



## Reductions, Realignment and Revenues California's leaders grapple with the budget

By all accounts, California's day of fiscal reckoning has arrived. On March 3rd, the Budget Conference Committee sent a budget package to the Floor of both houses to close a \$26.6 billion shortfall, a spending plan that makes deep cuts to core health and human services programs and higher education. The huge deficit is primarily the result of a 25 percent loss in state tax revenues as the result of the deep economic recession and is compounded by the loss of temporary tax revenues and federal stimulus funds, the slow pace of the economic recovery, as well as the Legislature and previous governors' failure to address previous budget shortfalls. (See "Beacon in a Stormy Sea?" *FCLCA Newsletter*, December 2010.)

While details are subject to change by the full Legislature, the budget package passed by the Conference Committee largely mirrors Governor Brown's budget proposal and closes the gap with roughly equal amounts of spending cuts and revenue increases. These additional cuts come on top of three consecutive years of spending cuts at a time when demand for government services is higher than usual due to the weak economy and high levels of unemployment. Funding for K-12 public education will stay the same as will funding for corrections. About \$6 billion in state programs would be realigned to local governments.

In addition to the deep cuts to the safety net and to higher education, redevelopment agencies, a favorite of mayors and



local government officials, would be eliminated, though the governor will seek to make it easier for local electorates to raise taxes for development projects. Tax breaks for businesses that locate in enterprise zones would also be eliminated. Multi-state and multi-national corporations would lose a midnight-hour tax break granted in 2009 that allows them to choose their method of taxation. Funds raised from tobacco taxes for early childhood development programs (Proposition 10) would be transferred to the state's General Fund to fund Medi-Cal services to children ages five and under for the 2011-2012 fiscal year. Proposition 63 funds for local mental health services would also be shifted to the General Fund to be used for Mental Health Managed Care and the Early and Periodic Screening, Diagnosis and Treatment Program for 2011-2012.

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***“The Friends Committee  
on Legislation of California  
(FCLCA), guided by Quaker  
values, advocates for  
California state laws that  
are just, compassionate  
and respectful of the  
inherent worth of  
every person.”***

**FCLCA Perspective** *(continued)*

**The governor’s plan: to  
the Legislature, then to the  
People**

During his election campaign, candidate Brown vowed not to seek new taxes without voter approval. After he released his budget proposal in January, the Legislature jumpstarted the budget process to put a spending plan in place that assumes that tax increases passed as part of a 2009 budget compromise will be extended by the voters for five years. In order to know the status of the tax extensions in time for new budget year beginning July 1, the governor is calling for a Special Election in June.

Half of the revenue extensions, in the form of the sales tax and Vehicle License Fee, would fund programs realigned to counties. It is hoped that five years from now tax revenue collections will have recovered sufficiently in order to fund the realigned services. In order to address concerns from local governments about paying for the realigned services after the tax extensions expire, the governor has professed a constitutional amendment that would give funding for realigned programs constitutional protection second only to debt service and education in terms of state priorities. The level of taxation continues to be a major sticking point between Democrats and Republicans. While the Legislative Counsel has opined that the tax extensions could be put on the ballot with only a majority vote of the Legislature, Governor Brown has insisted that he will not attempt to bypass Republicans and will instead seek Republican support. The five-year tax extensions are also included

in the constitutional amendment, which will require four Republican votes, two each in the Senate and Assembly, in order to meet the

*“the budget package passed by the Conference Committee largely mirrors Governor Brown’s budget proposal and closes the gap with roughly equal amounts of spending cuts and revenue increases”*

two-thirds supermajority threshold for placing a constitutional amendment on the ballot.

The budget proposal contains real pain and requires compromises that no one will relish voting for. The deep spending cuts have been likened by Democrats to “cutting off the arm in order to save the patient.” Should the tax increase extensions not make it to the ballot or be rejected by voters, the governor indicates that he will propose a “cuts only” budget, meaning that spending cuts will be doubled. While many give Brown high marks for debunking the myth that state government can balance its books by getting rid of waste and fraud while preserving favored programs, opponents have

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likened Brown's candor to holding voters hostage by threatening deep cuts to favored programs.

While FCLCA would like to see the top income tax brackets raised, the Brown administration apparently calculated that asking voters to approve extensions of tax increases enacted in 2009 would encounter less resistance. Governor Brown has framed the placing of the tax extensions on the ballot as a "legislative check-in with the people" and maintains that allowing the people to vote would not violate Republicans' pledge to oppose all tax increases. According to a statewide survey by the Public Policy Institute of California in January, two-thirds of Californians support Governor Brown's call for the Special Elections. As of this writing, 30 of 42 Republicans have joined the "Tax-payers Caucus" to oppose placing the tax increase extensions on the ballot and the overwhelming majority of Republican lawmakers have signed a pledge to Grover Norquist to oppose all tax increases. Republican legislators who supported tax increases in 2009 as part of a budget compromise paid

a hefty political price. Former Assembly Minority Leader Mike Villines and former Senate Minority Leader Dave Cogdill lost their leadership posts. Assembly Member Anthony Adams was threatened with a recall. Though the recall effort failed, Adams chose not to run for re-election.

*"Should the tax increase extensions not make it to the ballot or be rejected by voters, the governor indicates that he will propose a "cuts only" budget, meaning that spending cuts will be doubled"*

UPDATE: Several key developments have occurred since this article's initial writing. With the exception of the elimination of redevelopment agencies, the Legislature has approved the spending cuts adopted by the

Conference Committee. While political momentum appears to be growing for a special election on the tax increase extensions (a recent Field Poll found that 61 percent of California voters support Governor Brown's call for a special election on taxes; business groups, including the Los Angeles and Sacramento Chambers of Commerce, the Bay Area Council and Silicon Valley Leadership have endorsed the governor's plan), so far Governor Brown has been unable to secure the four Republican votes necessary to put the tax extensions on the ballot.

While Republicans have said that they oppose asking voters to extend tax increases, they have yet to say what they would cut given the state's fiscal condition. As a result, Governor Brown is said to be considering bypassing the Legislature and mounting a signature campaign to put an initiative on the ballot in November asking voters to increase tax revenues. [FCLCA](#)

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## Partial List of Key Components of Budget Package

(As passed by the Budget Conference Committee and subject to change by the full Legislature)

### SPENDING CUTS (\$12.5 billion)

#### Health and Human Services Programs (\$6 billion cut, not including child care)

##### Medi-Cal (California's version of Medicaid)

Limits office visits to seven per year unless a physician certifies that additional visits are medically necessary.  
Imposes co-payments from \$3 per prescription to \$100 per day for hospital stays with a maximum of \$200 per stay.  
Eliminates Adult Day Health Care and seeks a federal waiver to create a smaller state program costing \$85 million.  
Reduces payments to Medi-Cal providers by 10 percent.  
Eliminates coverage of over-the-counter cold products.

##### Healthy Families (Health Insurance for children in families with incomes up to 250 percent of the federal poverty level)

Raises premiums for children in families with incomes between 151 percent and 250 percent of federal poverty level.  
Imposes copayments of \$50 for emergency room visits and \$100 per day for hospitalization.  
Reduces state support for vision coverage by \$3 million.

##### Community Challenge Grants

Eliminates \$20 million funding for program that aims to reduce the number of teenage pregnancies.

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### **CalWORKS** (Temporary Assistance to Needy Families)

Retroactively reduces cash assistance from five years to four years. (Approximately 115,000 families with 234,000 children will lose benefits).

Reduces grants by 8 percent. (The maximum grant for a family of three in a high cost area would be reduced from \$694 to \$638 per month.)

Reduces funding for welfare-to-work services by \$427 million.

Cuts funding for case-management services to 12,000 teen parents by \$45 million.

Reduces funding for Cal WORKS substance abuse and mental health services by \$5 million.

### **In-Home Supportive Services**

Eliminates all services for recipients who lack a doctor's certification that IHSS is necessary to prevent out-of-home-care.

Assumes \$121 million in savings to due to "expected approval" of federal funding under the new federal Community First Choice Option.

Reduces enrollment estimates for savings of \$82 million.

Adopts additional savings of \$128.4 million based on "proposals to be determined."

### **Supplemental Security Income/State Supplementary Payment (SSI/SSP) Program**

Reduces the maximum monthly grants for individuals from \$845 to \$830. Approximately 8,500 seniors and people with disabilities would lose their SSI/SSP grant as a result of reducing the state's share of grants to the minimum allowed by federal law.

### **Child Care and Development** (funding for child care and preschool providers)

Cuts funding per slot by 15 percent for state preschool and all child care programs except CalWORKS Stages 1 and 2.

Eliminates child care for 11- and 12-year olds except for those needing care during nontraditional hours and those who are disabled, at risk of abuse or homeless.

Reduces the income eligibility limit from 75 percent of the State Median Income to 70 percent.

Adopts a 10 percent across-the-board increase to the fees that families pay for child care.

Reduces the Standards Reimbursement to child care providers by 10 percent.

### **Higher Education (\$1.4 billion cut)**

#### **Community Colleges**

Reduces funding by \$400 million and increases student fees from \$26 to \$36 per unit.

#### **University of California and California State University**

Reduces funding for \$500 million each and requires each system to minimize fee and enrollment impacts and to report to the Legislature whether they have fulfilled enrollment targets.

### **Redevelopment Agencies (\$1.7 billion cut)**

Eliminates funding for redevelopment agencies.

### **General Government (\$700 million cut)**

Reduces state worker pay by 10 percent for bargaining units with expired contracts.

Makes an unallocated reduction to state operations of \$250 million.

## **REVENUE SOLUTIONS (\$12 billion)**

### **Extend tax increases (\$11.2 billion)**

Extend sales tax increase (\$4.5 billion, dedicated to local governments to fund realigned programs).

Extend Vehicle License Fee Increase (\$1.4 billion, dedicated to local governments to fund realigned programs).

Extend personal income tax surcharge which expired 12/31/2010 (\$3.3 billion, includes 2010-2011 and 2011-2012).

Extend reduction in the dependent tax credit which expired 12/31/2010 (\$2.0 billion, includes 2010-2011 and 2011-2012).

### **Repeal business tax breaks (\$2.3 billion)**

Eliminate tax break for corporations which allows them Mandatory Single Sales Factor.

Eliminate tax deductions for enterprise zones.

### **Various other revenue solutions (\$500 million)**

### **Proposition 98 impact of Revenue Solutions (-\$2 billion)**

## **VARIOUS OTHER SOLUTIONS (\$3.2 billion)**

Borrowing from Special Funds, Disability Fund Loan for Unemployment Insurance Interest Payments, other solutions.

## **RESERVE (-\$1.1 billion)**

Source: Budget Conference Committee Report, California Budget Project [FCLCA](#)

## Corrections and the Budget: FCLCA lobbies for smart cuts

Since 1980, spending for corrections has grown at four times the rate of General Fund spending. California incarcerates too many people for too long, many of whom pose little risk of re-offending, especially if provided good rehabilitation services and re-entry services.

In order to reduce cuts to health and human services and higher education, FCLCA has been actively lobbying legislators to make smart cuts to corrections during this budget process.

One of Governor Brown's key re-alignment proposals is to make counties responsible for managing people convicted of non-serious, nonviolent and non-sex offenses. At the request of local law enforcement "stakeholders" 40 offenses currently classified as low-level will not be realigned to the local level. Even with this tightening, the governor predicts that realignment could result in 38,000 fewer people in prison in the next five years and will eventually reflect a state savings of \$2 billion annually. The reduction could conceivably satisfy a Federal District Court's order to reduce prison overcrowding to 137 percent of design capacity. The State of California has challenged that ruling in the US Supreme Court and a decision is expected in June. Though the governor's proposal is not the paradigm shift sought by FCLCA and like-minded criminal justice reform advocates, we welcome the recognition that people convicted of low-level offenses should not serve prison time.

*...it is important to remember that the root causes of prison overcrowding are the numerous sentencing enhancements enacted over the last 30 years as well as the state's failure to provide rehabilitative programming and re-entry services.*

However, it is important to remember that the root causes of prison overcrowding are the numerous sentencing enhancements enacted over the last 30 years as well as the state's failure to provide rehabilitative programming and re-entry services. Many county-based facilities face their own problems with overcrowding: thirty-nine local jail facilities in 17 counties are now under court-ordered population caps. We must ensure that realignment does not merely shift prison overcrowding to overcrowded local jails. FCLCA is lobbying the Budget Conference Committee to include language in budget trailer bills that explicitly designates funding for programs at the local level.

FCLCA and its allies are also lobbying to remove felony penalties for personal drug possession. There are currently 9,000 people in prison serving time for simple drug possession. Those who finish their sentences and return to society with a felony drug conviction face severe discrimination in employment, housing and access to the federal food stamp program. While this may seem a bold proposal, and one that has yet to garner significant success, we believe that it is a necessary reform whose time is coming.

In March, FCLCA lobbied strongly against the governor's proposed \$150 million cut to prison rehabilitation programming for the upcoming budget year. FCLCA reminded the Budget Subcommittees that the passage of AB 900 (Solorio, D., Santa Ana) in 2007 to construct 40,000 new prison beds and 13,000 jail beds was portrayed as a "seismic shift" by proponents because the legislation purported to include an increased emphasis on rehabilitation. At that time, the California Department of Corrections and Rehabil-

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itation maintained that it could not operate programs because programming space was occupied by temporary beds. As is so often the case when the economy is in the doldrums, funding for prison programs is among the first to be cut. In the current budget year, funding for prison programming was reduced by 40 percent, or \$250 million, and 712 teachers were laid off. By default, California is once again embracing the warehousing model. If this trend continues, as new beds authorized by AB 900 come online there will be space but few funds available for programming.

*In explaining her decision to reject the governor's \$150 million cut to prison programming, Subcommittee Chair Loni Hancock cited FCLCA's testimony...*

Governor Brown's proposal for even more programming cuts in 2011-2012 met with resistance from the budget subcommittees on public safety. In explaining her decision to reject the governor's \$150 million cut to prison programming, Subcommittee Chair Loni Hancock cited FCLCA's testimony that the state of Texas had avoided the construction of 17,000 new prison beds by expanding rehabilitative and re-entry programming.

Unfortunately, while both the full Senate and Assembly Budget Committees accepted their subcommittee's recommendations to reject the programming cut, the Brown administration persuaded legislative leadership to put the cut back in.

Stay informed about FCLCA's lobbying efforts and how you can help by signing up for our Action Alerts and visiting our Action Center at [felca.org](http://felca.org). [FCLCA](#)

– Jim Lindburg, [JimL@felca.org](mailto:JimL@felca.org)>



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## Driven to the Draft?

### Legislation reintroduced to link driver's licenses to Selective Service registration

For the fifth time the Selective Service has returned to the State Legislature seeking legislation that links Selective Service registration to applying for a driver's license. Senate Bill 251, by Lou Correa (D-Santa Ana), would revise the application process so that every male applicant for a driver's license or renewal is "deemed to have consented to registration with the federal Selective Service System" and requires the Department of Motor Vehicles to submit applicants' personal information to the Selective Service System. Federal law requires all males to register with the Selective Service within 30 days of reaching age 18.

The text of Senate Bill 251 includes legislative findings and declarations that failure to register results in federal penalties and the loss of federal benefits, including student financial assistance, federal employment and job training. Failure to register has resulted in the "lifetime loss of over \$100,000,000 in potential benefits over the last three years for young men in California." However, the real intent of SB 251 is to snag young men into registering for a possible military draft. According to the Selective Service Administration, California has one of the lowest compliance rates of all the states. In 1973, the United States established an all-volunteer military but has continued to require males to register with the Selective Service System since 1980. A military draft allows the military to expand forces rapidly during wartime.

There is no logical relationship between obtaining a driver's license and registering with the Selective Service System. Nor is linking these unrelated purposes consensual; rather, applicants will have no choice



other than to register with the Selective Service if they are to obtain a driver's license. That is the very definition of coercion.

Tying driver's license registration to Selective Service registration also runs afoul of Article I, Section 1 of the California Constitution. In 1972, California voters overwhelmingly passed Proposition 11, which added privacy to the list of inalienable rights. The ballot argument in favor of Proposition 11 states that the right to privacy "prevents government and business interests from collecting and stockpiling unnecessary information about us and from misusing information gathered for one purpose in order to serve other purposes or to embarrass us." The legislation may also run afoul of the federal Religious Freedom and Restoration Act of 1993, which requires accommodation of religious beliefs.

Senate Bill 251 will be heard in the Senate Transportation and Housing Committee March 29. To take action in opposition to the bill, please sign up for FCLCA's Action Alerts at [www.fclca.org](http://www.fclca.org) or contact the FCLCA office. [FCLCA](http://www.fclca.org)

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While we strive above all for correctness and probity, we are quick to recognize that to err is human. We therefore solicit and welcome comments and corrections from our readers.

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