Democrats give Jerry Brown majority-vote budget

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Facing a constitutional deadline and threat of pay forfeiture, legislative Democrats sent Gov. Jerry Brown a rare on-time budget Wednesday filled with spending cuts, higher fees and borrowing.

While Republicans continue to reject Brown's tax proposals, the Democratic plan squeezes the governor from the other side of the aisle as he must now decide whether to veto a package from his own party.

Democrats said they reluctantly passed their budget, calling it an "imperfect" solution necessary to meet the deadline without GOP support. Though Democrats already imposed deep cuts in higher education and the safety net, Wednesday's plan to bridge the last $9.6 billion included several revenue maneuvers recycled from past years – things Brown had said he didn't want to do.

"This is indeed a very sobering moment in that this is not our choice of budget, but it is what we can do without support for the governor's proposal," said Sen. Mark Leno, D-San Francisco, chairman of the Senate budget committee.

Democrats left open the possibility that Brown can still cut a deal with Republicans to extend higher taxes and call an election in which voters would decide whether to maintain higher tax rates for five more years.

Republicans are asking for public pension reductions, a new constitutional spending cap and regulatory rollbacks that promote business activity. They blamed labor unions and Democrats for not striking a bipartisan accord earlier.

"There were votes with reforms to put this (Brown proposal) in front of the California taxpayers and the voters," said Sen. Tom Berryhill, R-Oakdale, one of four GOP senators engaged in active talks with Brown. "But we found out a very interesting thing that I think everyone knows: that the unions are very powerful."
Wednesday marked the first time since 1933 that the California Legislature passed the state budget on a majority vote, according to Assembly Chief Clerk E. Dotson Wilson. It also was the second time in 25 years that lawmakers met the June 15 deadline.

The historic day saw heavy, but unsuccessful, hallway lobbying against gutting redevelopment agencies, as well as a fight between two members on the Assembly floor. Such tensions could not be blamed on weariness – the Legislature finished well before dinner, a rarity for an institution that two years ago locked in members overnight with toothbrushes and sleeping bags.

Voters passed a law last year allowing the Legislature to approve the budget, but not taxes, on a majority vote. The same law penalizes lawmakers by docking pay when the budget is late.

Democratic Controller John Chiang, who issues paychecks, has required that lawmakers pass a balanced budget to meet the pay requirement. Chiang spokeswoman Hallye Jordan said the controller had not yet reviewed the budget bills but suggested he had time because his office doesn't process paychecks until the end of the month.

Even if balanced, major components of the Democratic budget are on thin ice. Two already face litigation – $1 billion taken from First 5 commissions and a $1.2 billion sale-leaseback of state buildings. Redevelopment agencies have long vowed to sue the state to protect their dollars.

The Howard Jarvis Taxpayers Association may challenge fees such as $150 on rural residents to pay for state fire suppression.

Tom Dresslar, a spokesman for Treasurer Bill Lockyer, said the treasurer's office had not certified that the current plan would be sufficient for the state to borrow to meet its cash flow needs and will assess a final budget approved by Brown.

The governor faces long odds against a bipartisan deal over the next 12 days, the window to act on the Democratic package. Ever since talks broke down in March and ended chances for a June election, Brown has faced strong head winds.

Assembly Speaker John A. Pérez, D-Los Angeles, said Tuesday that he pushed for a majority-vote budget now because he saw little hope for a deal with Republicans this summer.

"It's essential that we not allow people to drag out the discussion for no real purpose," Pérez said.

The state has reported significantly more tax revenue than expected, infusing as much as $7.4 billion in new cash through June 2012. That undercut the governor's argument to sustain higher tax rates.

The governor is also left with an option to go to voters no earlier than September. To maintain the tax "extension" label, Brown has to persuade Republicans to pass temporary sales and vehicle taxes as a "bridge" to the election because they otherwise expire this month. Polls show a wide gap in voter support for tax extensions vs. increases, so his ballot effort may be doomed without the tax bridge.
The governor has cited that bridge as the main sticking point in negotiations with Republicans, who refuse to pass taxes for any length of time. They said the Democratic budget, which includes more than $10 billion in solutions, proves that a tax bridge is unnecessary to sustain California's budget until an election.

"If Democrats are willing to go up on this budget, you have just proven it can be done without a bridge," said Sen. Anthony Cannella, R-Ceres, one of the four senators in negotiations.

Besides those challenges, Brown has struggled to preserve support from his own party and allies. Two major labor unions, Service Employees International Union California State Council and the California Teachers Association, actively opposed Brown's special election idea after talks failed in March.

SEIU leader David Kieffer questioned last week whether his group would even fund a campaign.

Privately, some Democrats in the Capitol suggest they would even prefer Republicans to walk away from a Brown deal. Like the unions, they are aware that voters could very well reject taxes in a low turnout special election. Should that happen, Republicans will have more anti-tax ammunition for the rest of Brown's term.

Pérez said Tuesday that the majority Democratic budget is a multiyear "workout plan" that relies on a tax initiative election in November 2012. The majority party sees that ballot as its best chance to pass taxes because Democrats are expected to turn out for President Barack Obama..

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