

Gov. Jerry Brown takes cautious approach on California budget

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Gov. Jerry Brown, dismissive of a surge in state [tax revenue](#) that stirred optimism at the Capitol, moved Tuesday to blunt appeals for increased spending, downgrading his budget proposal from January.

The budget revision - an annual exercise opening a month of negotiation with the Legislature - threatened to strain Brown's relationship with Democratic lawmakers and with social service advocates who called Brown's estimates overly conservative and who are lobbying to restore programs cut during the recession.

"He's definitely trying to strike a tone," said Jeffrey Michael, director of the Business Forecasting Center at University of the Pacific.

He said Brown's estimates, though "very conservative," are in line with the Business Forecasting Center's projections.

Despite income tax revenue running about \$4.5 billion ahead of expectations through April, Brown said much of that money is unlikely to carry over into future years. He is projecting revenue next fiscal year down \$1.8 billion from his January estimate.

The Democratic governor said economic growth will be slower than he previously thought because of federal [spending cuts](#) and a higher [payroll tax](#) on workers.

"Four percent growth has now become 2 percent growth," Brown said.

He also said much of the income tax revenue increase the state enjoyed this spring will not be lasting, attributing the rush instead to wealthy taxpayers shifting income from 2013 into 2012 to avoid higher federal tax rates. Administration officials said they also expect tax revenue in the final two months of the budget year, May and June, to fall below original estimates.

Brown said California has "climbed out of a hole" with the passage of his November ballot initiative to raise taxes but that "this is not the time to break out the champagne."

Republican lawmakers immediately praised Brown. Assembly Budget Committee Vice Chairman Jeff Gorell, R-Camarillo, said it was "appropriate for the governor to have conservative [revenue projections](#)," while Assembly Republican leader Connie Conway, R-Tulare, called Brown "the adult in the room" and predicted the most meaningful [fault line](#) in the coming budget debate would run through the Democratic caucus.

Senate President Pro Tem Darrell Steinberg, D-Sacramento, said in a prepared statement that Brown's [revenue projections](#) would be subject to a "deeper analysis," suggesting a potential dispute about how much money is available to spend.

"I agree we must aggressively pay down our state's debt and set aside money for a reserve, but there's a disappointing aspect to this proposal," Steinberg said. "It's important that we also begin making up for some of the damage done to tens of thousands of Californians. Unless the Legislative Analyst has a different conclusion, the governor proposes few if any resources to restore cuts made over the past few years to the courts, and to health and human services."

The speaker of the Assembly, John A. Pérez, said Brown's [revenue projections](#) would be reviewed "in depth," but he told reporters, "I don't believe there are any major areas of disagreement between the Assembly and the governor that cannot be resolved in short order."

Democratic lawmakers will face pressure from social service advocates who said Brown's budget fails to reflect the promise of a recovering economy - or to account for years of [spending cuts](#) during the recession.

"The governor's revised budget proposal fails to address our poverty crisis by continuing the steep cuts to safety net programs made during the Great Recession," Vanessa Aramayo, director of the California Partnership, an advocacy group, said in a prepared statement.

Brown expanded in his revised budget on his January appeal to overhaul the state's education finance system, seeking to give school districts greater flexibility over how they spend state money while directing more money to school districts with relatively high proportions of students who are poor or learning English.

Brown proposed Tuesday to increase first-year spending on his education overhaul by \$240 million over his January proposal, to \$1.9 billion.

Many Democratic lawmakers have expressed conceptual support for the plan but remain in disagreement with the governor on his proposal to award districts additional money if more than half of their students are low-income or meet other criteria.

At a news conference Tuesday, Brown rejected the concern of wealthier, suburban school districts that they will receive less money under Brown's plan than they might otherwise.

"Ask somebody in [Beverly Hills](#) or [Palo Alto](#) or Piedmont, 'Would you like to move to Compton? Would you like to move to Watts?' " Brown said. "And if they say, 'Yeah, let's do it because I want to get the extra money,' then I'll believe it."

Brown also proposed Tuesday to earmark \$1 billion in state education funding to implement English, math and other subject guidelines known as Common Core standards.

Brown called one-time funding for [teacher training](#), instruction materials and technology to implement the standards a "great intellectual move."

Meanwhile, he largely dismissed calls to increase spending beyond education.

"Everybody wants to see more spending," Brown said. "That's what this place is: It's a big spending machine. You need something? Come here and see if you can get it. Well, but I'm the backstop at the end, and I'm going to keep this budget balanced as long as I'm around here if I can."

In the budget revision, Brown maintains his proposal to increase funding for the [University of California](#) and [California State University systems](#) by as much as 20 percent over four years, and he proposes a statewide approach - not a county-by-county effort - to implement California's expansion of Medi-Cal under the federal health care overhaul.

In other program areas, Brown's budget revision would:

- Abandon the governor's January proposal to cap the number of state-subsidized classes that public [university students](#) can take. Brown had proposed the idea as a way to make the [University of California](#) and [California State University systems](#) more efficient, but he said Tuesday that the proposal required "more time."
- Allocate \$15.4 million to expand the use of prison fire camps to help ease prison crowding. The administration is also proposing to let counties ship some long-term offenders to state prisons in return for taking an equal number of short-term offenders from prison. The measure is designed to address complaints by local officials about California's prison realignment, the 2011 law in which the state shifted responsibility for certain low-level offenders from the prison and parole system to counties.

- Loan the state general fund \$500 million from California's cap-and-trade program, money designated to reduce [greenhouse gas emissions](#). Environmental advocates opposed the loan, while the administration said it is appropriate because state agencies need more time to develop greenhouse gas-reduction programs.

BUDGET PROPOSALS

Highlights of Gov. Jerry Brown's revised budget proposal for the fiscal year that begins July 1:

- Taxes: Includes an extra \$15 billion in revenue through June 2014 due to voter approval of Proposition 30, which increased [income taxes](#) on high earners and raised [sales taxes](#).
- K-12 schools: Spending on schools would grow by about \$1 billion over two years to \$55.3 billion for the new fiscal year. It also provides \$1 billion for schools to implement Common Core standards and about \$1.9 billion that would be allocated under Brown's proposed "local control" formula.
- School energy: Provides half of Proposition 39 funding – \$450 million this year – to school energy efficiency projects outlined in the ballot measure that closed a tax loophole for out-of-state companies.
- Courts: Proposes a \$200 million cut that would delay additional courthouse construction projects for up to a year.
- State workers: Assumes size of state workforce will remain flat, but includes money for previously approved salary increases. No new salary increases or furlough days are anticipated.
- Child care: Proposes no new state funds for various subsidized child care programs beyond adjustments for caseload.
- Higher education: Proposes an average 10 percent general fund increase to CSU, UC and community colleges. No fee increases are envisioned through 2016-17.
- Medi-Cal: Proposes to permanently impose a tax on managed care plans using the state sales tax rate starting in 2013-14, saving the state \$343 million. Estimates that federal changes to Medicaid will cost the state about \$208 million extra in 2013-14.
- Welfare: Continues major changes from last year that created a two-year time limit for adults to get cash grants and work assistance, but provides an extra \$142 million to expand county-run employment services and case management. Provides an additional \$48 million to identify potential employment barriers for individuals and subsidize employers who hire welfare recipients.
- In-home care: Proposes to spend \$200 million more based on new projections that more people will be certified for care than once thought. Budget incorporates lawsuit settlement that reduced from 20 percent to 8 percent a cut in providers' hours and wages.

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