



Position Paper on the
2011 - 2012 California Budget:

Revenue, Reduction, & Reform

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American Association of University Women

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I. EXECUTIVE SUMMARY

The American Association of University Women of California is a leading non-partisan voice in California promoting education and equity for women and girls, through a statewide network of more than 13,000 members in 140 branches, plus several thousand members-at-large.

Recently, members throughout California responded to a call from AAUW CA to form study groups on California state budget issues. Budget Study participants confirmed their individual observations that California's budget problems, ongoing for decades, have resulted in deterioration in the quality of life in California. AAUW California recognizes that the budget deficit requires that cuts must be made. However, the budget deficit must be addressed with a combination of spending reductions, new revenues, and reform in many areas of government. AAUW CA supports Governor Brown's focus on multiple actions to achieve a balanced budget, not just cuts to programs and services.

After considerable study, AAUW CA has taken these positions on the 2011-2012 California Budget:

- AAUW CA supports an extension of the taxes adopted in 2009, which Governor Brown has proposed to take to the voters in June. AAUW CA supports this extension in order to avoid further cuts to K-14 education.
- Reduce or eliminate some tax expenditures. Determine whether these are really in the public interest or exist as a special advantage to a special interest group.
- Eliminate corporate tax credits unless they result in jobs created for Californians.
- Broaden the tax base. Impose sales tax on services and internet sales.
- Reduce the California state payroll. Decrease the number of state employees, focusing on *retaining* those employees who deliver services locally. Renegotiate salaries, pensions and benefits.
- Institute austerity for the California Legislature. Reduce funding for staff, eliminate car allowance.
- Return some functions to local government and school districts. Fund these functions through block grants and eliminate the categorical system of educational funding.
- Examine how the state funds prisons, with a commitment to house non-violent inmates in less expensive county jails.
- Reform the initiative process. Adopt a new system so that amendments to the California constitution may only be placed on the ballot by the legislature or the governor
- Develop state budgets on a two-year basis, with revenue projections on a five-year basis.
- Require that the source of funding be identified for legislation that requires new funds.
- Require that proposed program cuts identify the longer term implications of those cuts.
- Establish a budgeted reserve fund that would be used to ameliorate drastic budget cuts in economic downturns.
- Freeze most state spending at current levels for the next two years while pursuing other sources of funds.

- Split the property tax rolls, imposing a structured system to reassess commercial property every 20 years. Residential property owners are unfairly bearing the greatest part of the property tax.
- Assess the necessity for and costs of maintaining the huge number of boards and commissions in the state.
- Impose an Oil Severance tax; California is the only oil-producing state without such a tax.

The members of the American Association of University Women of California advocate for a balanced approach to resolution of the budget deficit, a combination of additional revenues, expenditure reductions through increased efficiency in government at all levels, and major reforms. AAUW urges the Legislature to set aside partisanship and reduce the influence of special interests in seeking both short and long term budget solutions.

II. AAUW's Positions: Revenue, Reductions, & Reforms

Governor's Proposed 2011 – 2012 Budget:

AAUW urges a reasoned approach to the budget deficit that takes into account the following points:

- Protect Education from further reductions.
- Maintain a humane safety net for children, elderly, sick and disabled.
- Assess the options for tax and fee increases.
- Eliminate programs where it can be determined they are not needed. Combine or merge programs/offices that are duplicative.

The budget deficit must be addressed with a combination of spending reductions, new revenues, and reform in many areas of government, and AAUW supports Governor Brown's proposal to balance the budget in this manner.

Tax Extension Ballot Measure:

AAUW CA supports an extension of the taxes adopted in 2009. Governor Brown has proposed to take this to the voter's mid-2011. AAUW CA supports this extension in order to avoid further cuts to K-14 education. AAUW CA advocates for investment in the future. Improvement of the educational structure is a priority if California is to remain competitive in the national and international economies. Education is also a core value to democracy, as an educated voter is essential to the voting process.

Revenue:

Numerous opportunities exist to generate additional revenues in the near-term. While the economy has caused revenue to decrease, an equally important factor is the inequity of the state's tax system. It is time for the Governor and Legislature to set partisanship aside and address these possibilities in a timely manner:

- Reduce or eliminate some tax expenditures. Tax expenditures are deductions from taxes owed. Each should be evaluated as to public cost and benefit. Determine whether these are really in the public interest or exist as a special advantage to a special interest group.
- Eliminate corporate tax credits unless they result in jobs created for Californians.
- Broaden the tax base. Impose sales tax on services and internet sales.
- Institute sliding scale income-based co-pay for some services.

Reductions:

Improving government efficiency at both the state and local levels is an imperative. Polls repeatedly show citizens' dissatisfaction with the size of government, and the many legislated mandates that restrict decision-making about spending at the local government level.

Near Term:

- Reduce the California state payroll. Decrease the number of state employees, focusing on *retaining* those employees who deliver services locally. Renegotiate salaries, benefits and pensions.
- Institute austerity for the California Legislature. Reduce funding for staff, eliminate car allowance.
- Eliminate duplicative functions. For example, combine the functions of the Office of the Secretary of Education with that of the State Superintendent of Public Instruction.

Long Term:

- Return some functions to local government and school districts. Fund these functions through block grants and eliminate the categorical system of educational funding.
- Eliminate unfunded mandates for counties and school districts.
- Examine how the state funds prisons, with a commitment to house non-violent inmates in less expensive county jails.

Reforms:

AAUW members believe that longer-term solutions must be found to resolve California's fundamental budget problems. The short-term fixes tried in recent years have not addressed the root causes. Piecemeal cuts to programs without regard to the long-term consequences only move obligations into the future. AAUW recommends that the Governor and Legislature evaluate and consider these reforms in the 2011 Legislative Session:

Process Reforms

- Reform the initiative process. Adopt a new system so that amendments to the California constitution may only be placed on the ballot by the legislature or the governor.
- Require state budgets be developed on a two-year basis, with revenue projections on a five-year basis. This would facilitate longer-range planning for the state, local government, school districts, and non-profit organizations that depend in part on state allocations to deliver services.
- Require that proposed program cuts identify the longer term implications of those cuts. Many decisions are being made without regard to impact, such as in-home support services which, if cut, would lead to more frail elderly and disabled being placed in nursing homes, a much more costly setting which would still require state expenditures.
- Require that the source of funding be identified for legislation that requires new funds.
- Establish a budgeted reserve fund to be used to ameliorate drastic budget cuts during economic downturns. In healthy economic times, require a large portion of excess

revenues be retained in the fund rather than spent on program enhancement, employee pension increases, etc.

- Freeze most state spending at current levels for the next two years while pursuing other sources of funds.

Other Reforms

- Split the property tax rolls, imposing a structured system to reassess commercial property every 20 years. Over a 20 year time frame 90% of the homes in California are sold and reassessed. Commercial property turns over much less frequently. Many commercial properties have not been sold since Proposition 13 became law. The result is the bulk of the annual property tax revenue comes from assessment of private homes.
- Maximize opportunities for federal funding. In programs with significant potential for federal revenue, program cuts should only be made as a last resort.
- Reform Education funding. AAUW concurs with the recent Public Policy Institute of California report (November 2010) that states California's school finance system is the product of four decades of state policy proposals and preferences; these piecemeal changes have left it without a unifying structure. The PPIC report offers principles for reform, and outlines pathways toward a more equitable, adequately funded, and transparent system. The details of this report should be considered in developing funding reforms.
- Evaluate what functions currently performed by the state could be returned to local government. Great diversity exists across California. The restrictions created by mandates and categorical funding from state government do not grant the flexibility to meet the differing needs of urban and rural counties. Set basic state standards to be met, but investigate other funding models, such as block grants, to grant flexibility to meet local priorities.
- Initiate austerity at all levels and departments of government. While cost savings may appear small in relation to the size of the deficit, they demonstrate a good-faith intent to the public that government can and will be streamlined.
- Assess the necessity for and costs of maintaining the huge number of boards and commissions in the state.
- Impose an Oil Severance tax; California is the only oil-producing state without such a tax.

III. Impact of Budget Challenges on AAUW Public Policy Priorities

The American Association of University Women of California is a leading non-partisan voice in California promoting education and equity for women and girls, through a statewide network of more than 13,000 members in 140 branches, plus several thousand members-at-large.

AAUW California and nationwide advances equity for women and girls through advocacy, education, philanthropy, and research. Since AAUW's founding more than 130 years ago, its college-educated members have examined and taken positions on the fundamental issues of the day - educational, social, economic, and political. Commitment to its mission is reflected in all aspects of AAUW's work.

AAUW CA through its member-approved Public Policy Priorities program promotes its Mission through advocacy and education at the local community level. Among its priorities, these were found to be most negatively impacted by the 2010-2011 state budget:

- Equitable funding for quality public education in preschool through secondary schools, which supports all students of any culture, race, ethnicity, special needs or sexual orientation.
- Education at the college level is becoming unaffordable for low income persons, due to tuition increases.
- Pay equity for women, particularly low-income women who are facing cuts in CalWORKS, child care, and increased tuition in California colleges.
- Access to health care and an expansion of patient health rights
- The “safety net” of services for low-income women and children, the elderly, sick and disabled is being seriously eroded through budget cuts.

Recently, members throughout California responded to a call from AAUW CA to form study groups on California state budget issues. Budget Study participants confirmed their individual observations that California's budget problems, ongoing for decades, have resulted in deterioration in the quality of life in California. Members agree that the current budget process is detrimental to the overall health of the state. Budget delays cause hardship and the state's financial management credibility is damaged, affecting interest and credit ratings and raise growing concern about the state's ability to meet its financial obligations. The state budget can no longer be addressed solely through spending cuts, borrowing, and shifting or transfer of funds. The result of AAUW's Budget Study projects throughout California is a call for reforms in the budget process and funding.

AAUW California recognizes that the budget deficit requires that cuts must be made. However, of concern is that the proposed spending reductions would have a disproportionate impact on health and human services programs. Over half (52.8 percent) the combined total of 2010-11 and 2011-12 spending reductions affect health and human services programs, even though these programs accounted for 30.4 percent of budgeted 2010-11 General Fund spending. The impact of these cuts will be disastrous for the state's most vulnerable citizens.

Many members of AAUW CA are educators or work in the health and human services fields. They reported that the impact of delays in passing a budget and the impact of cuts to spending is increasingly insidious and severe at the local level. Education employees get lay-off notices, bills cannot be paid, contracts cannot be entered into, hiring commitments cannot be made and budget planning cannot move forward.

In recent years, education funding levels have caused a decline in the quality of education in the state. AAUW supports the Governor's plan to keep Proposition 98 funding close to current levels by minimally reducing this allocation, \$358 million (less than 1 percent) from 2010-11 to 2011-12. However, funding for the California Community Colleges is reduced by \$361 million (6.3 percent), at a time of high unemployment when many, particularly women, are seeking to be educated for new careers. This is of further concern to AAUW members.

The impact of the high level of unemployment is causing many formerly employed persons to seek health and social services at the county level. At the same time cuts in funding for community clinics, in Maternal, Child, and Adolescent Health Programs exacerbate the problem of access to needed programs and services.

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