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## Budget Plans Start Flying Prior to Governor's Revised Budget Release

Budget alternatives are blooming as Governor Brown prepares to release his revised budget. A business coalition released a five-point plan on Wednesday; the Assembly Republican Caucus unveiled their plan today. Keep in mind that the Governor will release his May Revision to the budget on Monday, May 16.

### Coalition for a California Financial Workout Plan

The statewide coalition of business groups, calling itself the Coalition for a California Financial Workout Plan, includes the Silicon Valley Leadership Group, Los Angeles Chamber of Commerce, Bay Area Council, Orange County Business Council, Friends of the San Joaquin Valley, Oakland Metro Chamber of Commerce, Sacramento Metro Chamber, San Francisco Chamber of Commerce, Los Angeles County Economic Development Corporation, Business Council of San Joaquin, Fresno Business Council, and San Gabriel Valley Economic Partnership.

The coalition's plan melds proposals from Governor Brown and Republicans budget negotiators and includes tax extensions, a long-term spending cap, changes in the California Environmental Quality Act (CEQA), pension reform, and realigning responsibilities to local governments. The purpose of financial workgroup plan is to provide a path for taxpayers to agree to extend temporary taxes on the condition that state government fixes the underlying conditions ailing California. The group urges this five-point plan to be presented to voters for their approval. The group also suggests that state leaders address abuses in redevelopment agencies and enterprise zones without eliminating them.

### Assembly Republican Caucus Plan

Meanwhile, the Assembly Republican Caucus released their budget proposal – the “no tax increase budget.” Their plan relies on unanticipated tax revenues, additional cuts, fund shifts, and payment delays. The Assembly Republicans are prioritizing spending on education and law enforcement. Specifically, they reject any education cuts, to K-12 or higher education. Their plan also includes \$500 million General Fund for local law enforcement programs currently funded by Vehicle License Fees. Additionally, the Caucus rejects the Governor's realignment proposal and propose restoring \$7.3 million in funding for county veteran's offices.

Details include:

- Unanticipated Revenues. The Republican plan accounts for the \$2.5 billion in higher tax receipts in 2010-11 and an additional \$2.5 billion in 2011-12, for a total of \$5 billion.

- **Additional Reductions.** The plan includes \$1.3 billion in savings from the Governor's January proposals not adopted by the Legislature. An additional \$1.1 billion in savings is assumed by reducing state employee costs by 10 percent. They also propose \$500 million reductions associated with state auditor proposals in the Medi-Cal program and a \$600 million unallocated reduction to state operating expenses. The plan also reduces General Fund Proposition 98 liability by \$288 million by including redevelopment property taxes in the Proposition 98 calculation.
- **Redevelopment.** The Assembly Republican Budget Proposal assumes either the Governor's proposal to eliminate redevelopment agencies is adopted (with modifications) or the California Redevelopment Association's (CRA) alternative budget proposal to achieve \$1-\$1.7 billion in savings.

The proposal includes changes to the Governor's plan to eliminate redevelopment agencies to ensure that all additional property tax increment revenues received by schools are subject to the Proposition 98 guarantee. These modifications, according to the outline provided by the Assembly Republican Caucus, do not achieve any additional savings in 2011-12, but over time, have the potential to generate many billions of dollars of savings for the state General Fund.

The CRA alternative proposes a voluntary contribution of redevelopment tax increment revenues (either general tax increment revenue stream or housing set-aside) to schools in exchange for project life extensions of 2-10 years.

Ironically, only one Assembly Republican supported the Governor's proposal to eliminate redevelopment agencies during budget debates earlier this year, yet the elimination proposal remains an option in the Caucus' plan.

- **Fund Shifts.** The Republican plan proposes shifting an additional \$2.4 billion in First 5 (Proposition 10) and Mental Health Services Act (Proposition 63) funds to the General Fund. Presumably, this will require voter approval. Additionally, the plan proposes shifting Proposition 99 funds (\$115 million) to fund General Fund health care costs.
- **Payment/Expenditure Delays.** The proposal includes delaying an internal borrowing repayment (\$500 million), suspending school payments associated the Quality Education Investment Act (\$450 million), delaying state purchase of diesel equipment or retrofit (\$63 million), scaling back state information technology projects (\$75 million). Presumably, the delay of internal borrowing and QEIA payments will result in additional interest costs.
- **Competition.** The plan also includes proposals to contract out state services to reduce state government costs, including electronic court reporting (\$100 million), facilities maintenance and administrative functions at state hospitals and development centers (\$124 million),

contracting out child support collections (\$76 million), and centralizing eligibility systems for public programs such as Medi-Cal, CalWORKs and Food Stamps (\$400 million).

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