

Gov. Brown: \$8B in cuts, tax hikes needed to close \$16B budget gap

By Judy Lin *The Associated Press Daily Breeze*

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SACRAMENTO - California Gov. Jerry Brown on Monday proposed more than \$8 billion in cuts to close a widening California budget deficit but also said public schools will receive more money if voters approve his tax-hike initiative in November.

The governor wants public employees to take a 5 percent pay cut and also seeks cuts to health care and social services. BUDGET DETAILS

Brown released his revised spending plan for the fiscal year starting July 1, saying the state now faces a \$15.7 billion deficit. That is roughly 17 percent of its \$91 billion general fund, California's main checkbook for day-to-day operations.

It also is far higher than the \$9.2 billion gap Brown anticipated in January.

The anticipated deficit for the coming fiscal year marks a continuation of California's ongoing budget problems. The Legislature had cut tens of billions of dollars from schools, social services, higher education, courts and health care programs for the poor since the recession began in late 2007.

Brown said a weaker-than-expected economic recovery and court judgments that prevented him from making cuts to programs such as MediCal and In-Home Supportive Services were to blame for the widening budget gap

The Democratic governor said the size of the deficit makes it virtually impossible to balance the budget with spending cuts alone, so his budget balances the cuts with the revenue he anticipates if voters approve his proposal to increase the statewide sales tax by a quarter cent and boost income taxes on those who make more than \$250,000 a year. Both tax increases would be temporary.

Brown's budget proposes \$8.3 billion in cuts, \$5.9 billion from the tax increases and \$2.5 billion in a variety of other solutions.

He said the tax increases are essential to maintain fiscal stability in the state and avoid even deeper spending cuts - mostly to schools- if the tax measure fails.

"It's taken more than a decade to get into this mess; we're not going to get out of it in a year. But we're making real progress," he told reporters in releasing his revised budget.

If voters reject his tax initiative, Brown is proposing an automatic cut of \$5.5 billion to K-12 schools and \$250 million each to the California State University and University of California systems.

By comparison, public schools would see a 16 percent increase in funding if voters pass Brown's initiative.

Brown called his latest budget plan "modest, fair and temporary." The income tax hikes on the wealthy would be in effect for seven years, while the quarter-cent sales tax hike would remain for four years if voters approve.

In exchange, the governor is proposing a balanced approach that incorporates across-the-board cuts, ranging from reductions in the state prison system to child care for mothers trying to get off welfare.

His plan to send lower-level offenders to county jails instead of state prison will save \$1 billion in prison spending in the coming year, while his tax initiative would constitutionally guarantee that some of the new revenue flows to counties to help them pay for that realignment.

Courts would be cut by \$300 million, and another \$240 million would be saved by delaying courthouse construction projects.

Brown said his administration will work with state employee unions to achieve the 5 percent savings, either through a straight pay cut or reduced work hours. He issued a detailed plan for public employee pension reform earlier this year, but his proposal has not gained much traction in the Legislature, which is controlled by Democrats.