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ASAP

COMMENTS:

Patricia Gayman
SACRAMENTO REPRESENTATIVE
COUNTY OF SAN DIEGO

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RECEIVED
JUN 24 1992
Ans'd.....

To: Supervisor George Bailey, Chair
Supervisor Brian Bilbray, Vice Chair
Supervisor Susan Golding
Supervisor John MacDonald
Supervisor Leon Williams

From: Patricia Gayman

Date: Wednesday, June 24, 1992

Re: State Budget

The Assembly met today to amend bills and to pass (on a bare majority) an education funding bill. The battles surrounding the education portions of the budget appear to be as Byzantine as those affecting the county portions, so I can't readily explain what it all means. Except that it is just another area around which there is great controversy and which could contribute to a delayed State Budget.

The leadership has not made public the legislative schedule for this weekend. It has been suggested that the houses may be in session if for no other reason than it may not appear responsible to not be here during the waning days of the month.

More tomorrow.

Note: I received the attached in the mail yesterday. You may find it interesting.

Tuesday, July 14, 1992

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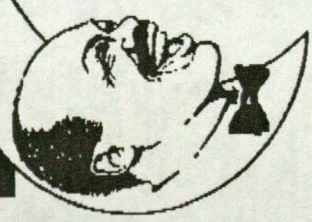
California Speaker

Willie L. Brown, Jr.

PRESENTS



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(Park Avenue at Grand Central Station)

Tuesday, July 14, 1992

11:00 P.M.

$100.00 Per Person

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All Proceeds Go To Electing Democrats in California

Patricia Gayman
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COUNTY OF SAN DIEGO

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RECEIVED
JUN 23 1992
Ans'd.....

To: Supervisor George Bailey, Chair
Supervisor Brian Bilbray, Vice Chair
Supervisor Susan Golding
Supervisor John MacDonald
Supervisor Leon Williams

From: Patricia Gayman

Date: Tuesday, June 23, 1992

Re: State Budget

Dan Walter's column in the Sacramento Bee today was entitled "Fiscal Foreplay Delays Budget" - Assembly Member Isenberg's description to news media of the Assembly floor debate yesterday.

That could well describe what is going to happen today, as both houses vote on and debate the Budget and the issues around it. After the debates, perhaps we'll be a little closer to knowing how far apart the various parties are.

Descriptions of the budget provisions were distributed to you earlier today. You may wish to peruse them.

More later.

Attachment

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RECEIVED
JUN 23 1992
Ans'd.....

To: Supervisor George Bailey, Chair
Supervisor Brian Bilbray, Vice Chair
Supervisor Susan Golding
Supervisor John MacDonald
Supervisor Leon Williams

From: Patricia Gayman

Date: Monday, June 22, 1992

Re: State Budget

The members of the Budget Conference Committee have signed the Conference Committee Report to send the Budget to the respective floors. The vote was 4 - 2; the Republican members did not vote to support the document.

The Democrats have orally proposed that over the next three years the State "take back" the "AB 8 bailout" of $2.7 billion in property tax to counties, cities and special districts and reallocate that to schools. That would amount to about $1.1 billion from counties, $1 billion from cities, and $.6 from special districts. To make up that revenue, local governments would be given authority to raise sales taxes 1/3-cent per year. Because there is nothing yet in writing about this proposal, there are no answers for the myriad of questions that arise, such as who raises the tax and how it is distributed.

While the Conference Committee was deliberating on this year's budget issues on Friday afternoon, the Governor released

his (or the Republican Leadership) budget proposal (copy attach ed). Actually, it is more of an outline than a proposal, because many, many of the specifics were not spelled out...and still have not been. (We have heard that at least several Assembly Republicans have disavowed this proposal because it provides new taxing authority for local governments - sales tax.)

Whatever the similarities and differences between the budget proposals are, there seems to be general agreement that in neither house is there 2/3 vote for either proposal.

Parliamentary maneuvering on the Budget is scheduled today in the Assembly, where the biggest battles are expected. The Senate will consider the Budget tomorrow midday. (It is important to note that, since Senator Bill Greene is still in the hospital, there are only 26 Democratic votes on the Senate Floor. The Republicans will have to provide at least one vote to reach the 27 required for passage.)

More tomorrow.

REPUBLICAN LEADERSHIP BUDGET PROPOSAL

FY 1992-93 SPENDING PRIORITIES

- ❒ NO TAX INCREASES
- ❒ NO DEFICIT ROLLOVER
- ❒ FULL FUNDING OF PROPOSITION 98 EDUCATION GUARANTEE---NO SUSPENSION
- ❒ PROTECT PUBLIC SAFETY
- ❒ PROVIDE MANDATE RELIEF TO LOCAL GOVERNMENT
- ❒ REFORM WELFARE SYSTEM TO PROMOTE SELF-SUFFICIENCY AND PERSONAL RESPONSIBILITY
- ❒ ELIMINATE OR CONSOLIDATE OVER 500 BOARDS AND COMMISSIONS. FOR EXAMPLE, CONSOLIDATE FRANCHISE TAX BOARD AND BOARD OF EQUALIZATION.

JUNE 19, 1992

EXPENDITURE PLAN
June 19, 1992

1992-93 Expenditure Plan 1

Impact of Proposition 98 on
School District Revenues 2

Highlights of Spending Changes:

Health & Welfare 3
Higher Education 3
YACA 3
Legislative, Executive, Judicial 4
Resources 4
Revenue-Producers 4
Non-Prop. 98/K-14 4
General Government 5
Business, Transportation & Housing .. 5
State & Consumer Services 5
Environmental Protection 5
Mandatory Expenditures 6

Elimination of Boards and Commissions 7

Local Finance Reform 8

Appendix

1992-93 Expenditure Plan
(Dollars in Millions)

	1991-92	1992-93
PROPOSITION 98	No Suspension (See Page 2)	
NON-PROPOSITION 98		
Health & Welfare	$13,684	$11,593
Higher Education	3,946	3,500
YACA	2,628	2,552
Legislative, Executive, Judicial	1,340	1,019
Resources	435	348
Revenue Producers	372	335
Non-Prop. 98/K-14	236	205
General Government	778	442
Business, Transportation, Housing	120	85
State & Consumer Services	71	60
Environmental Protection	61	46
Mandatory Expenditures	2,204	3,038
Total, Non-Prop. 98 Expenditures	$25,875	$23,223
RESERVE		
Special Fund for Economic Uncertainty	-$2,663	$58

Impact of Proposition 98 on School District Revenues
Dollars in Millions

No Suspension of Proposition 98, Full Repayment

1991-92	
Appropriations	$18,353
1990-91 Repayment	- 1,233
Net State Guarantee	$17,120
Local Revenues	6,106
Total District Revenues	$23,226
1992-93	
Proposition 98 Guarantee	$16,720
1991-92 Repayment	- 1,129
Available to Schools from State	15,591
Local Revenues Available to Schools	7,434
Total District Revenues	$23,025

Change in District Revenues, 1991-92 to 1992-93

Amount	-$200
Percentage	-0.9%

Plan assumes the following:

- School funding assumes an increase in the amount of local property taxes going to schools (see "Local Finance Reform," page 8). Property taxes will provide a higher growth rate than the state General Fund.

- Significant funds now allocated on the basis of categorical programs will be collapsed into one large categorical grant available to schools for multiple purposes. Mandates associated with these categorical programs are suspended.

- Community College fee increases will provide additional resources.

Health & Welfare

Health and Welfare expenditures will be reduced by 15.3%.

Higher Education

The University of California and the California State University systems will receive an 11.3% reduction.

Youth and Adult Corrections Agency

The Youth and Adult Corrections Agency (YACA) will receive a 2.9% reduction by implementing the following:

- Delay opening new prisons at Lancaster and Delano.
- Grant prospectively day-for-day credits to inmates in reception centers and involuntary unassigned. Grant two days credit for each day served in fire camps.
- Restructure parole and increase sentences for inmates who are committed for violent offenses (SB 1862).

Legislative, Executive and Judicial

This category will reduce expenditures by 24%. The reductions will include the following:

- State Controller:
  Eliminate Unclaimed Property Program
- State Treasurer's Office:
  Transfer Tax Credit Allocation Committee
  Consolidate All Financing Authorities
- Secretary of State:
  Eliminate Special Fund Status

Resources

Resources will receive a 20% reduction.

Revenue-Producers

This category includes the Board of Equalization, Franchise Tax Board, and Employment Development Department. These agencies will receive a 9.9% reduction. Reductions will not be applied to revenue-producing areas.

Non-Proposition 98/K-14

This category of spending will be reduced by 13.1%.

General Government

General Government expenditures will decrease by 43.2%. The following reductions are proposed:

- Appointment of the Independent Actuary
- Suspension of the Absentee Voter Mandate

Business, Transportation & Housing

The Business, Transportation and Housing category will be reduced by 29.2%. To achieve this goal, local assistance grants provided by the Department of Insurance will be reduced.

State and Consumer Services

The State and Consumer Services will be reduced by 15.5%, including significant reductions in the state support of the Museum of Science and Industry.

Environmental Protection

Environmental Protection will be reduced by 24.6%.

Mandatory Expenditures

Comparison of Mandatory Expenditure
1991-92 vs 1992-93

(Dollars in Millions)

	1991-92	1992-93
Debt Service	$1,247	$1,598
Tax Relief	427	402
Health Benefits for Annuitants	276	299
Judges Retirement	123	134
STRS	485	700
Mandates	114	52
Prop 98 Carry Over	29	9
Justice - Legal	53	53
IDDA/EPDA Savings	-550	-210
TOTAL, Mandatory Expenditures	$2,204	$3,038

Boards and Commissions

I. Consolidate review of timber harvest plans into the Department of Forestry and repeal review authority of Fish and Game, Conservation, and State Water Resources Control Board. Savings in General Fund and special funds, and improved environmental review efficiency.

II. Consolidate and update teacher credentialing options. Savings to General Fund (non-Prop 98).

III. Consolidate Franchise Tax Board and BOE with respect to tax collection programs.

IV. Eliminate California Water Commission. Savings to General Fund.

V. Eliminate Reclamation Board. Savings to General Fund.

VI. Transfer Boating and Waterways to Parks and Recreation and eliminate B&W Commission. Savings to special funds (GF fungible).

VII. Reduce Commission on Aging and transfer direct services to elderly.

VIII. Repeal and/or suspend statutory and budget authority for every board and commission listed in the appendix except those stricken out.

Local Finance Reform

1. **Change the Property Tax Allocation Formulas to Shift $1 Billion to Schools.** Revenues will be reallocated from cities, counties and special districts based on their proportionate share of the bailout money. (The $1 billion passes through to the state General Fund.)

2. **Create a Local Allocation Fund.** Allocate the balance of the Proposition 13 bailout money ($1.7 billion) to a countywide "local allocation fund." All local agencies in the county may qualify for distributions from the local allocation fund. Allocations from the fund shall be made by consent of the local agencies.

3. **Provide Mandate Relief** to cities, counties and special districts by:

   - Authorizing Retirement Cost Reforms,
   - Authorizing Disability Reforms,
   - Repealing Section 17000 of the Welfare and Institutions Code,
   - Repealing the Beilenson Act requirements,
   - Repealing maintenance of effort requirements for Propositions 99 and 108/111, and
   - Reforming Workers Compensation.

4. **Provide Local Governments with New Tax Authority.**

   - Cities: Increase Bradley-Burns rate
   - Counties: Grant charter city tax authority and increase Bradley-Burns rate

Sup. Williams

RECEIVED
JUN 23 1992
Ans'd.....

June 22, 1992

TO: Members, CSAC Budget Task Force

FROM: Steve Swendiman, Executive Director

RE: AB 8 Statement

Dan Wall and I just returned from the Governor's office where we delivered/discussed this new CSAC document with representatives of the Administration. We were able to produce this document with your valuable input from this morning's conference call.

As we reported, many items remain up in the air at this time. However, I feel the timing of this position paper is good.

Also included for your information is the Budget Task Force's telephone tree. Please be prepared to participate if notified.

I am looking forward to discussing further details with you during the Wednesday morning conference call. I know the Board of Directors and the Chief Administrative Officers appreciate your efforts.

AB 8 SHIFT TO COUNTIES WAS NOT A "BAILOUT"

In June of 1978 voters passed Proposition 13. The immediate consequence of this action was that local government lost approximately $7 billion in property tax revenues. The Legislature immediately responded to this by passing the so-called bailout bill: SB 154. This legislation included about $424 million in block grants to counties and a reduction in county obligations for health and welfare funding. This was followed in 1979 by the enactment of the long-term solution to local government finance which was contained in AB 8 (L. Greene). This measure continued additional state assistance to counties for selected health and welfare programs and a reallocation of property taxes away from schools to counties, cities and special districts.

According to sources in the Capitol who worked on AB 8, the additional property tax transferred to counties in the bill was about $330 million. In addition, the State set-aside $267 million in the County Health Services Fund which would only be available if counties matched these funds on a dollar-for-dollar basis. All counties did in fact match these funds by committing their general funds.

In 1982, the Medically Indigent Adult (MIA) component of Medi-Cal was shifted to counties along with roughly $500 million in state funds. Since that time, the State contribution to counties for the MIA's has remained roughly constant in the face of ever increasing health care costs. The erosion of this commitment and other changes in health and welfare financing have had the effect of eroding the county property tax base received in AB 8.

The notion that the shift of property tax to counties in AB 8 is a "bailout" is absurd on its face because an overwhelming majority of county expenditures in 1978 and now are for state or court-mandated programs in health, welfare, courts and jails. CSAC surveys of county budgets throughout the 1980's clearly indicated that 90 to 95 percent of county budgets fund mandatory programs. Consequently, counties were not "bailed-out" by AB 8. Only the programs which counties performed on behalf of the State were bailed-out.

A reduction in county property tax such as that which is contemplated by the Legislature and the Governor can only have the effect of reducing the support of state or court-mandated programs in health, welfare, courts and jails. In addition, virtually all of the county expenditures in health and welfare increase in recessionary times. County dependence on the Sales Tax or some other tax which is sensitive to the business cycle would in turn cause further program reductions at precisely the time when county funds are needed for the most needy of Californians.

CSAC strongly urges that Sales Taxes, excess redevelopment revenues or other revenues be used to provide funds for K through 14 education instead of property taxes which are necessary to maintain the commitment of counties to critical health, welfare, court and jail programs.

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6/19/92
sm