

THE CALIFORNIA FORWARD 2010 FISCAL REFORM PRINCIPLES: QUESTIONS & ANSWERS

The California Forward Action Fund is urging the State Legislature to put the California Forward Fiscal Reform Principles on the November 2010 ballot. What would they do?

After years of partisan stalemate and lurching from one fiscal crisis to the next, the California Forward Fiscal Reform Plan, if enacted as legislation, would give California the tools that successful businesses and other states use to balance their budgets – responsibly and on time. It would allow budgets to be approved by majority vote, but also require the Governor and Legislature to cut waste by improving oversight of programs and finding a way to pay for new programs before they start. It would also force members of the Legislature to forfeit their pay if the state budget is late. It would allow our schools and local governments – who deliver basic services like education, police service and road repair – to keep their funding from being borrowed or diverted by Sacramento. And it would encourage local governments to work together to set community priorities, and provide new resources for local officials who are willing to be accountable to voters and reduce waste.

California’s budget seems to be in a constant state of crisis. How would this approach change things? The fiscal reform plan would replace the partisan bickering that’s come to dominate Sacramento with nonpartisan, common-sense reform, such as requiring every major program to set clear goals, regularly reviewing programs to make them more efficient, using unexpected spikes in revenue to pay off debts, and forcing the Governor and legislators to identify a funding source for new programs or tax cuts right from the start. And as an added incentive, the plan calls for lawmakers to forfeit their salaries and expenses if the budget is late.

How does the fiscal reform plan change the number of votes required to pass a budget or increase taxes? The plan – in combination with other fiscal reforms – allows a budget to be approved by a simple majority vote, the threshold used by most other states. The plan would keep the two-thirds majority requirement for any tax increase.

How does the plan affect the number of votes required to impose new fees? The plan would not allow new fees to be used to replace existing tax revenue to balance the budget without a two-thirds vote, but does not change the majority vote requirement for user fees or environmental mitigation.

How would “pay-as-you-go” work? Would it create a spending cap? California Forward’s approach doesn’t cap spending. It requires the Governor and lawmakers to decide how to pay for new programs or tax cuts at the time they’re approved. Restoring past budget cuts, spending to keep up with population or inflation, one-time expenditures and low-cost programs would be exempt from pay-as-you-go requirements.

Does the plan change the vote requirement to approve local tax increases? The California Forward fiscal reform plan leaves in place the two-thirds majority vote requirement for tax increases to fund specific services required by Prop. 218. Locally, it allows a majority vote for an additional one percent of local sales tax shared by counties, cities and school districts when local governments create a plan to improve services, streamline operations and eliminate waste. Such plans would have to be resubmitted to voters every 10 years.

How does the fiscal reform plan effect funding for education? The plan fully protects Prop. 98, California's minimum funding guarantee for our schools. In addition, local schools would benefit when local governments collaborate on long-term plans to address community priorities.

How does the fiscal reform plan effect state employees? The plan honors the collective bargaining rights of public employees. Negotiated labor agreements to provide cost-of-living, salary or benefit increases would not be affected.

What sources of local revenue would be protected under the fiscal reform plan? The plan protects all locally levied taxes, such as property taxes (including redevelopment funds), utility taxes and hotel taxes. It also protects the local share of the sales tax on gasoline.

Would the fiscal reform plan give the Governor more authority to make mid-year cuts during a shortfall? The plan gives both the Legislature and the Governor new tools to address a fiscal emergency. It allows lawmakers to make changes to the budget by majority vote. If the Legislature fails to pass legislation addressing a fiscal emergency, the plan gives the Governor limited authority to "blue pencil" appropriations included in the last budget.

Who's behind the California Forward Action Fund, and how were these proposals developed? The California Forward Action Fund seeks to implement reform proposals created by *California Forward*, a nonpartisan, public interest organization funded by foundations. California Forward has no political ties and was formed to promote governance reforms that can make government work again, for all Californians. The group's proposals were developed through exhaustive research of policies being used by other states and successful businesses, and refined by hundreds of discussions with Californians across the state.

California Forward was launched in 2008 in response to a request from the California Endowment, the Evelyn and Walter Haas Jr. Fund, the William and Flora Hewlett Foundation, the James Irvine Foundation, and the David and Lucile Packard Foundation. You can find out more about *California Forward* at caforward.org.