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## Jerry Brown braces for budget changes under Trump: 'It's going to be a rough ride'



*Gov. Jerry Brown said California was facing a budget deficit in the 2017-18 fiscal year, so the state must be careful about its fiscal condition.*

BY JIM MILLER AND CHRISTOPHER CADELAGO

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California Gov. Jerry Brown, warning about the double-barreled fiscal risk posed by Republican-controlled Washington and an impending economic downturn, presented a \$177.1 billion proposed budget Tuesday that assumes the state will take in billions of dollars less than lawmakers previously estimated.

But the Democratic governor refrained from laying out how the state might react if it loses federal funding, saying it's premature to predict how the Trump administration will act on climate change, illegal immigration and health care.

"We can't budget something that hasn't happened yet," Brown told reporters at the Capitol, where he unveiled his spending plan.

"That's why we have to hang onto our hat here," he later advised. "It's going to be a rough ride. And we cannot tell where we will be in a few months."

The fiscal blueprint for the year beginning July 1 precedes the inauguration of Republican President-elect Donald Trump, who Democrats fear will jeopardize several years of brightening fiscal outlooks in California.

More than \$100 billion in federal money helps pay for state programs, and no issue looms larger for California than the politically imperiled Affordable Care Act. Following Republican pledges to repeal the federal law, Trump on Tuesday demanded that Congress move swiftly to revoke and immediately replace President Barack Obama's signature legislative achievement.

California receives more than \$15 billion from the federal government to pay for Obamacare's optional expansion of Medi-Cal to cover 3.8 million childless adults. The law's repeal would force the state to come up with more money or roll back Medi-Cal's rapid growth.

"It's a frightening thought that not just health care, but the underpinnings of the entire budget could be undone by congressional action," said Anthony Wright, executive director of the consumer group Health Access California. "There is not an obvious contingency plan California could put in place if this is undone the way it's being proposed ... Our message for people is to enroll in coverage and then fight like hell to keep it."

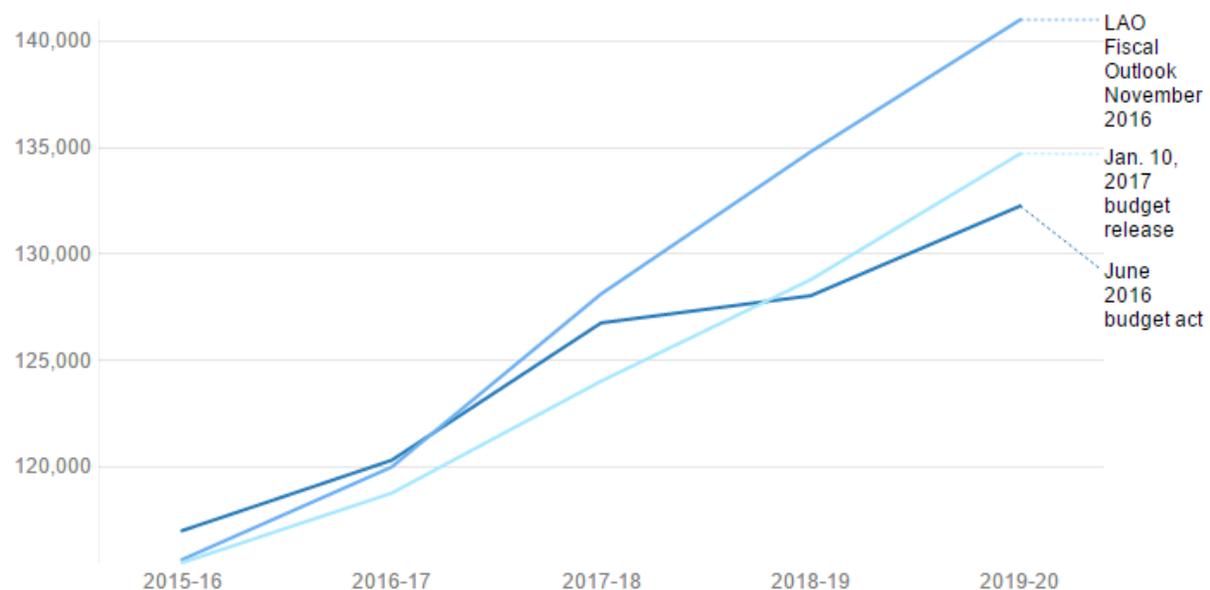
Brown, saying Republicans' are engaging in a "rhetorical thrust that is rather extreme, to say the least," was nevertheless reluctant to assume the demise of the

Affordable Care Act. Whatever transpires, California will deal with the consequences, he said.

“I know the Republicans are on that track, but the reality is going to be far more difficult and far more disruptive than they are now expecting,” Brown said.

## Revenue projections

Gov. Jerry Brown's proposed budget for the 2017-18 fiscal year predicts smaller revenue growth than what was projected in the budget he signed six months ago. And it is far less optimistic than what the Legislature's non-partisan fiscal analyst has predicted under an "economic growth scenario." (in millions)



Source: LAO, Governor's Budget Summary [Get the data](#)

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His budget unveiling opens months of negotiations at the Capitol and reflects several initiatives with strong ties to Brown.

The plan contains promised legislation to continue the state's cap-and-trade program beyond 2020. Such a bill requires a two-thirds vote.

It also continues \$375 million in funding for a high-speed rail system championed by the governor.

And it reflects Brown's interest in changing the state's parole system, an issue at the core of governor-sponsored Proposition 57. Tuesday's proposal includes the creation of a "California Leadership Academy" to reduce recidivism among young male prison inmates. Brown indicated he will try to get private investors to pay

for the project, which a consultant recommended should be a “college-like campus” for about 250 offenders.

California Republicans said Brown’s proposal fell short in key areas, doing too little to address unfunded pension and retiree health liabilities and other problems. They also suggested they could act as mediators between state Democrats and Trump and the Republican-led Congress.

“I’ve been volunteering my services to help bring a better, smooth transition to California on all of those programs,” said GOP Senate leader Jean Fuller, who is close with House Republican Leader Kevin McCarthy, also of Bakersfield.

“I’m still waiting, but I believe the governor is moving in the right direction and that we could be of help.”

Dominant Democrats, a group that in recent years has called for more spending, gave the plan generally good marks, while suggesting that they’ve become familiar with Brown’s pessimistic pronouncements on state revenue. Sen. Holly Mitchell, D-Los Angeles, who will lead the Legislature’s budget-writing panel, called the proposal “conservative but not surprising.” Assembly Speaker Anthony Rendon, D-Paramount, cast Brown’s budget as “typically cautious.”

Rendon and others objected to the governor’s proposal to shut down a seven-county demonstration project that coordinates low-income health care and social services. County officials said the change would shift \$4.4 billion in costs to counties over six years.

Brown’s plan to phase out the Middle Class Scholarship Program, which provided awards to 37,000 students this fiscal year, also drew criticism from lawmakers. The change would save \$116 million by June 2021.

Tuesday’s proposal takes a gloomier view of state tax collections than the Legislature’s nonpartisan fiscal analyst. For example, the analyst’s office estimated in its November fiscal outlook that the state would collect \$6.4 billion more in 2017-18 from its three top taxes: personal income, sales and use, and corporation. Brown’s plan, though, pegs the projected increase at \$3.4 billion.

Dedicating the budget to his late first dog Sutter, Brown included a page with a paw print and the quote “Save some biscuits for a rainy day.” The state’s voter-approved reserve fund would grow to nearly \$8 billion by June 2018.

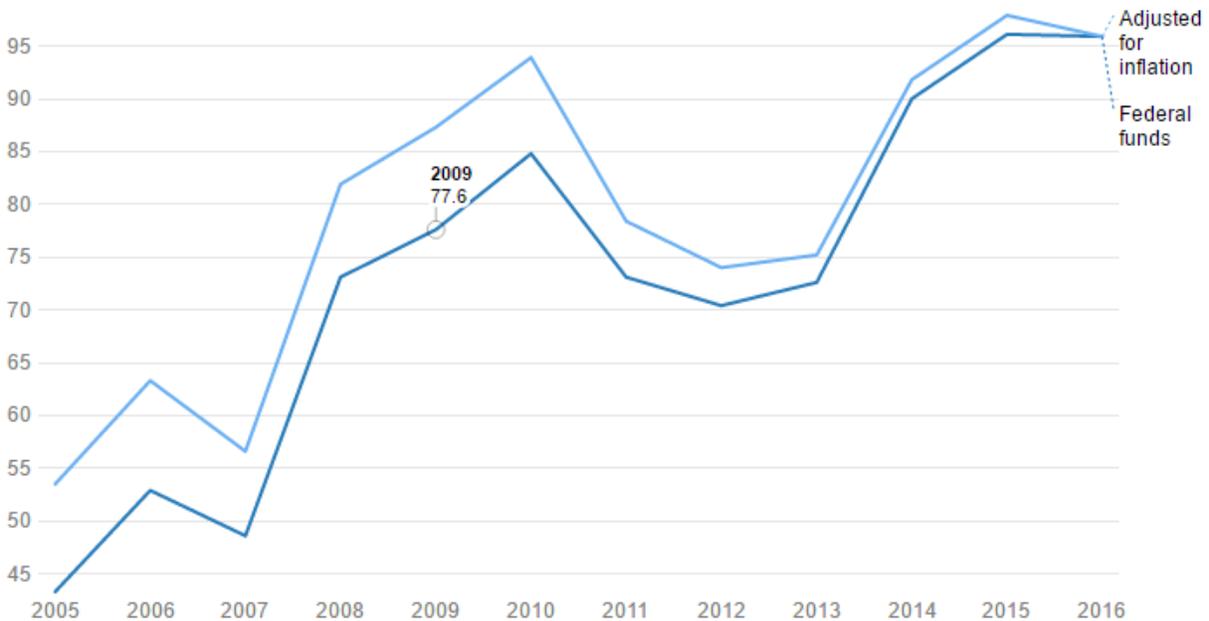
Brown said his decision to stockpile more money to guard against a coming recession is not “some kind of quirk, or legacy or Brownie-ism.” Because the state relies heavily on wealthy residents for its tax base, he said, revenue can swing widely from year to year as their fortunes fluctuate.

“Until you are ready to change that, which some people are, and I am perfectly willing to work with them, we must maintain a big reserve,” Brown said. Later, red pen in hand, he punctuated his point by circling the nearly \$2 billion deficit on a large bar chart.

Concluded Brown: “The downturn is inevitable.”

### Federal funds in California budget

The chart shows the amount of federal money, in billions, in the California budget since the 2005-06 fiscal year. Health and human services represents almost 3/4 of the federal money in 16-17.



[Get the data](#)

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## BUDGET HIGHLIGHTS

Some major points of Tuesday's proposal:

**Total spending:** \$177.1 billion in general fund and special fund spending in 2017-18, up from \$170.9 billion in the current year.

**Reserve:** Increases the state's rainy-day fund to \$7.9 billion from \$6.7 billion.

**Colleges:** Doesn't assume revenue from tuition increases proposed from UC and CSU, and links any increase to cutting UC's costs and improving CSU's graduation rates.

**Bridging the gap:** Includes \$3.2 billion in "solutions" such as freezing child care provider rate increases.

**Minimum wage:** Includes \$217 million to cover state costs from increases in minimum wage.

**Driver licenses:** The DMV would no longer suspend driver's licenses for those who fail to pay fines and penalties.

**Housing:** Rules out new spending from the state general fund on affordable housing.

**Retirement:** \$5.3 billion (\$2.8 billion from the general fund) in state payments for state pension costs.

**Climate change:** Brown plans to sponsor a bill to extend the cap-and-trade program past 2020.

**Roads:** Includes a transportation plan that would generate \$4.2 billion annually, including a new \$65 fee on all vehicles.

**Schools:** School funding would increase from \$71.4 billion to \$73.5 billion, but school officials say that wouldn't be enough to cover growing pension obligations.

**New classrooms:** Brown won't support allocating billions from voter-approved Proposition 51 until lawmakers approve a bill extending oversight of bond spending.

**Pot:** With recreational marijuana legalized by voters in November, Brown recommended merging the regulatory structure for medical and recreational pot.

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