

Laird appointed to special session budget panel

J.M. BROWN - SENTINEL STAFF WRITER

Article Launched: 11/08/2008 01:31:19 AM PST

Outgoing Assemblyman John Laird, who as chair of the Budget Committee this year battled the governor and Republicans over deep cuts to schools and social services, was appointed Friday to lead a special session committee to once again explore gloomy cuts and tax hikes to alleviate a mounting state deficit.

Assembly Speaker Karen Bass, D-Los Angeles, asked the Santa Cruz Democrat to chair the 4th Extraordinary Special Session Assembly Budget Committee designed to review Gov. Arnold Schwarzenegger's plan to trim \$4.5 billion out of a projected \$11.2 billion hole through cuts to education, corrections and state salaries. The plan also calls for \$4.7 billion in proposed revenue increases, including a 1.5 cent sales tax hike for three years to raise \$3.5 billion.

Laird will be termed out Nov. 30, the same day the Legislature has to end the special session called by the governor. If lawmakers cannot reach an agreement, the budget morass -- worsened by the national economic slump and revenue that missed targets -- will become the problem of the incoming Legislature.

"We're trying to see what we can get done if anything before the new session is sworn in," Laird said, adding that he expects there to be a

hearing on the governor's plan late next week after the nonpartisan Legislative Analyst's Office issues an assessment of the proposal.

Laird said support from outgoing Republicans will be key to passing the governor's plan, which he said does not address property tax projections that are likely to come up short or the growing cost of health care as out-of-work Californians seek help from the state. As for K-12 schools, which make up more than a third of the state budget, "the governor's proposals will put them in a horrendous position."

The governor's plan is to trim \$2.5 billion from schools, which could mean more than \$10 million total for Santa Cruz County districts still reeling from a virtually flat cost-of-living increase this year, county schools Superintendent Michael Watkins said. Because districts cannot cut teachers mid-year -- layoff notices by law have to be issued by March for the following school year -- districts will have to tap reserves or cut support staff and categorical spending.

"Each district will have to determine where to make those cuts or delve into their reserves," Watkins said, adding that the next fiscal year looks dismal. "I think '09-'10 looks very poor for districts."

Laird said if nothing is done to reduce the red ink, the state's deficit will grow to an estimated \$13 billion next year.

In laying out a proposal to increase sales tax, the governor stressed an urgent need to raise

Advertisement

Santa Cruz Sentinel.com

Subscribe today!

www.santacruztoday.com

(831) 763-4511



Print Powered By  FormatDynamics™

revenue to maintain police protection and uphold California's education system.

jbrown@santacruzsentinel.com .

"We feel very comfortable that this is the best tax to use," Schwarzenegger said. "This is the best way to go and we have to not delay it. I think now is the time for action."

California's budget fluctuates because it depends on a narrow segment of high-income earners whose fortunes ride with the stock market. About half of the state's personal income tax revenue comes from the top 1 percent of wage earners.

A higher sales tax at a time when overall consumption is down may not do much to grow revenues, and the idea for an income tax increase has been politically insurmountable of late. Democrats earlier this year proposed raising income tax on the wealthy but the plan was rejected by Republicans during a record-late budget battle.

Christopher Thornberg of Beacon Economics, a California-based research firm, said raising taxes on high-income earners may only exacerbate the boom and bust cycles of the state budget.

"We have high income taxes on people at the upper end of the income scale. Understand, these are the folks whose incomes swing most in a downturn," Thornberg said.

The Associated Press contributed to this report. Contact J.M. Brown at 429-2410 or

Advertisement

Santa Cruz Sentinel.com

Subscribe today!
www.santacruztoday.com

(831) 763-4511

Print Powered By FormatDynamics™