



# Building a Budget the Public Will Trust

(Revised April 9, 2010)

## INTRODUCTION: //

The primary provisions of SCA 19 and ACA 4 and the accompanying statutory implementation bills (SB 844, SB 845, AB 1638, and AB 2591) would comprehensively redesign the process used by the Governor and the Legislature to develop, adopt, and manage the state’s spending plan. The proposals also begin a process of empowering local governments to work together to improve progress toward community priorities.

These measures substantially mirror provisions contained in the initiative measures filed by the California Forward Action Fund with the Attorney General this year. Some of those provisions have been modified. SCA 19 and ACA 4 and the accompanying bills reflect the principles and policy recommendations of *California Forward*.

## ///// THE GOAL: IMPROVE STATE BUDGET-MAKING AND FISCAL MANAGEMENT

The proposed changes in the state budget and fiscal process are engineered to yield long-term public benefits by ensuring that public funds are wisely spent. Based on best practices used by other states and successful businesses, they will improve the efficiency of state programs and reduce waste. This, in turn, will help restore public trust. The proposed measures are composed of the following elements:

- *Multi-year budget planning and executive authority.* The Governor would be required to submit a two-year spending plan along with a five-year fiscal forecast and provide more frequent updates on the state’s fiscal condition. Fiscal emergency provisions also would be revised, allowing the Governor to make spending reductions if no action is taken by the Legislature in a declared fiscal emergency.
- *Results and accountability: Budgeting for performance.* The measure would require the Governor to incorporate performance measures into his or her budget, while also revising the legislative process for developing the budget with an increased focus on results.
- *Performance review.* The Legislature would be required to oversee program expenditures and the revenue structure through a performance review process that includes a rigorous assessment of programs, as well as action by the Legislature on recommended changes.
- *One-time revenue.* The measure creates a process for identifying nonrecurring (one-time) revenue, and, after minimum K-14 education funding obligations have been met, requiring the one-time funds to be used for one-time purposes.

- *Pay-go for new programs and tax reductions.* A pay-as-you-go requirement would be established for major new programs, whether they are created through the legislative or initiative process, requiring policy choices to be financed through off-setting reductions, additional revenue or demonstrated efficiencies.
- *Majority vote budget.* As part of these comprehensive fiscal reforms, the measure would lower the vote requirement for adopting the state budget. The vote requirement for budget implementation bills would not change. The measure also would not change the two-thirds vote requirement for raising taxes. In the event that a specific tax is repealed and replaced with a fee, the new fee would still be subject to a two-thirds vote, since the effect would be to simply replace the tax.

### ///// THE GOAL: MOVING GOVERNMENT CLOSER TO THE PEOPLE

Locally levied taxes that pay for schools, police, fire and other basic services should be protected from being borrowed or redirected by state government. This proposal would substantially increase local control over locally levied taxes, and it would create a new opportunity for community governments to work together, along with community leaders, to set their own priorities, solve their own problems and control their own futures.

- The measure would protect locally levied taxes from being borrowed or otherwise appropriated for purposes other than local services. State government would not have the authority to re-appropriate or otherwise redirect a revenue source that is levied by a local governing board—whether a school board, board of supervisors or city council. Those funds would be used exclusively for a local purpose.
- The proposal also would provide fiscal incentives for local governments to collaborate and set priorities. State and federal rules often limit how dollars can be spent and discourage cooperation, hampering local efforts to achieve community priorities like improving student success or reducing crime. The measure would increase local government capacity to work together by eliminating duplicative and ineffective efforts, ensuring existing programs are working well together, and helping local governments target additional resources.

