

***ON MAY 19, VOTE NO ON PROPS 1-A, B, C, D, E, AND F.
BLOCK THE LEGISLATURE'S PHONY "BUDGET REFORM"***

Prop 1-A is a Tax Increase

You wouldn't know it by reading the Proposition or the Ballot Arguments. But, Prop 1-A seeks voter endorsement to extend recent tax increases for up to 2 more years. It increases taxes by \$16 billion, with all those taxes targeted at California families in the form of sales taxes, income taxes, and car taxes. The Legislature went a step further. They also abused their legislative powers and blocked honest ballot arguments from being filed. If you don't learn anything else about Prop 1-A, it is deception at its worst.

PROP 1-A DOESN'T LIMIT FUTURE LEGISLATURE SPENDING SPREES

Governor Schwarzenegger claims Prop 1-A fundamentally changes the way Sacramento spends your money. But it won't. Prop 1-A does require that future budget plans begin with a 10 year trend line to estimate new state taxes. But, if that formula doesn't provide the Legislature with enough money, they can simply increase taxes or pass new bonds, just like they currently do. There's no fundamental reform to their spending. It only changes how they estimate how much of your money they have to spend. They can avoid these estimates through new taxes and new borrowing, just like they always have.

Prop 1-A Doesn't Create Any New "Rainy Day Fund"

A "Rainy Day Fund" of 3% of California's General Fund Revenues is already the law! It's a law Governor Schwarzenegger championed when he asked voters to pass Proposition 58 in 2004. But, that law allowed the Governor to ignore it by simply issuing an Executive Order, which he has done repeatedly, which is why there is no money in the current "Rainy Day Fund". Prop 1-A keeps this loophole in place for another 2 years, until this Governor gets out of town. Even after this Governor leaves town, full Rainy Day funding can be suspended any time the State has any declared emergency for any fire, flood, drought or freeze. There have been 69 such declared emergencies in the past 5 years. Prop 1-A doesn't close the "Rainy Day Fund" loophole.

PROP 1-A'S "RAINY DAY FUND" IS REALLY A SPENDING FUND, NOT A SAVINGS FUND!

The "Rainy Day Fund" is really a "Drainy Day Fund", because there's a big drain hole in the bottom of the fund. More than half of all money that ever makes it into the "Drainy Day Fund" is going to be immediately spent. Here's how.

- ▶ If Prop 1-B passes, \$8B of the "Drainy Day Fund" must be used to pay the "Prop 1-B Bribe". After the "Prop 1-B Bribe" is fully paid (or if Prop 1-B fails), half of all the "Drainy Day Fund" will be spent on earmarked capital expenditures such as new state office buildings or rat habitat.
- ▶ Half the other half must be used to help pay \$5B of the Governor's inaptly named "Deficit Recovery Bonds", the "one time" borrowing the Governor convinced us to approve in 2004 so he could "fix" California's budget deficits (that worked out well). We already have to pay those bonds. Paying those bonds, after funneling monies through a "Drainy Day Fund", doesn't create budget reform, spending limits, or savings accounts.

PROP 1-B IS A BRIBE, NOT A PAYMENT EXTENSION

They claim Prop 1-B extends for two years a \$9.3B payment that our State Constitution (Prop 98) requires for school funding. But, the unpaid Prop 98 debt to schools is actually only \$1.3B , not \$9.3B. And, Prop 98 doesn't have any deadline for paying a Prop 98 debt. So, we don't need any payment extension. What's really going on? Education advocates are demanding Prop 98 funding that isn't owed when our State's tax revenues are at current levels. But, the Legislature was worried that teacher's unions would oppose Prop 1-A's meager attempt to slow the rate of growth in State government spending. So, they crafted Prop 1-B into an \$8B payoff , to make sure the education lobby didn't oppose Prop 1-A. This Prop 1-B bribe is only paid if Prop 1-A passes. The Legislative Analysts Office says *"the costs of [Prop 1-B] would, likely be higher than under current law, potentially by billions of dollars each year .."* Prop 1-B is founded on a lie, to fund a bribe. It's not a fix, or even a band-aid. It's a shenanigan that makes our future budget problems much worse.

PROP 1-C IS A BLANK CHECK AND A NEW UNFUNDED MANDATE, NOT LOTTERY MODERNIZATION

The Lottery funds will no longer fund schools. Instead, all net Lottery funds will be made available, at all times, forever, for new borrowing, with no future taxpayer approval. They estimate they can initially sell \$5B of Lottery Bonds. But that's not a cap on the future borrowing. It's just the first dip into the new Lottery Bond pond, with an initial \$400M new annual new debt service. What about the schools? The obligation to pay "lottery profits" to schools is now a new burden on the General Fund, with future automatic increases for inflation and student population growth. Yet again, this Legislative Proposition makes our future budget problems worse, not better.

PROP 1-D AND 1-E ARE SHORT TERM INEFFECTIVE BANDAIDS

Prop 1-D takes unused monies from the state and local "First 5 Programs" that receive the Prop 10 tobacco taxes. Prop 1-E takes monies from the new mental health programs (funded by Prop 63's "Millionaires Tax") and redirects them to pay for existing federally mandated medicare mental health programs. There are two problems with both of these measures. First, these Propositions don't go far enough. These monies need to be permanently, not temporarily, redirected to the General Fund before any new taxes are raised. Second, these Propositions demonstrate the Legislature's penchant to get Propositions discarded whenever they get in their way. Remember the effective spending limit under the original Gann Initiative? It was later gutted by Prop 98 and killed off by Prop 111. So, why should we believe that the mild reforms of Prop 1-A, if they actually have any impact, will be kept in place?

PROP 1-F IS A JOKE AND AN INSULT

If, on any June 1, the Governor's Director of Finance projects a deficit for the June 30 fiscal close out, then any pending new pay increase for the Governor and other state officials is suspended, for that year only. This doesn't fix the taxing and spending or lack of Executive leadership that got us in this mess. And it is NOT a pay cut for legislators. It's on the ballot to make us feel good. But, it's actually insulting foolishness. This proposition is Abel Maldonado's parting shot at his fellow Republicans who stood firm as he gave away the farm. Let's not enable Abel.

PROPS 1-A, 1-B, 1-C, 1-D, 1-E AND 1-F ADD MORE TAXES, MORE BORROWING, MORE INFLEXIBLE SPENDING MANDATES, AND MORE LEGISLATIVE SHENANIGANS. THIS ISN'T BUDGET REFORM. LETS ROLL BACK THE TAX INCREASES, STOP THE NEW BORROWING, BLOCK THE CATEGORICAL SET ASIDES, AND REJECT THE LEGISLATURE'S MENDACITY. FOR THE GOOD OF OUR STATE, VOTE NO.