

AGENDA

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

ASSEMBLYMEMBER NANCY SKINNER, CHAIR

MONDAY, APRIL 28, 2014

3:30 PM - STATE CAPITOL ROOM 444

PART 1

Informational Hearing on the Dissolution of Redevelopment Agencies

I. Welcome and Opening Remarks

II. Follow up Discussion to February 25, 2014, hearing

- Justyn Howard, Assistant Program Manager, Department of Finance
- Steven Mar, Bureau Chief, Local Government Bureau, State Controller's Office
- Elizabeth Gonzalez, Bureau Chief, Local Government Compliance Bureau, State Controller's Office

III. Closing Remarks

Attachment 1: Finance Letter Addressed to Majority Leader Ms. Atkins

PART 2

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**DEPARTMENT OF
FINANCE**

EDMUND G. BROWN JR. • GOVERNOR

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April 2, 2014

Honorable Toni Atkins, Majority Leader
Member of the Assembly
State Capitol, Room 319
Sacramento, CA 95814

Dear Assemblymember Atkins:

It was a privilege to appear before the Assembly Budget Subcommittee Number Six on February 25, 2014, to provide an update on the Department of Finance's (Finance) role in the dissolution of the former redevelopment agencies (RDAs). I would like to take this opportunity to respond to several questions you raised in your letter of March 12, 2014, that stem from issues discussed in the February 25 hearing.

As of the date of this letter, the number of Long Range Property Management Plans (LRPMP) approved by Finance has increased from the 65 noted at the hearing to 91. I agree Finance has a significant task at hand to complete its review of the submitted LRPMPs (which currently stand at 280) by the December 31, 2014, statutory deadline. I remain confident that Finance will meet this deadline and I would be pleased to provide biweekly progress updates to the Assembly Redevelopment Working Group and Budget Chair Skinner.

During the hearing, I did note that statute requires cities or counties receiving former RDA property pursuant to an LRPMP to negotiate compensation agreements with the affected taxing entities. Finance does not interpret statute as requiring these compensation agreements be negotiated prior to our approval of the LRPMP. Instead, we are approving LRPMPs that state the entity receiving the property will negotiate compensation agreements.

The statute does not contemplate that Successor Agencies will have a role in the negotiation or approval of these compensation agreements. Instead, the negotiations should occur between the recipient city or county and each affected taxing entity. Furthermore, compensation agreements do not require approval by the Oversight Board or Finance. Meaning, there is no additional layer of approval required.

I also understand that some Successor Agencies are unhappy that Finance has denied items on a Recognized Obligation Payment Schedule (ROPS) that were approved as Enforceable Obligations on previous ROPS, when new facts have proven those items do not meet the statutory criteria for payment. Finance does expect to have reviewed all current ROPS items by the ROPS 14-15B period, meaning those reviews will be completed by November of this year. However, we caution that many Successor Agencies continue to add new items to their ROPS, which could delay this achievement.

Assemblymember Atkins
April 2, 2014
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As regards the Final and Conclusive process, Finance does have instructions on its website to help guide Successor Agencies through that process. To date, however, we have received Final and Conclusive determination requests from only 16 Successor Agencies representing approximately 40 items. It is unclear why more Successor Agencies have failed to avail themselves of this process, but Finance does stand ready to assist them in any way possible, and to process their requests as expeditiously as workload allows.

Thank you, again, for the opportunity to keep you updated on these issues. I look forward to continue working with the Assembly Redevelopment Working Group and Assembly Budget staff as we head towards 2016 when county-wide oversight boards take over for existing local oversight boards. I believe there will be an opportunity to make adjustments to the existing dissolution process as we get closer to that date.

Please contact me at (916) 445-1546 if I may be of any additional assistance.

Sincerely,



Justyn Howard
Assistant Program Budget Manager

Date of Hearing: April 28, 2014

ASSEMBLY COMMITTEE ON BUDGET
Skinner, Nancy, Chair
AB 1861 (Harkey) – As Introduced: February 19, 2014

SUBJECT: Budget Act of 2013

SUMMARY: Amends the 2013 Budget Act by removing Voter Identification Procedures from the list of suspended state-mandated local programs and appropriates \$7.553 million from the General Fund to pay for the mandate claims.

Specifically this bill:

- 1) Removes the Voter Identification Procedures mandate from the list of suspended state-mandates under the 2013 Budget Act.
- 2) Moves the Voter Identification Procedures mandate to the list of mandates to be funded and appropriates \$7.553 million for the current year.
- 3) Takes effect immediately.

EXISTING LAW

- 1) Makes it optional for local agencies to comply with the Voter Identification Procedures by suspending the requirement for local election officials to compare signatures on provisional ballot envelopes with signatures on voter registration materials and, if the signatures do not match, reject the provisional ballot.

FISCAL EFFECT: This would have a General Fund impact of \$7.553 million in the current year, and ongoing costs to fund the mandate into the future.

COMMENTS:

The 2013 Budget Act suspended the Voter Identification Procedures mandate and this bill will reverse the action taken in the 2013 Budget Act.

The Commission on State Mandates determined that there were costs associated with the implementation of this mandate and therefore, the Governor proposed to suspend the mandate before local agencies could be reimbursed.

When a mandate is suspended, state statutes are not changed, but each local government may choose whether or not to comply with the statutory requirements without being reimbursed. Local governments are not required to notify the state if they decide to implement a suspended mandate.

On March 25, 2014, the Assembly Subcommittee No. 4 reviewed the Governor's 2014-15 budget proposal on State Mandates, which included the continuation of the suspension of the Voter Identification Procedures mandate.

According to the author, AB 1861 would strengthen election integrity by reinstating and funding the mandate that signatures be verified on provisional ballots that are cast in elections.

REGISTERED SUPPORT / OPPOSITION:

Support:

California State Association of Counties

Opposition

None received.

Analysis Prepared by: Genevieve Morelos / BUDGET / (916) 319-2099

Date of Hearing: April 28, 2014

ASSEMBLY COMMITTEE ON BUDGET
Nancy Skinner, Chair
AB 2267 (Gaines) – As Amended: March 28, 2014

SUBJECT: State park system: budgeting.

SUMMARY: : Requires the Department of Parks and Recreation (department), commencing with the 2015–16 budget proposal, to annually develop and publish state operation expenditures for the state park system to assist in the development of the Governor's annual budget proposal. Specifically, this bill:

- 1) Requires the department, in cooperation with the Department of Finance, to provide individual park unit expenditures analyses, as specified.
- 2) Requires the department, by January 1, 2016, to develop and implement a plan to annually track park unit expenditures through department accounting personnel and personnel located at, or dedicated to, a particular park unit. The plan shall account for, and list specifically, all expenditures made at park units and shall report the specific park unit expenditures that were made in the prior fiscal year, that were made and anticipated to be made in the current fiscal year, and that are presented in the Governor's current budget proposal for the next fiscal year. The tracking shall not include estimates of district allocations made to park units, but shall reflect unit worksheets, timesheets, statements, and spreadsheets that document actual park unit expenditures made by the park unit itself.

EXISTING LAW: Places responsibility of the state park system, which includes all parks, public camp grounds, monument sites, landmark sites, and sites of historical interest established or acquired by the state, with the Department of Parks and Recreation. Existing law requires the department to gather, digest, and summarize, in its annual reports to the Governor, information concerning the state park system and the relation to the state park system of other available means for conserving, developing, and utilizing the scenic and recreational resources of the state. Existing law also requires each state agency to submit to the Department of Finance a complete and detailed annual budget setting forth all expenditures and estimated revenues for the ensuing fiscal year.

FISCAL EFFECT: According to the Department of Parks and Recreation, if the language in the bill is intended to mean that someone shall be responsible for a particular park unit, but not physically located there, then the department would need two additional budget analysts at headquarters (\$200,000). If the intent of the legislation is to develop and implement a plan to annually track park unit expenditures "through department accounting personnel and personnel located at, or dedicated to, a particular park unit" through staff located at each of the 280 units, staffing needs would be much greater creating a very significant increase in costs for the bill.

COMMENTS: The Department of Parks and Recreation (department) is responsible for preserving the State's biological diversity, protecting natural, cultural, and historical resources, and creating opportunities for high-quality outdoor recreation for current and future generations. With a budget of \$554.3 million for fiscal year 2014-15, the department manages more than 270 park properties or units, such as state beaches, state historic parks, and off-highway vehicle parks.

The department's park system is organized into 25 districts, five of which include off-highway vehicle parks. Many of the districts are further organized into 66 smaller groupings called sectors, and each sector comprises several park properties. The department receives funding from several sources, including the State's General Fund, various bond funds, and several special funds such as the State Parks and Recreation Fund and the Off-Highway Vehicle Trust Fund.

In 2012, the Joint Legislative Audit Committee requested the State Auditor (BSA) conduct an audit concerning the department's oversight and management of the state park system and budgeting practices. BSA's report, issued in February 2013, contained numerous recommendations, including the following:

To assure the Legislature and the public that future proposed park service reductions and closures are appropriate to achieve any required budget reduction, the department should develop individual park operating costs and update these costs periodically. These individual park costs should include all direct and indirect costs associated with operating the park, and the aggregated costs of all the individual parks should correspond with the related fiscal year's actual expenditures needed to operate the department's park system. Additionally, when proposing park service reductions or closures in the future, the department should compare the most recent cost estimates to the amount the department determines is necessary to fully operate its 278 parks at the 2010 level to determine the actual amount of the reductions or closures needed.

Further, the 2013-14 Budget Package directed the Department of Parks and Recreation to provide the Joint Legislative Budget Committee a park by park budget by December 1, 2013. On January 10, 2013, the department submitted a report to the Committee estimating how district expenditures were distributed among the park units for fiscal year 2010-11, including direct and indirect costs associated with operating each park unit. Using the same criteria, the department projected park unit budget plans for fiscal year 2013-14.

In January 2014, the Department released its Park Unit Costing report. The increased level of fiscal information provided in this report and in the future will allow for a greater understanding regarding how departmental funding is allocated amongst the various State parks.

In developing this report, the costs for the park system fall into two main categories of expenditures:

- **Direct Expenditures** - These are the direct expenditures for providing services in a park unit, from the district level down—identified as staffing and operating expenses in this report.
- **Indirect Overhead Expenditures** - These include the cost of support services for the park unit and support provided by the Departments Headquarters operation—identified as distributed admin and core programs in this report.

Going forward, the Department is tracking expenditures for the park system at the park unit level and will release expenditures at this the park unit level annually.

The BSA's states that the department "fully implemented" its above recommendation:

The department provided us with park operating costs for fiscal year 2010-11 which met our expectations and while we acknowledge the department's efforts to implement our recommendation, effective September 2013 state law was amended removing the requirement for the department to determine the amount necessary to fully operate its 278 parks at the 2010 level. As a result, that portion of our recommendation has been resolved.

The department also provided us with projected park costs for fiscal year 2013-14 which also appear to meet our expectations. We have assessed this recommendation as fully implemented provided the department continues with its current methodology to determine park operating costs and report those amounts to the Legislature beginning in fiscal year 2013-14, as we recommended in a subsequent report dated September 2013

This bill directs the department to provide individual park unit expenditure analyses that detail the direct and indirect expenditures for each park unit and include, at a minimum, all of the following:

- Staffing and operation expenses of each park unit.
- Costs of administrative activities that are budgeted by the department and implemented by individual park units.
- The share of the department's overhead costs, which include the costs associated with maintaining the department, attributable to the individual park units. For purposes of this section, overhead costs include direct and indirect costs to the department of the park units, as well as the costs to operate the department as a whole.
- Expenditures mandated by the department to perform its core programs, as defined by the department's mission statement, and incurred by the individual park units.

As discussed above, the department is already tracking expenditures for the park system at the park unit level and plans to release expenditures at this the park unit level annually along with the Governor's Budget.

The bill also directs the department to develop and implement a plan to annually track park unit expenditures through department accounting personnel and personnel located at, or dedicated to, a particular park unit. Further, the bill specifies that the plan account for, and list specifically, all expenditures made at park units and report the specific park unit expenditures that were made in the prior fiscal year, that were made and anticipated to be made in the current fiscal year, and that are presented in the Governor's current budget proposal for the next fiscal year.

Currently, the department does not track park unit expenditures with accounting personnel at individual park units, but rather with district personnel. As mentioned previously, there are 280 park units organized in to 25 districts. Implementing this provision would require a substantial increase in department staff. Finally, this bill would require park unit budgeting be displayed in the Governor's annual budget, rather than as a separate department document. The display of the Governor's Budget is under the purview of the Department of Finance.

REGISTERED SUPPORT / OPPOSITION:

Support

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Opposition

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Analysis Prepared by: Gabrielle Meindl / BUDGET / (916) 319-2099

Date of Hearing: April 28, 2014

ASSEMBLY COMMITTEE ON BUDGET
Nancy Skinner, Chair
AB 2635 (Olsen) – As Introduced: February 21, 2014

SUBJECT: Performance-based budgeting practices: Legislative review

SUMMARY: Requires the Department of Finance (DOF) to submit a progress report of state agencies that have used performance-based budgeting per Executive Order B-13-11 issued by Governor Brown. Specifically, this bill:

- 1) Requires the Department of Finance to submit a progress report to the legislature on state agencies using performance-based budgeting by April 1, 2015.
- 2) Grants the budget committees of the legislature, per the review of the DOF progress report, the power to withhold or modify funding for state agencies who have not complied with Executive order B-13-11.

COMMENTS: This bill calls for an update on Executive Order B-13-11 by requiring the DOF to submit a report to the Legislature on which State agencies have incorporated performance based budgeting since the Executive Order was signed. It also calls for the budget committees of both houses to use this DOF report when deciding to modify or withhold funding during the next fiscal year.

In 2011, the Legislature passed, and the Governor vetoed SB 14 (Wolk), which would have required DOF to develop and implement a plan to incorporate performance-based budgeting for all agencies within the state. The Governor, stating his concern with a “one size fits all budget”, vetoed the bill and issued Executive Order B-13-11 in response.

Executive Order B-13-11 required the Director of the Department of Finance to develop a plan which modifies the budget process to increase efficiency and focus on accomplishing program goals. The plan was to be developed in conjunction with department directors as well as agency secretaries, and was to be submitted to the Governor’s office within 90 days of the Executive Order being signed. The Governor ordered DOF’s report to outline the following:

- 1) A strategy to incorporate program-evaluation methods into the budget process for selected activities and Programs. These Methods include zero-based budgeting, performance measures, strategic planning, audits, cost-benefit analyses, and program reviews.
- 2) Ways to ensure transparency about program goals, outcomes, and funding.
- 3) A process for collaborating with the Legislature, particularly in establishing program goals and measuring program outcomes.
- 4) A structure to work with local governments to develop methods to measure and evaluate performance of state funded, locally-administered programs

- 5) An implementation timeline beginning with the release of the 2012-13 Governor's Budget.

While this bill calls on DOF to report on state agencies that have incorporated performance based budgeting methods as a result of executive order B-13-11, it is silent on many of the other requirements contained within the Governor's order. The Department of Finance indicates that the State is currently using Zero-Based budgeting analysis in several departments at this time. Given the wider adoption of this element of the Executive Order, there may be value to including zero-based budgeting analysis in any report requested by the Legislature. It is also important to note that the report requested within this legislation could be obtained through other methods outside of statute, such as supplemental report language requested through the budget process.

REGISTERED SUPPORT / OPPOSITION:

Support

California Forward Action Fund

The National Federation of Independent Business (NFIB)

Opposition

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Analysis Prepared by: Matthew Cremins / BUDGET / (916) 319-2099

Date of Hearing: April 28, 2014

ASSEMBLY COMMITTEE ON BUDGET
Skinner, Nancy, Chair
AB 2652 (Linder) – As Amended: March 28, 2014

SUBJECT: General Fund Revenues

SUMMARY: Appropriates any revenues above the Governor's January 10th forecast to the repayment of transportation loans, for Proposition 98 funding requirements and for deposit in the Budget Stabilization Account. Specifically, this bill:

- 1) Requires the Department of Finance to calculate any increase between the General Fund revenues projected in the January 10th Governor's Budget for 2013-14 and 2014-15 fiscal year revenues.
- 2) Appropriates these General Fund revenues for the following purposes:
 - a. First, to meet the Proposition 98 Guarantee funding levels
 - b. Next the funding would be split:
 - i. 50 percent of the remaining funds would be deposited in the Budget Stabilization Account.
 - ii. Up to 50 percent of the remaining funds, not to exceed \$2.5 billion would be appropriated to repay outstanding loans to transportation special funds.
 1. Any loans that would be repaid to State Highway Account, the Transportation Congestion Relief Fund, and the Highway Users Tax Account would be appropriated for local streets and roads.
 2. Any remaining funds would be transferred to the Budget Stabilization Account.

EXISTING LAW Government Code Section 13308 includes a requirement for the Governor to submit a revision to the budget on or before May 14th of each year, which includes 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.

FISCAL EFFECT: If this bill was in effect and current revenue trends continue, this bill could result in hundreds of millions to several billion of revenue being deposited into the Budget Stabilization Account. It would also result in the early repayment of up to \$42.6 millions of dollars in transportation special fund loans made to the General Fund. In addition, \$817 million of loans could be repaid to the Transportation Debt Service Fund, which would offset future debt service costs.

COMMENTS: This bill dedicates any additional revenues above the Governor's January 10 budget forecast for 2013-14 and 2014-15 to repay transportation loans and for deposit in the Budget Stabilization Account, net of any Proposition 98 guarantee obligation.

In the March 2014 Finance Bulletin, the Department of Finance reported that revenues were \$965 million above the levels projected in the 2014-15 budget. The Governor will issue officially revised revenue forecasts on or before May 14, 2014.

This bill defines transportation debt using a table in a Caltrans report from December of 2013, which summarizes loans of transportation funds. This list identifies approximately \$1.5 billion in General Fund loans, including \$817 million in outstanding loans derived from weight fee revenues. Since the 2010 Gas Tax swap, weight fees are used to repay General Obligation Bonds, these repaying these loans will be General Fund neutral and thus they are not included in the Governor's "Wall of Debt." This bill may require these funds be repaid to the Transportation Debt Service Fund, where they would eventually be used to offset borrowing costs or could be borrowed again for immediate General Fund savings.

The Governor's 2014-15 proposed budget includes provisions that would repay \$450.1 million in loans related to transportation purposes. Of this amount, \$338 million is Highway User's Tax Account and \$100 million is State Highway Account funding and \$12.1 million is from four smaller loans. This bill would dedicate towards local streets and roads, rather than the statewide purposes outlined in the Governor's Budget, which include \$27 million for State highway maintenance, \$110 million for State Highway Operation and Protection Program (SHOPP_ Capital Payment Projects and \$100 million for SHOPP Traffic Management System.

According to the Department of Finance's January 31st report "Outstanding Budgetary Loans Made to the General Fund As of December 31, 2014," the remaining outstanding transportation special fund loans total \$42.6 million: \$29.1 million from the Public Transit Account, \$7.5 million from Local Airport Loan Account, and \$6 million from the Motor Vehicle Fuel Account. Because the amount of outstanding debt, as identified by the criteria set forth in this bill, is only \$42.6 million, this bill would effectively dedicate most additional revenues in the May Revision to the Budget Stabilization Account..

Under the provisions of this bill, any additional revenues that were recognized in the May Revision would be appropriated. This would constrain the ability of the Legislature to weigh the value and priority of building a large Rainy Day Fund against other possible uses of these funds, including paying off other outstanding debts and liabilities or making programmatic investments.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file.

Opposition

None on file.

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

Date of Hearing: April 28, 2014

ASSEMBLY COMMITTEE ON BUDGET
Skinner, Nancy, Chair
AB 2653 (Linder) – As Amended: March 28, 2014

SUBJECT: Transportation Funding

SUMMARY: > Specifically, this bill:

- 1) Repeals the transfer of non-Article XIX revenue from the State Highway Account (SHA) to General Fund debt relief.
- 2) Instead, apportions these funds (about \$140 million annually) as follows:
 - i) 44% to the State Transportation Improvement Program (STIP);
 - ii) 12% to the State Highway Operation and Protection Program (SHOPP); and
 - iii) 44% to local streets and roads.
- 4) Repeals provisions that transfer revenue from the priced-based excise tax to backfill the SHA for transfers made from the SHA to General Fund relief (about \$945 million annually).
- 3) Repeals provisions that apportion the remaining priced-base excise tax revenue (about \$1.5 billion annually) as follows:
 - a) 44% to the STIP;
 - b) 44% for local streets and roads; and
 - c) 12% for the SHOPP.
- 4) Instead, directs all revenue derived from imposition of a priced-based excise tax on gasoline (about \$2.5 billion annually) to local streets and roads, as follows:
 - a) 50% to cities based on population;
 - b) 50% to counties as follows:
 - i) 75% based on the number of vehicles in a county; and
 - ii) 25% based on the number of miles of maintained county roads.

EXISTING LAW

- 1) Imposes an excise tax on gasoline, comprised of two parts:
 - a) A price-based excise tax, the rate of which is calculated to generate revenue equal to what would have been generated had sales and use tax been collected on gasoline. The current rate is 21.5¢ per gallon until July 1, 2014, when it will drop to 18¢ per gallon.
 - b) The traditional excise tax of 18¢ per gallon.
- 2) Directs revenue from the price-based excise tax to be used first to backfill the SHA for weight fees that are diverted for debt service; directs the remaining revenue to be used as follows:
 - a) 44% for local streets and roads;
 - b) 44% for transportation construction projects identified in the State Transportation Improvement Program (STIP); and
 - c) 12% for highway maintenance and operations projects, as identified in the State Highway Operations and Protections Program (SHOPP).

FISCAL EFFECT: This bill would have a General Fund cost of approximately \$1.1 billion annually. In addition, this bill would redirect \$840 million of state transportation funding to local projects, thus sizably reducing the amount of funding available for state transportation projects.

COMMENTS: This bill would redirect one of the state's largest funding sources for state highway projects and maintenance to local streets and roads. As a result, about 90 percent of current dedicated funding for the STIP and SHOPP would be eliminated. In addition, this bill would eliminate shift of weight fee revenues to pay debt service, resulting in an annual cost of \$958 million.

The 2010-11 budget package included a complicated fuel swap that allowed the State to use taxes on fuels to achieve about a \$1 billion annual General Fund savings by paying General Obligation Bond debts with weight fees instead of General Fund. As part of this swap, the State replaced the State sales tax on gasoline with an excise tax that contained a true-up mechanism to mimic the revenue growth of a sales tax over time.

Prior to the fuel tax swap, cities and counties received 40 percent of the Proposition 42 portion of the sales tax on gasoline. In May of 2013, DOF estimated that in 2014-15, Proposition 42 revenues would be \$1.57 billion if the state still charged a sales tax on gasoline. Based on DOF's estimate, the cities and counties share of Proposition 42 revenues would be about \$628 million in 2014-15, assuming fuel tax law prior to the swap.

Under the swap, the state expects to collect about \$2.5 billion in swap excise tax revenues in 2014-15. The first \$958 million of these funds will essentially be used to help the General Fund by

backfilling weight fees used to pay GO debt service. The remaining roughly \$1.5 billion is then divided by a formula, with 44 percent of the funds going to cities and counties. For 2014-15, the swap excise tax revenue that replaced the Proposition 42 transfer to cities and counties is projected to be about \$680 million, or roughly \$50 million more than locals would have received if the swap had not been enacted.

This bill would dedicate the \$2.5 billion in gasoline excise taxes to local streets and roads instead of the state uses articulated in the tax swap. The Controller would allocate the funding to cities and counties based upon a formula stipulated in the bill. By making this redirection, the bill would eliminate the weight fee transfer and backfill, thus losing the \$958 million in annual projected General Funds savings assumed in the 2014-15 Budget. In addition, the remaining \$1.5 billion in revenue would not be available for statewide uses, resulting the loss of in approximately \$840 million annually from the 56 percent of the residual gas tax swap funding that is currently allocated to State programs, both the STIP (44 percent) and the SHOPP (12 percent). This would effectively eliminate all existing dedicated revenue for these programs,

The bill also redirects approximately \$140 million of gas tax swap funds that are eligible for statewide uses and are currently being transferred to the General Fund for debt service related to transportation uses. The bill would allocate this funding to state and local uses using the 44-44-12 formula from the 2009 Gas Tax swap, which would then provide about \$78.4 million for SHOPP and STIP.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file.

Opposition

None on file.

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

Date of Hearing: April 28, 2014

ASSEMBLY COMMITTEE ON BUDGET

Nancy Skinner, Chair

ACA 13 (Nestande) – As Introduced: March 17, 2014

SUBJECT: State Budget

SUMMARY: Prohibits the Legislature from sending to the Governor a Budget Bill in which General Fund appropriations exceeded General Fund revenues as determined by the Controller. Specifically, this bill:

- 1) Requires the Controller to provide to the Legislature no later than June 1 of each year an estimate of the General Fund revenues for the budget year with the estimate to be included in the Budget Bill.
- 2) Requires the Controller, within three days after the Budget Bill is sent to the Governor, to certify whether the bill would satisfy the existing requirement that Budget Bill appropriations (together with other appropriations and amounts transferred to the Budget Stabilization Account) do not exceed General Fund revenues for that fiscal year.
- 3) Prohibits the Governor from signing the Budget Bill into law prior to receiving the Controller's certification as described above.
- 4) Allows the Governor to sign the Budget Bill, if the Controller has certified that revenues do not exceed appropriations (as described above), only if the following occur:
 - a) The Governor eliminates or reduces one or more appropriation items such that General Fund appropriations do not exceed General Fund revenues; and,
 - b) The Governor submits the budget bill to the Controller who certifies within three days of submission that General Fund appropriations do not exceed General Fund revenues.
- 5) Prevents the Legislature from adjourning for more than 10 days, after the Budget Bill has been sent to the Governor, before the Controller certifies that for that Budget Bill General Fund appropriations do not exceed General Fund revenues.

EXISTING LAW: Requires submission by the Governor to the Legislature a budget plan with proposed expenditures and estimated revenues. Prohibits the Legislature from sending a Budget Bill to the Governor that would appropriate from the General Fund amounts in excess of General Fund revenues and prevents the Governor from signing such a bill.

FISCAL EFFECT: According to the State Controller's Office (SCO), the SCO currently lacks the expertise required to determine whether the budget is balanced, as required by the measure. To carry out the requirements of this measure, the SCO believes it would need 37.3 permanent and 11.5

limited term positions (1.5 one-year LT and 10 three-year LT) at an initial cost of \$6.6 million in year that would eventually decrease to \$4.7 million ongoing.

COMMENTS: The Controller serves as the state's chief fiscal officer and as such, the office offers professional administrative services, fiscal controls, and independent oversight of the state's financial activities. The office monitors cash balances as part of its regular duties; however, it does not engage in revenue estimating to any substantial degree. Revenue estimates are currently conducted by the Department of Finance (DOF) and the Legislative Analyst's Office (LAO) and are incorporated into the budget-making process. This estimating activity relies on complex economic and financial modeling and requires a non-trivial commitment of resources and substantial expertise. Given this, it is likely that any certification by the Controller would either rely on existing data sources, such as those estimates already conducted by DOF or LAO, or would require an additional commitment of resources for the Controller to establish an independent revenue estimating unit.

REGISTERED SUPPORT / OPPOSITION:

Support

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Opposition

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Analysis Prepared by: Matthew Cremins / BUDGET / (916) 319-2099