Democratic budget relies on smorgasbord of solutions

With no bipartisan deal in sight, legislative Democrats are poised to approve a majority-vote budget Wednesday that cuts deeper into universities, raises car registration fees and extends a quarter-cent sales tax, according to an Assembly budget aide authorized to brief the press.

The spending plan closes a remaining $9.6 billion deficit through accounting maneuvers, cuts, additional fees, delayed payments and liquidating property. Several of the solutions could face legal challenges that threaten their viability.

Gov. Jerry Brown suggested Monday he would consider signing a Democratic budget that relies on such solutions despite his previous opposition to proposals he considered "budget gimmicks."

Tomorrow marks the state's constitutional deadline for the Legislature to send the governor a budget. In two previous decades, lawmakers met the June 15 deadline only one time, in 2009, and that plan was $19 billion out of whack months later.

But this year comes with real consequences for lawmakers, who must forfeit their pay starting Thursday if they have not yet sent the governor a budget. Voters passed the new rule last year as part of a measure allowing a majority of lawmakers, rather than two-thirds, to approve the budget. Controller John Chiang, who issues paychecks, said the budget must be balanced to meet the Proposition 25 requirement.

Some of the most controversial components of the Democratic plan include additional fees - and one tax.

One bill would raise $900 million by partially unwinding a labyrinthine 2004 tax swap involving local governments. Though state sales tax is slated to decline by one cent in July, the Democratic proposal would lead to a three-quarters-cent reduction - or a quarter-cent more than shoppers would otherwise have to pay. Democrats believe they can pass this on a majority vote, though anti-tax groups have questioned that notion in the past.

The plan also includes a $12 increase in the state's vehicle registration fee - a different charge than the higher vehicle tax that Brown is seeking. The higher registration fee would fund the Department of Motor Vehicles and shift $300 million to the state's general fund.
The Democratic budget relies on $200 million by forcing online retailers like Amazon to start collecting state sales taxes. It also includes a new charge to rural homeowners who rely on the California Department of Forestry and Fire Prevention, raising $150 million.

Fresh off Chiang's report Tuesday that the state received $408 million more than expected in May, Democrats are embracing a more optimistic projection of revenues by $800 million. That comes on top of the Department of Finance's assumption that the state will receive $6.6 billion more in revenues due to improved economic indicators.

Democrats are resurrecting a $1.2 billion sale of 11 prominent state office properties, including the East End complex and attorney general's headquarters in Sacramento. Brown dismissed that idea in February after critics sued to block the deal and the proposal came under fire from budget analysts. The nonpartisan Legislative Analyst's Office said it was equivalent to borrowing at more than 10 percent interest over 35 years.

The proposed deal would still involve California First LP, the consortium of investors engaged in the original sale. But the Assembly budget aide said that it would be restructured to ensure the state could retain ownership of the buildings after the leases expire.

"I will continue to fight to stop the sale of those buildings because it's an unconstitutional act in violation of state constitution and Proposition 57," said Joe Cotchett, a Burlingame attorney and Democratic activist who represents plaintiffs that sued to block the deal. "We're not going to let today's assets be sold for tomorrow's debts."

Democrats are also proposing a 0.15 percent extension of a higher state vehicle tax to provide $500 million for local law enforcement programs. The plan would require a two-thirds vote; if Republicans reject the plan, Democrats say the funding would be cut.

- The proposal also includes the following:
  - $3.4 billion in deferred payments to K-12 schools, community colleges and the University of California. Schools could maintain programs as long as they borrow to fund them.
  - $1 billion in taking First 5 funds, a move already under legal challenge.
  - $1.7 billion by asking redevelopment agencies to contribute money to the state under threat of elimination.
  - $300 million in additional cuts to University of California and California State University.
  - $740 million in borrowing from state special funds.
  - $700 million in federal funding to correct past Medi-Cal errors.
  - $150 million cut to state courts.
  - Smaller reserve of $570 million, compared to Brown's proposed $1.2 billion.

Legislative Democrats say they decided to pursue this plan because Republicans have refused to extend various taxes. The majority party does not want to cut much further after imposing deep reductions in universities, health care and welfare earlier this year, while also facing a court order to move 30,000 inmates out of state prisons.
The governor originally wanted an election on June 7 and negotiated with Republicans to have a tax measure before voters on that date. But Republicans balked in March, saying Democrats would not go far enough on their desired long-term changes.

"(Republicans') inability to engage meaningfully in this process means the majority party has to go and continue to be responsible actors in the absence of anybody else," said Assembly Speaker John A. Pérez, D-Los Angeles. "Barring some major breakthrough overnight, we will be pursuing a plan that does not include the revenue extensions."

Republicans say Democrats have been stubborn in their demand for a tax bridge that would maintain state spending at higher levels until voters decide on taxes at the ballot. They also said Democrats moved too slowly on long-term reductions in pensions, a constitutional spending limit and regulatory rollbacks designed to promote business activity.

"This is obviously a sham budget, and then they'll work on what they consider to be the real budget in the meantime," said Sen. Bob Huff, R-Diamond Bar, vice chairman of the Senate budget committee.

"It underscores the Democrats' appetite for money," he added. "They're not reforming, they're just looking for revenues and looking to go around the will of the people. Whenever people nail something shut, in their creativity Democrats find a way around it."

Brown would have 12 days to sign or veto the Democratic budget once lawmakers send it to him. Both Steinberg and Pérez have suggested that Brown will use that window to continue pushing for a compromise with Republicans.
Elsewhere in the SacBee:

Here are some key parts of the majority-vote budget Democrats hope to approve in the Legislature today:

• Raises the sales tax by one-quarter cent.

• Raises vehicle registration fees by $12 a vehicle.

• Adopts "Amazon" tax requiring online retailers to collect sales taxes.

• Resurrects abandoned plan to sell and lease back 11 state properties, including the East End complex in Sacramento.

• Adopts firefighting fee for rural homeowners.

• Cuts the University of California and California State University systems by another $150 million each.

• Defers $3.4 billion in payments to schools, community colleges and the University of California, forcing them to borrow to maintain programs.

• Takes $1 billion from First 5 commissions, a move already under legal challenge.

• Takes $1.7 billion from redevelopment agencies.

• Borrows $740 million more from state special funds.

• Cuts $150 million more from state courts.

• Shrinks reserve to $570 million, compared with governor's proposed $1.2 billion.

Source: Assembly Democrats