

ANALYSIS OF ORIGINAL BILL

Franchise Tax Board

Author: Maldonado Analyst: Deborah Barrett Bill Number: SCA 30
Related Bills: See Legislative History Telephone: 845-4301 Introduced Date: April 6, 2006
Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Legislature/Sessions/State Budget/Two-Year Budget

SUMMARY

This bill would amend the California Constitution to provide that:

- 1) the state budget would be submitted biennially by the Governor for approval by the Legislature, and
- 2) the Legislature would convene in regular session in odd numbered years on the first Monday in January and adjourn by November 30 of the same odd numbered year.

This analysis will address this bill only as it impacts the Franchise Tax Board (FTB).

PURPOSE OF THE BILL

According to the author's staff, the purpose of the bill is to adopt a two-year budget to obtain administrative savings and reduce administrative costs as recommended by the California Performance Review.

EFFECTIVE/OPERATIVE DATE

When this constitutional amendment is submitted to and approved by the voters at a statewide election, this bill would be operative commencing with the fiscal year beginning in the next calendar year after that approval.

POSITION

Pending.

ANALYSIS

STATE LAW

Under current state law, the Governor is required to submit a budget for the ensuing fiscal year to the Legislature within the first ten days of the calendar year. The budget is required to include an itemized statement for recommended state expenditures and estimated state revenues. Current state law requires that the Legislature enact a budget bill by June 15th of that year.

Board Position:

_____ S _____ NA _____ NP
_____ SA _____ O _____ NAR
_____ N _____ OUA X PENDING

Department Director

Date

S.Stanislaus

5/18/06

THIS BILL

This bill would provide that the Governor, within the first ten days of each odd-numbered calendar year, shall submit to the Legislature a budget for the two-year fiscal period commencing on July 1st of that odd-numbered year. This bill would require that the Legislature pass the budget bill by midnight on June 15th of each odd-numbered calendar year.

This bill would also change the current legislative sessions of two-year periods to a legislative session that would meet every other year in the odd numbered years. This bill would require a regular session to be convened on the first Monday in January of an odd numbered year and adjourned on November 30th in the same year.

This bill would make additional amendments to the California Constitution to conform to the author's intent of providing a two-year budget process.

IMPLEMENTATION CONSIDERATIONS

Implementing this bill would require department budget staff to incorporate new procedures to accommodate a biennial budget process but would not significantly impact the department's programs or operations.

LEGISLATIVE HISTORY

SB 1606 (Maldonado, 2005/2006) would have provided for a two-year state budget upon enactment of a constitutional amendment approved by voters in a general election. This bill is scheduled for hearing in the Senate Budget and Fiscal Review Committee on April 27, 2006. The hearing was postponed by the committee.

ACA 6 (Leach 1999/2000) was a constitutional amendment requiring the Governor to submit, in each odd-numbered calendar year, a budget for the two-year period commencing July 1st, and that the Budget Bill passed by the Legislature also encompass that two-year period. This bill was referred to various committees but was never heard.

ACA 8 (Davis, 1999/2000) was a constitutional amendment requiring the Governor to submit, in each odd-numbered calendar year, a budget for the two-year period commencing July 1st, and that the Budget Bill passed by the Legislature also encompass that two-year period. This bill also included provisions for midterm budget rebalancing measures. This bill was referred to various committees but was never heard.

OTHER STATES' INFORMATION

The states reviewed include *Florida, Illinois, Massachusetts, Michigan, Minnesota, and New York*. These states were selected due to their similarities to California's economy, business entity types, and tax laws. Only *Minnesota* has a biennium budget cycle.

FISCAL IMPACT

This bill would not significantly impact the department's costs.

ECONOMIC IMPACT

This bill would not impact state income tax revenues.

LEGISLATIVE STAFF CONTACT

Deborah Barrett
Franchise Tax Board
845-4301

deborah.barrett@ftb.ca.gov

Brian Putler
Franchise Tax Board
845-6333

brian.putler@ftb.ca.gov