amended to read:

3 13308. (a) The Director of Finance shall provide to the
4 Legislature, on or before February 1 of each year, all proposed
5 statutory changes, as prepared by the Legislative Counsel, that are
6 necessary to implement the Governor’s Budget, as described in
7 subdivision (a) of Section 13337.

8 (b) The Director of Finance shall provide to the Legislature, on
9 or before April 1 of each year, all proposed adjustments to the
10 Governor’s Budget except as specified by subdivisions (c) and
11 (d).

12 (c) The Director of Finance shall provide to the Legislature, on
13 or before May 1 of each year, all proposed adjustments to the
14 Governor’s Budget in appropriations for capital outlay.

15 (d) The Director of Finance shall provide to the Legislature, on
16 or before May 14 of each year, all of the following:

1 (1) An estimate of General Fund revenues for the current fiscal
2 year and for the ensuing fiscal year.

3 (2) Any proposals to reduce expenditures to reflect updated
4 revenue estimates.

5 (3) All proposed adjustments to the Governor's Budget that are
6 necessary to reflect updated estimates of state funding required
7 pursuant to Section 8 of Article XVI of the California Constitution,
8 or to reflect caseload enrollment or population changes.

9 (e) *The Director of Finance shall provide to the Legislature, on*
10 *or before October 15 of each year, updated projections of state*
11 *revenues and state expenditures for the current fiscal year and for*
12 *the ensuing fiscal year.*

13 (e)

14 (f) The Director of Finance may authorize suspension for the
15 current fiscal year of any provision of this section not sooner than
16 30 days after notification in writing of the necessity therefor to the
17 chairperson of the committee in each house that considers the State
18 Budget and the Chairperson of the Joint Legislative Budget
19 Committee.

20 *SEC. 2. Section 13337 of the Government Code is amended to*
21 *read:*

22 13337. (a) ~~The budget required by the State Constitution to~~
23 ~~be submitted by the Governor at each regular session of the~~
24 ~~Legislature shall be submitted within the first 10 days thereof and~~
25 ~~shall contain a complete plan and itemized statement of all~~
26 ~~proposed expenditures of the state provided by existing law or~~
27 ~~recommended by him or her, and all of its institutions, departments,~~
28 ~~boards, bureaus, commissions, officers, employees, and other~~
29 ~~agencies, and of all estimated revenues, for the ensuing fiscal year,~~
30 ~~together with a comparison, as to each item of revenues and~~
31 ~~expenditures, with the actual revenues and expenditures for the~~
32 ~~last completed fiscal year, the estimated revenues, and expenditures~~
33 ~~for the existing fiscal year and the budgeted revenue and~~
34 ~~expenditures for the next fiscal year. Within the first 10 days of~~
35 ~~each calendar year, the Governor shall submit to the Legislature~~
36 ~~a budget for both the ensuing fiscal year, known as the budget~~
37 ~~year, and for the succeeding fiscal year. The budget shall contain~~
38 ~~itemized statements, provisional language, performance~~
39 ~~measurement standards for state agencies and programs,~~
40 ~~recommended state expenditures, and a projection of anticipated~~

1 *state revenues, including revenues anticipated to be one-time*
2 *revenue. The budget shall also contain an estimate of the total*
3 *resources available for the state expenditures recommended for*
4 *the budget year and the succeeding fiscal year. The budget shall*
5 *also contain a projection of anticipated state expenditures and*
6 *anticipated state revenues for the three fiscal years following the*
7 *fiscal year succeeding the budget year, and budget-related plans*
8 *and proposals for those three fiscal years. If, for the budget year*
9 *and the succeeding fiscal year, recommended expenditures exceed*
10 *estimated revenues, the Governor shall recommend reductions in*
11 *expenditures or the sources from which the additional revenues*
12 *should be provided, or both. The recommendations shall include*
13 *an estimate of the long-term impact that expenditure reductions*
14 *or additional revenues will have on the economy of California.*
15 *Together with the budget, the Governor shall submit to the*
16 *Legislature any legislation necessary to implement appropriations*
17 *contained in the budget, together with a five-year capital*
18 *infrastructure and strategic growth plan.*

19 (b) The budget shall, in accordance with Chapter 2 (commencing
20 with Section 41200) of Part 24 of the Education Code, include a
21 section that specifies the percentages and amounts of General Fund
22 revenues that must be set aside and applied for the support of
23 school districts, as defined in Section 41302.5, and community
24 college districts, as required by subdivision (b) of Section 8 of
25 Article XVI of the California Constitution.

26 (c) *If the Governor's budget proposes to create a new state*
27 *program or agency, or to expand the scope of an existing state*
28 *program or agency, which would result in a net increase in state*
29 *costs during the budget year or the succeeding fiscal year, or*
30 *proposes to reduce a state tax, which would result in a net decrease*
31 *in state revenue in the budget year or the succeeding fiscal year,*
32 *the proposal shall be accompanied by a statement identifying state*
33 *program reductions or sources of additional state revenue, or*
34 *both, in an amount that is equal to or greater than the net increase*
35 *in state costs or net decrease in state revenue.*

36 (e)

37 (d) The Governor, or the Department of Finance acting on his
38 or her behalf, shall make appropriate changes in the budget request
39 to reflect any modification in the organization or functions of state

1 government proposed under Article 7.5 (commencing with Section
2 12080) of Chapter 1 prior to the passage of the budget.

3 ~~(d)~~

4 (e) The Governor's Budget shall be prepared in accordance with
5 guidelines and instructions adopted by the Department of Finance.

6 ~~(e)~~

7 (f) In order to provide meaningful comparisons, the Governor's
8 Budget shall be prepared in such a manner that the information
9 presented provides for such comparisons between the fiscal years.

10 ~~(f)~~

11 (g) The Department of Finance shall submit to the committee
12 in each house which considers appropriations and to the Joint
13 Legislative Budget Committee copies of budget material submitted
14 to it by agencies pursuant to the provisions of Article 2
15 (commencing with Section 13320).

16 ~~(g)~~

17 (h) The Governor's Budget shall also include a coding structure
18 which indicates for each budget entity the categorization of
19 expenditures and revenues.

20 ~~(h)~~

21 (i) Prior to the submission of the Governor's Budget to the
22 Legislature, the Department of Finance may conduct public
23 hearings regarding any portion of any budget.

24 ~~(i)~~

25 (j) The Governor, or the Department of Finance acting on his
26 or her behalf, shall, at the same time the Governor's Budget is
27 submitted to the Legislature, submit to the Legislature copies of
28 the material for the purposes of subdivision (j).

29 ~~(j)~~

30 (k) The Department of Finance shall develop a fiscal information
31 system which will provide timely and uniform fiscal data needed
32 to formulate and monitor the budget, including, but not limited to,
33 on-line inquiry capacity and the ability to simulate budget
34 expenditures and forecast revenues. This system may include,
35 among other things, data on encumbrances and expenditures by
36 line item, governmental unit, and fund source. The system shall
37 also include expenditures and encumbrances by program, as
38 required. This system shall also include a coding structure which
39 indicates the categorization of expenditures and revenues. This
40 system and the data shall be available to both the legislative and

1 executive branches. The system may contain separate programs
2 accessible by only one branch, designed to provide for distinct
3 application of the data, but the basic system data shall be available
4 on an equal basis to both the legislative and executive branches of
5 government.

6 *SEC. 3. It is the intent of the Legislature to establish an*
7 *oversight process for evaluating and improving the performance*
8 *of all programs undertaken by the state, or by local entities on*
9 *behalf of the state, based on performance standards established*
10 *pursuant to statute. In furtherance of that oversight process, it is*
11 *the intent of the Legislature to establish, within one year of the*
12 *effective date of this act, a schedule of review for all state*
13 *programs, whether managed by a state or local agency. The review*
14 *schedule shall be designed so that the relationship between similar*
15 *state programs may be examined.*

16 ~~SECTION 1. Section 13320 of the Government Code is~~
17 ~~amended to read:~~

18 ~~13320. (a) Every state agency and court for which an~~
19 ~~appropriation has been made, shall submit to the department for~~
20 ~~approval, a complete and detailed budget at the time and in the~~
21 ~~form as may be prescribed by the department, setting forth all~~
22 ~~proposed expenditures and estimated revenues for the ensuing~~
23 ~~fiscal year.~~

24 ~~(b) The budget submitted pursuant to this section for every fiscal~~
25 ~~year that begins in an odd-numbered year, commencing with the~~
26 ~~2011-12 fiscal year, shall be accompanied by a budget plan that~~
27 ~~sets forth all proposed expenditures and estimated revenues for~~
28 ~~the state agency or court for the immediately following fiscal year.~~

29 ~~(c) The budget submitted pursuant to this section for the second~~
30 ~~fiscal year of each two-year cycle described in subdivision (b)~~
31 ~~shall consist of any proposals of the state agency or court for~~
32 ~~modification of its budget for that second year.~~

33 ~~SEC. 2. Section 13338.5 is added to the Government Code, to~~
34 ~~read:~~

35 ~~13338.5. (a) Together with the budget submitted pursuant to~~
36 ~~subdivision (a) of Section 13337, for each fiscal year that begins~~
37 ~~in an odd-numbered year, commencing with the 2011-12 fiscal~~
38 ~~year, the Governor shall submit to the Legislature a proposed~~
39 ~~budget plan that sets forth recommended state expenditures and~~
40 ~~estimated state revenues for the immediately following fiscal year.~~

1 ~~(b) The budget subsequently submitted by the Governor pursuant~~
2 ~~to subdivision (a) of Section 13337 for the second fiscal year of~~
3 ~~each two-year cycle described in subdivision (a) shall identify~~
4 ~~proposed modifications to the budget previously submitted for that~~
5 ~~fiscal year pursuant to subdivision (a).~~

O