

EdBrief Article:

Democrats Circumvent Republicans, Send \$18 Billion Budget Package to Governor

\$2.5 billion in Education Cuts

By [Jeff Hudson](#) - December 18, 2008

After weeks of deadlock, there was movement on Thursday regarding the state budget crisis – though it's still too early to say whether a workable solution is at hand.

Democrats in the legislature pushed through a series of bills comprising an \$18 billion package, combining a variety of budget cuts, tax shifts and new fees – proposals that the Democrats maintain require only a simple majority for approval. The package was announced midday Wednesday by Assembly Speaker Karen Bass and Senate President pro Tem Darrell Steinberg.

This latest Democratic initiative came after the an intended bi-partisan compromise proposed by Democrats failed to attract Republican support during a vote on Tuesday, falling short of the two-thirds majority required for those proposals. Legislative Republicans refused to vote for any proposal including a tax increase.

Thursday's legislative action also came after a Wednesday morning announcement by State Treasurer Bill Lockyer that the state's Pooled Money Investment Board (PMIB) had shut down \$3.8 billion in financing for infrastructure projects, including numerous school, highway and levee construction projects around the state. That action is expected to lead to layoffs of thousands of construction workers involved in those projects.

Describing the Pooled Money Investment Board's action, Lockyer said that "Today's action was extremely regrettable. . . We had no other option to keep crucial public services operating as long as possible. But it's now official – the failure to solve our budget problem has put in grave danger billions of dollars in revenue for our businesses and thousands of jobs on which our workers and families depend."

"California's fiscal house is burning down," Lockyer said.

Democratic legislative leaders indicated that the Pooled Money Investment Board's action demonstrated the need for legislative action.

"Desperate times don't call for desperate measures; desperate times call for creative thinking," Steinberg said.

Bass said, "Because of the state's historic fiscal crisis and the refusal of legislative Republicans to support solutions that require a two-thirds vote, Democrats have no choice but to move forward and do what we can on our own. Had Republicans stepped up to join us we could have made even more progress toward solving California's deficit, but we are prepared today to make real progress on that deficit and address the state's immediate cash crisis."

The Democrat's plan involved creating or increasing a number of state fees (which they say requires a simple majority) in addition to a number of changes in state taxes that the Democrats say will result in no net tax increase overall.

Assembly Republican leader Mike Villines said he believes the Democratic plan is illegal, describing it as "raising taxes on people and playing funny math and calling it fees."

It's not clear whether Governor Schwarzenegger will sign or veto the budget package. However, aides to the Governor are reported to have expressed concern that the package does not include the mortgage relief and so-called economic stimulus proposals desired by the governor.

Even if the governor signs the Democrats' budget, a legal challenge by anti-tax groups and Republican legislators is considered likely.

In terms of cuts to education, the Democratic budget package (in AB 4x) mirrors some details of the "Thanksgiving budget" proposal (which failed). The new Democratic package also counts \$1.1 billion of current-year Prop. 98 funds as "settle up," which eliminates an equal amount of funds owed to schools from prior years and simultaneously reduces the Prop 98 guarantee in 08-09, which reduces the state's obligation in 2009-10.

The new Democratic package also provides some flexibility to schools regarding unspent categorical funds, and delays required textbook adoptions.

Republicans voted for this cut bill (AB 4x), but voted against the companion revenue bill in the Democratic budget package (AB 2x).

According to Steinberg, other details of the package include the following:

- Reduces Prop. 98 spending by \$2.5 billion by cutting K-12 categorical programs and reducing funding for community colleges. The K-12 cuts mirror the cuts proposed included in the Democrats earlier versions of their budget packages, including this past Tuesday's budget proposal.
- Eliminates gasoline sales and excise taxes used for transportation, and replacing those taxes with a mix of taxes (sales, oil severance and personal income surcharge) that will be used to bolster the state's general fund by \$5.7 billion.

- Institutes a “user fee” of 39 cents per gallon for gasoline, increasing state highway funds by \$500 million annually, plus \$643 million for local streets and roads.
- Ends the local quarter cent sales tax reduction, bringing an additional \$1.5 billion to the general fund.
- Requires businesses to withhold three percent of payments to independent contractors exceeding \$600 per year, generating \$2 billion for the state.
- Adopts the Governor’s proposal to cut \$132 million from the UC and CSU budgets.

Editor's Note: [Jeff Hudson](#) is the editor of EdBrief and an award-winning education reporter and writer in print, radio and television media.