
CALIFORNIA BUDGET REPORT

Volume 4, Number 9

June 28, 2006

State Budget Passes!

...lots of November ballot measures ...and a Special Session on prisons

The State Budget Saga

By now, most of you know that the Legislature managed to pass a state budget last night, just in time for the July 1 start of the new fiscal year. There is nothing surprising about this: after all, most observers concluded the budget was mostly finished 90 days ago. A huge infusion of new cash, together with a joint decision by the Governor and the Legislature to give K-12 education \$5 billion, above and beyond the provision of Proposition 98, made passage inevitable.

Of course, last minute political posturing and minor games delayed the actual budget by about 10 days. Republicans will gloat that they achieved their major goal: preventing expansion of health care for the children of illegal immigrants. Democrats intend to bring the issue back in August, where a majority vote bill may well pass. That leaves Governor Schwarzenegger with a dilemma: sign or veto the bill. It also means the Democrats can tell their supporters they did their best to see the level of spending for children's healthcare increased.

Other lingering disputes over the amount of funding for law enforcement, foster care and other issues were resolved, mostly to the satisfaction of both parties. Central Valley Republicans and some Valley Democrats, too, were disappointed that money for new water storage facilities were not included in November's ballot package or in the budget.

All in all, this budget fits the apt description given to us by two ranking legislative budget staffers: "This is as good as it gets!" Of course, one meant that as a criticism, the other as a compliment.

The Legislative Analyst will shortly issue her Summary of the Budget, and we will forward that to you immediately. Remember, the much-touted "\$131 billion budget" is actually the money spent from the General Fund, some Special Funds and a portion of state approved bonds. This figure does not represent spending of a ton of federal funds, pensions and other money.

In the “old days” (four years ago), we used to be able to turn to a Budget Appendix called the Total State Spending Plan, which would tell you exactly how much money goes through the hands of state officials during any budget year. That chart is no longer produced, as we have mentioned to you many times. Allegedly, changes in federal accounting rules make production of the chart impossible, undesirable or plain embarrassing, we are not sure which. The best we can estimate is that California will receive and spend a total that is close to, or perhaps exceeds \$300 billion in the 2006-07 fiscal year.

If you want to know what the Legislature actually passed, here is the list of bills that both Republicans and Democrats assert to be part of the budget package. Virtually none of these bills are currently posted on the web, which means you cannot read them. They should be available for review by the end of this week When available, you can read them at www.leginfo.ca.gov

The budget bill is AB 1801; the rest are trailer bills (which make changes in statutes anticipated by the budget or desired by legislators) or technical bills (meaning they are decisions reached by the Governor and legislative leaders, and vary somewhat from the Budget Conference Committee version of the budget.

Read them all—1,000 pages or more –to be sure what is going on!

Budget and Trailer Bills

AB 1801	Budget Act of 2006
AB 1802	Education Trailer Bill
AB 1803	Resources Trailer Bill
AB 1804	Transportation Trailer Bill
AB 1805	Local Government Trailer Bill
AB 1806	General Government Trailer Bill (mostly state stuff)
AB 1807	Health Trailer Bill
AB 1808	Human Services Trailer Bill
AB 1809	Revenue and Tax Administration Trailer Bill
AB 1810	Deficiency Trailer Bill (for 2005-06 Budget)
AB 1811	Mostly Big 5 changes to Budget conference report
SB 1132	Transportation Trailer Bill
SB 1137	Proposition 36 (drug treatment) Trailer Bill

NOTE: There are some other budget-related bills coming down the pike. For example, legislation to create new judgeships, implementation of the Governor’s pre-school ballot measure and SB 1209 (Scott), which streamlines the teacher’s credentialing requirement for out-of-state teachers are left to be done. A few other bills would fit in this category and will pop up during August. These measures could not be completed during the budget process—or maybe some folks thought that they should hold back on issues of moderate importance for a time. In any case, keep your eyes open for a few more pieces of legislation needed to fully implement this new budget.

November Ballot Measures

Which takes us to the November election: Sure, the fight between Schwarzenegger and Angelides is important and full of budget implications. However, for the purposes of this *California Budget Report*, we wanted to give you a short summary of the ballot measures that will appear on the November ballot, plus a few that could still qualify. For full details, updated on a regular basis, we recommend you visit the Secretary of State's summary of ballot measures at http://www.ss.ca.gov/elections/elections_j.htm.

If you want to read the precise language of a proposed ballot measure, you need to look at the legislation in question (if it is a legislative ballot measure) or the identification number (if it is a citizen initiative). The code used by the Secretary of State is something like, **SA2005RF0092**. Find the ballot measure you are interested in at the Secretary of State's web site. Then jump to the Attorney General's site at <http://www.caag.state.ca.us/initiatives/activeindex.htm>, and work your way to the measure.

As of June 26, there are 13 measures on the ballot, and two additional measures that might qualify. The Secretary of State gives you the following box score.

Qualified for 2006 13 Propositions qualified for the November 7, 2006 General Election
General: ballot

Raw Count: 0 Initiatives pending raw count of signatures

Signature Verification : 2 Initiatives pending signature verification

Failed: 10 Initiatives failed to qualify

Withdrawn: 0 Initiatives withdrawn

Circulating: 30 Initiatives in circulation

Attorney General: 2 Initiatives pending at the Attorney General's Office

What measures are already on the ballot?

Here is the fast summary of the current ballot measures:

- SCA 7 limits the amount and ways in which the Transportation Investment Account can temporarily be used for other purposes. Part of the Governor/Legislature bond package (*'the package'*).
- SB 1266, which is the \$19.95 billion bond for transportation, ports, etc., part of the package.
- SB 1689 is the \$2.850 billion bond for housing, part of the package.
- AB 127 is the \$10.5 billion bond for education, K-college, part of the package.
- AB 140 is the \$4.090 billion bond for flood control, part of the package.
- SB 1856 is the \$9.95 billion bond for high-speed rail, originally set for the 2004 ballot, but shoved over to the November 2006 election.
- SA2005RF0092 is the anti-sexual predator measure, limiting how close to schools and parks convicted offenders can live, etc. Initiative ballot measure.

- SA2005RF0131 is the \$5.4 billion for environmental, water and other purposes. Initiative ballot measure.
- SA2005RF0132 is a re-run of the 2005 ballot measure to require parental notification before a minor can get an abortion. Initiative ballot measure.
- SA2005RF0139 is the \$2.60 increase in the tax on a pack of cigarettes (.13 cents per cigarette), with the money going to healthcare, hospital emergency rooms, etc. Initiative ballot measure.
- SA2005RF0138 is the increase in state taxes on oil, which will be used for programs to reduce the use of fossil fuels. Initiative ballot measure.
- SA2005RF0126 is the real property parcel tax of \$50, the proceeds going to K-12 education. Initiative ballot measure.
- SA2006RF0015, Amdt. #2-S is the California Nurses Association effort to establish public funding of campaigns and limit corporate contributions. Initiative ballot measure.

If that is not enough to drive you nuts, two additional ballot measures have been submitted for signature verifications. Some political insiders predict both will qualify.

Initiatives Pending Signature Verification

1182. (SA2005RF0123)

Transportation Funding. Initiative Constitutional Amendment and Statute.

Summary Date: 01/03/06 Circulation Deadline: 06/02/06 Signatures Required: 598,105

Proponent: James Earp, c/o Richard D. Martland (916) 446-6752

Prohibits retention of funds earmarked for the Transportation Investment Fund in the General Fund for use unrelated to transportation after 7/1/08. Requires repayment by 6/30/17 of transportation funds retained in the General Fund in years prior to 2007-08. Eliminates General Fund borrowing of specified transportation funds, except for cash-flow purposes (repayment required within 30 days of adoption of budget); current law allows borrowing for three years where Governor declares transfer would cause significant negative fiscal impact on governmental functions and Legislature enacts authorizing statute. Summary of estimate by Legislative Analyst and Director of Finance of fiscal impact on state and local governments: No revenue or cost effects. Increases stability of funding to transportation in 2007-08 and thereafter; reduces somewhat the state's flexibility to use specified transportation funds for other (nontransportation) activities. (SA2005RF0123)

1204. (SA2005RF0146)

Government Acquisition, Regulation of Private Property. Initiative Constitutional Amendment.

Summary Date: 02/16/06 Circulation Deadline: 07/17/06 Signatures Required: 598,105

Proponent: Anita S. Anderson

Bars state and local governments from condemning or damaging private property to promote other private projects, uses. Limits government's authority to adopt certain land use, housing, consumer, environmental and workplace laws and regulations, except when necessary to preserve public health or safety. Voids unpublished eminent domain court decisions. Defines "just compensation." Government must occupy condemned property or lease property for public use. Condemned private

property must be offered for resale to prior owner or owner's heir at current fair market value if government abandons condemnation's objective. Exempts certain governmental actions. Summary of estimate by Legislative Analyst and Director of Finance of fiscal impact on state and local governments: Unknown, but potentially significant major future costs for state and local governments to pay damages and/or modify regulatory or other policies to conform to the measure's provisions. Unknown, potentially major changes in governmental costs to acquire property for public purposes. (SA2005RF0146.)

A Special Session On Prisons

A number of our readers have been gleefully looking at the Budget reserve of about \$2 billion, and trying to figure out how to spend the money. Well, get that idea out of your mind! The Governor has called a Special Session of the Legislature starting June 27, 2006, to deal with the following subjects only:

- Legislation to transfer low-risk women inmates out of state prisons and into community correctional facilities. (It is asserted this will free one current women's prison to be converted into a men's facility.)
- Legislation to spend money, including lease-revenue bonds, to build new prisons. (Note: 'lease-revenue' means there is no need for voter approval.)
- Legislation to establish and fund secure re-entry facilities.
- Legislation to expedite and streamline the state contracting process to build prisons and re-entry facilities more rapidly.

These four points are the heart of the Governor's Call, but you can find the full statement at his web site, www.governor.ca.gov. Go to the section labeled Proclamation and find the June 26 order. For his press release on this subject, plus attached documents, go to the **Press Release** jump at the same web site and look for the June 26 release.

Media and interest groups cynics immediately claimed that the Governor is just trying to immunize himself from attack in this November's election campaign. The Governor has floated several of these ideas before, without success. It is also notable that current polling information suggests the California voter is not willing to support more money to fund prison or jail construction.

Probably the most important prod to the Governor's Call was the virtual take-over of the state prison health care system by federal judge Thelton E. Henderson (Northern District) earlier this year. Equally important was the just-issued report by John Hagar, a special master appointed by Judge Henderson. The media immediately picked up the explicit criticism of the Governor and his Chief of Staff, Susan Kennedy, who was faulted for too close a relationship with CCPOA, the union of state prison correctional officers.

Whatever the case for this move, it is highly doubtful that the Governor will get his way on prison construction unless he gives up other things for the opportunity. The question is, in this rather quiet year (minus the cable-telecom war and the LAUSD takeover), what's up for trade...

The California Budget Report is produced by Phil Isenberg and Maureen O'Haren of ISENBERG/O'HAREN. Questions, comments and requests to be added to the mailing list should be directed to Phil at phil@isenberg-oharen.com or Maureen at maureen@isenberg-oharen.com