

★ ARGUMENT IN FAVOR OF PROPOSITION 1A ★

YES ON 1A: WE HAVE TO TAKE ACTION NOW TO START REFORMING OUR BROKEN BUDGET SYSTEM.

We're all frustrated by California's broken budget system. Year after year, politicians deliver late budgets that harm our schools, healthcare system, police and fire services and more. The perpetual budget problems also hurt taxpayers as we see our taxes raised or services cut because of the legislature's failure to budget responsibly.

By voting Yes on 1A, we can take a strong step in reforming the budget process so we don't continually face the type of budget disaster that plagues our state year after year.

YES ON 1A WILL FORCE ACCOUNTABILITY AND STABILITY OVER THE BUDGET PROCESS.

Proposition 1A is meaningful, long-term reform. It will help stabilize future state spending and create an enhanced rainy day fund to save during good times so money is available when the economy falters.

Prop. 1A:

- **STABILIZES CALIFORNIA'S BUDGET.** It forces politicians to set aside money every year into a special “rainy day” fund. And Prop. 1A increases the size of our rainy day reserve from 5% to 12.5% of the overall budget.
- **STOPS OUT-OF-CONTROL SPENDING.** Prop. 1A puts restrictions on the amount the state can spend each year. It also prevents the politicians from spending one-time spikes in revenue on ongoing programs.

PROP. 1A PROTECTS TAXPAYERS.

Without accountability, every time we face budget deficits the politicians raise our taxes or make deep cuts to services we care about. The rainy day fund will allow us to use savings to mitigate the need for future tax increases and harmful cuts.

In fact, if this budget reform had been in place 10 years ago, the rainy day reserve would have allowed us to avoid \$9 billion in tax increases and deep cuts that were part of this year's budget.

PROP. 1A MEANS LONG-TERM BUDGET STABILITY.

By limiting spending using a formula based on historic revenues and economic growth, by forcing an enhanced rainy day fund and by preventing spending of one-time money on programs that we can't afford in the future, Proposition 1A will help stabilize the budget process and prevent the wild peaks and valleys that cause budget dysfunction.

PROP. 1A PROTECTS SCHOOLS, PUBLIC SAFETY AND OTHER VITAL SERVICES.

Prop. 1A's reforms will help provide a stable, consistent level of funding for vital services such as education, public safety and healthcare. Prop. 1A will prevent the types of massive budget deficits we faced this year which force crippling cuts to vital services. And the rainy day fund will help ensure we have money in bad times to reduce cuts to these vital services.

YES ON 1A: ACT NOW TO REFORM OUR BROKEN BUDGET SYSTEM.

We've got to act now to start reforming our broken budget system. Vote YES on 1A for budget stability and accountability.

www.CaBudgetReformNow.com

TERESA CASAZZA, President
California Taxpayers' Association

ED BONNER, President
California State Sheriffs' Association

DR. GLEN W. THOMAS, California Secretary of Education

★ REBUTTAL TO ARGUMENT IN FAVOR OF PROPOSITION 1A ★

Supporters claim 1A will “stabilize” the budget by saving “during good times so money is available when the economy falters.” That's what a true Rainy Day fund *should* do. But that is not what 1A actually *does*.

1A was hastily written in a secret, back room drafting process with no public hearings or independent analysis showing how it will work. The result is a flawed measure that will not do what it claims.

1A diverts money into the “Rainy Day” fund *every year—even when the economy falters*—and not just “during the good times.” Where will the money come from in the bad times?

1A allows *open-ended* “Rainy Day” fund spending for *borrowing and Pork Barrel projects*, creating a *slush fund* instead of a true savings account for the bad times.

Instead of “protecting” taxpayers, 1A's fine print actually *encourages tax increases* by allowing the Governor and Legislature to spend the proceeds of new tax increases without regard to 1A's spending limits.

Instead of protecting services, 1A is so poorly written it could force *cuts in vital services even in good times* because it fails to take into account the growth in our aging population, rising health care costs and global warming.

Instead of increasing accountability, 1A gives new *unilateral budget powers to the Governor—with no checks and balances*.

We need a true Rainy Day fund, not a badly flawed 1A. Send the Governor and Legislature back to do it right. Vote No on 1A.

ANTHONY E. WRIGHT, Executive Director
Health Access California

KATHY J. SACKMAN, President
United Nurses Associations of California/Union of Health Care Professionals

BETTY PERRY, Public Policy Director
Older Women's League of California

PROP 1A STATE BUDGET. CHANGES CALIFORNIA BUDGET PROCESS. LIMITS STATE SPENDING. INCREASES “RAINY DAY” BUDGET STABILIZATION FUND.

★ **ARGUMENT AGAINST PROPOSITION 1A** ★

Proposition 1A is a flawed measure filled with fine print and loopholes.

For years, the Governor has promised one solution after another to clean up the fiscal mess in Sacramento. Now he wants to sell us yet another “solution” that will fall short of his promises.

Read the text of 1A for yourself. You will see a proposed Constitutional Amendment filled with complex formulas and convoluted language that was hastily drafted behind closed doors, without public hearings or independent analysis of how it will actually work.

Instead of making our budget process more transparent and accountable, 1A does the opposite. Its complex formulas and fine print will invite unintended consequences and behind the scenes manipulation. As a result, the effects of 1A will be far different than its supporters promise:

- The expanded “Rainy Day Fund” will become a *slush fund*. The fine print allows *unlimited* “Rainy Day” funds to be spent on *borrowing and Pork Barrel spending*. More borrowing means more funds will have to be diverted into the slush fund to reach the 12.5 percent goal—that’s more than \$13,000,000,000.
- 1A could even require money to be diverted from the budget and deposited into the “Rainy Day” slush fund *in bad years* when we are in the depths of a recession and State revenues are falling.
- 1A is so poorly written that *it could force service cuts even in good times*. Its “one size fits all” approach ignores basic realities such as our aging population with more and more baby boomers retiring, rising health care costs, and dealing with the effects of global warming.

- 1A will *encourage unlimited tax increases—not stop them*. 1A’s fine print limits what the Governor and Legislature can spend from existing tax revenues, but places *no limit on spending when they raise taxes*. And diverting more and more funds from existing taxes into the slush fund will cause *increased pressures to raise taxes*.

Prop. 1A also gives the Governor extraordinary unilateral power over the budget. The Director of Finance—a political appointee of the Governor—makes all the critical decisions determining when revenues are “excessive” and can be diverted into the “Rainy Day” slush fund, *with no checks and balances* from the Legislature.

And if 1A is adopted by voters, another law that was part of the budget deal gives the Governor more power to make unilateral cuts to the budget after it is signed into law, again with no oversight by the Legislature.

We all want our state’s fiscal and economic nightmare to end, never to be repeated again. But political promises and real solutions are not always the same thing. Proposition 1A is not the solution it is promised to be. It will only add to our fiscal woes.

Tell the Governor and Legislature to go back to the drawing board and draft a new proposal in the light of day, with ample opportunity for public input and independent analysis.

VOTE NO ON PROPOSITION 1A

HANK LACAYO, State President
Congress of California Seniors

LILLIAN TAIZ, President
California Faculty Association

RICHARD HOLOBER, Executive Director
Consumer Federation of California

★ **REBUTTAL TO ARGUMENT AGAINST PROPOSITION 1A** ★

California’s budget system is badly broken and needs reform NOW. Prop. 1A is strongly supported by a broad coalition of educators, taxpayers, business and labor, seniors, Republicans, Democrats and Independents.

Those opposed to Proposition 1A want to maintain the status quo. But the status quo is failing us.

Right now, THE STATUS QUO RESULTS IN IRRESPONSIBLE SPENDING. Politicians commit the state to spending it cannot sustain.

Right now, THE STATUS QUO BRINGS TAX INCREASES AND DEEP CUTS to education, health care, public safety and other services whenever the economy falters.

It’s time for change NOW. Prop. 1A:

- **PREVENTS POLITICIANS FROM SPENDING IRRESPONSIBLY.** 1A strictly limits state spending and prevents politicians from spending one-time spikes in revenue on ongoing programs.
- **STABILIZES CALIFORNIA’S BUDGET.** It forces politicians to save into a “rainy day” fund and increases the size of the fund from 5% to 12.5% of general fund spending. The rainy day fund can *only* be used in times of emergency.

- **PROTECTS TAXPAYERS AND CRITICAL SERVICES.** 1A prevents the wild ups and downs that result in higher taxes and deep cuts to schools, public safety and other services.

IF PROP. 1A WERE IN PLACE TEN YEARS AGO, WE COULD HAVE AVOIDED \$9 BILLION IN TAX INCREASES AND SERVICE CUTS THIS YEAR.

Props. 1A, 1B, 1C, 1D, 1E & 1F are a package of reforms to clean up budget dysfunction in Sacramento.

We can no longer afford the status quo. We need budget reform now.

YES ON 1A!

www.CaBudgetReformNow.com

ALLAN ZAREMBERG, President
California Chamber of Commerce

JOHN T. KEHOE, President
California Senior Advocates League

JAMES N. EARP, Executive Director
California Alliance for Jobs