

Hi, this is Chris Micheli with the Sacramento Governmental Relations from Aprea & Micheli and an Adjunct Professor at McGeorge School of Law and its Capital Lawyering program. Thanks for joining today's podcast on the impact of the state budget on California public policy.

As you may be aware California's budget process continues to be and have a major impact on the state's public policy agenda. Why do you think this is? From my vantage point, it's because numerous policy changes are enacted every year as part of the state budget. In other words, state public policy continues to be done as part of the funding of our state government.

In addition to funding state operations, policy also gets done to implement aspects of the budget but also sometimes some unrelated public policy gets done. For decades our state budget required a two-thirds super majority vote for adoption. As we were told all of those years, California was one of just three states to require a super majority vote.

This resulted in often a late adoption of the state budget and unfortunate partisan wrangling over priorities for spending state tax dollars. With the Legislature generally controlled by the Democratic party and the Governor's office often occupied by a Republican chief executive, the state budgets were often negotiated with the "Big Five" which included the Governor, the Senate President Pro Tem, the Assembly Speaker, the Senate Republican Leader, and the Assembly Republican Leader.

In these Big Five negotiations, the four legislative leaders and the Governor often hotly debated how to allocate the state's resources including tens and ultimately hundred billion range of General Fund spending along with Federal funds and Special Fund dollars.

They would be appropriated in the annual budget process and because in most years Republicans were in the minority in terms of legislative representation, and quite a number of their bills fell passage often in the first policy committees or later in the process. Some of the Republicans viewed the budget negotiations as an opportunity to if you will leverage their votes that were needed in order to get to that two-thirds magical threshold.

They started thinking what can we leverage our budget votes for? What they quickly figured out was that they would often use those votes to address policy issues or even specific bills that they wanted passed but they couldn't get through the normal Democrat-controlled legislature and the normal legislative process.

Of course, as this began, interest groups outside the capital viewed this as an opportunity for them to get some of the things on their wish list and suggest proposals that they had either that had been in the legislation or that sometimes hadn't even seen the light of day yet to be injected into these big five budget negotiations. Sometimes they were packages of bills and sometimes they were even proposed ballot measures, that's how we got, for example, the open primary system or so-called two top primaries system was done part of a budget negotiation. After a fair amount of time of this and repeated budget delays and frankly a feeling of being leveraged for policy changes that sometimes the democrat majority found difficult to accept.

We had interest groups place a statewide ballot measure, Prop 25, before the electorate which reduced the vote threshold from that two-thirds majority to now a simple majority that's been in effect the last half a dozen years.

As a result of this measure that was adopted by the voters, there is now on time budgets and negotiations are no longer amongst the Big Five. If the Legislature can't come to a resolution with the administration then we have the Big Three - which is the Governor, the Senate President Pro-Tem, and the Assembly Speaker. While Democrats really don't need Republican votes to pass the budget anymore some people certainly thought that votes would no longer be leveraged to perhaps adopt objectionable policy changes sometimes as part of the annual budget deal.

The reality, of course, is that policy changes still occur in those budget negotiations, for example, the Governor might have specific proposals that he's decided couldn't get through the legislature or that they came to in last minute and he wants them done. Sometimes in a few instances, some Democratic legislators have leveraged their individual votes either for policy changes or certainly some budget augmentations. All those years of adopting policy changes as part of the state budget has certainly created proponents of that process in both the Governor's office as well as in democratic legislators offices.

Essentially they all like the idea of the expedited review and adoption of bills and policy changes that occur in that shortened budget process rather than pursuing bills through a lengthy and often contentious bill process that can be gone in January or February with the introduction of your bill and continue - if it's an even numbered year through August 31st, or if it's an odd numbered year through the middle of September.

Sometimes this open and lengthy legislative process also means that there is plenty of opportunity, not just for public input and hearings but also media tension and certainly lobbying by the opposition and sometimes legislators and certainly the Governor and his or her staff don't necessarily like or want all of that attention and lobbying against their proposed policy or law change. So now what we have is that policy continues to be done through the state budget process, even after the adoption of Prop 25 and a majority vote requirement for adoption of the state budget. Unfortunately for Republicans, it's made even worse because not only do they sometimes not get their bills but the leverage that they once had to get some of their priority policy changes has been eliminated because two-thirds isn't required and then these legislators are often left objecting to what the democrat majority is trying to do in the budget trailer bills.

To better understand how these policy changes are accomplished there needs to be a basic understanding of the budget process. While everyone knows about the main budget bill, you should be aware that there are often more than two dozen or so trailer bills to adopt policy changes and these are divvied up by subject matter since we do have a single subject rule in the state that not only applies to ballot measures but also to legislation and those have grown in the sheer volume of them.

They call them trailer bills because they trail that main budget bill but at the same time we even have budget bills junior at least one, sometimes two, either in June as part of the normal budget process or sometimes later in session such as in August, and certainly we have from 1 or 2 to often 8 or 10 budget trailer bills that go through the

process, after the start of the fiscal year July 1 and even after the main budget has been adopted. There used to be just a handful of these trailer bills, but now their number seems to have mushroomed as the need for more and more policy changes has grown as part of the process and therefore we end up seeing many more of these bills being used to adopt sometimes controversial law changes that may or may not have been successful had they been tried through the normal budget process.

Beyond these process points, certainly the main budget bill is usually described as the most important bill that's adopted each year by the Legislature. Again, it's something that has to be adopted each year. We don't do two year budgeting in California and it's now allocating upwards of \$180 plus billion in state General Fund and federal fund and Special Funds that come into the state's coffers each year. Of course, those dollars are allocated amongst 200 state agencies, departments, boards, commissions as well as passed through to the 58 counties, 482 cities and some 3,000 special districts - to the main transportation agencies in the state down to the local vector control agency.

As you probably know how the money is spent in this state and has tremendous impact on our citizenry, if it's spent or not spent or how it's augmented also impacts how those laws and regulations and other state policies are implemented. How they're interpreted, how they are enforced either by the courts or by state agencies or even in many instances the local government. Clearly, the role of the state budget is very dominating in terms of making public policy in the state.

Again, not just because of how our state funds are or are not appropriated each year among all those different state and local government entities, but again, the law changes that are made as a part of that budget process being the most important bill that can be adopted each year to provide funding for state and local governments in California.

The impact of the budget can be felt at every level of government and by the citizens, whether you're driving your car, paying a toll to cross the Golden Gate Bridge or receiving Health and Human services benefits from the county for example, it's always surprising to me how few around our state capital actually follow or have issues as a part of the budget process.

Nonetheless, it really needs to be better understood by those in and around the capital and certainly monitored closely because of the significant impact on California public policy that's done by the state budget and it's corresponding trailer bills. I thank you for joining today, and I hope you found this podcast beneficial.