

Display and Inclusion of Tax Expenditures in Governor's Annual Budget Proposal

Specific Legislative Proposal

Currently, the vast numbers of tax expenditures are not included in the Governor's annual proposal State Budget, as submitted to the Legislature. As such, it is non-transparent as to the impacts of tax expenditures on budgetary decisions by either the executive or legislative branches, much less the general public. This proposal would require, by statute, that the Governor in presenting the annual State Budget to the Legislature, display all proposed tax expenditures.

In such a display, the Governor would be required to set forth each tax expenditure with the following information: 1) Statutory authority for the individual tax expenditure; 2) Specific legislative intent (if there is none, then the expenditure could not continue without such intent being included in a budget trailer bill); 3) Estimated cost of each tax expenditure for the fiscal year, and estimated/actual cost of each tax expenditure in the previous fiscal year; 4) Number of taxpayers utilizing each tax expenditure in the previous fiscal year; and 5) A "Sunset Date" for each tax expenditure, at the discretion of the Governor and the Legislature, in statute, not to exceed three years.

Background

Tax Expenditures are a very significant element of spending by California government. The magnitude of the expenditures, however, are not part of the Governor's budget, not the Legislature's consideration of the annual State Budget. Because of this, a true picture of the overall expenditures of state government is not clear and transparent for government and public to see, evaluate and support or oppose. This proposal would provide a clear and accurate picture of tax expenditures, and would provide a process for review by the executive and legislative branches in conjunction with the annual review and approval of the State Budget. This change would also allow for a tax expenditure architecture that is reflective of the 21st century California economy, including any aspiration policy intent.