

## AGENDA

### ASSEMBLY BUDGET SUBCOMMITTEE NO. 6 ON BUDGET PROCESS, OVERSIGHT AND PROGRAM EVALUATION

ASSEMBLYMEMBER BOB BLUMENFIELD, CHAIR

THURSDAY, APRIL 11, 2013

UPON ADJOURNMENT OF SESSION - STATE CAPITOL ROOM 447

---

<u>FILE ORDER</u>	<u>BILL</u>	<u>AUTHOR</u>	<u>SUBJECT</u>	<u>PAGE</u>
1	AB 24	Buchanan	Budget Act of 2012	2
2	AB 70	Morrell	Budget Bill: Public Availability	3
3	AB 289	Nestande	State Budget: Key Liabilities	5

Date of Hearing: April 11, 2013

ASSEMBLY COMMITTEE ON BUDGET  
Bob Blumenfield, Chair  
AB 24 (Buchanan) – As Amended: December 3, 2012

SUBJECT: Budget Act of 2012. New East County Courthouse in the County of Alameda.

SUMMARY: Amends the Budget Act of 2012 by reappropriating \$50 million in support of the New East Alameda County Courthouse project. Specifically, this bill:

- 1) Reappropriates \$50 million, from the Immediate and Critical Needs Account to support the acquisition of the new East County Courthouse in the County of Alameda.
- 2) Authorizes the Judicial Branch to enter into a lease-purchase agreement with the County of Alameda for a new Courthouse project upon: a) approval by the Director of Finance; b) providing a 30-day notification to the committees in each house that consider appropriations; and, c) providing a 30-day notification, without objection, to the Joint Legislative Budget Committee.

FISCAL EFFECT: Funding to support the New East County Courthouse project was initially appropriated by the Budget Act of 2010. The initial funding remains available to support this measure.

COMMENTS: The proposed facility is intended to replace two existing court facilities: the Gale-Schenone Courthouse, which is currently leased by the Administrative Office of the Courts for \$1.6 million per year, and the Broussard Justice Center, which flooded and is currently a non-functioning site. The county has donated the land on which the new courthouse and county administrative office are to be constructed. The county will sell bonds for the project, oversee construction, and retain ownership of the land and buildings until debt service is fully repaid. Upon full repayment of all issued bonds, the courthouse and all associated land and buildings will be transferred to the state for \$1.

Further, a construction contract must be negotiated, and finalized prior to the expiration of the construction permits on June 30, 2013.

REGISTERED SUPPORT / OPPOSITION:

Support

County of Alameda

Opposition

None on file.

Analysis Prepared by: Marvin Deon / BUDGET / (916) 319-2099

Date of Hearing: April 11, 2013

ASSEMBLY COMMITTEE ON BUDGET  
Bob Blumenfield, Chair  
AB 70 (Morrell) – As Amended: April 9, 2013

SUBJECT: State Budget.

SUMMARY: Requires that the budget bill and budget trailer bills be published on a website for at least three days before a vote on the bills can be taken in either house.

EXISTING LAW: Under the California Constitution, the budget bill must be adopted on or before June 15<sup>th</sup>. The California Constitution provides that bills must be read three times and, notwithstanding the budget bill, can only contain a single subject.

FISCAL EFFECT: Unknown

COMMENTS: This bill attempts to improve public access to information about the California budget process by putting budget-related bills in print electronically for three days at the very end of the budget process.

This bill involves a trade-off in terms of the public participation in the budget process and the Legislature's ability to deliver a balanced budget within constitutionally prescribed timeframes. In addition, it would likely make the budget process ultimately less open by forcing the use of extensive clean up bills and follow up trailer bills to fully adopt the necessary components of the budget package.

In the last few decades, the final budget package has depended very significantly on California's revenue collections in April, which are used to project the Governor's May Revision of the budget. While the May Revision was originally used as a technical update to the budget, in recent history the Revision's impact has been profound, frequently leading to major changes to the proposed framework of the budget—sometimes to reflect unexpected shortfalls, other times to reflect better than expected fiscal conditions. As a result, most of the legislative budget process prior to May Revision is often tentative because it is impossible to ensure that the budget is balanced before the May projections. In addition, the Administration has at times used the May Revision as an opportunity to introduce new policy proposals as part of the budget package.

The passage of Proposition 25 in November of 2010 sent a clear signal to the Legislature that the passage of a budget on time is a top budget priority for the public; the measure even included financial penalties for members of the Legislature if the budget was not passed by the deadline. California's Constitution requires that the Legislature adopt the budget on or before June 15<sup>th</sup> of each year, giving the Legislature slightly more than four weeks from when it receives the May Revision on May 14<sup>th</sup> to when it must enact the budget. This bill would require about ten percent of that time period to be set aside for the bills to be in print on the floor at the end of the process.

How would the Legislature accommodate this loss of time? Because the current May –June process is already compacted, it is difficult to envision how the process would accommodate this requirement. Should the time to analyze and hear the May Revision proposals be shortened by three days, reducing the chance for the public to participate in crafting of the budget and requiring members to vote on provisions with less information? Or should the Senate and the Assembly have three less days to reconcile their respective budgets into one unified version of a budget package? Perhaps the drafting process could be shortened for the trailer bills and the over 800-page budget bill, but that would further tax the hundreds of staff in Department of Finance, Legislative Counsel, as well as the Legislature and the Administration that develop the final budget package, potentially resulting in significant errors in their work product.

Because the budget process is based on a finite schedule, there is no way to accommodate this print requirement without undermining the quality of the process and the budget legislation. Therefore, these costs should be considered when weighing the merits of this bill.

Budget bills often have elements that need to be fixed or changed before the final vote. Additionally, underlying this bill is an assumption that budget bills and all budget-related bills will be perfect and will have the needed votes to pass. But often, budget bills have elements that need to be fixed or changed before the final vote. Under the provisions of this bill, every time such a change was made, a new three-day “waiting period” would begin. Given this dynamic, while the language would be available for three days, it would be hard to make changes without potentially derailing the entire budget timeline. It would also lead to additional bills after the budget was passed to clean up errors that used to be fixed during the current process.

The current system does seek to ensure as much openness as it can within the limits of the constitutionally mandated timelines. California’s Legislature holds well over 100 hearings on the budget each year in the full committees and eleven subcommittees for both the Assembly and Senate. The language contained in the budget package is derived from actions taken in these open and public meetings. However, because of the Constitution's single subject rule, the contents of this budget process must be sorted and placed into numerous trailer bills after both houses have agreed upon a budget package. For the last two budget cycles, the practice of the Assembly Budget Committee was to have bills in print at least 24 hours before the vote on the floor. Almost every bill met this practice last year in the three different budget packages and 43 bills, adopted in 2012-13.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file.

Opposition

None on file.

Analysis Prepared by: Christian Griffith / BUDGET / (916) 319-2099

Date of Hearing: April 11, 2013

ASSEMBLY COMMITTEE ON BUDGET  
Bob Blumenfield, Chair  
AB 289 (Nestande) – As Amended: February 21, 2013

SUBJECT: State Budget

SUMMARY: Prohibits the Governor from assuming any new revenues associated with new program or taxes in the January budget submission. This bill also requires the Governor's Budget submission to contain a list of loans and long-term liabilities. Specifically, this bill:

- 1) Excludes revenues generated from laws, program, or executive actions not in effect at the time the budget is submitted to the Legislature from being counted as revenue in the Governor's January Budget submission.
- 2) Requires the Governor's January Budget Submission include:
  - a) a list of loans made to the General Fund and a summary of each loan;
  - b) a list of all General Fund obligations to pay deferred or suspended expenditures or to transfer funds to a Special Funds; and,
  - c) a list of "key liabilities" related to debt, infrastructure, retirement and other liabilities.
- 3) Requires the Governor's January Budget specify the percentages and amounts of General Fund revenues that must be "set aside to pay off the key liabilities."

EXISTING LAW: California's Constitution requires the Governor to submit a balanced budget within the first ten days of each calendar year. The contents of the budget submission are articulated in various statutory provisions of the Government Code.

FISCAL EFFECT: Small cost associated with the creation and maintenance of new budget documents.

COMMENTS: The author's intent in crafting this bill is to draw more attention to the issue of "key liabilities" within the budget discussion. The term "key liabilities" is derived from a letter the Legislative Analyst's Office sent to Assemblymember Juan Arambula in 2009.

The bill contains two divergent provisions regarding the Governor's January budget submission.

- 1) "Key Liabilities." The bill requires reporting of loans, deferrals, and other liabilities. The bill further requires that revenue be identified for the purposes of paying off liabilities. While the intents of this reporting is to essentially replicate the 2009, LAO Letter to Assemblymember Juan Arambula

in the budget submittal. This reporting appears to echo an approach taken by Governor Brown in his 2012-13 January Budget, which included a discussion of the "Wall of Debt" on page 11 of the Budget Summary. This suggests that the bill is not necessary to evoke the discussion regarding the California's debts, as it is already a central theme in budget discussions.

In addition, the bill appears to pair the budget, an annual spending plan, with long-term liabilities, which may not have any impact on the budget for decades. The California Constitution requires the adopted budget to be balanced. Therefore any debt service obligations, loan repayments, or deferrals remittances due in the budget must be contained within the overall spending plan and the State must have sufficient revenue to cover these expenses. This bill would require reporting of these payments in a redundant section in the budget submission.

The bill uses the term "key liability", a term that was first used by in the "2009 LAO Letter to Assemblymember Juan Arambula" to identify potential long terms liabilities for the state. The bill does not define "key liabilities" and thus any list of liabilities would be a subjective list of possible future costs for the State. Many of the liabilities listed by LAO in 2009 were estimates of possible exposure to the State General Fund, which designates potential risk to the State rather than certain future obligations. This bill would create a list of "key liabilities" and then require dedicated revenues for these liabilities, which would suggest that these were clear State General Fund obligations. By making such a list, this bill may actually reduce efforts by State partners to minimize these future liabilities, as it would suggest that the items on the list are both clearly a state responsibility and that the budget includes a mechanism to pay them off.

2) Revenues. The bill contains language that restricts the ability of the Governor to assume revenues in the January Budget that are derived from programs that are not in effect when the budget is submitted in January. This provision appears to directly contradict Article IV Section 12 of California's Constitution, which states, "If recommended expenditures exceed estimated revenues, the Governor shall recommend the sources from which the additional revenues should be provided."

Even if this contradiction could be resolved, restricting the Governor's ability to assume revenues in the January Budget submission would effectively undermine the legitimacy of the January Budget document. In the current process, the Governor's January Budget submission offers a framework for how to align expenditures and revenues in the budget year. Under the provisions of this bill, the Governor could only assume revenues from programs and bills currently in effect. For example, if this provision had applied to the 2012-13 budget, the Governor could not have assumed the revenue from the approval of Proposition 30, which generated over \$4 billion in revenue in the current year and was a major foundational component of his budget plan. Thus, the January budget submission would no longer serve as a serious framework document for the budget discussions.

**REGISTERED SUPPORT / OPPOSITION:**

Support

None on file.

Opposition

None on file.

Analysis Prepared by: Christian Griffith / BUDGET / (916) 319-2099