

# The FISCAL REPORT an informational update

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Volume 29

For Publication Date: February 20, 2009

No. 4

## Budget Deal Coming Together?

Although the cone of silence has been firmly in place while legislative leaders and the Governor have been negotiating a deal to close the \$40+ billion Budget gap some broad details of the proposed plan are beginning to trickle out. *The Sacramento Bee* is reporting on Wednesday, February 11, 2009, that the plan covers both the current year and the budget year with both spending cuts and higher taxes. Revenues would be raised temporarily by:

- Increasing the state's sales tax by 1¢
- Increasing gasoline taxes by 12¢ per gallon
- Raising the vehicle license fee from 0.65% to 1.15% of value; the General Fund would receive 1% while law enforcement would receive 0.15%
- Increasing personal income tax by either assessing a surcharge or increasing the tax rate

The increase in sales tax, vehicle license fees, and personal income taxes would be tied to a spending cap that would require voter approval. If voters approve the spending cap, the tax increase would be in effect for five years. Rejection of the measure would limit the increase to two years. The spending cap would include putting money aside for a rainy-day fund tied to state revenues over ten years.

No details of the education portion of the Budget have been revealed.

Speaker Karen Bass (D-Los Angeles) and President pro Tem Darrell Steinberg (D-Sacramento) have briefed their respective caucuses and have indicated that they will hold a vote in their individual houses this week. What is not as clear is where the Republican members of the Legislature stand.

While no statement has been officially released from either Senate Republican Leader Dave Cogdill (R-Modesto) or Mike Villines, the Assembly Republican Leader from Clovis, Cogdill told reporters last night that "We put in a long night. Getting close to point where we can put something on the floor. We'll see what happens. See if votes are there." He also indicated that a vote could be coming on the Budget package before Friday or possibly this weekend; however, he said that the sales tax was still an outstanding issue.

Complicating matters for obtaining the Republican votes necessary for the Budget package is the California Republican Convention, less than ten days away. Jon Fleischman, a high-level California Republican Party official and publisher of the *FlashReport*, a conservative blog, is pushing to censure any republican legislator who puts up a vote for new or increased taxes. "Reaching further into the pockets of Californian taxpayers during tough economic times is a non-starter. Like in the private sector, state government needs to live within its means. This year, Californian's will pay nearly \$90 billion in taxes to state government. Isn't that enough?" said Fleischman, in response to the news of the latest Budget developments.

The stakes for completing the Budget deal this week increased with Governor Schwarzenegger's announcement that he is planning to send layoff notices to 20,000 state workers if no Budget deal is reached by this week.

We are closely monitoring developments and will keep you informed.

***-Terry Anderson and Dave Heckler***

posted 02/11/2009