
The FISCAL REPORT an informational update

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Initiatives Fail: Time for the Contingency Plan

It is now official-voters defeated Propositions 1A through 1E. With the exception of Proposition 1F, which places a freeze on salaries for elected officials during bad budget years, the remaining five measures failed by predictably wide margins. None of Propositions 1A through 1E received more than 40% of the vote.

Low voter turnout contributed to the final result-it is estimated that fewer than one-quarter of registered voters showed up to vote. However, the low voter turnout is not the root of the problem, but is a symptom of discontent on the part of the general public for the way in which policy makers are handling the State Budget.

With the measures going down in defeat, the State Budget deficit grows from a projected \$15.4 billion to \$21.3 billion. This also requires that the Legislature go back to the drawing board to draft a new game plan. The Governor presented the outlines of his plan with the release of the May Revision earlier in the week. We can now forget Scenario 1 and move straight to Scenario 2. Based on this proposal, the reductions for education in the current year are proposed to be \$1.3 billion and grow to an ongoing \$1.4 billion in 2009-10. The Scenario 2 proposal also calls for eliminating the \$114 million in funding for the High Priority Grant Program, that would have provided support in 2009-10 for the program. In addition to the funding cuts, the Governor's plan also calls for increasing deferrals of education funding by \$1.7 billion.

During his May Revision press conference, the Governor made it clear that cuts to all segments of government were necessary and no one would be spared. He anticipates that the reductions to K-12 and higher education will be softened somewhat by the provision of federal stimulus funding. However, it should be noted that the cuts noted above are in addition to almost \$4 billion in cuts applied to the current and upcoming budget year for education. The two-year reduction in funding based on the Governor's Scenario 2 May Revision proposal, inclusive of those taken as part of the February enacted Budget, exceeds \$8 billion for K-14 education.

The Governor indicated that more details would follow regarding added flexibility options and specifics related to deferrals once the election outcome was known. With the election now past, we hope to have these details soon.

-Jannelle Kubinec

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