

May 19 Ballot: Board Advises Yes on 1A-E; 1F No. State Dem Delegates Vote Yes on All, But Miss 60% on 1A, D-E

The Legislature put 6 tough measures on a special May 19 ballot in settling a 9-month budget standoff. 3 GOP members of each body finally joined all the Dems for the required 2/3 votes. For that audacity their party promptly excommunicated them.

Across the political spectrum, allies split on the Props, joining the strangest of new bedfellows:

Urging No on 1A-E, the Calif. GOP and GOPs of O.C., L.A., S.D., S.F. and most counties hate their tax hikes and less-than-they-want cuts in "big govt." services. Most far-right, anti-tax, and Libertarian groups also urge No on 1A-to-1E.

But also for No on all or most are the League of Women Voters, AFSCME, SEIU, some other unions and other progressive groups, for opposite reasons: The Props cut good programs, are GOP blackmail, are no long-term cure, just kick cans down the road, and if they fail a better budget deal can be made.

Our Board heard the pros and cons, and advises: **Hold your nose, vote Yes on 1A-to-1E, No on 1F.** (Directors voted 11-1 for 1A-1E, with 1 neutral; and 7-4 against 1F, with 2 neutral). Here's why:

Why No on Prop 1F:

Taking care of 1F first: It's simple and silly. If a budget is in deficit, it bars just a cost-of-living raise to everyone – all legislators (both innocents and intransigents) and also all statewide electeds (the A.G., Secy. of State, Supt. of Schools, etc.) who had nothing to do with a budget stalemate.

The idea that docking about 2% of legislators' pay will cause anyone to give up a firm principle and change a vote is just, well, nuts. Prop 1F will make no difference whatsoever. But a good reason to vote No is that it panders to the same mindset – blame all legislators indiscriminately and mindlessly – that gave us term limits.

Why Yes on Props 1E-to-1E:

Granting all of those unions' and progressive groups' arguments that 1A-E are bitter pills, we felt the choice is: Bad – pass them – or very worst – reject, return to square one, re-negotiate with a bolder GOP and their now-cowed "moderates" for a 2/3 budget vote in each house, odds on a better deal slim and none, cause a budget disaster making

the recent crisis look mild, and far bigger cuts that'll actually cost lives (in view of the myriad vital life-saving services the state funds at least in part).

We felt those groups' faith in a better budget deal, more tax revenue, funds for fine programs, a long-term fix, or any good at all, from rejecting 1A-E is basically a kind of "magical thinking."

Most impressive to us was that all those "in the trenches," who negotiated for months with the anti-new-tax GOP legislators, support Props 1A-E – the Gov., the statewide electeds, the entire Democratic leadership (Assembly Speaker, Senate Pres. pro tem, their deputies and committee chairs), and both houses' elected members. They include Dem progressives as dedicated as anyone to services for the most vulnerable citizens.

Also supporting Yes on 1A-1E are AARP, Calif. Senior Advocates, Calif. League of Cities, moderate taxpayer groups, unions, and scores of teachers', fire and police chiefs' and sheriffs' associations from most counties, health, business, agriculture and environmental groups.

The only decent rationale against 1A-1E may be to intentionally invite the GOP to cause a crisis, to help make the case for systemic reform in 2010 – to repeal 1978 Prop. 13's constitutional rules requiring a 2/3 vote of each legislative body to pass any budget or tax hike (and maybe, while we're at it, reform Prop. 13's blunt attack on our property tax base; term limits; and the voters budgeting via initiatives – pipedreams?). It's the Clint Eastwood / "Dirty Harry" rationale: tell the GOP: "You feelin' lucky, punks? Go ahead, make our day." Newt tried to shut down the federal government in '95 in his budget battle with Clinton; the voters blamed the GOP.

But that brinkmanship is risky; too much is at stake, even lives, to try it; and the payoff will only marginally raise the odds for real reform in 2010.

State Dem Delegates Miss 60% for 1A, D, E:

It takes 60% for the Calif. Democratic Party to endorse. Its Resolutions Cmte proposed Yes on all. 1B, C and F cleared 60%, but 1A fell 2% short, 1D 4% short, and 1E barely passed.

SUMMARIES of PROPOSITIONS, May 2009 Ballot – from Secy of State's Official Voter Guide and Calif. League of Women Voters' SmartVoter.org [lightly cut, edited, formatted by Jonathan Adler]

All need just a simple majority to pass. All put on ballot by the Legislature. All are Constitutional Amendments except Props. 1D and 1F.

#	Secy. of State's Title/Summary	Attorney General's Summary	Fiscal Impact, by Legislative Analyst	Meaning of Yes / No Vote	Arguments Submitted For and Against
1A	State Budget. Changes California Budget Process. Limits State Spending. Increases "Rainy Day" Budget Stabilization Fund. Changes budget process. Could limit future deficits and spending by increasing size of state "rainy day" fund and requiring above-average revenues to be deposited into it, for use during economic downturns and other purposes.	Increases "rainy day" fund from 5% to 12.5% of General Fund. Portion of annual deposits into that fund would be dedicated to savings for future economic downturns, and remainder available to fund education, infrastructure, and debt repayment, or for use in declared emergency. Requires additional revenue above historic trends to be deposited into state "rainy day" fund, limiting spending.	Higher state tax revenues of roughly \$16 billion from 2010-11 to 2012-13 to help balance budget. In many years, more money in state "rainy day" reserve fund. Potentially evening out state spending over time. Possible higher spending on repaying budgetary borrowing and debt, infrastructure, and temporary tax relief. In some cases, this would mean less money available for ongoing spending.	YES means: Various state budgeting practices would be changed. In some cases, state would set aside more money in one of its "rainy day" reserve funds. Higher state taxes recently passed would be extended for up to two years. NO means: No changes made to state's current budgeting practices or its rainy day reserve funds. Higher state taxes recently passed would end by 2010-11.	FOR 1A: Reform our Broken Budget System. 1A forces budget stability and accountability. It limits spending and increases rainy day fund – forcing politicians to save more in good years to avoid tax hikes and cuts to schools, public safety and other vital services in bad years. AGAINST 1A: It isn't what supporters promise, since 1A: Treats "Rainy Day Fund" as a slush fund for pork spending; could force service cuts even in good times; encourages, not stops, tax hikes; gives unchecked power to Gov.
1B	Education Funding. Payment Plan. Requires supplemental payments to local school districts and community colleges to address recent budget cuts. <i>(see Props. 1C-to-1F on reverse side)</i>	[Those] annual payments begin in 2011-12, funded from the state's Budget Stabilization Fund until total amount is paid. Payments to local school districts will be allocated in proportion to attendance; usable for classroom instruction, textbooks and other educational programs.	Fiscal impact depends on how current constitutional provisions would otherwise be interpreted. Potential state savings of up to several billion dollars in 2009-10 and 2010-11. Potential state costs of billions of dollars annually thereafter.	YES means: State makes supplemental payments to schools and colleges starting in 2011-12, to replace other payments it might otherwise have to make earlier. NO means: State makes no such supplemental payments, and instead make other payments as current law requires.	FOR 1B: Budget crisis cut \$12 billion from schools: Over 5,000 teachers laid off, thousands more threatened. 1B starts process of paying back our schools and community colleges as economic conditions improve. Our future depends on investment in educating our children. AGAINST 1B: [No argument filed.]

Secy. of State's Title/Summary

1C Lottery Modernization Act. Allows lottery to be modernized for bigger payouts, better performance and marketing, and effective management. Requires state to keep ownership of lottery; authorizes other accountability measures. Protects funding for schools now provided by lottery revenues. Higher lottery revenues will be used for current budget deficit; reduce need for further tax increases and program cuts.

1D Protects Children's Services Funding. Helps Balance State Budget. Temporarily provides more flexibility in funding to preserve health and human services for young children while helping balance state budget in a difficult economy.

1E Mental Health Services Funding. Temporary Reallocation. Helps Balance Budget. Helps balance budget by amending Mental Health Services Act (2004 Prop. 63) to transfer funds, for 2 years, to pay for mental health services provided through Early and Periodic Screening, Diagnosis, and Treatment Program for children and young adults.

1F Elected Officials' Pay Increases Prevented in Budget Deficit Years. Promotes balanced budgets by barring pay raise for legislators and statewide constitutional officers, including Gov., in years with a deficit. Directs Director of Finance to decide if a given year is deficit year. Bars Citizens Compensation Comm'n from raising pay in years when Special Fund for Economic Uncertainties is negative by at least 1% of General Fund.

Attorney General's Summary

[Identical to Secy. of State's summary]

Provides over \$600 million to protect children's programs in difficult economic times. Redirects existing tobacco tax money to protect health and human services for children, including for at-risk families, children with disabilities, and foster children. Temporarily allows redirecting existing money for health and human service programs for children age 5 and under. Ensures counties retain funding for local priorities. Helps balance state budget.

[Essentially the same; also:] Provides over \$225 million in flexible funding for mental health programs.

[Same as Secy. of State's summary]

Fiscal Impact, by Legislative Analyst

Impact on 2009-10 Budget: Allows \$5 billion of borrowing from future lottery profits to help balance 2009-10 budget. Impact on Future Budgets: Debt-service payments on lottery borrowing and higher payments to education would likely make it more difficult to balance future budgets. This impact would be lessened by potentially higher lottery profits. More lottery borrowing allowed.

General Fund savings of up to \$608 million in 2009-10 and \$268 million annually from 2010-11 through 2013-14, from temporarily redirecting a portion of funds from the California Children and Families Program in place of state General Fund support of health and human services programs for children up to age 5. Corresponding reductions in funding for early childhood development programs provided by the California Children and Families Program.

General Fund savings of about \$230 million in each of 2 years (2009-10 and 2010-11) by redirecting part of Prop. 63 funds to existing state program in place of General Fund support. Corresponding reduction in funding available for Prop. 63 community mental health programs.

Minor state savings related to elected state officials' salaries in some cases when the state is expected to end the year with a budget deficit.

Meaning of Yes / No Vote

YES means: State could borrow \$5 billion from future profits to balance 2009-10 budget; more later. Flexibility for lottery to raise sales and profits. Ends lottery payments to education, with General Fund increasing its payments to education to replace these lottery funds. **NO means:** State could not borrow from lottery to help balance budget. Lottery continues to operate as it does today, with profits going to education.

YES means: Portion of funds previously approved by voters for early childhood development programs through Calif. Children and Families Program will be temporarily redirected over next few years to gain General Fund budgetary savings. **NO means:** Calif. Children and Families Program will continue to get all funding now devoted to expand early childhood development programs. Other budget cuts or revenue increases would be needed to solve state's fiscal problems.

YES means: Part of funds previously approved by voters under Prop. 63 to support expansion of community mental health programs will be redirected over next 2 years to General Fund savings. **NO means:** All Prop. 63 funds continue to be used to expand community mental health programs – requiring other budget cuts or higher revenue to balance budget.

YES means: Legislators, Governor, and other elected officials could not get salary raise when General Fund is expected to end the year in deficit. **NO means:** Commission voters created in 1990 could continue to raise salary of legislators, Governor, and other officials in any year, including when General Fund is expected to end year in deficit.

Arguments Submitted For and Against

FOR 1C: 1C modernizes our lottery and generates up to \$5 billion in new revenue – with no tax hike. It guarantees schools keep their funding. 1C will help prevent more tax hikes and deeper cuts to public safety and schools.

AGAINST 1C: A no vote on 1C will leave the lottery as voters intended when they voted For Prop. 37 in 1984. Funding to education by lottery will not decrease or change in any way.

FOR 1D: 1D protects vulnerable children while helping Calif. close a \$42 billion budget gap. It temporarily shifts part of the unspent \$2.5 billion in First 5 Commission accounts to critical health and social services for children under 5 and protects against future cuts.

AGAINST 1D: 1D takes \$1.6 billion from local health and education programs for young children and gives it to Sacramento politicians. It violates will of voters who twice approved these funds for local health, education and antismoking services. It replaces mandated local control with Sacramento bureaucracy.

FOR 1E: 1-time redirection of funds, helps close unprecedented \$42 billion budget gap. 1E ensures continued provision of critical services to our most vulnerable citizens. It's the right thing to do for those most in need.

AGAINST 1E: Mental Health Services Act's successful programs save state and local money by reducing incarceration, homelessness, hospitalization, non-home placements, school failure. Keep programs that work; respect voters' will.

FOR 1F: No pay raises for politicians when Calif. is running deficit. 1F prohibits legislators, the governor and other politicians from getting pay raises when state runs a deficit.

AGAINST 1F: 1F *won't work*. Legislators won't change voting behavior just because of threat of salary freeze. This petty, vindictive attempt to punish the Legislature won't relieve any budget stalemates, while unfairly penalizing innocent bystanders such as the Secretary of State and Board of Equalization.