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State Budget

STATE BUDGET NEWS (2/13/08)

The Legislature is about to end its 45-day special session to revisit the 07-08 state budget. Budget staff in both houses report that their respective bosses are trying to strike a deal on the whole package of current year cuts with the Republican Caucus and that some sort of agreement could be reached by the end of the week. So far, however, budget hearings have yet to result in hard decisions and lawmakers may not complete their work on the current deficit within the 45-day special session, further delaying tough negotiations over next year's \$14.5 billion deficit.

The Legislature's budget subcommittees have been holding hearings for weeks and it is a difficult task to get a simultaneous grasp of this year's and next year's budget cuts and projected shortfalls.

We have been told that budget cuts to departments under the Resources Agency will not be dealt with until the end of budget negotiations for next year's budget. There are a number of fees being considered for resources departments, including a proposal similar to AB 2838 (2006 - Pavley), which was sponsored by CalCoast and several allies. That bill, and its predecessor, (SB 658 20005 - Kuehl) would have given coastal counties the option of imposing a fee on motor vehicle registrations to mitigate for the impacts of motor vehicles on coastal resources. It now appears that Legislative Counsel is of the opinion that the Constitution requires any fees raised on vehicular registrations be used for transportation or air quality programs. This is a significant road block to proposals state park advocates and others were considering to make up for budget cuts proposed by the governor. Cuts in environmental protection programs are 11% of the proposed budget cuts for 08-09.

BUDGET LINKS:

08-09 Budget: <http://gov.ca.gov/issue/state-budget/>

Budget Summary for Environmental Programs:
<http://gov.ca.gov/issue/specifics/2008-09-budget-environment>

Legislative Analyst's Website: <http://www.lao.ca.gov>

Speaking of the budget ...

"Two Steps Back: Should California Cut Its Way to a Balanced Budget?"

The California Budget Project's annual chartbook, "Two Steps Back: Should California Cut Its Way to a Balanced Budget?," examines how Governor Schwarzenegger proposes to balance the 2008-09 budget and assesses what the proposed budget means for California. In addition, "Two Steps Back" analyzes the impact of recent economic and demographic trends on the Governor's Proposed

Budget. <http://cbp.org/pdfs/2008/080201chartbook.pdf>

Outside of the Capitol, the meltdown in the economy is having real impacts on everyone, including local governments, which are being forced to make hard choices just to remain solvent. Last week, the city of Sacramento announced it may lay off at least 16 employees in a first wave of cutbacks aimed at solving a \$55 million budget deficit projected for next year. Sacramento County faces a \$16.4 million deficit this year, which could grow to \$60 million in the budget year that begins July 1.

All across the state, communities will likely have to make hard choices about law enforcement, health care, basic municipal services and programs for the poor, elderly and destitute. This will be a year of harsh government spending cuts, and, unless the Legislature finally deals with the structural imbalance in the state's budget process, it could be the first of many.

CalCoast is trying to develop a state-funded marine debris program for coastal cities and counties and one of the sources of funding we were looking at was the surplus in bottle bill deposits collected by the Department of Conservation. The article below reveals that the governor has his eyes in the same pot of money to fund programs called for in AB 32, which was signed by the governor last fall. We will be advocating against this misuse of bottle bill funds:

"Recycling fund may be tapped to help enforce greenhouse laws"

The Schwarzenegger administration wants to take \$32 million in the form of a loan from the state's recycling fund and use it to hire dozens of air quality specialists at the state Air Resources Board, the enforcement arm of the carbon emissions law. The plan, which needs legislative approval, would take effect with the new budget year on July 1. <http://www.calcoast.org/news/cpr0080131.html>

A more appropriate approach to fund AB 32 programs would be for the air boards across the state to impose fees on polluters as was intended by the legislation:

"Proposal would bill major Bay polluters"

After years of voluntary measures, the fees, proposed this week by the Bay Area Air Quality Management District, set a precedent as the first time that businesses and government agencies would face financial consequences for contributing to global warming. If successful, the fees could be copied all over the state and country, perhaps ultimately at much higher prices. <http://www.calcoast.org/news/cpr0080209.html>

To read the proposed fee rule, go to <http://www.baaqmd.gov/pln/ruledev/workshops.htm>.

OPINION

"Budget will test post-partisan governing in California"

The question is whether the governor and the Legislature can seize the moment and take a fresh look at the long-term, structural budget issues that have been ignored for the sake of political expediency. <http://www.calcoast.org/news/cpr0080203.html>

OPINION

"Governor's Fire Tax Plan is Unfair, Unnecessary"

Governor Schwarzenegger recently proposed that every California home owner and business owner pay a new 1.25 percent tax on their property insurance - a \$125 million tax increase - to pay for what he says will be improved firefighting efforts statewide, but many of us believe that it will largely go to backfill cuts the administration has proposed at CALFIRE.

<http://www.calcoast.org/news/cpr0080131b.html>

STATE BUDGET (1/31/08)

The Legislature is in special session until late February working and struggling with the governor's 10% across-the-board budget cuts. Some of the most controversial cuts were made to State Parks. Tuesday, it was revealed by the director of State Parks in testimony during a Senate Budget Committee hearing that, in closing some parks, the state will actually lose \$4 million. The cuts total \$13.3 million, so the lost revenue from closing certain parks is roughly one-third of the cuts. Add the potential loss of revenue to local governments due to a reduction in lifeguard services at some of the state's busiest beaches and the cuts to state parks makes even less sense.

The LAO's office has recommended an increase in state park fees that would generate \$25 million. During Tuesday's budget hearing, the LAO's office testified that State Parks currently collects \$2.80 per visitor - the same amount per visitor the agency collected ten years ago. And the Governor added to the controversy by stating that he made the cuts to state parks "to rattle the cage" at the Capitol.

Parks plan intended to 'rattle the cage'

Gov. Arnold Schwarzenegger said Wednesday he proposed closing 48 state parks to "rattle the cage" at the Capitol but fully expects lawmakers to come forward with alternatives - including higher fees - to keep parks open.

<http://www.calcoast.org/news/coast1000055.html>

"Governor's bid to close parks stirs broad dissent"

SACRAMENTO - State lawmakers have quickly learned that sparing treasured parks from painful budget cuts will be no picnic. Alternatives from raising fees to shifting revenues to counting on volunteers are riddled with obstacles.

<http://www.calcoast.org/news/coast1000069.html>

"State beaches may have reduced lifeguard services"

SANTA CRUZ - The governor's proposal only eliminates lifeguard positions in three counties: Santa Cruz, Orange and San Diego. Of those, Santa Cruz is the only area that may face a 100 percent reduction in seasonal guards; the Southern California counties would have to cut to half of their seasonal lifeguards.

<http://www.calcoast.org/news/coast1000058.html>

State Senate President Pro Tem Don Perata said he will not push his \$6.8 billion initiative to fund water recycling, conservation and environmental cleanup this year because of the state's budget crisis. The initiative has been the subject of negotiations between the Governor and Legislature during the Extraordinary Session on Water supply convened by Schwarzenegger late last year to address the statewide water supply crisis.

"Rejection of fire levy plan urged"

SACRAMENTO -- -- State Insurance Commissioner Steve Poizner on Friday urged lawmakers not to approve a fee proposed by Gov. Arnold Schwarzenegger to raise \$125 million for fire protection, calling the surcharge unconstitutional, unfair to many property owners and bad public policy.

<http://www.calcoast.org/news/cpr100102.html>

DAN WALTERS

"Tax breaks are costly, but popular"

Democrats such as Assembly Speaker Fabian Núñez sidestep questions about raising personal or corporate income taxes or sales taxes. Instead they say such things as this statement from Núñez: "Revenue sources from closing tax loopholes and credits must be on the table." But Núñez et al. are very vague when it comes to specifics.

<http://www.calcoast.org/news/cpr100095.html>

GEORGE SKELTON

"Gov. has power to cut spending if he wants to do it"

SACRAMENTO - Listening to Gov. Arnold Schwarzenegger, the role of California's governor was strictly ceremonial, like being the British queen. Pageantry but no power, especially over the purse.

<http://www.calcoast.org/news/cpr100096.html>

STATE BUDGET (1/30/08)

Above, we discuss drastic budget cuts proposed for State Parks. Page 109 of the budget has a map showing which parks are slated to close and where reductions in lifeguard services are proposed:

<http://www.ebudget.ca.gov/pdf/BudgetSummary/FullBudgetSummary.pdf> (Source: KPBS)

Yesterday, the governor told the Sacramento Bee that he expects state lawmakers to find some way to keep the parks open, possibly by raising fees.

For more information on this issue, log onto the California State Parks Foundation website. The Foundation's press release concerning the budget cuts is posted at:

<http://www.calparks.org/press/2008/california-state-parks-foundation-statement-on-state-park-closures-in-governor-s-fy08-09-budget.html>

STATE BUDGET (1/16/08)

During his State of the State address last Tuesday, Governor Schwarzenegger vowed not to raise taxes in the face of a \$14.5 billion deficit – then two days later released a “scorched earth” budget proposal that would impose fees on property insurance (raising \$125 million to backfill for a 10% cut from the state’s general fund for fire-fighting services) and an \$11 increase in the vehicle registration fee to replace money cut from the CHP and DMV (this is in addition to a registration fee increase approved by the governor last year to fund research into alternative fuels). The governor has also proposed borrowing \$40 million for various projects, including \$10 billion for water projects. Senate leader Don Perata (D-Oakland) said he may only be interested in a new water bond.

The Governor issued a proclamation last week declaring a fiscal emergency and calling a special session of the Legislature to deal with a \$3.3 billion budget gap for 07-08. During the special session, which the governor declared last week, the governor will propose cutting \$30 million set aside in the 07-08 budget for deferred maintenance at state parks and another \$1 million for personnel, including lifeguards. To save \$13.3 million in 08-09, the governor has proposed closing 48 state parks, some of which are state beaches, while lifeguard services at state beaches in Orange, San Diego, and Santa Cruz Counties will be reduced to a minimum of 50 percent. Democrats in the Capitol have suggested that user fees may have to be increased to keep state parks and beaches open.

The state park cuts, especially as they affect California's beaches, are counterintuitive: numerous studies have shown that California's beaches play an important role in its economy. King and Potepan (1997) estimated that the total direct impact of beach-related spending in the state was \$10.3 billion. Add indirect (multiplier) effects as well as direct effects and the total is much higher: \$27 billion. More recently, King and Symes examined the loss in spending to the state if its beaches disappeared. This report examined beach visitors' propensity to go out of state—and out of the country—if beach tourism was no longer available in California. The report estimated a loss of \$5.5 billion to California Gross State Product if the state's beaches were closed or in disrepair.

Total budget cuts for CalEPA amount to \$242 million (\$1.6 million from the current budget) and 16.5 personnel years. Cuts for the Resources Agency amount to \$945 million (\$4.2 million from the current budget) and 296.5 positions. A \$2.6 million cut to DFG eliminates 38 game warden positions. Reductions at the State Water Board will limit the state's ability to monitor ocean water quality. A \$1.2 million cut has been proposed for the Coastal Commission and the Department of Toxic Substances, which cleans up dangerous spills on highways, is facing a \$3.8 million cut. Overall, the budget includes \$1.8 billion (\$85.3 million General Fund and \$1.7 billion other funds) for the California Environmental Protection Agency (CalEPA) and \$13.1 billion, which is roughly 2% of the entire budget.

To avoid future budget crises, the governor is proposing a constitutional amendment that would impose a spending cap. The governor said he wants to end the "binge and purge" nature of the budget process by automatically reducing expenditures when tax revenues increase more slowly than average. When revenues were flush, his proposal would put extra money aside for the future. A controversial part of the plan would give the governor unilateral power to make program cuts when the state budget falls out of balance. The proposal mirrors similar plans that were rejected in 2004 by state legislators and the next year by voters.

The governor pointed to the state's "autopilot" spending - funding guaranteed by legal formulas and state contracts - which his aides said accounts for 87% of the general fund budget, as the root of the state's budget woes. But Democrats in the Legislature, some of the state's most widely-read political pundits and even the state's non-partisan Legislative Analyst are calling for "revenue enhancements" to restore or expand state programs. Some say for starters, the sales tax should be extended to services and the car tax should be returned to the level it was before the governor cut it upon taking office.

Monday, the Legislative Analyst said that the Governor's proposals for closing a \$14.5-billion budget gap fail to properly prioritize how the state should spend its

money, use questionable accounting methods and would seriously disrupt the operations of schools and community colleges. The Legislative Analyst was especially critical of the governor's plan to spare almost no agency or program in calling for state spending to be cut immediately by 10%. She also said the proposed budget cuts too deeply into state services, and she called on the Legislature to offset some of the governor's suggested reductions by raising fees and taxes or by scaling back existing tax breaks. Soon after Hill released her report, a major bond rating agency put the state on notice that it was at risk of a downgrade. Hill was also critical of the governor's proposed constitutional amendment to put a cap on spending which, she described as a "power grab."

Critics of the deep cuts in the new budget are dismissing the plan as a ruse to stir up demand for a tax hike so the governor can break his pledge not to go that route during his tenure. Warning to all: even funding that was approved in the current budget isn't safe from being redirected, so keep a close eye on your favorite programs. The Governor and legislators will be looking for money wherever they can find it - and it might be yours that suddenly goes missing.

"State's budget crisis curtails legislators' agendas"

California's lopsided budget has squashed legislative ambitions this year and made it unlikely that lawmakers will be able to do much more than drag spending and revenue back into balance.

<http://www.calcoast.org/news/cpr100086.html>

"Can't blame economy for deficit, critics argue"

SACRAMENTO -- While the state's latest fiscal crisis can be blamed partly on an economic downturn, political experts say there is a far more complex history of policy failures and political mistakes by state leaders that is partly to blame.

<http://www.calcoast.org/news/cpr100087.html>

DAN WALTERS

"Walking on eggshells about taxes"

Assembly Speaker Fabian Núñez performed a neat verbal trick the other day in response to Gov. Arnold Schwarzenegger's vow to make deep spending cuts to close a massive deficit in the state budget.

<http://www.calcoast.org/news/cpr100088.html>

DANIEL WEINTRAUB

"Budget plan is a strategy to get attention"

It's difficult to believe that Schwarzenegger is serious about the proposal he put on the table last week. He knows that the Democrats who control the Legislature will not vote for the cuts he is proposing. What, then, is his strategy? Schwarzenegger appears to be trying to get the attention of the public and to his Republican colleagues in the Legislature.

<http://www.calcoast.org/news/cpr100090.html>

DAN WALTERS

"Governor's new stab at reform"

Were politics a rational process, the virtue of setting aside extra tax revenue during prosperous years to cushion the impact of income dips would be self-evident.

<http://www.calcoast.org/news/cpr100085.html>

"Gov. urges insurance assessment to fund firefighting"

SACRAMENTO - Gov. Arnold Schwarzenegger will propose hiking the cost of insurance for millions of California homes and businesses in the budget he unveils Thursday, with the money to be used for firefighting efforts.

<http://www.calcoast.org/news/cpr100084.html>

STATE BUDGET (12/17/07)

The Governor is scheduled to submit his budget plan to the Legislature on January 10, but in the face of a rapidly growing deficit - estimated to be \$10 million by the LAO last month, but estimated to be \$14 billion now - he called a "fiscal emergency" last Friday, and proposed sharp cuts in the current budget - deeper than the 10% across the board cuts that were called for last month.

The Legislature will be in "special session" after the holidays and, since a fiscal emergency has been declared, legislators will be barred from acting on other bills if the budget crisis isn't dealt with within the first 45 days.

For almost ten years, CalCoast has been advocating for the Legislature to make the difficult decisions that would result in structural changes to California's budget process. Once again, however, the Legislature will be locked in its usual battle between lawmakers who support spending cuts and those who believe the only sound response to the current mess is to raise fees and taxes. This has been a recurring theme for than a decade because, despite task forces and phone book-sized reports, the executive branch and legislators cannot wrap their hands around the structural changes needed to overhaul the roller-coaster tax system and make it less vulnerable to economic booms and busts.

Some say for starters, the sales tax should be extended to services and the car tax should be returned to the level it was for decades. Where to go from there is anyone's guess, but even funding that was approved in the current budget isn't safe from being plucked away, so keep a close eye on your favorite programs. The Governor and legislators will be looking for money wherever they can find it - and it might be yours.

Here are some takes on the current situation:

"Budget battle heats up"

Republican Gov. Arnold Schwarzenegger plans to seek across-the-board budget cuts to solve an estimated \$14 billion deficit, but Democratic Assembly Speaker Fabian Núñez said Thursday the state should now consider tax hikes.

<http://www.calcoast.org/news/cpr100078.html>

"State's budget shortfall widens"

SACRAMENTO -- Gov. Arnold Schwarzenegger told social service advocates Tuesday that the state's anticipated budget shortfall -- already feared to be the worst since he took office -- has widened to \$14 billion, according to people at the meetings. <http://www.calcoast.org/news/cpr100076.html>

UNION-TRIBUNE EDITORIAL

"Seeing red"

State budget crisis even worse than reported So now we are told the state faces a budget deficit of \$14 billion. Gov. Arnold Schwarzenegger is moving to declare a fiscal emergency and has ordered all agencies to prepare for cuts of 10 percent. The news could hardly get much worse, right? For three reasons, that's wrong.

<http://www.calcoast.org/news/cpr100079.html>

"Lawmakers told to fix budget now"

SACRAMENTO -- Saying spending is poised to grow more than 50% faster than revenues, the state's chief budget analyst called on lawmakers Wednesday to immediately begin cutting government programs or raising taxes to address a budget shortfall that has ballooned to \$10 billion.

<http://www.calcoast.org/news/cpr00000101.html>

"Gov. finds himself in a bigger budget bind"

SACRAMENTO - As he prepares the budget blueprint that he will release in January, the governor is in a bind. There isn't as much red ink this time, or an emergency cash shortage -- at least not yet. But deals he made to keep the state afloat earlier in his tenure now hamper his ability to take on a rapidly swelling deficit that early projections show will hit at least \$10 billion.

<http://www.calcoast.org/news/cpr00000103.html>

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