GETTING CALIFORNIA WORKING AGAIN

BLUEPRINT for a RESPONSIBLE BUDGET

• CONTINUING FISCAL RESPONSIBILITY
• STRENGTHENING THE MIDDLE CLASS
• DELIVERING EFFECTIVE, EFFICIENT SERVICES FOR CALIFORNIANS

California State Assembly
Democratic Caucus
Budget Blueprint

• Introduction
  – Budget Stability has returned; thanks to:
    • Rebounding economy;
    • Tough actions by Legislative Democrats; and
    • Temporary taxes and majority vote budget approved by voters.
Budget Blueprint

• Introduction
  – Blueprint Based on Three Interrelated Principles:
    • Continuing Fiscal Responsibility;
    • Strengthening the Middle Class; and
    • Delivering Effective, Efficient Services for Californians.
Budget Blueprint

• Continuing Fiscal Responsibility:
  – Budget must be balanced each and every year of forecast period.
  – Increased budget debt payments.
  – Develop a workable, strong Rainy Day Fund.
Budget Blueprint

• Continuing Fiscal Responsibility:
  – Rainy Day Fund Details:
    • Start the conversation and process for developing a Constitutional Amendment for November, 2014.
    • Increase the size of the Rainy Day Fund to 10 Percent of General Fund revenues.
    • Fill the Rainy Day Fund with spiking Capital Gains revenues – any Capital Gains Revenues over 6.5 percent of General Fund go to the Rainy Day Fund.
    • Once Rainy Day Fund full, then spiking revenues limited to one-time purposes (debt, infrastructure, reserves, etc).
Budget Blueprint
Rainy Day Fund:
Capture Spiking Capital Gains
To Cushion Downturns

- Starting GF Tax Revenues
- Available GF Revenues after changes
- RDF Balance (up to 10%, 2 yr withdrawal)
- One-time Funds Balance (pay debts, infrastructure, reserves, etc)

Cuts $21 billion shortfall to $10 billion shortfall
Cuts $13 Billion shortfall to $3.6 billion shortfall
Budget Blueprint

• Strengthening the Middle Class:
  – Stronger middle class requires Educational Improvements, and giving all students a shot at educational success.
  – An agreement can be reached with the Governor on targeting funds for low-income students and English learners, and improving accountability, based on the following key principles:
Budget Blueprint

• First Key Principle For Agreement:
  1. Targeting school funding alone will not be enough to improve the educational outlook for low income and English Learner Students.
  • Access to quality, nurturing Early Childhood Education programs and increased investments in child safety net programs are needed to combat the challenges of child poverty on educational success.
• Second Key Principle For Agreement:

2. All School Districts must benefit from the economic recovery and increased funding for schools.

• All schools suffered massive cuts during the Great Recession, and the voters passed Prop 30 with the promise that their schools will receive more funding.
Third Key Principle For Agreement:

3. All low income and English learners throughout the entire state must benefit from targeted funds – including those living in more affluent school districts.

- Low income students and schools cannot be overlooked simply because they reside in school districts that do not have as high a concentration rate of low income students as other school districts.
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• Fourth Key Principle For Agreement:
  4. Smart use of available one-time Prop 98 Funds (likely in the $4-$5 billion range).
   • Repayment of Prop 98 deferrals.
   • Smooth out any gaps if any formula changes result in early year “winners and losers.”
   • Set-aside for school district Block Grants for transition costs to Common Core State Standards – including significant technology investments.
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• Strengthening the Middle Class:
  – A Stronger middle class with investments in small business and new tools for local economic development:
    • Increasing small business access to capital by providing a one-time contribution to match federal funds for two successful small business loan programs.
    • Developing new tools to empower local governments to pursue economic development without shortchanging other areas of the budget.
Budget Blueprint

• Strengthening the Middle Class:
  – A Stronger middle class requires increased investment and access to higher education:
    • Increased funding proposals for the UC, CSU, and CCC must be approved.
    • The Middle Class Scholarship must be provided to the families particularly squeezed by the Great Recession Fee increases.
      – Using the General Fund revenues from Prop 39 will enable Middle Class students from families earning less than $150,000 per year to receive a 40% Middle Class Scholarship – cutting their fees to Pre-Recession levels.
Budget Blueprint

Middle Class Scholarship:
Slashes Student Fees to Pre-Recession Levels
Budget Blueprint

• Strengthening the Middle Class:
  – A Stronger middle class requires building on recent Welfare-to-Work reforms to give struggling families a hand up in joining the workforce and the middle class.
    • Improve “early engagement” activities to get recipients into the right program as soon as possible.
    • Expand “subsidized employment” to provide critical work experience and job training, while also being a benefit to participating employers.
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• Delivering Effective, Efficient Services for Californians:
  – Additional Resources to make government work better:
    • Business Filing at Secretary of State. Make permanent the temporary action cut business filing processing times to no longer than five days.
    • Perishable Goods Exporting Licenses. Increase resources for the Department of Public Health to approve exporting licenses within five days, rather than the current eight week process.
    • Local Coastal Programs (LCPs). Provide resources for LCPs to be updated so that coastal projects can be approved at the local level, rather than having to be approved at the State Coastal Commission due to out of date LCPs.
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• Delivering Effective, Efficient Services for Californians:
  – Improved services for veterans:
    • Additional funding for County Veterans Service Officers to outreach to veterans to increase enrollments in federal and state programs. Getting veterans into the right programs they are eligible for results in better services for the veterans and often less costs to California tax payers.
    • Embedding state staff in the Federal Veterans Benefit Administration offices to expedite the processing of veteran disability benefits.
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• Delivering Effective, Efficient Services for Californians:
  – Improved access to courts:
    • Avoid planned court funding cuts to avoid the worst court closures that would severely limit court access to many Californians.
    • Restored funding would come with strict accountability and reporting requirements to ensure the courts allocate resources in accordance with the appropriations.
Budget Blueprint

• Summary:
  – As we await the potentially most positive May Revision forecast update in many years, it is important the Assembly Democrats make clear our Budget Priorities.
  – The Blueprint for a Responsible Budget provides the framework for the Budget Subcommittees to guide their committee actions.
  – The Assembly Democrats will craft a final budget that is faithful to the voters’ trust with the temporary tax revenues and majority vote powers, and craft a budget based on continuing fiscal responsibility, strengthening the middle class, and providing effective, and efficient state services.