

ANALYSIS OF ORIGINAL BILL

Franchise Tax Board

Author: Haynes Analyst: LuAnna Hass Bill Number: ABX(5) 1

Related Bills: See Legislative History Telephone: 845-7478 Introduced Date: November 18, 2003

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: State Agencies Report To Legislature Financial Activities For The 1998/1999, 1999/2000, 2000/2001, 2001/2002, 2002/2003, and 2003/2004 Fiscal Years

SUMMARY

This bill would require state agencies, boards, commissions, departments, and offices to provide a report regarding financial activities to specific legislative committees for the 1998/1999, 1999/2000, 2000/2001, 2001/2002, 2002/2003, and 2003/2004 fiscal years and for all subsequent fiscal years.

PURPOSE OF THE BILL

The author's office has indicated that the purpose of this bill is to allow the budget committees to gain an understanding of the financial activities of state agencies by having a detailed report of the last six fiscal years.

EFFECTIVE/OPERATIVE DATE

This bill would become effective on the 91st day following adjournment of the special session and states that the first report required by this bill would be due January 15, 2005.

POSITION

Pending.

ANALYSIS

FEDERAL/STATE LAW

Each year, every state agency reviews their expenditure plans and prepares a baseline budget to maintain existing service levels. In addition, they may prepare Budget Change Proposals (BCP's) to adjust service levels. The Department of Finance (DOF) analyzes the baseline budget and BCP's, estimates revenues, and prepares a balanced expenditure plan for the Governor's approval. The Governor may require state agencies, officers, or employees to furnish whatever information is deemed necessary to prepare the budget. The Governor's Budget is submitted to the Legislature by January 10th of each year. The Governor and Legislature are required to enact a budget package by June 15th of each year. After enactment the state agencies administer, manage change, and exercise oversight of the Budget on an ongoing basis. In addition, the Joint Legislative Budget Committee is involved in the ongoing administration of the Budget and reviews various requests for changes to the Budget.

Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

Department Director

Date

Gerald H. Goldberg

12/19/03

THIS BILL

This bill would require state agencies, boards, commissions, departments, or offices to prepare a report of financial activities for the 1998/1999, 1999/2000, 2000/2001, 2001/2002, 2002/2003, and 2003/2004 fiscal years and for all subsequent fiscal years and submit the report to specific legislative committees and their members. The agencies, boards, commissions, departments, or offices must include in their report:

- their organizational code as provided in the Budget Act of 2001,
- a separate report for each subdivision and a report with the combined totals for all of its subdivisions,
- the total amount of all appropriations, including any midyear adjustments, that were appropriated for each of the fiscal years requested in the report,
- the percentage increases of the total appropriations over the base amount in the annual Budget Act for the preceding year, and
- the total expenditures against the source of funds used to make the expenditures, the category of the expenditure, and the percentage increase of these amounts of expenditures for the preceding year.
- the total amounts of actual expenditures against the total amount budgeted by the agency, board, commission, department, or office for expenditure,
- a description of program goals established for each fiscal year, the progress toward those goals, and overall annual program growth, and
- the cost per person or recipient of program benefits and the increase in this cost over the prior year.

This bill specifies that the fiscal years to be included in the report due January 15, 2005, would be 1998/1999, 1999/2000, 2000/2001, 2001/2002, 2002/2003, and 2003/2004. For each subsequent fiscal year, the report must be submitted by January 15 of the following calendar year.

IMPLEMENTATION CONSIDERATIONS

Implementation of this bill is expected to impact the department. Although a majority of the information requested for the report would be similar in nature to the various financial reports prepared by the department, staff would need to assemble the information and create the report.

TECHNICAL CONSIDERATIONS

The phrase "cost per person or recipient of program benefits" is vague. Since the department administers various tax and non-tax programs, the terms "person" and "recipient" could have many interpretations including, but not limited to, department employees or taxpayers. Therefore, the author may want to clarify "person" and "recipient."

LEGISLATIVE HISTORY

AB 318 (Haynes, 2003/2004) and SB 1292 (Haynes, 2001/2002) would have required a report nearly identical to this bill. SB 1292 was held in Senate Appropriations and AB 318 is with the Assembly Budget Committee.

OTHER STATES' INFORMATION

Since this bill only requires a report to the Legislature regarding prior financial activity of state departments, a review of other states' tax information would not be relevant.

FISCAL IMPACT

Assembling the specific information for the report required in this bill would have an impact on the department. The additional costs have not been determined at this time. As the bill moves through the legislative process, costs will be identified and an appropriation will be requested.

ECONOMIC IMPACT

This bill would not impact state income tax revenue.

ARGUMENTS/POLICY CONCERNS

The Governor may require state agencies, officers, or employees to furnish information deemed necessary to prepare the budget. Currently, at the end of a fiscal year and in preparation for the annual budget process, state agencies provide various fiscal information and reports to DOF and the State Controller's Office (SCO), which is then incorporated into the Governor's budget. The Governor submits a budget to the Legislature, which the Legislative Analyst's Office (LAO) analyzes. This bill would require state agencies to create an additional report for specific legislative committees, using information previously submitted to DOF and SCO. Since a majority of the fiscal information requested in this bill is available through either the LAO's office or DOF and SCO, this bill could be interpreted as a duplication of efforts by requiring state agencies to create an additional report in a specific format for submission to legislative committees.

LEGISLATIVE STAFF CONTACT

LuAnna Hass
Franchise Tax Board
845-7478
LuAnna.Hass@ftb.ca.gov

Brian Putler
Franchise Tax Board
845-6333
Brian.Putler@ftb.ca.gov