



**2010-2011 CALIFORNIA BUDGET STUDY REPORT**  
Prepared by AAUW Santa Clara County Branches  
January 15, 2011

**Workshop #1 – Budget Background and Framework** – November 9, 2010  
**Workshop #2 – Spending** – November 16, 2010  
**Workshop #3 – Revenue** – November 30, 2010

**Participants:** 25 Members of Santa Clara County Branches:  
(See Appendix A – Participants; Occupations; Advanced Degrees)

**Branches:**

Los Altos/Mountain View  
Los Gatos/Saratoga  
San Jose  
Sunnyvale/Cupertino

**Study Group Leaders - (Planning Committee”)**

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Helen Christensen (Sunnyvale/Cupertino)  
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## **BUDGET STUDY OBJECTIVE AND METHOD**

Under the direction of AAUW CA, the AAUW branches of Santa Clara County participated in the Budget Study Project for the purpose of reviewing and discussing the impact of the 2010-2011 California budget on AAUW national and state public policy priorities (see Appendix B). Specific focus was placed on the areas of education and health and human services programs in California. The workshops were designed to study and address the following questions put to us by AAUW CA:

1. Identify how budget cuts and fund shifts have affected the priorities of AAUW in carrying out its mission of breaking through barriers for women and children? See page 4.
2. Should AAUW CA support increasing revenue and why? See page 5.
3. If yes, should AAUW CA oppose future budget cuts to education and/or healthcare and why? See page 6.
4. What guidelines should the Legislature use to identify programs to cut or eliminate? See page 6.
5. How can the budget process be improved? See page 7.

To address these questions, we held three workshops focusing on:

- Background and Process of the California State Budget
- Spending in the California State Budget
- Revenue in the California State Budget

Each workshop was two hours in length. Resources suggested by AAUW CA such as the California Budget Project, Legislative Analyst's Office Reports, EdSource, and Next10 were provided to the participants in the form of informational handouts and references both before and at the workshops. (Appendix C).

All workshops were participatory and notable for lively discussions on the role of government, taxes, the meaning of "the common good" and a "better society", how to achieve a say in how our taxes are spent; and the features of representative government.

## **SECTION I BUDGET BACKGROUND AND FRAMEWORK**

Workshop #1 covered information and discussion on the current budget process and general aspects of the budget. Topics included:

- Mandates
- A summary of the 2010-2011 Budget.
- \$40B in budget cuts over the past two years.

- A review of the impact of the budget on AAUW CA public policy priorities and programs.
- The need to stabilize and reform education funding.
- The need to understand education funding within the framework of Proposition 98.
- Cuts to specific programs and the unstable accounting practices used to balance the budget, especially using assumptions that might not be realized.

The 2010-2011 Budget depends upon federal funding of unknown amounts and that are yet to be approved by Congress along with actions that many times never happen, i.e. the sale of state buildings in the 2010-2011 Budget. The result is all too often a budget that is based on smoke and mirrors.

The impact of delays in passing a budget and the impact of cuts to spending on local programs was addressed by two local speakers: (1) Kenneth Shelton, Chief Business Officer, Santa Clara County Office of Education and (2) Becky Black, Developmental Associate of Next Door Solutions to Domestic Violence. The speakers emphasized that the delay in passing the budget puts programs in a state of uncertainty and financial risk, and consequently they are unable to carry out sound short and long-term planning. They spoke of the difficulties that arise from the delayed budget. Employees get lay-off notices, bills cannot be paid, contracts cannot be entered into, hiring commitments cannot be made and their own budget planning cannot move forward. Delays in passing a budget are most insidious at the local level.

## CONCLUSION

At this workshop, The Budget Study Project participants concluded that California's budget problems have been ongoing for decades resulting in deterioration in the quality of life here and thus called for reforms in the budget process and funding. We found that the current budget process is detrimental to the overall health of the state, is not effective and is not accurate. Budget impasses are common and the state's financial management credibility is damaged affecting interest and credit ratings and the inability of the state to meet its financial obligations.

These recommendations will be identified and discussed in Section III of this Report.

## **SECTION II AAUW PRIORITIES - HOW HAS THE BUDGET AFFECTED THEM?**

The following discussion addresses AAUW CA question No. 1. “Identify how budget cuts and fund shifts have affected the priorities of the AAUW in carrying out its mission of breaking through barriers for women and children (see Appendix B - AAUW CA Public Priorities 2009-2011).

The following AAUW CA Priorities represent the priorities most negatively impacted by the 2010-2011 state budget:

- Legislation that addresses current inequities in compensation and benefits for all working women
- Equitable funding for quality public education in preschool through secondary schools that supports all students of any culture, race, ethnicity, special needs or sexual orientation
- Access to health care and an expansion of patient health rights
- Availability and access to family care giving services

Specific spending cuts and funding shifts were identified:

- Education funding reduced by \$4B. One result of reduced education funding is limited pay increases for teachers. Because the majority of teachers are female, this contributes to the nation’s overall 25% pay gap between men and women.
- Minimum funding of Proposition 98 suspended.
- Community College funding is unreliable.
- CalWORKS child care services cut by 80% - 90%.
- Health and social services decreased by 5%. IHSS cut funding for home care givers and the result will mean hospitals have to keep people longer and this is more expensive than home care.
- Social service programs lost funding: \$80M to child welfare, AIDS, \$10M to health clinics, e.g., mental health services for students.
- Higher education funding for the University of California assumes a 15% fee increase and the California State University system assumes a 10% fee increase.

## **SECTION III RECOMMENDATIONS:**

### **REVENUE**

The following discussion addresses AAUW CA question No. 2. “Should AAUW CA support increasing revenue and why?”

Inequities in the tax system were discussed. We agreed that the flawed tax system is detrimental to the people of California. We see this in our schools, roads, health care and social services. We concluded that the revenue problem is in large part due to the tax system and cannot be blamed solely on “tough economic times.”

Property tax changes brought about by passage of Proposition 13 was discussed as an example of needed tax reform. While itself a tax reform proposition intended to protect homeowners by limiting the property tax rate and future increases to it, unintended consequences have brought about inequity in tax revenue. It has provided even more tax relief to commercial property owners. Currently, three-quarters of the entire state property tax revenue comes through reassessment of residential property at the time of sale. Commercial property reassessments happen less frequently due to more than one factor (or a loophole favoring commercial property owners).

Reform of Proposition 13 through a “split roll” is one of the recommended changes to the tax system of the state. It is estimated this would increase annual revenue by \$6B to \$8B.

The Revenue Workshop studied and discussed state revenues as they compared to other states, particularly revenue from income tax, property tax and corporate tax. After this study of the how the state raises revenue to support public programs and the need to increase state revenue, options were voted on.

#### **INCREASE REVENUE BY:**

- **Income Tax**
  - a. Raise income taxes in 2014 – 2015 by extending the current 0.25% rate increase on all taxpayers beyond 2010.
  - b. Raise income taxes on upper income families by reinstating the 10% and 11% brackets after the current increase expires.
- **Property Tax**
  - a. Reform to increase assessment frequency on commercial property.
- **Sales Tax**
  - a. Extend temporary sales tax increase beyond June 2011.
  - b. Expand sales tax base (include services such as car repair, beauty salons, architectural services).
- **Corporate Tax**
  - a. Increase to prior rate of 9.6%.
- **Vehicle License Tax**
  - a. Reinstating 1997 tax rate.
- **Other Taxes:**
  - a. Tax on Oil severance of 12.5%
  - b. Higher tax on cigarettes
  - c. Tax on Marijuana (medical or if legalized)
- **Carbon Tax**
  - a. Institute a carbon tax to support alternative energy
- **Tax Credits**
  - a. Eliminate method used by investors to avoid capital gains

## **SPENDING**

The following discussion addresses AAUW CA questions No. 3 “If yes, should AAUW CA oppose future budget cuts to education and/or health care and why?” and No. 4. “What guidelines should the Legislature use to identify programs to cut or eliminate?”

### **GENERAL**

Budget cuts have been disproportionate when comparing cuts to social services, including health, to women and children

AAUW CA should acknowledge the need to evaluate and reform state programs. Discussion on specific recommendations for ongoing evaluations and reform included:

- Evaluate programs for duplication of efforts
- Evaluate what can be done better today with the same amount of funding
- Identify areas of waste and inefficiency in all areas of state spending
- Examine what and how the state spends money for prisons, with a commitment to reduce the spending
- Investigate large corporations that make profits in California. Insure that the state negotiates drug costs for the MediCal and Medicaid programs
- Investigate a 10% cut in every state government department and agency – no exceptions or loopholes to bring about equity in budget cuts

### **EDUCATION**

AAUW CA should not only oppose any future budget cuts to education and health and social services, but should call for more spending on education. Spending should be focused on:

- Training educators through work programs
- Restoring classrooms to 20 students maximum in elementary schools

Participants in the Budget Study Project expressed their desire to return California from almost the-worst to first by providing adequate resources to strengthen student, school and teacher performance.

- Evaluate mandated programs.
- Evaluate text books and purchasing procedures.
- Consolidate districts.
- Eliminate unnecessary state tests.
- Restore local control of revenue for local programs.
- Evaluate education based programs that duplicate efforts.
- Consider longer school year and longer school day.
- Encourage trade and vocational education.

## **BUDGET PROCESS**

The following discussion addresses AAUW CA's question No. 5. "How can the budget process be improved?"

AAUW CA should make the following recommendations:

- Reform initiative process so that initiatives that require funding to implement cannot be proposed without clearly providing a source for the needed funds.
- Evaluate programs for duplication of efforts.
- Increase state's budgetary reserves resulting in long-term budget process reform.
- Institute a two-year budget to help alleviate year after year of delayed payments and unknown funding for schools and health and social services. A two-year budget would also allow for long-range planning for the state, education and non-profit organizations that depend in part on allocations from the state to deliver social services to people of California.
- Review consequences of term limits since the frequent turnover of legislators leads to inexperienced legislators writing law.
- Support efforts to regulate the influence of lobbyists on legislation.
- Change 2/3<sup>rd</sup> legislature vote requirement for tax rates to a simple majority

## **SECTION IV CONCLUSION**

It was understood and expressed that Californians will look askance at any talk of additional revenue without comprehensive budget and governance reforms.

During the workshops, members agreed that while studying the California State Budget was a daunting endeavor, it was worth the effort. We learned a great deal and were aware that we still have much to learn about this complex issue. The participation and interaction at the workshops was enthusiastic and intense. There was a high level of practical experience among those attending. The professional careers of many AAUW members present were in the fields of business, education, and health and social services.

The planning committee and participants of these workshops participating were excited to see AAUW CA take a proactive position on the critical issue of California's budget. We expressed positive feelings about being part of the effort and look forward to having more opportunities that may lead to breaking down budget-related barriers to equality for the women and children of California.

## APPENDIX A

### Participants

Alyce Athanasiou  
Joyce Baker  
Margaret Bard  
Mary Barry  
Virginia Beck  
Barbara Bettencourt  
Jean Boyden  
Peg Carlson-Bowen  
Sally Brandt  
Helen Christensen  
Pam Dougherty  
Harriet Falk  
Helen Gendler  
Lois Grant  
Jacqui Gustaferra  
Marilyn Jackson  
Pat Kahn  
Lida Kluzek  
Judy Kristofferson  
Gloria Leonard  
Geri Madden  
Elaine McMahon  
Claire Noonan  
Judi Pogue  
Nela Sadowska  
Barbara Shaffer  
Margo Tenold  
Cheryl Washington

### OCCUPATIONS – PROFESSIONS

Administration of Justice  
Education  
Health Care  
Municipal Administration  
Ministry  
Nursing  
Nutrition  
Real Estate  
Social Work

### ADVANCED DEGREES

Masters Degrees 10

## APPENDIX B

### *AAUW CA Biennial Public Policy Action Priorities 2009 – 2011*

Legislative activism has a long history in AAUW. Members first lobbied for women's suffrage in 1892 and have continued to be responsive to the critical issues of the times.

The AAUW CA Public Policy program supports its mission to advance equity for women and girls through advocacy, education and research.

#### *Equity*

Recognizing that equity for all women and girls requires a basis in law, AAUW California supports:

- Legislation that addresses current inequities in compensation and benefits for all working women
- Constitutional protection for the civil rights of all individuals
- Vigorous enforcement of California Title V and Title IX regulations on gender equity

#### *Education*

Believing that public education and lifelong learning are the foundations of a democratic society, AAUW California supports:

- Equitable funding for quality public education in preschool through secondary schools that supports all students of any culture, race, ethnicity, special needs or sexual orientation \*
- Programs that provide women with education, training, and support for long-term success in the work force and the community \*
- Medically accurate health curriculum, including comprehensive sex education
- Continuing educational research and reform that improves student achievement
- Opposition to the use of public funds for school vouchers

#### *Societal Change*

Promoting the social, economic and physical well-being of all individuals, AAUW California supports:

- The right to reproductive freedom, including the right to privacy and access to quality family planning services \*
- Access to health care and an expansion of patient health rights \*
- Promotion of safe, healthy work environments free from sexual harassment and intimidation
- Availability and access to family care giving services
- Respect for diversity and the rejection of all forms of discrimination
- Freedom from violence and fear in homes, schools, workplaces and communities
- Access to decent and affordable housing

Priorities in each category are marked with an \* as determined by the membership in the November 2008 survey. Priority order also reflects the ranking from the survey.

*Updated: 09/10/2009*

## APPENDIX C

### RESOURCES

Next10	<a href="http://www.next10.org">www.next10.org</a>
Legislative Analyst	<a href="http://www.lao.ca.gov">www.lao.ca.gov</a>
California Budget Project	<a href="http://www.cbp.org">www.cbp.org</a>
Newsletter:	<a href="http://www.californiabudgetbites.org">www.californiabudgetbites.org</a>
California Forward	<a href="http://www.caforward.org">www.caforward.org</a>
EdSource	<a href="http://www.edsource.org">www.edsource.org</a>
Repair California	<a href="http://www.repaircalifornia.org">www.repaircalifornia.org</a>
Budget Justice	<a href="http://www.budgetjustice.blogspot.com">www.budgetjustice.blogspot.com</a>
Center for Governmental Studies	<a href="http://www.cgs.org">www.cgs.org</a>
League of Women Voters	<a href="http://www.ca.lwv.org/lwvc/action/budget">www.ca.lwv.org/lwvc/action/budget</a>