

State Budget Update 9-12-08

The state budget stalemate is now 73 days old and it is very hard to predict anything at this point about what might happen. The Senate Republican plan was rejected by the Senate on Monday and by the Assembly on Tuesday. Neither house convened on Wednesday or Thursday. The Governor met with the entire Assembly Republican Caucus on Tuesday to pitch his August Revise. It is both funny and pathetic that the Republican legislators wore name tags, (Hi, My Name is Assembly Member _____) during the meeting because so many have never met the Governor. It was no surprise when the meeting ended without the Governor having secured even one single GOP lawmaker to support his budget plan.

Yesterday Senator Steinberg (soon-to-be Senate President Pro Tem) came to the labor coalition to talk about the budget. Steinberg indicated that the Senate would be taking up the Governor's August Revise on the floor today (September 12). He was clearly frustrated with the prolonged impasse and said, "There is no other way out of this. There is some risk in doing this. This Governor wants what he wants and will not compromise. He is willing to let this go until December and let state government shut down. And, worse, the Governor has no ability to deliver [any votes from the Republican members]."

Later in the day, Senate President Pro Tem Perata and Senator Steinberg met with a small group of lobbyists (CTA, AFSCME, SEIU, Ca School Employees Association) to provide more information about the plan to take up the Governor's budget plan. I was told that Perata said, "it is time to take the pants off the Governor's budget." Perata and Steinberg said that all of the democrats would vote "aye" if the Governor gets two Senate Republicans to vote for his plan. The risk is that there might have been enough votes to get the 2/3 required to approve the Governor's terrible plan which would impose a harsh spending cap, temporarily raise the sales tax by .01¢ and then permanently drop the sales tax at the end of three years by .01¢¹/₄, and impose deep cuts in most state and local programs.

By the end of the day, the Senate floor session was cancelled and Perata said they were "making progress with the Governor." It appears more serious discussion is occurring around a budget without new revenues — meaning deeper cuts and borrowing money from local government. There are two main sources of local government funds that are under consideration: Proposition 42 revenues that are used for local streets and roads and Proposition 1A property tax that are a discretionary revenue source. The amount of money that can be borrowed is capped by the terms of the twin ballot measures and the funds must be repaid within three years – which includes the principle amount borrowed plus interest. I talked to a CSAC lobbyist this afternoon who estimated that the legislature could legally borrow \$1.2 to \$1.3 billion from the Proposition 42 revenues and another \$1.0 to \$1.5 billion from local government property taxes (Proposition 1A). CSAC and the League of Cities are fighting against the borrowing scenario.

Together for California's Future is maintaining the fight for new revenues and against spending caps. The weekly report from T4CF is attached. SLOCEA General Manager Kimm Daniels has been working closely with the T4CF regional group in San Luis Obispo. Here is the information Kimm sent me about the SLO action:

"On Monday, September 15, 2008, we are participating in a bake sale to be held at our court house mall area. If we sell brownies at \$1.00 each, we only have to sell approximately 4,637, 502 to make up for the state cuts to our county budget over the past few years, and to bring in the revenue we are missing by the delay in State payments to the County. Our local schools only need to sell 325, 000,000 brownies to make their budget so they can keep the doors open. The school board members, PTA, and County Superintendent of Schools are participating."

More to come....

Karen