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Prop. 25: The State Budget and Incremental Reform in a Polarized Era

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This year California passed an on-time budget, a direct consequence of voters passing Proposition 25 in November 2010. The new law—which allows legislators to pass a budget by a majority vote, as done in all but a few other states—has had the effect that advocates promised.

The on-time budget has provided increased certainty for schools, municipalities, and special programs in preparing their budgets. It is very hard for a school district, for example, to know how many teachers to hire for opening day in August if there is no budget until November. It has

also allowed the state to pay cash strapped vendors and other small businesses for a variety of goods and services.

For many, the good news of an on-time budget is mitigated by painful cuts in education and other programs cherished by the Democratic majority. These cuts resulted from declining revenues due to the recession and refusal of the minority Republicans to join Democrats to achieve the required two-thirds needed to raise revenues—or even to let voters decide if they wanted to extend current taxes in order to lessen the impact on the recession-ravaged state budget.

But it could have been worse. The initiative succeeded in preventing Republicans from forcing even deeper cuts by demanding—as they have in the past—additional corporate tax cuts as their price for voting for a budget.

How did voters come to pass Prop 25? The California Federation of Teachers, along with initial partners such as the American Federation of State, County and Municipal Employees, California School Employees, and California

Faculty Association, came together to place Prop 25 on the ballot some two years ago.

We agreed to keep the initiative simple. It would do only two things: allow the legislature to pass a budget with a majority as opposed to two-thirds, and dock their pay for every day the budget was late, with no chance to pay themselves back later. Nothing more. Nothing less.

As we started to collect signatures, the naysayers pontificated. Some criticized the proposal for not making it easier to increase taxes while others thought it did so secretly. Then there were the reformers who argued that the state was so dysfunctional that only a constitutional convention could correct problems in structural governance.

As a body (I chaired the Yes on 25 committee), we remained committed to incremental—but meaningful—change, certain that a small change could have a big impact. As we moved forward, other more ambitious reform efforts collapsed.

For the campaign, we hired a bipartisan team led by Gale Kaufman, a Democratic strategist and a veteran of many initiative battles. Ray McNally and Richard Temple brought experience in talking to Republicans.

The electoral innovations included calling a million voters over several nights and inviting them to participate in a live town hall—formatted program. Thousands tuned in as the League of Women Voters led the discussion.

We deliberately did not oversell the initiative (that would lead to increased cynicism); but we did consciously tap into the populist outrage at the frequent breakdowns in the legislative process.

This year, the first since Prop. 25's enactment, legislative gridlock was eliminated, achieving a bipartisan consensus. But it was not without extraordinary effort on the part of Governor Jerry Brown.

Brown sought a balanced-budget solution that paired program cuts and revenue increases. This was designed to appeal to Democrats and unions wishing to preserve services even though they were troubled that the taxes Brown sought to extend fell largely on the middle class (such as the car tax and sales tax).

Brown sought to woo Republicans and the Chamber of Commerce by protecting their core constituents (high-income individuals and oil, alcohol, and tobacco companies). To further sweeten the deal, Republicans were not asked to vote for taxes, only to let the voters decide what they wished to pay.

The ultimate failure to reach a compromise is a reflection on the participant's strategy and tactics. But the larger political environment was also shaped by what those in the electoral arena believed was doable.

Antitax advocate Grover Norquist's ability to equate allowing the public to vote on revenues with an actual

legislative vote to increase taxes doomed any chance at a compromise. Under this new Republican orthodoxy, the cost of a deal (voting to place taxes on the ballot) was sky-high for Republican legislators. They demanded that Democrats give up more than they could live with, particularly in the area of pensions and a tight spending cap that would leave schools permanently underfunded. Democrats could not live with certain and permanent cuts for the potential of short-term revenues.

Elements on the right opposed any deal believing they could gain an advantage by going to the ballot with one or more of their own initiatives, including privatizing public worker pensions and irreversibly shrinking the size of government by capping spending.

Others on the right nursed the ambition of undercutting Democrats in the electoral arena by denying them future funding from organized labor. Conservatives are currently collecting signatures on a “union dues” initiative—similar to ones defeated in 1998 and 2005—to effectively silence union voices by stripping them of the ability to participate in politics.

At the same time, elements on the left, frustrated by the extent of the budget cuts, may use the initiative process to raise revenue. Their impulse is to target some combination of big oil, alcohol, and tobacco companies, and wealthy individuals who benefited from Bush-era tax cuts.

The conflict in the Capitol will shift next year to voting booths across the states as these high-stakes initiatives compete with candidates for voter attention. As the recent budget battle shows, consensus and procedural reform in an era of hyper partisanship and sharp ideological divides are difficult and rare.

Fortunately, voters saw the wisdom in passing Prop 25, providing legislators with the tools and the incentive to pass an on-time budget, and providing that incremental changes can make a big difference.