

**U R B A N  
C O U N T I E S  
C A U C U S**

December 10, 1991

**MEMO TO:** Members, Urban Counties Caucus  
**FROM:** Jane Uitti, Executive Director  
**RE:** "Taxpayer Protection Act," enclosed

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**EXECUTIVE  
DIRECTOR**

*Jane Uitti*

You may start to get phone calls today from the press, asking for your reactions to a major budget proposal announced yesterday by the Governor.

The Governor will soon circulate a ballot initiative for the November 1992 ballot, that would change the timelines for passage of the budget, and that would make dramatic reductions and changes to the AFDC program.

Co-sponsored by the Howard Jarvis Taxpayers Association, the key provisions of the initiative are as follows:

**A. BUDGET CHANGES**

1. The Governor would introduce the budget on March 1 instead of January 10 of each year.

2. If the Legislature has not passed the budget by June 15 (three months after the budget was introduced), legislators would permanently forfeit their salaries and per diem for every day the budget was not passed.

3. If the Legislature has still not passed the budget by July 1, the prior year's budget would automatically go into effect for the current year, and the Governor would have 30 days to submit a new plan for the current year, subject to a 2/3 veto of the Legislature, or a substitute plan passed by 2/3 of the Legislature.

4. In any year where there is more than a 3% gap between expenditures and revenues, the Governor would submit a remedial plan subject to a 2/3 veto of the Legislature, or an alternative Legislative plan.

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Wilson was joined at today's announcement by Assembly Leader Bill Jones (R-Fresno) and Joel Fox, President of the Howard Jarvis Taxpayers Association, both of whom have pledged to work for the initiative's passage.

Specifically, major provisions of the initiative include:

\*\* Forfeit Salaries -- requires the Legislature to pass a budget by June 15, and if it fails to do so, the Governor and Legislature forfeit their salaries and per diem payments until the state budget is passed;

\*\* Timely Budget -- moves the deadline for submitting a balanced budget to March 1 from January 10, making the proposed budget more timely to economic conditions, and resulting in more focused budget deliberations and more accurate information;

\*\* Ending Budget Impasse -- allows the Governor to declare a fiscal emergency if the budget is not passed and signed by July 1. The prior year's budget would continue to operate until the Legislature and Governor pass a new budget bill. The Governor can propose reductions in spending programs that are not protected specifically by the Constitution (education, debt service, etc.).

The Governor can also reduce salaries and benefits of state workers, not covered by a collective bargaining agreement, by up to five percent. Spending reductions take effect in 30 days unless the Legislature enacts a balanced budget by a two-thirds vote;

\*\* Fiscal Emergencies -- gives authority to the Governor to declare a fiscal emergency if revenue drops and/or expenditures increase causing a budget imbalance of at least three percent. In a fiscal emergency, the Governor may reduce spending that is not specifically protected by the Constitution (education, debt service, etc.). The reductions take place in 30 days unless the Legislature enacts an alternative plan by a two-thirds vote in each house.

#### REFORMING WELFARE TO ENCOURAGE EDUCATION/JOBS

Wilson said we must do more to make welfare what it should be for those capable of working -- transitional support rather than indefinite maintenance and dependency.

"Welfare dependency has grown at a frightening rate in California, frightening not just for taxpayers, but frightening for the thousands of recipients who have been trapped and warehoused by the welfare system," Wilson said.

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California's welfare system is now growing almost 12 percent a year -- four times faster than the rate of population growth.

Wilson said the system is not only overburdening a dwindling base of taxpayers, it is also sapping the incentive of those already in the system.

A recent report by the nonpartisan California Legislative Analyst found if a welfare recipient took a job paying \$1,200 a month, their monthly income would actually drop by \$150.

"Welfare was meant to tide people over until they got a job," Wilson said. "Now it actively discourages job-seekers."

"Welfare was meant to be a temporary assistance. Now it shackles families to dependency and misery for generations," Wilson said.

"Welfare was meant to support families. Now it is weakening and even pulling families apart. The welfare system actually encourages teen pregnancies," Wilson said.

To transform the welfare system, the initiative would bring about the following incentives and reforms:

\*\* Cal Learn -- teenage parents eligible to receive AFDC support will get a \$50 increase in their monthly grant so long as they make progress in completing their high school education. If they dropout, their grant will be reduced by \$50;

\*\* Work Incentive -- the amount an individual can earn before there is a commensurate reduction in the size of a grant will remain at \$694, thus encouraging individuals to get a job to provide for their family. There is no loss of eligibility for any other benefits -- Medi-Cal, child care, etc.

At the same time, the size of the overall grant level will be reduced by ten percent (for a family of three the grant would be reduced from \$663 to \$597);

\*\* Food Stamps -- families will receive an increase in food stamps by \$20;

\*\* Making Welfare Transitional -- sets up a two-tier grant structure. For the first six months, families requiring immediate financial support will receive the full grant level.

After six months, families with an able-bodied adult will shift to a basic grant, which is 15 percent below the transitional level. The two-tier system will reinforce the need for able bodied individuals to seek supplementary income. The full grant level will continue to be available to families in which the adult is disabled or too old to work;

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\*\* Maximum Family Grant -- grants will not be increased for additional children born to mothers who are already receiving welfare;

\*\* Annual Grant Levels -- grants will be determined based on the state's ability to pay for the costs, which is based on revenues and caseload growth;

\*\* Residency Requirement -- families moving to California will receive grants no larger than what they could have received/did receive in the state where they moved from for the first 12 months. Families living in California for more than a year are not affected. The amount of time spent in California while not on welfare counts against the 12-month requirement;

\*\* Teen Pregnancy Disincentive -- provides that minors who have children are eligible to receive AFDC support only if they remain at home with their parent(s) or legal guardian, so long as the parent or legal guardian is not abusive or otherwise unfit. Payment of the grant will be made directly to the parent or legal guardian on behalf of the teen and her child.

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