

AMENDED IN ASSEMBLY MAY 10, 2010
AMENDED IN ASSEMBLY APRIL 8, 2010
AMENDED IN ASSEMBLY MARCH 17, 2010
CALIFORNIA LEGISLATURE—2009—10 REGULAR SESSION

ASSEMBLY BILL

No. 2591

Introduced by Assembly Members Feuer and John A. Perez

February 19, 2010

An act to *amend Section 13337 of, and to add Sections 9143.5, 9145, 10247.5, 13335.3, and 13335.5 to, the Government Code, relating to state finance.*

LEGISLATIVE COUNSEL'S DIGEST

AB 2591, as amended, Feuer. State finance: budget process.

Under existing law, duties and responsibilities are imposed upon the Governor and the Director of Finance relating to the preparation and submission of the annual state budget to the Legislature, including, among other things, providing a complete plan of all proposed expenditures and estimated revenues for the ensuing fiscal year. Existing provisions of the California Constitution prohibit the Legislature from sending to the Governor for consideration, and prohibit the Governor from signing, a Budget Bill that would appropriate from the General Fund a total amount that, when combined with specific appropriations and transfers, exceeds the General Fund revenues for that fiscal year estimated as of the date of the Budget Bill's passage.

This bill would make statutory changes to *the state budget process* to implement and conform to constitutional changes proposed by ACA 4 and would become operative only if ACA 4 is approved by the voters.

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 operative date of the act
4 that added this section, the Legislature shall establish a process,
5 including the use of a new or existing joint committee, for
6 reviewing the performance of all state programs at least once every
7 10 years. The process shall include a schedule with deadlines for
8 the review of programs. It shall provide for the review of programs
9 the expenditures for which total one-third or more of all
10 expenditures by July 1, 2015, and for the review of programs the
11 expenditures for which total two-thirds of all expenditures by
12 January 1, 2018. For purposes of this section, “expenditures”
13 includes, in addition to state program costs, statutory exemptions,
14 deductions, credits, or exclusions from taxes or fees that would
15 otherwise apply.
16 (b) Six months prior to the deadline for review of each program,
17 the joint committee shall refer the initial program review to the
18 appropriate policy committees of each house of the Legislature.
19 For programs with common objectives, the reviews may be
20 combined. Within 90 days of the deadline, the policy committees
21 shall make recommendations regarding the program to the joint
22 committee. The joint committee’s review may be based on the
23 recommendations of the policy committees, as well as
24 recommendations that may be made by the Milton Marks “Little
25 Hoover” Commission on California State Government Organization
26 and Economy, the Legislative Analyst, the Bureau of State Audits,
27 or the public. In preparing proposed legislation for a program being
28 reviewed, the joint committee shall propose one or more of the
29 following:
30 (1) Modifications to the program that will reduce costs.
31 (2) Modifications to the program that will improve outcomes.
32 (3) Termination of the program.
33 (c) Proposed legislation of the joint committee shall be submitted
34 to the committee on rules of each house for referral to the
35 appropriate policy committee for public hearing and further action.

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

3 SEC. 2. Section 9145 is added to the Government Code, to
4 read:

5 9145. (a) Before a bill, or a measure that proposes to amend
6 or revise the California Constitution, that has been referred to the
7 fiscal committee of either house is read for a third time in either
8 house of the Legislature, the fiscal committee of the respective
9 house of the Legislature shall determine whether the bill or measure
10 is subject to review by the Legislative Analyst pursuant to this
11 section. If the committee refers the bill or measure to the
12 Legislative Analyst for review, the Legislative Analyst shall
13 determine whether the bill or measure would result in a net increase
14 in qualified state costs or a net decrease in state revenue. The
15 Legislative Analyst shall submit the analysis of the bill or measure
16 to the fiscal committees of each house of the Legislature and shall
17 place the analysis on his or her Internet Web site if he or she
18 determines that the bill or measure would result in either a net
19 increase in qualified state costs or a net decrease in state revenue
20 in excess of twenty-five million dollars (\$25,000,000) annually,
21 as adjusted for inflation pursuant to the California Consumer Price
22 Index.

23 (b) (1) If the Legislative Analyst determines a bill or measure
24 would result in either a net increase in qualified state costs or a
25 net decrease in state revenue in excess of twenty-five million
26 dollars (\$25,000,000) annually, as adjusted for inflation pursuant
27 to the California Consumer Price Index, the Legislative Analyst
28 shall determine whether the bill or measure, if enacted, would
29 comply with the requirements of subdivision (e) of Section 8 of
30 Article IV, or Section 3.5 of Article XVIII, as applicable, of the
31 California Constitution.

32 (2) A statute or measure shall be deemed to comply with the
33 requirements of subdivision (e) of Section 8 of Article IV, or
34 Section 3.5 of Article XVIII, as applicable, of the California
35 Constitution if the Legislative Analyst determines that the net
36 increase in qualified state costs or net decrease in state revenues
37 that would be imposed by the bill enacting the statute or measure
38 proposing to amend or revise the California Constitution does not
39 exceed the amount by which state revenues exceed state

1 expenditure obligations for the prior fiscal year, the current fiscal
2 year, or any of the three succeeding fiscal years, whichever is least.

3 (c) If the Legislative Analyst makes a determination pursuant
4 to subdivision (b) that a bill, if enacted, or measure would not
5 comply with the requirements of subdivision (e) of Section 8 of
6 Article IV, or Section 3.5 of Article XVIII, as applicable, of the
7 California Constitution, and the Legislature, by two-thirds vote of
8 the membership of each house, makes a finding, based on its
9 financial analysis, that the bill or measure would result in a net
10 increase in qualified state costs or a net decrease in state revenue
11 in an amount equal to, or less than, twenty-five million dollars
12 (\$25,000,000) annually, as adjusted for inflation pursuant to the
13 California Consumer Price Index, the bill, if enacted, or measure
14 shall be deemed to be in compliance with subdivision (e) of Section
15 8 of Article IV, or Section 3.5 of Article XVIII, as applicable, of
16 the California Constitution.

17 (d) For purposes of this section, the determination by the
18 Legislative Analyst as to whether a bill or measure would result
19 in a net increase in qualified state costs or a net decrease in state
20 revenue may include consideration of the impact of program
21 changes attributable to cost savings or changes in revenues of other
22 state or local programs that are reasonably expected to occur as a
23 result of the implementation of the bill or measure. The Legislative
24 Analyst shall establish the time period for its analysis under this
25 section.

26 (e) For purposes of this section and Section 10247.5, and
27 subdivision (e) of Section 8 and paragraph (2) of subdivision (a)
28 of Section 12 of Article IV, and Section 3.5 of Article XVIII, of
29 the California Constitution, the following terms have the following
30 meanings:

31 (1) “Qualified state costs” means costs to the state, whether paid
32 from General Fund or special fund sources. “Qualified state costs”
33 does not include the following:

34 (A) Costs incurred for the payment of principal and interest on
35 a general obligation bond.

36 (B) The restoration of funding to an agency or program that was
37 reduced in a prior fiscal year or years in order to balance the budget
38 or address a forecasted deficit if any of the following ~~apply~~ *applies*:

39 (i) The bill or measure restores reductions in appropriations
40 made pursuant to a declaration of fiscal emergency under

1 subdivision (f) of Section 10 of Article IV of the California
2 Constitution.

3 (ii) The bill or measure restores reductions in appropriations
4 made prior to the operative date of the act adding this section if
5 the Legislature makes a finding that the reductions in the program's
6 or agency's funding were necessary in order to balance the Budget
7 or to address a mid-year deficit and that expanding the program
8 or agency is limited to restoring the program's or agency's funding
9 to the level that existed prior to the reductions.

10 (iii) The bill or measure restores reductions in appropriations
11 made on or after the operative date of the act that added this section
12 if the Legislature makes a finding that at the time the reductions
13 were made, the reductions in the program's or agency's funding
14 were necessary to balance the Budget or to address a forecasted
15 deficit, and that at the time the funding is restored, the expansion
16 of the program or agency is limited to restoring the ~~program~~
17 *program's* or agency's funding to the level that existed prior to
18 the reductions made pursuant to paragraph (4) of subdivision (f)
19 of Section 10 of Article IV of the California Constitution:

20 (C) Increases in a program's or agency's funding contained in
21 the Budget Bill or in a budget implementation bill which are limited
22 to the fiscal year for which the bill was enacted.

23 (D) Growth in a program's or agency's funding attributable to
24 increases in the cost of living or workload, including an increase
25 contained in a memorandum of understanding approved by the
26 Legislature.

27 (E) Growth in a program's or agency's funding required by
28 federal law or a California law that is in effect on the operative
29 date of the act that added this section.

30 (F) A bill or measure containing a requirement described in
31 paragraph (5) of subdivision (b) of Section 6 of Article XIII B of
32 the California Constitution.

33 (2) "A net increase in qualified state costs" means ongoing
34 expenditures for a program or agency and does not include a
35 one-time expenditure made by a program or agency.

36 (3) "Additional revenue" means revenue to the state that results
37 from specific changes made by federal or state law and that the
38 state agency responsible for collecting the revenue has quantified
39 and determined to be a sustained increase.

1 SEC. 3. Section 10247.5 is added to the Government Code, to
2 read:

3 10247.5. Before a bill or measure is read for a third time in
4 either house of the Legislature, the digest of the Legislative
5 Counsel on the bill or measure shall reflect the determination made
6 by the Legislative Analyst pursuant to Section 9145 whenever the
7 Legislative Analyst determines that the bill or measure would
8 result in a net increase in qualified state costs or a net decrease in
9 state revenue in excess of twenty-five million dollars (\$25,000,000)
10 annually, as adjusted for inflation pursuant to the California
11 Consumer Price Index.

12 SEC. 4. Section 13335.3 is added to the Government Code, to
13 read:

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

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

26 (c) The Budget submitted to the department and proposed by
27 the Governor shall use performance-based budgeting methods that
28 make clear to policymakers and the public the value and results
29 of existing operations and any proposed changes.

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

- 32 (1) The mission and goals of the agency.
- 33 (2) The activities and programs focused on achieving those
34 goals.
- 35 (3) Performance metrics that reflect desired outcomes for
36 existing and proposed activities and a targeted performance level
37 for the following year.
- 38 (4) Prior-year performance data and an explanation of any
39 deviation 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 (e) The Governor shall provide ~~on his or her~~ *an* Internet Web
5 site a summary of each state agency's mission, goals, prior-year
6 performance, and future-year objectives.

7 SEC. 5. 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 required by Section 12 of Article IV of the California
12 Constitution shall use performance-based budgeting methods.

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

21 (c) The Legislative Analyst shall review the adequacy of
22 performance metrics and progress toward targeted outcomes in
23 the Governor's budget proposal.

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

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

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

38 (3) Review and comment on a plan prepared by the department
39 for systematically phasing in the requirements of Sections 13320
40 and 13335.3. The plan shall ensure that by the 2012–13 fiscal year

1 performance-based budgeting methods are used in preparing,
 2 reviewing, and enacting one-third or more of the total General
 3 Fund expenditures proposed in the Governor’s Budget for that
 4 fiscal year.

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

9 *SEC. 6. Section 13337 of the Government Code is amended to*
 10 *read:*

11 13337. (a) (1) The budget required by the ~~State~~ *California*
 12 Constitution to be submitted by the Governor at each regular
 13 session of the Legislature shall be submitted within the first 10
 14 days thereof and shall contain a complete plan and itemized
 15 statement of all proposed expenditures of the state provided by
 16 existing law or recommended by him or her, and all of its
 17 institutions, departments, boards, bureaus, commissions, officers,
 18 employees, and other agencies, and of all estimated revenues, for
 19 the ensuing fiscal year, together with a comparison, as to each item
 20 of revenues and expenditures, with the actual revenues and
 21 expenditures for the last completed fiscal year, the estimated
 22 revenues, and expenditures for the existing fiscal year and the
 23 budgeted revenue and expenditures for the next fiscal year.

24 (2) *The budget also shall contain a projection of anticipated*
 25 *state expenditures and anticipated state revenues for the three*
 26 *fiscal years following the fiscal year succeeding the budget year,*
 27 *and budget-related plans and proposals for those three fiscal years.*
 28 *For the succeeding fiscal year the Governor’s budget shall identify*
 29 *the fiscal condition of the General Fund based on proposals*
 30 *contained in the proposed budget for the budget year. The budget*
 31 *submitted shall include the following:*

32 (A) *An estimate of the long-term impact of expenditure and*
 33 *revenue proposals will have on the economy of California.*

34 (B) *The five-year capital infrastructure plan as required in*
 35 *Section 13100.*

36 (b) The budget shall, in accordance with Chapter 2 (commencing
 37 with Section 41200) of Part 24 of Division 3 of Title 2 of the
 38 Education Code, include a section that specifies the percentages
 39 and amounts of General Fund revenues that must be set aside and
 40 applied for the support of school districts, as defined in Section

1 41302.5 of the *Education Code*, and community college districts,
2 as required by subdivision (b) of Section 8 of Article XVI of the
3 California Constitution.

4 (c) The Governor, or the Department of Finance acting on his
5 or her behalf, shall make appropriate changes in the budget request
6 to reflect any modification in the organization or functions of state
7 government proposed under Article 7.5 (commencing with Section
8 12080) of Chapter 1 prior to the passage of the budget.

9 (d) The Governor's Budget shall be prepared in accordance with
10 guidelines and instructions adopted by the Department of Finance.

11 (e) In order to provide meaningful comparisons, the Governor's
12 Budget shall be prepared in such a manner that the information
13 presented provides for such comparisons between the fiscal years.

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

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

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

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

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

5 *(k) After submitting a budget for the budget year and the*
6 *succeeding fiscal year, the Governor shall submit to the Legislature*
7 *updated projections of state revenue and state expenditures for*
8 *each of those fiscal years according to the following schedule:*

9 *(1) January 10 of each year, as part of the Governor’s budget*
10 *introduction.*

11 *(2) May 15 of each year.*

12 *(B) Immediately following the report of recommendations by*
13 *the joint committee pursuant to paragraph (3) of subdivision (c)*
14 *of Section 12 of Article IV of the California Constitution.*

15 *(C) October 15 of each year.*

16 ~~SEC. 6. Sections 1 to 5~~

17 *SEC. 7. Sections 1 to 6, inclusive, of this act shall become*
18 *operative only if ACA 4 is approved by the voters, and they shall*
19 *become operative upon the operative date of that measure.*