



GETTING CALIFORNIA WORKING AGAIN
BLUEPRINT for a RESPONSIBLE BUDGET



California State Assembly
Democratic Caucus

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To Get California Working Again, Speaker Pérez Releases Assembly Democrats “Blueprint for a Responsible Budget”

SACRAMENTO—In a speech to the Sacramento Press Club, Assembly Speaker John A. Pérez (D-Los Angeles) today unveiled the *Blueprint for a Responsible Budget*, Assembly Democrats’ plan for continuing fiscal responsibility, strengthening the middle class and delivering effective, efficient services for Californians.

“A rebounding economy, years of difficult cuts approved by legislative Democrats, and the voters trusting state leaders with a majority-vote budget and a temporary tax increase have brought the state to budget stability,” Speaker Pérez said. “We must now maintain that stability while pivoting to strengthen our state, avoid mistakes of the past, and minimize the devastating impacts economic downturns can have on our budget and the people of California. The Blueprint for a Responsible Budget may be outside Democrats’ traditional comfort zone, but it helps us achieve these important goals for California.”

The Blueprint for a Responsible Budget is based on the following three interrelated principles:

1. Continuing Fiscal Responsibility – the state must pay down debt, provide a prudent reserve, and craft a workable Rainy Day Fund that protects against future economic downturns.
2. Strengthening the Middle Class – schools and higher education must give everyone a fair shot at the middle class, small businesses must be strengthened, and there must be a functional safety net that gets people back on their feet and contributing members of our economy.
3. Delivering Effective, Efficient Services for Californians– wasteful red tape and bureaucratic delays must be eliminated for businesses, veterans, and others working with government.

“During the past few difficult years long-term fiscal planning has waned, the middle class has suffered, and governmental services have in some cases deteriorated and become inefficient,” Speaker Pérez said. “The Blueprint for a Responsible Budget will help us address those problems as we craft the state budget in the critical weeks after we get the updated economic figures from the Governor’s May Budget Revision.”

A summary of the Blueprint for a Responsible Budget follows.



**Blueprint for a Responsible Budget
Assembly Democrats' Plan for Fiscal Responsibility,
A Stronger Middle Class & Less Government Red Tape**

Improving Fiscal Responsibility

The Blueprint for a Responsible Budget calls for a balanced budget into the future and accelerated debt repayment.

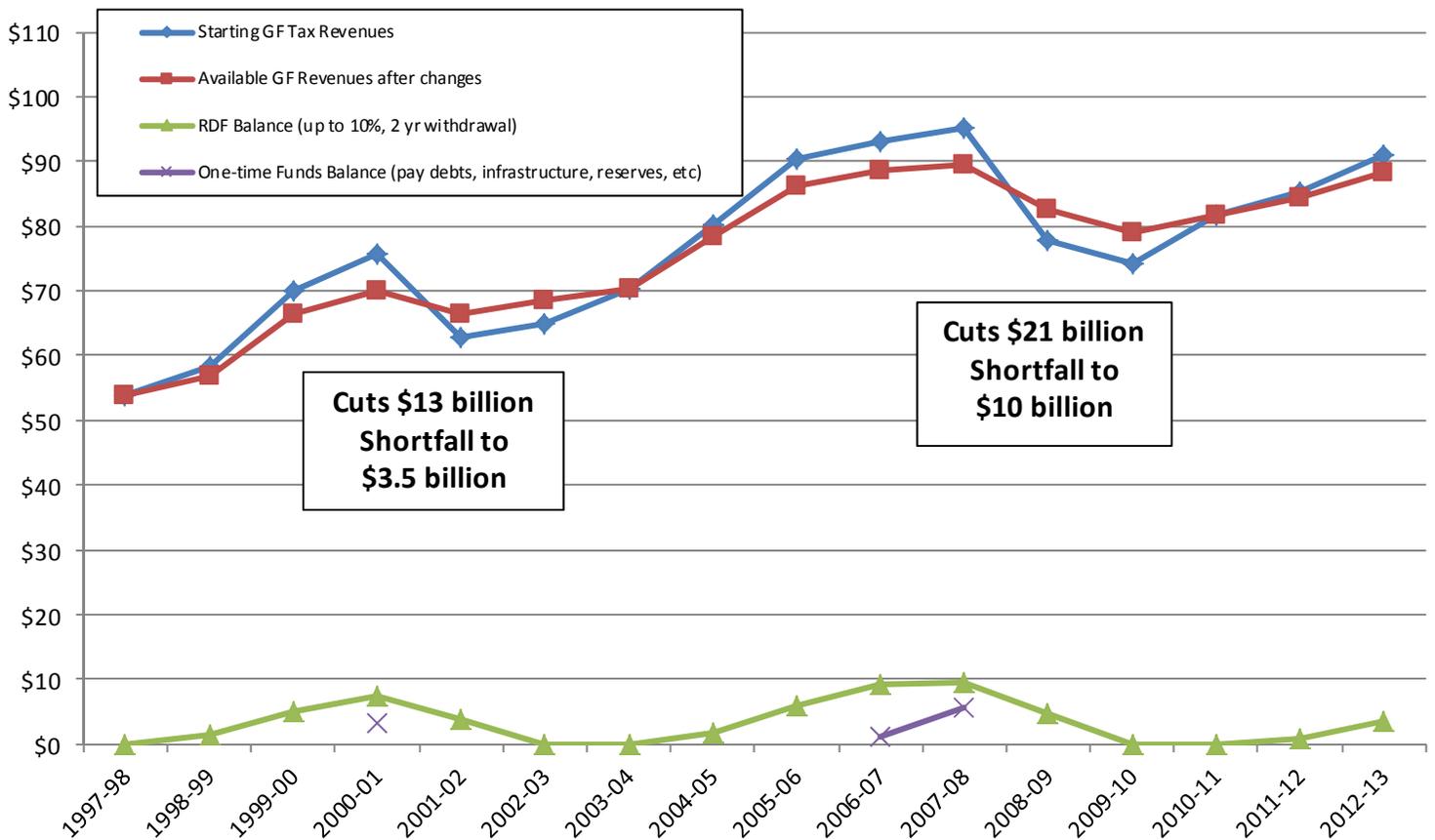
- Provides a prudent reserve for 2013-14 and is balanced each and every year of the forecast period.
- Increases debt payments to accelerate California regaining fiscal stability.

The Blueprint for a Responsible Budget proposes a new Rainy Day Fund to minimize the ups and downs of California's economy and revenue system on the state budget.

- Establishes a Rainy Day Fund to be implemented through a Constitutional Amendment for the November 2014 General Election.
- As budget stability returns to California, the mistakes of the past must not be repeated. While the vast majority of devastating budget conditions of the recent years are the direct result of the Great Recession, the impacts could have been mitigated with smart policies that preserved portions of one-time peak revenues to be spent during economic downturns.
- Capital Gain revenues are the most volatile source of revenues for the state, and are the primary cause for the "boom and bust" budget cycles of the past couple of decades: during the good economic times, capital gains revenues skyrocket; during the bad economic times, they plummet. Under this proposal, the state will avoid over-committing one-time revenues for on-going purposes, and have a Rainy Day Fund to rely upon during down times.
- Due to the timing of the November 2014 election, a final Legislative agreement on a Rainy Day Fund is not required by June 15, however the smart long term planning concepts of a Rainy Day Fund will be reflected in the final June 15 budget decisions.
- The Rainy Day Fund in the Blueprint for a Responsible Budget includes:
 - Doubling the size of the current Rainy Day Fund (the Budget Stabilization Account) from five percent of General Fund revenues to 10 percent of General Fund Revenues.

- Filling the new Rainy Day Fund with transfers of Capital Gains Tax revenues when they exceed 6.5% of overall General Fund revenues. These transfers would have occurred in about half of the last 20 years had this mechanism been in place.
- Once the Rainy Day Fund is full, the excess spiking revenues would be limited to one-time purposes, like paying debt, infrastructure, and reserves. By building a robust Rainy Day Fund from Capital Gains revenues during the good times, education, higher education, critical programs, and middle class taxpayers will be protected from the devastating impacts that recent recessions and economic downturns have caused.

Rainy Day Fund: Capture Spiking Capital Gains To Cushion Downturns *(in billions)*



Strengthening the Middle Class

The Blueprint for a Responsible Budget recognizes Education is the key to a strong Middle Class.

- Funding for education must be improved to give all our students a fair shot at success, and it is encouraging that the Governor has joined the call to improve the lives of low-income families and English Language learners.
- The Governor’s proposal of sweeping changes for education has key goals worthy of strong support, but there are also significant shortcomings in the comprehensive proposal.
- Therefore, whether it is improving existing programs or updating formulas, with the Blueprint for a Responsible Budget an agreement can be reached with the Governor on targeting funds for low income and English learners students, and improving accountability. An agreement can be reached based on the following key principles:
 1. Increasing school funding alone will not be enough to give low income students and English Language learners a fair shot at success and joining the middle class.
 - The children of the working poor need access to quality early education and development programs from a very early age, including preschool. Providing nurturing, educational programs for low income children helps them enter school prepared to learn and avoids the “start behind-stay behind” challenge to faces too many students today.
 - California has the highest child poverty rate in the country. Academic findings tell us that children living in poverty experience physiological brain changes and delay that severely impair their ability to learn. So, if the state is serious about improving the educational results of low income children, then more must be done to reduce child poverty.
 2. All school districts must benefit from the economic recovery and increased funding for schools.
 - All school districts have suffered from massive cuts during the Great Recession, and the voters passed Proposition 30 on the promise that funding would go to their schools. Restoring funding to pre-recession levels for all school districts must be a top priority.
 3. Low income and English learner students throughout the state must benefit from funds targeted for these populations, regardless of the overall economic make-up of their school district.
 - Every school district in the state has low income students and English learners that need the additional resources. Even if a district is an overall more affluent community, their low income and English learners cannot be overlooked.
 4. Available one-time Prop 98 funds must be put to smart use. The surge in revenues in the current fiscal year will result in significant one-time Prop 98 revenues. These funds should go toward the following smart uses:

- Repayment of Prop 98 deferrals. Not only will this increase debt repayments to schools, but it will free up on-going Prop 98 revenues for programmatic increases.
- Fill funding gaps caused by any changes in formulas. If formula changes are made, one-time Prop 98 funds can be set aside to fill funding gaps in the early years of formula changes. This will mitigate any “winners and losers” impacts of formula changes in the early years.
- Provide school district block grants to implementation costs of the Common Core State Standards. Common Core is a nationwide effort to better prepare our students. School districts need to make major one time investments during the transition, including critical technology investments, and one-time Prop 98 funds can be set aside for a multi-year commitment for this.

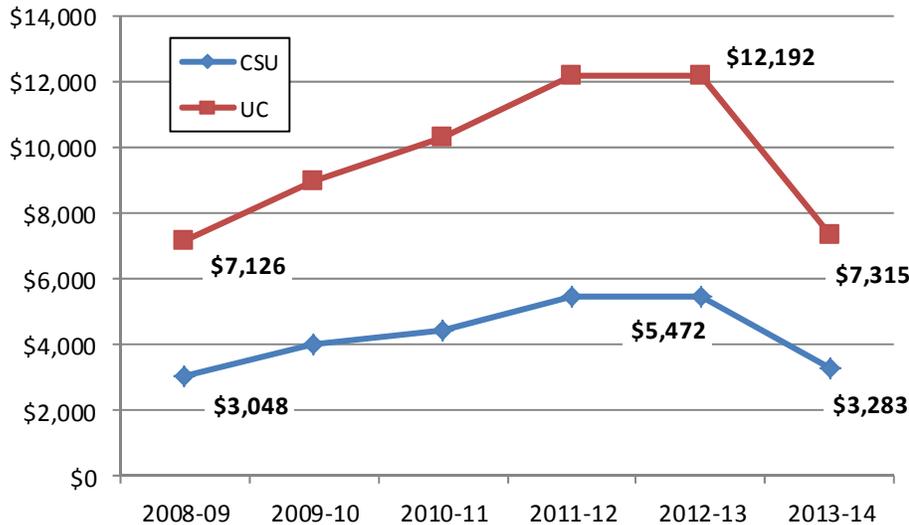
The Blueprint for a Responsible Budget calls for an immediate investment to help small businesses and for new local economic development tools be developed to strengthen the Middle Class and help the economic recovery.

- Small businesses are playing a significant role in the economic recovery, but more can be done to stimulate small business development and expansion. Currently, \$160 million in available federal funds are successfully allocated for small business loans through the California Capital Access Program (CalCAP) and the Small Business Loan Guarantee Program. A one-time commitment of as much as \$40 million will augment the federal funds to benefit small businesses helping create jobs and strengthen the economic recovery.
- As the economy recovers, new ideas must be developed to spur lasting local economic development strategies. Without returning to past programs that at times led to unaccountable and wasteful spending, local governments need the tools to improve their local economies. Smart policies that provide local control while protecting other areas of the budget can be a critical element of the state’s long term recovery.

The Blueprint for a Responsible Budget calls for renewed commitment to its premier Higher Education System as a critical engine of the Middle Class.

- Community Colleges, CSU, and UC need additional funding to make needed improvements to return California’s higher education system prominence while also modernizing to meet the changing times. Californians deserve the best and most accessible system in the country.
- All students must be able to afford a college education without being strapped with debt that strangles them well into the future and hurts future economic growth. Therefore, the Budget Blueprint calls for funding for the Middle Class Scholarship to slash student fee costs by as much as 40 percent.

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



The Blueprint for a Responsible Budget calls for the strengthening of recent Welfare to Work changes to ensure taxpayer dollars are spent wisely and efficiently, giving struggling families a real hand up to help rejoin the workforce and the Middle Class.

- With the life-time limit of CalWORKs services being cut in recent years from 60 months to 24 months, it is critical that “early engagement” strategies are implemented to immediately provide the right services for the right recipients. Not all recipients need the same service, but by working early to target the right services, recipients will be back on their feet sooner and taxpayer dollars will be spent more efficiently.
- “Subsidized Employment” has been successful in its limited use in the past at providing CalWORKs recipients with an immediate paycheck, improved job skills, work experience, and a stronger self-esteem for the entire family. Expanding subsidized employment will benefit more recipients while also providing a benefit to local employers that partner with the CalWORKs program.

Cutting Red Tape, Improving Governmental Services and Increasing Access for Veterans,

The Blueprint for a Responsible Budget calls for additional resources for government to work better and faster.

- The Secretary of State must reach the new goal, established by the Assembly Democrats earlier this year, of processing business filing forms within five days, instead of the historic levels of over 60 days. This ensures small businesses won’t be waiting for months before they can hire employees, open for business, and fully participate in the economic recovery.

- The Department of Public Health often takes as long as eight weeks to process “exporting licenses” for perishable goods, these licenses must be approved within five days, so that California perishable exports can get to their destination on time and California exporting businesses can prosper.
- Local Coastal Programs (LCPs) need to be updated. Currently, 115 out of 128 LCPs are either 20 or more years out of date, or have never been certified by the Commission, which means all projects in these areas must go all the way to the State Coastal Commission for approval. Once the State Coastal Commission approves updated LCPs, consistent development approval can be done more quickly and be made at the local level without costly and time consuming additional review by the State Coastal Commission.

The Blueprint for a Responsible Budget calls for improved services to Veterans.

- Increasing funding for County Veterans Services Officers to outreach to veterans to increase enrollments in state and federal programs that will improve their lives and strengthen local communities.
- Embedding state staff in the three regional federal Veteran Benefit Administration offices to expedite the processing of veteran disability benefit claims. These state “Strike Force” teams will ensure benefits are approved faster and California veterans will receive the needed benefits – which they have earned – as soon as possible.

The Blueprint for a Responsible Budget calls for protecting Court funding with strong, new Accountability measures.

- California’s courts play a vital role in every community. Individuals, families, and businesses all rely on the courts for resolving critical matters. Planned courts cuts severely threaten court accessibility already severely curtailed by years of cuts.
- Funding for courts must be preserved to ensure Californians have adequate access to necessary court services, but the funding must come with strong accountability and reporting requirements to provide better management and to ensure critical court services and access are, in fact, preserved.