

Rose Institute California Initiatives Policy Brief

Proposition 31: State Budget and Local Government Reform

Overview of Proposition 31

California's state government is widely viewed as dysfunctional. The state budget process produces chronic imbalances and fiscal emergencies; the legislature usually adopts the annual budget bill weeks or months after the constitutional deadline, often in a last-minute rush; and, even in times of fiscal challenge, the state continues to fund programs that arguably are ineffective and wasteful. Moreover, at the local level, many complain that government is inefficient. Local governments often lack flexibility in implementing state mandates and also fail to develop effective plans to address their communities' most pressing needs.

Proposition 31 is a multi-pronged proposal designed to address these problems. The initiative sponsored and financed by Nicolas Berggruen, a wealthy activist who founded the Think Long Committee for California, a public policy think tank, and California Forward, an organization that has promoted several reforms to California state government.

Summary

The measure's provisions can be grouped into two main categories: state budget and local government.

State Budget

- Adopts a two-year budget cycle to replace the existing one-year cycle.
- Establishes pay-as-you-go system for proposed spending of over \$25 million.
- Empowers the governor to make unilateral budget cuts in times of declared fiscal emergency if the legislature does not act.
- Requires that legislation, including the budget bill, be published for public review for a minimum of three days before the scheduled vote.
- Requires performance reviews for state programs at least once every five years.
- None of the reforms enacted in Prop 31 will be financed by an increase in existing revenues.

Local Government

- Establishes a Performance and Accountability Trust Fund for local governments to enact Community Strategic Action Plans designed to tailor programs to meet local needs.
- Provides local governments increased flexibility to implement programs funded by the state.
- Allows local governments to bypass certain state statutes or regulations by crafting local rules to meet the state requirement.
- Encourages local governments to coordinate at the regional level.

- Requires performance goals and reviews for local programs.

Leading Proponents	Leading Opponents
<ul style="list-style-type: none"> • Reform Activist Nicolas Berggruen • Think Long Committee for California • California Forward • Former California Supreme Court Justice Cruz Reynoso • Honorable Delaine A. Eastin, former California Superintendent of Public Instruction • California Republican Party Executive Board 	<ul style="list-style-type: none"> • California Federation of Teachers • California League of Conservation Voters • Health Access California • California Tax Reform Association • Californians for Transparent and Accountable Government • California School Employees Association • California Democratic Party Executive Board • AFL-CIO • AFSCME

Arguments For:

- Introduces transparency and public input into the budgeting and lawmaking processes.
- Two-year budgeting promotes long-term solutions.
- Pay-as-you-go provision and transparency features inhibit borrowing to finance new spending projects.
- Performance reviews and program accountability promote more effective policymaking.
- Fiscal emergency and performance review provisions provide new opportunities to cut wasteful programs.
- Local governments will have sharper tools for solving the unique, complicated problems most important to their individual areas.

Arguments Against:

- Local governments will be able to avoid state regulations on matters of statewide concern.
- Unions are concerned that the governor’s power to make unilateral budget cuts will lead to slashing of union benefits in times of fiscal emergency.
- The provisions enumerated in Prop 31 will only be financed by existing revenues, putting a crunch on the budget, which is already spread thin.
- Legislators will have to take out bonds, adding to the state debt, in order to finance long-term plans without the provision of additional funds from Prop 31.

- Oversight of “community strategic action plans” will add new bureaucratic costs to state government.
- New local government tax-sharing authority is unnecessary; local governments can already form “joint powers authorities” and decide on taxing policies on their own.