

# **Shared Democratic Principles for Finalizing Budget: *Improving Government and Protecting Jobs***

***Senate President Pro Tem and Assembly Speaker***

***As the Pro Tem and Speaker continue crafting the budget and holding budget discussions, the leaders are united in their views of how to close the budget and the principles that must guide the negotiations.***

***Those principles are outlined below.***

## ***Education funding:***

- Fund schools in accordance with Proposition 98 and provide the highest level of funding possible to protect the quality of education and to minimize teacher layoffs.
- No renegeing on last year's deal on repayment of Maintenance Factor.

## ***State-Local Relationship:***

- Recognize that the current state-local fiscal relationship is broken, and a final budget deal must begin the process of devolving more services and revenues to counties—the place where the services are delivered and are closest to the people.

## ***Jobs:***

- Recognize that the Governor's budget proposals, if enacted, would result in hundreds of thousands of job losses.
- Make sure that all final budget proposals consider the impact on jobs and California's already-high unemployment levels, and make sure that the final budget prevents or minimizes further job losses.
- Recognize the importance of government investment to maximize job growth in both the private and public sectors, and ensure that final budget includes such investment.

## ***Health and Human Services "Safety Net":***

- No further erosion of the critical services for vulnerable children, the disabled, the elderly, and the ill, including proposals that call for elimination of CalWORKs, child care, community mental health, and the draconian reductions in IHSS and Medi-Cal.

## ***Out-years:***

- Recognize that California will continue to have budget struggles in future years.
- Enact budget proposals that take the long-view, including budget solutions that start a multi-year "workout" plan.

**No New Programs and No New Tax Breaks:**

- With the state facing multi-year budget shortfalls, now is not the time to implement major new programs or to implement new tax breaks.
- Necessary revenue increases should be focused on closing loopholes—like the oil drilling loophole, and maintaining existing tax rates that will not negatively impact the economy. And new revenues should be tied to specific restructuring and job protection proposals.
- Recognize that spending levels are at historic lows at a time when demand for government services by Californians is at a record high due to the recession.

**State employees:**

- During these tough budget times, state employee contracts need to be in place to provide certainty to employees and the budget. The leaders continue to believe that the way to achieve certainty and budget savings is through the collective bargaining process. Recent completion of bargaining agreements demonstrates that this process works.
- Recognize that California's fundamental budget problems (and the problems in every other state) are largely due to the collapse of the economy, and reject the scapegoating of state employees and the implication that they are the cause of our budget problems.

**One-time solutions:**

- Recognize that, given the size of the deficit, we will likely need some additional one-time solutions that are not currently included in any of the budget plans under consideration (Governor's, Senate's, or Assembly's).
- Avoid cynical "hidden borrowing" temporary solutions that simply delay spending until reversed by the courts or that simply shift costs to local governments or other state programs.
- To the extent that budgetary borrowing is required, minimize the borrowing in order to reduce out-year fiscal pressures.

**Timing and Transparency:**

- The budget must be completed quickly, must be honest and credible, and the process should be as open and transparent as possible.

**Ultimatums:**

- Finally, the Governor and Republican leaders have issued several ultimatums on the budget, listing provisions that must be included or excluded from any final budget deal.
- Although the Democratic leaders do not think that ultimatums are helpful in coming to budget resolution, both the President Pro Tem and Speaker will never support a budget package that eviscerates education or the "safety net", leads to more job losses, and does not begin to address the broken structures of state government finance.