



December 24, 2009

First Salvo of 2010-11 Budget Battles Fired

The Los Angeles Times and Sacramento Bee have both published articles suggesting that the Schwarzenegger Administration will propose gutting Proposition 42 and taking over \$1 billion from transit and transportation operations. Here's an excerpt from the LA Times article:

The \$1 billion in mass transit and other transportation money the governor will propose raiding is supposed to be off limits to the state for plugging budget gaps. Court rulings have declared previous attempts to get at it illegal.

The administration will seek to get around those rulings through a complex gas tax swap. As part of the scheme, an existing sales tax on gasoline would be eliminated and, at the same time, a new per-gallon excise tax would be imposed. The price at the pump would drop about 5 cents per gallon

The shift would gut a voter-approved measure, Proposition 42, that protects how current gas taxes are spent. Public transit -- buses, rail and other forms of mass transportation -- now receives 20% of all gas sales tax. After the tax swap, that requirement would disappear. The tax swap could also cost schools -- as it would result in the share of tax revenues they are entitled to under state law dropping by more than \$800 million.

The Sacramento Bee contained similar warnings:

Schwarzenegger will propose a tax swap that would eliminate state funding for [public transit agencies](#), sources said. Drivers currently pay state sales taxes on gasoline, in addition to an excise tax of 18 cents per gallon. Some of those [sales tax revenues are](#) dedicated for [transit agencies](#) -- more than \$1 billion annually in recent years.

Schwarzenegger's latest idea would eliminate the sales tax on gasoline -- cutting out transit funding -- and replace it with a [new per-gallon gas tax](#) that could help free up state budget dollars. The change could shave off pennies per gallon for drivers, depending on the price of fuel.

The Governor has scheduled to deliver his State of the State Address on January 6 and will release his budget proposal on January 8. Both papers are also reporting that the Schwarzenegger Administration is seeking up to \$8 billion in additional federal funds to stave off cuts in social service programs. The Administration is threatening to eliminate the Cal-WORKS, Healthy Families and In-Home Support Services (IHSS) programs if additional funds are not available. Governor Schwarzenegger proposed the elimination of Cal-WORKS last year and made dramatic cuts in Healthy Families. Those cuts were restored during the budget process and the Cal-WORKS program preserved.

Certainly the State is once again facing unprecedented obstacles in balancing its budget. The Legislative Analyst has estimated a \$20.7 billion deficit for the combined

remainder of 2009-10 and 2010-11. Many of the gimmicks used to bridge last year's budget gap were one-time in nature and could not be repeated.

CSAC will keep you informed as developments occur. Look for an analysis of the Proposed Budget, as it would affect California's counties, soon after its release on January 8.

In the meantime, recall that CSAC's offices will be closed December 28 through January 1. The offices will re-open on Monday, January 4. CSAC wishes you, your families and all those in the California counties family the very best Holiday Season.

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