
CALIFORNIA BUDGET REPORT

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Package of Valentine's Day Cuts Goes to the Governor!

This morning, both houses of the Legislature sent the Governor the mid-year cuts that we reported on yesterday—and while there was plenty of partisan debate, the bills passed without the usual drawn-out wrangling to achieve the necessary votes. Bills went out with bipartisan votes, one key bill getting a 63-5 vote in the Assembly.

The following report on the floor session comes from the smart McGeorge student who we introduced to you in yesterday's issue: **Matthew Christy**, who has served time at Legislative Counsel and is the son of long-time Sacramento lobbyist Jack Christy.

ASSEMBLY TAKES THE FIRST STEP

This morning, the Assembly voted on emergency spending cuts, which were approved by the budget committees of both houses earlier Wednesday and Thursday. Yesterday both the Democratic chairman and the Republican vice-chairman of the Assembly Budget Committee heralded the bipartisan cooperation underlying the committee's approval of the package of cuts. Today partisan tendencies reemerged.

The first few trailer bills passed without issue, easily achieving the two-thirds majorities required to pass due to urgency requirements. But when the Assembly considered AB 10xxx, the trailer bill to close the so-called "Yacht Loophole," the ideologic split between Democrat and Republican members in regard to taxation revealed itself once again. That bill failed to attain the requisite two-thirds majority. Forty-five members voted in favor, and twenty voted against.

The other trailer bills considered afterward all passed, but tensions again ran high upon consideration of ABx3 5 (also known as AB 5xxx), which would cut Medi-Cal provider rates by 10 percent. There was a significant amount of debate over the bill on the floor. In a slightly surreal moment, Republican Assemblyman Keene urged a no vote, pointing out that the reduction in reimbursement rates would force too many providers to cease serving Medi-Cal patients. This prompted Speaker Núñez to thank him for his Democratic speech. The bill passed by a vote of 63-5. Members Keene, Emmerson, Swanson, Hancock, and Garcia all voted against.

SENATE COMPLETES THE DAY'S WORK

After the Assembly returned to regular session business, the Senate began its consideration of the emergency spending cuts. Before any of the particular trailer bills were considered, there was an impassioned floor debate about cuts and the coming deliberations about cuts to the 2008-2009 fiscal year budget.

Senator McClintock reminded his colleagues that Republicans had warned of the coming fiscal crises six months earlier when the current year budget was being debated, noting that “the post-partisan pigeons have come home to roost.” He railed against the borrowing and accounting gimmicks, which he claimed were the basis of both the Governor and the Democrats’ budget proposals, and pointed out that, according to the state Controller, the actual budget shortfall over the past twelve months was approximately \$11.5 billion. McClintock concluded by voicing his concern that the emergency cuts would be viewed by history as “too little too late.”

Then Senator Denham took the opportunity to lambaste the Democratic leadership. He described the deliberation over the package of spending cuts as being forged behind closed doors and rushed to the floor. He also argued that the Democratic leadership was too vindictive, referring to the removal of Senator Joseph Simitian from his chairmanship of the Senate Environmental Quality Committee earlier in the week and the recall campaign currently being waged against Denham for his failure to vote for the budget last year. Denham said: “You have declared a partisan war you will surely lose.”

This brought a swift reaction from Senator Kuehl, who took issue with Denham’s remarks for being too self-involved. She pointed out that all within the Senate must take responsibility for fixing the problems facing the state.

But McClintock defended Denham, asserting that Denham had rightfully decried the leadership’s “iron-fist” rule, and not promoted his own interests.

Senator Alquist pointed out that the package was not the product of a closed process; she reminded the Senate that the cuts had been deliberated for over 30 hours in public committee hearings. She noted that, while no one was fond of the cuts, they represented the committee’s best efforts to address the crisis facing the state.

After the debate concluded, voting began. All the trailer bills achieved the two-thirds majority required for passage of urgency measures. There wasn’t a great deal of debate over the specific trailer bills, until the measure containing the 10 percent cut in Medi-Cal provider rates was considered.

At that point, Republican Senator Aanestad, an oral surgeon, noted that when Medi-Cal reimbursement rates were reduced while he was practicing, he stopped seeing Medi-Cal patients. He noted that even a temporary rate cut would result in long-term consequences and predicted that these cuts would mark the eventual demise of the Medi-Cal program. Aanestad urged a no vote.

Senator Kuehl responded. She said she hated having to vote for the emergency cuts, but felt she had no choice in light of the Governor’s and Republicans’ determination to balance the budget through spending cuts alone.

Senator Scott followed up by noting his readiness to work with his colleagues across the aisle to raise the revenues necessary to avoid the cuts. The Medi-Cal reimbursement rate cut measure passed, 29 to 11.

Finally, the Senate debated the trailer bill that would close the yacht loophole. Senator Ducheny described the loophole—which provides a tax break to those who purchase planes, recreation vehicles and yachts—as “so big, you could drive a plane through it.” Or fly a plane through it, or perhaps even sail a yacht through it.

Consideration of the bill prompted Senator Cedillo to remark: “I think I miss Governor Wilson.” He noted that while he and Wilson did not always see eye to eye, he respected the former governor for having had the courage to raise taxes when the state faced a similar fiscal crisis during his administration. Cedillo said that the state is again facing a crisis, but it is a crisis of leadership.

Unlike in the Assembly, the trailer bill that would close the “yacht loophole” passed in the Senate.

The Legislature has adjourned for the Presidents Day weekend, and will return Tuesday. We are expecting the Governor to act on the measures fairly quickly. We’ll report on any drama of note!

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