

CALIFORNIA PRIVACY PROTECTION AGENCY

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**M e m o r a n d u m**

Date: December 7, 2022

To: California Privacy Protection Agency Board
(Meeting of December 16, 2022)

From: Philip Laird, General Counsel

Subject: Board and Agency Policies and Practices: Budget Overview & Process

Description: This memo provides an overview of California's budget process and outlines the recommended steps for the California Privacy Protection Agency (CPPA or Agency) to:

- (1) Hear regular updates about the Agency's budget; and
- (2) Provide timely direction to staff on budget requests and priorities.

The process seeks to ensure the Board stays informed about the Agency's budget expenditures and forecasts, to enable all Board members to have meaningful input into budget change proposals, and to enable staff to respond to fast-moving budget negotiations in a timely and effective manner.

Annual Budget OverviewLegislative Budget Process

Article IV, Section 12, of the State Constitution requires the Governor to submit a balanced budget proposal to the Legislature by January 10 of each year. The proposal details the state's spending plan for the fiscal year beginning on July 1, and a new budget is adopted for the state every year. The fiscal year runs from July 1 through June 30. After its introduction, the Legislature has until midnight on June 15 to pass the budget.

In each house, the budget committee reviews the budget bill through May, with hearings beginning in February, and subcommittee hearings starting in March. During the subcommittee hearings, the Legislature considers budget alternatives and makes changes to the original proposed budget. State agencies, the Governor's Department of Finance, and the Legislative Analyst's Office (LAO) appear before these subcommittees with their recommendations and to field questions from legislators.

By May 14, the Governor announces an updated revenue forecast, which accounts for changes in revenues since January, and proposes changes to his/her budget proposal. The update is known as the "May Revise" or "May Revision," and the subcommittees have about a week to consider the changes proposed.

Per Article IV, Section 12(3), of the State Constitution, the Legislature must pass the Budget Bill by midnight on June 15. In addition, the 72-hour rule requires a bill be published for 72 hours prior to a

vote. This means the Legislature must conclude its hearings on budget issues by midnight on June 12 in order to vote on June 15. The Governor generally has 12 calendar days to either veto or sign the bill. Vetoes may reduce but not increase spending.

Budget Development by the Department of Finance

Development of the Governor’s January 10 budget proposal begins almost immediately after passage of the previous fiscal year’s budget and is led by the Department of Finance (DOF). The budget is prepared using a “baseline budgeting” process, which means departments are only required to request and justify changes that increase, decrease, or substantively modify the spending authority of the most recently approved budget. Beginning typically in July or August, DOF issues instructions on how and when state agencies can submit these budget change requests (also known as “budget change proposals” or “BCPs”). BCPs are due to DOF in early September, and DOF will often hold meetings with staff and ask questions about the proposals throughout the fall. It is to DOF’s discretion whether or not they share decisions on budget change proposals with the relevant agency in advance of the release of the Governor’s January 10 budget.

Agency Budget Development Process

To facilitate a meaningful opportunity for the Board to hear staff recommendations and offer guidance on budget priorities, staff proposes the Agency generally observe the following annual process:

- June/July Staff presents a plan to the Board describing recommended fiscal priorities and budget change goals for the upcoming fiscal year at a regular open meeting.¹ Board Members have the opportunity to ask questions about the budget plan and provide direction on additional or alternative priorities for staff to pursue. Staff also reports on the Agency’s expenditures to date and the performance of past and current budgets.
- September Staff submits the Agency’s BCP to DOF to implement the budget plan in alignment with direction given by the Board at its June/July meeting.
- Sept-Dec Staff fields questions from DOF and provides any requested supplemental information to support the submitted BCPs.
- January 10 The Governor releases his or her proposed budget.
- Jan/Feb Staff briefs the Board on the details of any approved BCP (e.g. number of new positions, funding for new expenditures, etc.) appearing in the Governor’s Jan 10 budget at a regular meeting. Board members can ask questions about any approved BCP and provide additional direction, if necessary, on budget priorities during spring legislative engagements and the May Revise.
- May 14 The Governor releases his or her revisions to the proposed budget.

1. Given that BCPs often undergo numerous revisions—and also that DOF requests they be confidentially maintained—staff intends to present budget change concepts at a summary level as opposed to presenting actual draft BCPs.

June 15 The Legislature passes the Budget Act.

June/July The Governor signs the Budget Act into law for the new fiscal year, effective July 1.

In addition to the foregoing, staff intends to provide regular updates on the status of BCP requests, approved Budget Act details, and other budget-related developments as they occur through the Executive Director's general update or as independent Agenda Items.

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