

## SAM - BUDGETING

### BUDGET DEVELOPMENT

6120

(Revised 9/2010)

The State Constitution, [Article IV, Section 12](#), requires that the Governor submit a budget to the Legislature by January 10. The budget must contain itemized statements for expenditures and revenues. It provides for a balanced budget in that, if the proposed expenditures for the budget year exceed available resources, the Governor is required to recommend the sources for the additional funding.

The Director of Finance, as the chief financial advisor to the Governor, directs the effort for preparation of the Governor's Budget and the update in the May Revision. Under the policy direction of the Governor, the Director of Finance issues instructions and guidelines for budget preparation to agencies and departments. This effort typically gets underway even before the Legislature has passed the budget it is currently considering.

Although California has and does utilize concepts such as Zero-Based Budgeting, Management by Objectives, and Total Quality Management, the basic approach utilized is a mixture of incremental budgeting, zero-basing and special reviews. This approach uses the current departmental/program level of funding as a base amount to be adjusted by change proposals, including zero-basing of some items/programs and subjecting others to special reviews to determine the proper funding level. The Budget Change Proposal (BCP) has been the traditional decision document for departments to propose a change to the existing budget level. BCPs are submitted to Finance for review and analysis. (Specific instructions for preparation of BCPs are issued annually in a Budget Letter.)

The general goal in the budget decision process is to resolve budget issues at the lowest level possible. For those departments that are under an Agency Secretary, departments must clear their proposals through their respective Agency. For non-Agency departments, proposals are presented directly to Finance. Issues which are not resolved between departments and Finance staff are discussed at hearings with the Finance Program Budget Manager. Issues not resolved at this level are discussed at appeals conducted by the Director of Finance. The most sensitive issues are ultimately presented to the Governor for a decision.

After all decisions are completed, Finance coordinates the printing of the following publications which comprise the Governor's Budget package. The Budget Summary is also available from the Finance Website, <http://www.dof.ca.gov>.

Governor's Budget Summary—A summary volume which includes the Governor's goals and objectives for the forthcoming year, and the policy perspectives and highlights of the changes in the Governor's Budget.

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**6120** (Cont. 1)

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**Governor's Budget**—A detailed presentation for each department for the past, current, and budget years.

**Salaries and Wages Supplement**—A detailed presentation of authorized staffing and related salaries.

The Governor annually unveils the budget at a formal press conference. The Governor's State of the State address typically includes a general presentation of the Administration's budget policies and priorities.

By constitutional requirement, the Governor's Budget must be accompanied by a Budget Bill itemizing recommended expenditures which shall be introduced in each house of the Legislature. The Constitution also requires that the Legislature pass a balanced Budget Bill by June 15 and that the Budget Bill signed by the Governor be balanced.