

## **NOT ALL CHANGE IS REFORM Vote NO on Proposition 76!**

Calls for reform of California's system of state and local finance have come from every corner with growing intensity for a number of years. Commissions have issued reports, ballot measures have been put to the voters, some succeeding, but the failures of the system seem only to have multiplied.

Now, on the November special election ballot, voters are faced with Proposition 76, a measure masquerading as reform that not only fails to address the problems of our finance system but adds new contradictions and proposes a radical shift in the traditional balance of power between a governor and the legislature. The League of Women Voters of California urges a NO vote on Proposition 76.

The League has always maintained that responsible government means attending to the general welfare of its citizens in a fair and reasonable manner, but there is no vision in Proposition 76 of meeting citizens' legitimate needs in a positive way. Instead, the "purpose and intent" of the measure are defined simply as producing budgets that reduce the "pressure for tax increases" and are "balanced by reductions in spending."

Cutbacks in state funding, however, have forced schools and local governments, faced with citizen complaints about reduced services, to resort to a variety of local property taxes, fees and sales taxes, which cannot be tailored to considerations of equity or ability to pay. Proposition 76 promises even more such hard choices. It would reduce the long-term Proposition 98 spending guarantee for schools by \$4 billion a year, which translates to nearly \$600 per student in K-12. In addition, under Proposition 76, a governor could cut school funding with no requirement for future restoration of lost funding.

Proposition 76 would add a new state spending limit on top of the existing one. The new limit would apply to spending from special funds, as well as the General Fund, and to spending supported by fees and voter-approved taxes. Thus, some special taxes or fees might still be collected but not spent for their

intended purposes if total revenues exceeded the spending limit. Examples include Proposition 72's tax for public safety programs or Proposition 10's tobacco tax for early childhood programs, as well as fees paid by students in the state university system. Any excess revenues would be shifted instead to a budget reserve, school or transportation construction, or debt repayment.

The spending limit would be calculated by taking the amount spent in the prior year and adjusting it by the average annual percentage growth in both General Fund and special fund revenues for the three prior years. This formula runs counter to both the budget cycle and the business cycle, and could have the perverse effect of allowing spending to increase in an economic downturn but holding spending down when the economy, and thus revenue, improves.

The shift of power to the governor in Proposition 76 is a serious erosion of our democratic system of checks and balances. It would give a governor the power to declare a "fiscal emergency" and then to cut spending any time revenues fall 1.5 percent below forecast levels (forecasts being just educated guesses, not actual revenues) or if the governor estimates that the state is likely to be required to spend more than half of its reserve account to meet budget obligations. The legislature would have a limited time to solve the problem, by the same two-thirds vote that now hangs up the budget. If there is no legislative solution, a governor could make cuts without legislative approval.

Perhaps the most striking thing about this proposition is the lack of concern about its potential impact on the public or of a vision of where California should be heading in the future. California is the fifth or sixth largest economy in the world. It got there in part because its leaders and its citizens agreed to pay for an educational system and an infrastructure that could support such an economy and allow the state to care for its citizens. We believe that is still what Californians want. Proposition 76 would steer California away from that goal.