

## **Budget Update - April**

**What's the rush?** After a frenetic early year rush to enact program reductions and attempt to meet a June ballot deadline, the state budget process has slowed down considerably over the past month. Since Governor Brown announced at the end of March that he was halting negotiations with the Republicans to put tax extensions on the June ballot, we appear to have returned to something like the normal budget timeline, even if these aren't normal budget times. At this point, it appears unlikely that significant changes to the status quo will occur until the Governor releases his May Revision (likely on May 16<sup>th</sup>).

In the meantime, both the Governor and the Democratic majority in the Legislature are trying to rally the public against an all-cuts scenario. The full Senate Budget and Fiscal Review Committee met last week to consider the impact of cuts on education. Perhaps most notably, though, there has been an increased attempt to take the message out of Sacramento. Speaker Perez recently convened a hearing in Rialto on Tuesday. The Senate is also planning several hearings in places such as Fresno and Silicon Valley. Governor Brown has also made several appearances across the state, recently in Stockton.

While it is clear that the point of these events is to raise public concerns about an all-cuts budget, it's not fully clear what is being asked of the public. The Governor maintains that he believes the people should vote for tax increases, but this is not the position taken by several key players in the Legislature. Speaker Perez, for one, has been clear in his preference to have the Legislature vote directly for taxes and has stated that there is no chance that an all-cuts budget can pass. The Senate has been less clear in their preferred strategy. Major strategic decisions are still to come.

**What's next?** Aside from the public hearings, the May Revision will likely be the next major event to monitor, as Governor Brown will lay out the latest revenue projections from the Department of Finance. Information available from the Controller's Office seems to indicate that tax receipts are running somewhat ahead of projections, so there is some hope that the fiscal gap may not be quite as large as estimated in January. Also, it is possible that the Governor may use the May Revision as a forum to release new budget proposals, as previous Administrations have done.

Ultimately, the major focus will be whether or not the Governor and Legislature can come to agreement on a plan to extend taxes. Some of the rumored options include a temporary extension of taxes with later voter ratification; a late summer ballot with a correspondingly late budget; direct legislative vote for tax extensions (presumably with other reforms); an all-cuts budget; a mostly-cuts budget with some smoke and mirrors.

Most relevant to the CCCs will be the scope of reductions we're asked to take if more cuts are necessary to balance the budget. As you know, the LAO has released some options which include a net reduction of \$805 million and an increase of fees to \$66 per unit. The Chancellor's Office will continue to make the case to Legislators and to the Governor that the CCCs, which has already taken a significant hit in the first round of the budget process, should not have to absorb another disproportionate reduction.