

# The Conversation: Where do we go from here, Californians?

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Last week's resounding verdict from the voters came as little surprise to anyone in the Capitol. It was clear long before the election's votes were cast and counted that Californians were not going to pass a series of **ballot measures** needed to ratify a bipartisan compromise enacted in February to help stabilize the **state budget**.

But, still, the question "What now?" hung in the air the morning after the election, since serious discussion of the next steps had been suspended pending the formality of actually holding the vote and recording the official results.

And the responses to that question seemed to be as diverse as the population of this once-great state.

The loudest came from the anti-tax groups that helped lead the campaign against the measures. Not surprisingly, the message they heard was "No more taxes," because the most prominent of the defeated measures, Proposition 1A, would have extended for up to two years the temporary tax increases included in the February budget deal.

But Proposition 1A also would have enacted a new limit on state spending, and the public employee unions that campaigned against that provision saw in its defeat an affirmation of their belief that the public did not want to do anything to limit the Legislature's freedom to spend the tax dollars still flowing into the treasury.

Others concluded only that the voters were angry, frustrated and confused by the array of complex measures they were asked to consider, and so their blanket "no" vote was simply an expression of no confidence in the state's political leadership and, at the same time, an order to those politicians to get back to work.

What would you do? In this week's Forum, we've presented a brief outline of where the state spends its money and a list of some of the options for cutting that have been suggested by the governor and the nonpartisan legislative analyst. We'd like to hear your views of these proposals and your own ideas.

We've also included the opinions of a handful of insiders, analysts and citizens who have offered their competing visions for where the state should go next.

### ***What do you think?***

Here are eight differing opinions from experts on the subject ...

## **Legislature must cut or eliminate programs**

The governor's estimate of a new \$21 billion budget problem is reasonable. The May revision proposals include major spending reductions and serious efforts for long-term state efficiencies and savings.

By acting quickly and reducing reliance on some of the governor's riskiest proposals, the Legislature can return the budget to balance, prevent another state cash crunch and preserve core funding for what it deems to be California's long-term priorities.

To accomplish these goals, the Legislature now needs to cut lower-priority programs substantially or eliminate them.

To address significant budget deficits forecast in future years, the Legislature also needs to begin work this year on measures that further improve the efficiency of state services for 2010-11 and beyond.

*-- Mac Taylor, legislative analyst*

## **First step: Ease budget vote requirement**

What happens next?

The magnitude of the budget challenges and difficulty of the decisions in the weeks ahead cannot be underestimated. The take-home lesson from the recent election should be that a flawed process leads to a flawed outcome. The best interests of California can only be served through an open and deliberative process that focuses on what's best for California five, 10 or 20 years from now.

Changing the two-thirds vote requirements for passing state budgets and tax increases is a necessary first step that would go far toward restoring accountability and allowing California to respond to the needs of a growing, changing population and an ever-more-competitive economy.

*-- Jean Ross, executive director, California Budget Project*

## **Tap oil profits to save funds for education**

Many so-called solutions have been floated that would pit one part of our kids' education against another, or that pit teachers against each other, or that set education against health care and services for the mentally ill.

These are wrong choices.

To address at least part of the immediate and long-term crises with a rational solution, the **California** Faculty Association offers a good idea. We have sponsored Assembly Bill 656, authored by Assemblyman Alberto Torrico, D-Newark, to establish an oil and natural gas severance tax to fund our system of higher education in a manner that works successfully in **Texas**. This tax would be structured to come out of oil company profits and would not take funding away from any other public need.

We call on elected leaders, leaders of public education and Californians to embrace AB 656 on behalf of public higher education. And we encourage our leadership to seek other sensible answers to funding **health care** and other public goods.

The gimmicks have failed. Let's get on with the real business of making **California** work.

-- *Lillian Taiz, president, California Faculty Association*

## **Crisis could force end of Supermajority rule**

What should happen now? The **Legislature** should cut programs down to a sustainable, fundable size. The Republicans should vote for some needed but unwanted new taxes. The Democrats should vote to reduce the level of some needed programs (there is not enough waste and abuse, by any standard, to solve this problem). But this is not what will likely happen.

What is likely to happen? The Republicans will not vote for any new taxes. Why should they? They are a minority party whose voters care only about lowering taxes at any cost. So the Democrats will be forced to reduce programs (sharply). There will be no choice.

If so, this will be the best thing that ever happened to the **Democratic Party in California**. It will be the worst thing that ever happened to the **Republican Party** (in the long run). The results of these cuts will be so onerous to so many of the state's voters that they will rise up and vote for majority rule in **Sacramento**, repealing the two-thirds supermajority that binds the Capitol today.

Thus, the party in power will have the power to manage the state; that is, to raise the money to pay for the programs they implement, or cut programs to reduce the **tax burden** on the taxpayers, or some of each. Then the voters can hold that party accountable for the actions that it takes.

-- *George Lynch, retired county employee, Fair Oaks*

## **Fundamental change needed to fix system**

On Tuesday, the voters spoke. They said: We no longer trust **Sacramento**.

Today, the focus is on the **budget crisis**, but our problems extend much further than that – to education, **health care**, water, prisons, transportation, and the list goes on and on. It seems everywhere you look in **California**, you find a crisis. The common thread that unites these problems is that they are all the responsibility of state government.

When voters are angry, there is a strong temptation to say, "Throw the bums out." The problem is that the next set of "bums" will have the same set of problems. That means that the system itself is broken. And, tragically, it means that we, the people of **California**, have become powerless.

**Thomas Jefferson** said that when a government becomes destructive to the people, it is a citizen's right and duty to change that government.

The answer is a **California** constitutional convention. This process is as old as democracy itself and is the route our founders gave us to fix our government when the time came.

The time is here.

*Jim Wunderman, president, Bay Area Council*

## **State takes in plenty, but spends too much**

I think what happens now is going to depend entirely on whether the federal government agrees to guarantee **California's** short-term debt. If so, I think everyone will breathe a sigh of relief (mistakenly) and put the tough choices off for another indeterminable amount of time. If not, I think that is the only thing that will force the issue of significant layoffs and other real **spending reductions**.

Californians need to know that, even in these tough economic times, the state will generate about \$82 billion to \$85 billion in general fund revenue. That is at a level even higher than fiscal 2004-05 and far exceeds the revenue generated by any other state. Therefore, they should know that threats of catastrophic cuts to public safety should not be taken seriously. They should also know that the primary culpability for our fiscal mess can be laid directly at the feet of the public **employee unions**.

*- Jon Coupal, president, Howard Jarvis Taxpayers Association*

## **Budget reforms vital end to vicious cycle**

The voters were very clear. They do not support **tax increases**, and they want state leaders to address the budget problem head-on by rolling back expenses and eliminating waste, fraud and inefficiency.

The state bureaucracy must do what the taxpayers have done in their own homes and businesses – resize operations to eliminate every penny of unneeded expense, suspend plans for new spending, make sure spending does not exceed revenue and generally do more with less.

Clearly, the **tax increases** associated with **Proposition 1A** were an anchor on the entire measure, sinking the spending restrictions and rainy day fund provisions. We hope Californians will get another opportunity to pass these vital budget reforms on their own merits, so we can finally end the boom-and-bust budgeting that creates unneeded turmoil and expense within the state government.

*-- Teresa Casazza, president, California Taxpayers Association.*

## **'Shared sacrifice' must go beyond taxpayers**

In February, Standard & Poor's downgraded California's bond rating to below that of every other state. The No. 1 "reality checker," the financial markets, are telling us that **California** is a financial disaster. Despite the protestations of politicians and private interest groups, all Californians must first accept the necessity of living within our means.

**California** is the eighth-largest economy in the world and arguably the epicenter of entertainment and high-tech innovation. What Californians most desperately need today is more competent leaders, not higher taxes. We need leaders willing to replace the smoke-and-mirrors financial high jinks with honest stewardship of our hard-earned taxes.

**California's** most important priority is to put its financial house in order. That means real "shared sacrifice" by everyone, not just the taxpayers. Every expenditure must be examined. Nothing should be off limits, even if it means changing existing laws and the **state's constitution**.

We cannot continue to fund pampered and generously compensated legislators, bloated bureaucracies and public "servants" who retire with pensions higher than those paying the tab. We are simply not getting our money's worth, and it's time for honest and meaningful change.

There is nothing more mobile than capital. If **California** continues to raise taxes to meet its bottomless spending appetite, it will find the sources of those funds leaving the state.

*-- Anthony Gaas, business management consultant, Mill Valley*