



May 20, 2009

## **Smack Down**

Californians overwhelmingly rejected a series of ballot initiatives Tuesday to assist the state's massive budget shortfall. Legislative leadership and the Governor will meet today to begin preparing for deep spending cuts and state employee lay offs.

With most precincts reporting early Wednesday, five of the six measures were headed toward defeat. The primary proposal, Proposition 1A, which would cap state spending and include a rainy-day fund while extending a tax increase for two additional years, was losing 65% to 35%.

Of the 30% that turned out for the election, about 60% of voters were opposing four other propositions that would, among other things, allow the state to borrow \$5 billion against future lottery revenue and to shift revenue earmarked for mental-health and children's programs to the general fund. Only one proposition – a measure viewed as a job at the legislature that bans pay increases by elected state officials during budget deficits -- was ahead 74% to 26%.

With the failure of the five measures, the state's budget deficit has jumped to \$21 billion (or more) in the fiscal year beginning July 1, from its previous projection of \$15 billion. A special two-house conference committee will begin meeting May 21 to piece together a revised budget designed to erase a gap between spending commitments and revenues.

Traditionally, conference committees are the mechanism used to reconcile the differences in the two separate budgets created by the Senate and the Assembly. But because the budget signed by the Governor on February 20 covers the fiscal year beginning July 1, the actions the conference committee will take amend an already existing spending plan.

The budget conference committees are normally comprised of three members from each house – two members of the majority party, one from the minority party. Legislative leaders have announced this conference committee will contain five members from the Senate and five from the Assembly, Bass said. Three Democrats and two Republicans from each house.

The first hearing will be an overview of the fiscal situation by the Department of Finance, the Legislative Analyst's office, the state treasurer and the state controller.

May 22, May 26, May 27 and May 28 are scheduled to hear public testimony.

Lawmakers approved a budget in February aimed at closing a gap between spending and revenue of \$42 billion. Its details were worked out in private negotiations between the GOP governor and legislative leaders.

Senate President pro Tempore Darrell Steinberg said it would not be a log, hot summer. He expects the legislature to resolve the budget by June 30.

-end-

925 L Street, Suite 308  
Sacramento, CA 95814

---

Telephone 916.441.3111  
Facsimile 916.441.1019  
kevin@jkpedrotti.com  
www.jkpedrotti.com

