

THE CALIFORNIA FORWARD 2010 FISCAL REFORM PRINCIPLES

California has always led the way – in jobs, technology, education and quality of life. We need comprehensive reform to get our state moving again so that California can lead again.

California Forward developed the following nonpartisan principles in response to conversations with thousands of Californians throughout the state, over many months. They are based on proven practices in the business sector and in other states, and would work to balance the budget, reduce waste and deliver better results for Californians statewide.

A BUDGET THAT APPLIES LESSONS LEARNED

The state budget should set clear goals, design plans to achieve them, and take action when things go wrong. It's time to apply the best practices from successful businesses and other states to California's dysfunctional budget process, including:

- **Planning ahead on spending.** Require the Governor and lawmakers to think long-term about spending priorities and revenues by reviewing a two-year spending plan along with a five-year fiscal forecast before approving the annual budget. Strengthen requirements for quick action when the budget is out of balance.
- **Results and accountability.** Require clear goals for every program to be spelled out in the Governor's budget and improve the legislative process for developing the budget by focusing on results and greater public transparency.
- **Performance review.** Require the Legislature to oversee major expenditures and examine every program at least once every 10 years, looking for ways to improve efficiency and reduce waste.
- **Reduce debt when revenues spike.** Create a process for identifying and using occasional, nonrecurring spikes in revenue for one-time uses, such as paying down debt.
- **Pay-as-you-go.** Require that major new or expanded programs and tax reductions proposed in the budget or legislation identify a specific funding source such as savings, cuts to other programs or tax increases.
- **Majority vote budget.** As part of these comprehensive fiscal reforms, lower the vote requirement for adopting the state budget to a majority vote of the Legislature. Also require a two-thirds vote for any new fees that replace tax revenue, but do not change the majority vote requirement for other fees or the two-thirds vote requirement to raise taxes.

GOVERNMENT THAT'S CLOSER TO THE PEOPLE

State government should protect locally levied taxes that pay for schools, police, fire and other basic services from being borrowed or redirected by state government. Counties, cities and schools need tools to address community needs. Communities should be able to solve problems without the duplication, waste and red tape of Sacramento. Voters should be able to decide whether to support

these activities by majority vote – while keeping protections established by Prop. 218.

- **Protect local tax dollars.** The proceeds of any tax, assessment or fee levied by a local agency (including a county, city, a school district, or any other local or regional governmental entity) belong exclusively to that entity. The state should be prohibited from borrowing, transferring or making any appropriation of those funds, including Prop. 42 transportation funds.
- **Encourage community problem-solving.** Local governments should be allowed to develop and implement countywide action plans to ensure that officials are working together to address local priorities, eliminate waste and duplication, and identify how additional revenue would be used to reach community goals.
- **New resources for community services.** If a countywide action plan is adopted requiring additional revenue, county supervisors should be able to ask voters to approve an increase in the sales and use tax of up to one cent. If approved by a majority of voters, an amount equal to the new revenue should be distributed among local governments.
- **Public accountability for results.** Local officials should have discretion about how to spend new dollars, but also be held accountable for reporting progress toward community goals, and be required to seek voter approval to continue carrying out the plan at least once every ten years.