AMENDED IN ASSEMBLY AUGUST 9, 2010

AMENDED IN SENATE MAY 26, 2010

SENATE BILL No. 1426

Introduced by Senator DeSaulnier
(Coauthor: Senator Wolk)
(Coauthor: Assembly Member Hill)

February 19, 2010

An act to amend Sections 13308 and 13337 of the Government Code, relating to the state budget.

LEGISLATIVE COUNSEL'S DIGEST

SB 1426, as amended, DeSaulnier. State budget.

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.

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

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

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

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

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

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

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

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

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

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

(e) The Director of Finance shall 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.

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

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

13337. (a) Within the first 10 days of each calendar year, the Governor shall submit to the Legislature a budget for both the ensuing fiscal year, known as the budget year, and for the succeeding fiscal year. The budget shall contain itemized statements, provisional language, performance measurement standards for state agencies and programs *as provided in Sections*

13335.3 and 13335.5, recommended state expenditures, and a projection of anticipated state revenues, including revenues anticipated to be one-time revenue. The budget shall also contain an estimate of the total resources available for the state expenditures recommended for the budget year and the succeeding fiscal year. The budget shall also contain a projection of anticipated state expenditures and anticipated state revenues for the three fiscal years following the fiscal year succeeding the budget year, and budget-related plans and proposals for those three fiscal years. If, for the budget year and the succeeding fiscal year, recommended expenditures exceed estimated revenues, the Governor shall recommend reductions in expenditures or the sources from which the additional revenues should be provided, or both. The recommendations shall include an estimate of the long-term impact that expenditure reductions or additional revenues will have on the economy of California. Together with the budget, the Governor shall submit to the Legislature any legislation necessary to implement appropriations contained in the budget, together with a five-year capital infrastructure and strategic growth plan.

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

(c) 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, which would result in a net increase in state costs during the budget year or the succeeding fiscal year, or proposes to reduce a state tax, which would result in a net decrease in state revenue in the budget year or the succeeding fiscal year, the proposal shall be accompanied by a statement identifying state program reductions or sources of additional state revenue, or both, in an amount that is equal to or greater than the net increase in state costs or net decrease in state revenue.

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

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

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

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

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

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

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

(k) The Department of Finance shall develop a fiscal information system which will provide timely and uniform fiscal data needed to formulate and monitor the budget, including, but not limited to, on-line inquiry capacity and the ability to simulate budget expenditures and forecast revenues. This system may include, among other things, data on encumbrances and expenditures by line item, governmental unit, and fund source. The system shall also include expenditures and encumbrances by program, as required. This system shall also include a coding structure which indicates the categorization of expenditures and revenues. This system and the data shall be available to both the legislative and executive branches. The system may contain separate programs accessible by only one branch, designed to provide for distinct application of the data, but the basic system data shall be available on an equal basis to both the legislative and executive branches of government.

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

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