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May 19 California Special Election

For the ninth time since November 2002, California voters are being asked to vote on issues of wide-ranging impact to the future of our state. On Tuesday, May 19, California voters will cast their votes on a series of budget reform measures placed on the ballot by Governor Schwarzenegger and the Legislature as a result of a budget “deal” reached in February 2009.

The outcome of the special election will have a dramatic impact on California’s fiscal and policy choices in the short term and long term.

A strong campaign push in support of the measures is ongoing. Recent public opinion polls, such as the Public Policy Institute of California (http://www.ppic.org/content/pubs/survey/S_509MBS.pdf), indicate that the measures are likely to go down in defeat.

Supporters and opponents of all the individual measures make essentially the same policy arguments. Supporters contend that the budget crisis requires extraordinary action by the state, even if it means changes to existing programs (including some approved by the electorate). Opponents argue the measures are more unwise ballot box budgeting that does not address the fundamental problem that state revenues are less than state expenditures. All parties agree there is a revenue and expenditure imbalance, they simply cannot agree on how to solve this fundamental problem, hence solutions end up being put before the voters to decide.

Whether the measures pass or fail, on May 20 California will continue to face an unrelenting economic crisis as the state’s economy continues to struggle, unemployment numbers continue to outpace most of the nation, and tax revenues continue to decrease.



We summarize the six ballot propositions below.

Proposition 1A – State Budget. Changes California Budget Process. Limits State Spending. Increases “Rainy Day” Budget Stabilization Fund.

Considered the heart of the special election initiatives, Proposition 1A, if enacted, would increase the size of the state’s “Rainy Day” fund from the current level of 5% to 12.5% of the state general fund. A portion of the annual deposits into this fund would be dedicated to savings for future economic downturns, and the remainder would be available to fund education, infrastructure and debt repayment, or for use in a declared emergency. Additionally, it invokes a soft spending cap in an effort to limit future spending of “one-time dollars” by requiring additional revenue above historic trends to be deposited into the state “Rainy Day” fund.

If this measure is approved, several tax increases passed as part of the February 2009 budget package would be extended by one to two years depending on the tax increase (sales tax, vehicle license fee or personal income tax). State tax revenues are projected to increase by about \$16 billion from 2010–11 through 2012–13.

Supporters include Governor Arnold Schwarzenegger, the California Taxpayers’ Association, the California State Sheriffs’ Association, the California Chamber of Commerce, the California Alliance for Jobs and former Governor Gray Davis.

Opponents include the California Nurses’ Association, the Howard Jarvis Taxpayers’ Association, former Governor Pete Wilson, Lt. Governor John Garamendi, former Treasurer Phil Angelides, the National Tax Limitation Committee, the Congress of California Seniors, the California Faculty Association and the Consumer Federation of California.

Proposition 1B – Education Funding. Payment Plan.

If enacted, Proposition 1B, beginning in 2011, will require supplemental payments of over \$9 billion to local school districts and community colleges to address recent budget cuts. Among other detrimental effects, the recent cuts to education have resulted in the layoff of more than 5,000 teachers and have threatened the jobs of at least 13,000 more.

Proposition 1B sets up a repayment plan to ensure that schools and community colleges are repaid the economic funding that they have lost when economic conditions improve. Proposition 1B goes into effect only if Proposition 1A passes as well.

Proposition 1B is supported by, among others, the California Democratic Party, the California Teachers’ Association, the California Chamber of Commerce and the California Retailers’ Association.

Proposition 1B is opposed by, among others, the California Nurses’ Association and the Los



Angeles Times.

Proposition 1C – Lottery Modernization Act.

Proposition 1C would amend the California Constitution to make major changes to the 1984 voter initiative that created the California Lottery. These changes would include allowing the state to borrow \$5 billion in the 2009–10 fiscal year against future lottery profits to help address the current budget crisis and to borrow against lottery profits in future years. Under the measure, lottery profits now dedicated to schools and colleges would be used to pay back the borrowing. The measure would increase state payments to education from the state general fund to make up for the loss of these lottery payments.

Supporters include the California Democratic Party, the California Sheriffs’ Association and the California Fire Chiefs’ Association.

Opponents include the California Republican Party and the California Nurses’ Association.

Proposition 1D – Protects Children’s Services Funding. Helps Balance State Budget.

Proposition 1D seeks to redirect existing tobacco tax money, including 50 cents on every pack of cigarettes, to fund the “First Five” preschool and child services programs, to protect health and human services for children, including services for at-risk families, services for children with disabilities and services for foster children. The initiative allows for the redirection of existing money to fund health and human services programs for children five years old and under, for five years. A one-time shift of \$340 million would be followed by transfers of \$26 million through 2013-2014.

Supporters include the California Latino Child Development Association, the Directors Association of Regional Center Agencies and is endorsed by the Los Angeles Times.

Opponents include the California Republican Party, the California Nurses’ Association, and former Superintendent of Public Schools Delaine Eastin.

Proposition 1E – Mental Health Services Funding. Temporary Reallocation. Helps Balance State Budget.

Proposition 1E would temporarily reallocate approximately \$226 million from the Mental Health Services Act (Proposition 63 of 2004) for a two-year period to pay for mental health services for children and young adults provided through the state’s Early and Periodic Screening, Diagnosis and Treatment Program.

Proposition 1E is supported by, among others, Senate President pro Tem Darrell Steinberg



(coauthor of Proposition 63) and endorsed by the Los Angeles Times.

Proposition 1E is opposed by, among others, the California Republican Party and the California Nurses' Association.

Proposition 1F – Elected Officials' Salaries. Prevents Pay Increases During Budget Deficit Years.

Proposition 1F would prohibit elected members of the Legislature and statewide constitutional officers, including the Governor, from receiving pay raises in years when the state is running a budget deficit.

Supporters include the National Tax Limitation Committee, the Small Business Action Committee and the California Alliance for Jobs.

Opponents include the California Republican Party and the California Nurses' Association.

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