



Tidbits from Sacramento

Griffin & Associates
Legislative and Governmental Advocacy
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IS THERE REALLY A FISCAL PROBLEM IN CALIFORNIA?

You bet there is!! On February 12th, at our Institute for Governmental Advocates annual breakfast meeting (yes, even lobbyist have a trade association), we heard the bleakest fiscal forecast I have ever heard. For years, the legislature papered, delayed, borrowed, etc., to deliver a "balanced" budget to the Governor. The law says the budget must be balanced -- it doesn't say how. The message was delivered by Senator Denise Ducheny (D), Chair of the Senate Budget Committee, Assemblyman John Laird (D), Chair of the Assembly Budget Committee, Roger Niello (R), Vice-Chair of the Assembly Budget Committee and Mike Genest, Director of the Governor's Department of Finance. The picture was not very pretty -- California is in deep trouble fiscally -- on that date we were looking at a \$14.5 billion deficit.

Like many entities we read about in the newspapers, the legislature and those of us who lobby on the budget issues have found ways to shift monies around to essentially delay the day of reckoning. Well, like Enron and others, including some public entities, the legislature has used all the mechanisms they could find over the years to delay the inevitable. It is now here!

The Governor called for a Special Session on January 11th and all Departments were to cut 10 percent from their existing budgets. The hearings were held, the legislature voted the budget out and it was sent to the Governor for signature. According to the Governor's press release, approximately \$2 billion was cut from current expenses. While that is a step in the right direction, California is now facing a \$16 billion deficit for the 2008-2009 budget.

According to Senator Ducheny, California has a structural budget problem. That has been stated in the past, but there appears to be a shortage of both legislators and special interest advocates unwilling to consider changes to "their" piece of the pie. However, given the seriousness of the fiscal crisis, it may be time to consider some controversial changes in the manner in which the State of California conducts its business.

THE LEGISLATIVE ANALYST'S PROPOSAL

The state's Legislative Analyst, Liz Hill has a different approach to solving the state's budget crisis. She released her recommendations February 22nd. Hill set forth a five year plan, much of it very technical in nature. One thing was clear; the deficit was now projected to be \$16 billion. She also stated it could increase more should various elements of revenues and costs continue their current trends.

This was the first time in my memory that the Legislative Analyst has released an alternative plan for a budget. Her proposal includes both increased taxes and significant cuts in specific programs. Some of her recommendations are very interesting. I am including just a few highlights from her analysis in the interest of space. Some are contrary to the Governor's budget proposal.

- Deletes the recommended 5% pay raise for Correctional Officers retroactive to July 1, 2007. Rationale: Current compensation is sufficient to meet staffing needs
- Targets specific program reductions rather than an across the board approach
- Shifts certain programs to the local level when it makes programmatic sense
- Reduces/eliminates program funding for programs that are primarily local government responsibilities
- Prop 98 - Reduces current-year funding to the minimum guarantee to maximize flexibility.

A copy of the Legislative Analyst Office (LAO) Perspectives & Issues is available on their website at www.lao.ca.gov.

NEW LEGISLATION

February 22nd was the deadline for introduction of new legislation for 2008. I expected a sharp decline in the number of bills that would be introduced given the budget problems. However, it appears that when the final count comes in, there will be more legislation than I anticipated. As of last Thursday, 352 bills were introduced since January in the Assembly and 243 in the Senate. I am looking at many more that were introduced during Friday, the final day. I expect many bills will not go very far, particularly if there is any cost to them. Despite our budget woes, it appears that legislators still feel obligated to put their ideas (or their constituents) into a legislative bill.

In addition, we still have the remaining bills from last year that are still viable since they are in the "second" house. It looks like we will have plenty of legislation to analyze, and support/oppose in the coming months. The legislative deadline does not apply to bills with an "urgency clause" nor does it apply to legislation introduced during any special session of the legislature called by the Governor