

Franchise Tax Board

ANALYSIS OF ORIGINAL BILL

Author: DeSaulnier, et al. Analyst: Janet Jennings Bill Number: SB 1426
Related Bills: See Legislative History Telephone: 845-3495 Introduced Date: February 19, 2010
Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: State Budget/ Two-Year Spending Plan

SUMMARY

This bill would require state agencies and courts to submit proposed budgets on a two fiscal-year basis.

Similarly, this bill would require the Governor to submit a proposed two-year budget plan to the Legislature. This analysis will not address the bill's changes to the Governor's budget submission to the Legislature, as it does not impact the department nor state income tax revenue.

PURPOSE OF THE BILL

It appears the intent of this bill is to allow state agencies and the government to better utilize their budgets by planning in advance.

EFFECTIVE/OPERATIVE DATE

This bill would be effective January 1, 2011, and specifies it would be operative for budgets submitted beginning with the budget for the 2011/2012 fiscal year.

POSITION

Pending.

ANALYSIS

STATE LAW

State law requires the Department of Finance (DOF) to develop, issue, and implement consistent and adequate guidelines for state agencies to follow when submitting budgets. The guidelines must ensure the following:

- The budgets are reflective of an agency's activities,
- The budgets are reflective of the costs that are associated with their execution, and
- The budgetary presentation is designed to display expenditures based on various goals or objectives when a program budget format is used.

Board Position:			
_____ S	_____ NA	_____ NP	
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Department Director	Date
Selvi Stanislaus	06/10/10

The DOF, in cooperation with the Legislature, must develop a format for state agencies to use when developing a program budget.

Every state agency and court that receives an appropriation is required to submit a complete and detailed budget to the DOF. The budget must be in the form the DOF prescribes and must include all proposed expenditures and estimated revenues.

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 (BCPs) to adjust service levels. The DOF analyzes the baseline budget and BCPs, 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.

THIS BILL

For each fiscal year that begins with an odd-numbered year, beginning with 2011/2012, in addition to the annual budget submitted by a state agency or court, this bill would require the submission of a budget plan that contains the proposed spending and revenue for the agency or court for the following fiscal year (2012/2013).

The annual budget submitted for the second fiscal year (2012/2013) would consist of any proposals of the state agency or court for modification of its original budget plan for that second fiscal year.

IMPLEMENTATION CONSIDERATIONS

Implementation of this bill would require the department's budget staff to incorporate new procedures to accommodate a biennial budget process.

TECHNICAL CONSIDERATIONS

Subdivision (b) of Section 13320 requires a "budget plan" to be submitted for the second year of the two-year cycle. Subdivision (c) refers to the "budget" submitted for the second fiscal year of the two-year cycle. It is unclear if the department would be required to submit actual "budgets" for the two-year cycle or a "budget" for the first year and a "plan" for the second year. It appears the intent of this bill is to require advance planning and that every fiscal year would still have an annual budget bill. The author may wish to clarify the term "budget plan" to eliminate any confusion.

LEGISLATIVE HISTORY

AB 499 (Canciamilla, 2003/2004) was identical to this bill. AB 499 failed to pass out of the Assembly Budget Committee by the constitutional deadline.

PROGRAM BACKGROUND

In the fall of each year, the department begins the following years' fiscal budget process with a base budget that is either augmented or reduced based on changes in workloads, technology enhancements, or directives from the Legislature or Administration. In developing the budget, the department uses a decentralized budget management structure, which requires involvement of all organizations, programs, and projects within the Franchise Tax Board.

OTHER STATES' INFORMATION

Because this bill requires state agencies and courts to submit a proposed budget plan for an additional fiscal year, a review of other states' tax information would not be relevant.

FISCAL IMPACT

This bill would impact the department's budget staff by requiring them to prepare an additional budget. The additional costs have not been determined at this time. As the bill continues to move through the legislative process and implementation considerations are resolved, costs will be identified and an appropriation will be requested, if necessary.

ECONOMIC IMPACT

This bill would not impact state income tax revenue.

LEGISLATIVE STAFF CONTACT

Legislative Analyst

Janet Jennings

(916) 845-3495

janet.jennings@ftb.ca.gov

Revenue Manager

Monica Trefz

(916) 845-4002

monica.trefz@ftb.ca.gov

Asst. Legislative Director

Patrice Gau-Johnson

(916) 845-5521

patrice.gau-jonson.@ftb.ca.gov