

PRIORITY FOCUS



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CONGRESS BEGINS WORK ON FEDERAL ECONOMIC STIMULUS PACKAGE

House Democratic leaders yesterday began unveiling an \$825 billion economic stimulus package featuring \$550 billion in spending and \$275 billion in tax breaks. There is much in this package of great interest to local officials concerned about the effects of home foreclosures, job losses, reduced sales, property taxes and other factors having a direct impact on local communities. A summary of the release is available at

<http://www.cq.com/flatfiles/editorialFiles/temporaryItems/2008/15stimulus.pdf>.

For more, see Page 2.



BUDGET AGREEMENT STILL ELUDES STATE LEADERS

With California a few short weeks away from running out of cash, there was little visible progress this week on a resolution to the state's \$42 billion, 18-month budget deficit. The "Big Five" met to discuss options, but a budget agreement still seemed to elude the key budget players.

For more, see Page 2.



LEAGUE BOARD PRESIDENT A SPECIAL GUEST AT STATE OF THE STATE SPEECH

League Board President Judy Mitchell, mayor of Rolling Hills Estates, was among the special guests of Gov. Arnold Schwarzenegger yesterday, invited to view his State of the State speech in the Assembly gallery. *For more, see Page 2.*

'Stimulus' Continued from Page 1...

The House Ways & Means also released a summary of the tax provisions that it will be considering as its part of the package next week. It can be viewed at <http://www.cq.com/flatfiles/editorialFiles/temporaryItems/2008/15taxstimulus.pdf>.

League staff are just beginning to review the many proposals contained in this package. There is little detailed information available at this point. We will keep city officials informed as more information becomes available.

Please note that we have created a Federal Economic Stimulus Update http://www.cacities.org/index.jsp?displaytype=11&zone=locc§ion=&sub_sec=&tert=&story=27580 story on the League Web site. We will use this to post any documents we receive relating to the federal package.

'Budget' Continued from Page 1...

Yesterday Gov. Arnold Schwarzenegger delivered his annual State of the State speech – a full two weeks following the Administration's release of his budget proposal to correct both the current year deficit, and provide a spending plan for the 2009-10 fiscal year. It was a shorter and far more subdued speech than his presentations in past years. He described the state as "incapacitated" and facing a true emergency. He urged the senators and assembly members gathered before him in the Assembly chambers to put ideology aside for the good of the state, and to work together to find a budget solution.

'Mitchell' Continued from Page 1...



California State Association of Counties President Gary Wyatt and League Board President Judy Mitchell, Mayor of Rolling Hills Estates.

"It was a somber speech," commented Mitchell. "He was very clear about telling legislators that it was critical that they work together to resolve this terrible budget crisis quickly."

Mitchell noted that the speech contained no references to local governments, and that the Administration budget proposal released two weeks ago contained no new proposals to borrow redevelopment funds from local agencies.

"Our city officials need to remain alert and engaged," she cautioned. "We need to continue to support the efforts of state leaders to find long-term solutions to their budget problems that don't involve shifts of local funds."

State Running Out Of Cash – How Did We Get Here?

While the budget stalemate between legislators and Gov. Arnold Schwarzenegger continues, the deficit continues to grow. Without a fix, state budget experts estimate that the California state budget deficit will reach \$42 billion over the next 18 months. The State Controller has warned that cash resources will dry out as early as next month if the Legislature does not act to correct the budget imbalance, forcing the state to issue IOUs to its vendors and to delay refunds for taxpayers.

Many city officials may be asking, how could this be? How could the state of California reach such a critical condition?

Simply put, the state's total expenses exceed the resources it has available to spend. Whatever fix the Governor and legislators may agree upon to balance the budget, a significant factor in the state's deficit is mainly the shrinking state general fund revenues, exacerbated by deteriorating economic conditions nationally and worldwide.

The Department of Finance calculates a \$31 billion discrepancy between the estimated revenues for the budget years 2007-08, 2008-09, 2009-10, and actual revenues received. More than \$17.7 billion of that amount is attributable to declining personal income tax revenue, about half of which is associated with reduced capital gains, the other half due to changing economic conditions. About \$5.9 billion results from a decline in sales and use tax revenue, caused by reduced disposable income among taxpayers and fewer auto sales, as well as reduced transfers to transportation funds due to lower forecasted gas prices. About \$4.9 billion of the loss results from reduced corporation franchise and income tax receipts, due to declining corporate profits. Another \$1.3 billion is due to declining property tax revenues.

Behind these cold numbers are three culprits:

- **Job Losses.** Between June and October 2008, the state lost 47,100 jobs -- an average of 15,700 job losses per month, and a tripling of the 5,200 monthly job losses occurring in the first five months of the year. While modest job gains were seen in health services, government, leisure and hospitality, education, and natural resources and mining, job losses occurred in major industry sectors such as trade, transportation, utilities, professional and business services, manufacturing, construction, financial activities and the information sectors. The state unemployment rate hit 8.2 percent in October, the highest since September 1994, and the largest year-over-year increase since December 1982.
- **Construction Hit Hard.** Residential permits were down 48 percent from October 2007 to October 2008, as the fifth consecutive month-over decline hit the industry, recording the lowest level of activity in decades. Single-family permits were down 44 percent, while multi-family permitting was down 53 percent. Slowing office and retail construction led to nonresidential construction permits falling 36 percent in October from a year earlier, making the month the weakest since February 2004.
- **Home Sales.** Weakening home prices contributed to increase in the numbers of existing home sales in October -- more than twice the rate of sales posted a year earlier. However, the median price of existing, single-family homes sold was 40 percent less than last year.

Need More Information? For more information on how California got to where it is today, please view the following documents from the Department of Finance Web site:

- General Fund Workload Revenue Forecast
http://www.dof.ca.gov/budget/historical/2008-09/documents/GF_Workload_Rev.pdf
- Department of Finance Bulletin, December 2008
http://www.dof.ca.gov/finance_bulletins/2008/December/documents/Dec-08.doc

Bipartisan Commission to Review California's Outdated Revenue Laws

On Oct. 30, 2008, Gov. Arnold Schwarzenegger signed Executive Order S-12-08 to create the bipartisan commission on the 21st Century Economy, tasked with reviewing California's 80 year-old revenue-gathering laws and making recommendations on how to modernize them. The commission consists of 12 members -- six appointed by the Governor, three by the Speaker of the Assembly, and three by the Senate President pro Tem. They will meet on Jan. 22 in San Diego for the first time. The commission will deliver a report with recommendations on or before April 15, following three consecutive meetings scheduled for Feb. 12 in Los Angeles, March 10 in Berkeley, and April 9 in Davis. The meetings are open to the public. The commission will consider how to:

- Establish a 21st century tax structure that fits with state's 21st century economy;
- Stabilize state revenues and reduce volatility;

- Promote the long-term economic prosperity of the state and its citizens;
- Improve California's ability to successfully compete with other states and nations for jobs and investments;
- Reflect principles of sound tax policy including simplicity, competitiveness, efficiency, predictability, stability and ease of compliance and administration; and
- Ensure that the tax structure is fair and equitable.

The members of the commission come from diverse backgrounds and will all serve without compensation and at the pleasure of the official who appointed them.

The Governor's appointees are:

- Gerald Parsky, chair of the commission. Parsky is currently the chairman of a private investment firm and was assistant secretary of the U.S. Treasury Department from 1974 to 1977 in charge of international affairs and capital markets.
- Ruben Barrales, the president and chief executive officer for the San Diego Regional Chamber of Commerce since 2006. In 2001 he was appointed as Deputy Assistant to President George W. Bush and served as White House Director of Intergovernmental Affairs.
- Michael Boskin, a senior fellow at the Hoover Institution and T.M. Friedman professor of Economics at Stanford University.
- John Cogan, a senior fellow at the Hoover Institution and has also been a professor in the public policy program at Stanford University since 1980.
- Becky Morgan, founder of the Morgan Family Foundation in 1993, and also served as a member of the Santa Clara County Board of Supervisors from 1978 to 1980.
- Curt Pringle, mayor of the city of Anaheim since 2002, and the president of Curt Pringle and Associates. Pringle was a California State Assembly member from 1988 to 1990 and 1992 to 1998 and served as Speaker of the Assembly in 1996.

Speaker of the Assembly Bass and Senate President pro Tem Steinberg's appointees are:

- Christopher Edley, Jr., Dean of the University of California, Berkeley School of Law, has served as an advisor to former President Clinton's One America Initiative. He was a member of the United States Commission on Civil Rights, and chaired President Clinton's 1998 Affirmative Action Review. He was an advisor to President Elect Barack Obama during the 2008 Democratic primaries.
- George Halvorson, chairman and chief executive officer of Kaiser Foundation Health Plan and Kaiser Foundation Hospitals since 2002.
- Jennifer Ito, the research, training and policy education director of SCOPE (Santa Clarita Organization for Planning the Environment) a community-based organization dedicated to reducing and eliminating structural barriers to social and economic opportunities for poor and working class communities.
- Fred Keeley, a political science professor at San Jose State University, and the treasurer of Santa Cruz County since 2005. From 1996 to 2002, he served as a California State Assembly member where he also served as Speaker pro Tempore of the Assembly.
- Monica Lozano, publisher and chief executive officer of *La Opinión*, and also served as senior vice president of its parent company, ImpreMedia. Lozano is a member of the University of California Board of Regents and serves as a trustee of the University of Southern California and SunAmerica Asset Management Corporation. She is also the director of the California Health Care Foundation.
- Richard Pomp, professor of law at the University of Connecticut. Pomp also works as a consultant to cities, states, the Multistate Tax Commission, the Navajo Nation, the U.S. Congress, the U.S. Treasury, the U.S. Department of Justice, Internal Revenue Service, United Nations, the International Monetary Fund, the World Bank and numerous foreign countries.

Please visit the Web site for the Commission on the 21st Century Economy (<http://www.cotce.ca.gov/>) for more information on meetings schedules, agendas and minutes.

League Staff will be monitoring the commission's activities, and report to cities as their work develops.

Legislative Committees Announced

The Senate and Assembly this week announced the formation of legislative committees for the 2009-10 session. The Senate announced both the chairs of the committees and committee members. The Assembly only announced committee chairs and vice chairs.

City officials should review this information carefully to become familiar with the assignments of their legislators. This information will become increasingly important as the legislative session kicks into gear.

Senate Committee Appointments, 2009-10 Legislative Session

Appropriations

Kehoe (Chair), Cox (Vice Chair), Yee, DeSaulnier, Corbett, Leno, Oropeza, Hancock, Wolk, Runner, Wyland, Walters, Denham

Banking, Finance & Insurance

Calderon (Chair), Runner (Vice Chair), Florez, Kehoe, Lowenthal, Correa, Padilla, Liu, Cox, Harman

Budget & Fiscal Review (All 39 senators, plus 1 vacancy)

Budget Subcommittees - three voting members:

Subcommittee #1: Education

Romero (Chair), Huff, Liu

Subcommittee #2: Resources, Environmental Protection, Energy, & Transportation

Simitian (Chair), Cogdill, Lowenthal

Subcommittee #3: Health & Human Services, Labor & Veteran's Affairs

Leno (Chair), Alquist, Hollingsworth

Subcommittee #4: State Administration, General Government & Judicial

DeSaulnier (Chair), Wright, Harman

Subcommittee #5: Revenues and the Economy

Ducheny (Chair), Padilla, Dutton

Business, Professions & Economic Development

Negrete McLeod (Chair), Wyland (Vice Chair), Correa, Florez, Corbett, Romero, Yee, Oropeza, Aanestad, Walters

Education

Romero (Chair), Huff (Vice Chair), Simitian, Alquist, Padilla, Hancock, Liu, Wyland, Maldonado

Elections, Reapportionment & Constitutional Amendments

Hancock (Chair), Walters (Vice Chair), DeSaulnier, Liu, Cogdill

Energy, Utilities and Communications

Padilla (Chair), Benoit (Vice Chair), Calderon, Simitian, Lowenthal, Kehoe, Wright, Corbett, Cox, Strickland

Environmental Quality

Simitian (Chair), Runner (Vice Chair), Hancock, Corbett, Lowenthal, Pavley, Ashburn

Food and Agriculture

Florez (Chair), Maldonado (Vice Chair), Pavley, Hancock, Hollingsworth

Governmental Organization

Wright (Chair), Harman (Vice Chair), Negrete McLeod, Oropeza, Yee, Wiggins, Florez, Romero, Calderon, Padilla, Denham, Wyland, Benoit

Health

Alquist (Chair), Strickland (Vice Chair), Cedillo, Negrete McLeod, Wolk, Pavley, DeSaulnier, Leno, Cox, Maldonado, Aanestad

Human Services

Liu (Chair), Maldonado (Vice Chair) Yee, Alquist, Hollingsworth

Judiciary

Corbett (Chair), Harman (Vice Chair), Florez, Leno, Walters

Labor & Industrial Relations

DeSaulnier (Chair), Wyland (Vice Chair), Leno, Yee, Negrete McLeod, Cogdill

Legislative Ethics

Walters (Chair), Lowenthal (Vice Chair), Corbett

Local Government

Wiggins (Chair), Cox (Vice Chair), Kehoe, Wolk, Aanestad

Natural Resources and Water

Pavley (Chair), Hollingsworth (Vice Chair), Kehoe, Wiggins, Leno, Wolk, Simitian, Padilla, Benoit, Cogdill, Huff

Public Employment and Retirement

Correa (Chair), Ashburn (Vice Chair), Negrete McLeod, Wiggins, Padilla, Liu, Benoit

Public Safety

Leno (Chair), Benoit (Vice Chair), Cedillo, Wright, Steinberg, Hancock, Huff

Revenue & Taxation

Wolk (Chair), Walters (Vice Chair), Alquist, Wiggins, Florez, Runner, Ashburn

Rules

Steinberg (Chair), Aanestad (Vice Chair), Cedillo, Oropeza, Dutton

Transportation and Housing

Lowenthal (Chair), Huff (Vice Chair), Oropeza, Pavley, Simitian, Kehoe, Wolk, DeSaulnier, Ashburn, Harman, Dutton

Veterans Affairs

Denham (Chair), Correa (Vice Chair), Wiggins, Negrete McLeod, Cedillo, Wyland, Maldonado

Assembly Committee Chairs and Vice-Chairs, 2009-10 Session**Accountability and Administrative Review**

Hector De La Torre, D-South Gate, chair
Audra Strickland, R-Thousand Oaks, vice chair

Aging and Long-Term Care

Bonnie Lowenthal, D-Long Beach, chair
Norma Torres, D-Ontario, vice chair

Agriculture

Cathleen Galgiani, D-Stockton, chair
Tom Berryhill, R-Modesto, vice chair

Appropriations

Kevin De León, D-Los Angeles, chair
Jim Nielsen, R-Gerber, vice chair

Arts, Entertainment, Sports, Tourism and Internet Media

Mike Davis, D-Los Angeles, chair
Jim Silva, R-Huntington Beach, vice chair

Banking and Finance

Pedro Nava, D-Santa Barbara
Ted Gaines, R-Roseville, vice chair

Budget

Noreen Evans, D-Santa Rosa, chair
Roger Niello, R-Fair Oaks, vice chair

Business and Professions

Mary Hayashi, D-Hayward, chair
Bill Emmerson, R-Redlands, vice chair

Education

Julia Brownley, D-Santa Monica, chair
Brian Nestande, R-Riverside, vice chair

Elections, Redistricting and Constitutional Amendments

Warren Furutani, D-South Los Angeles, chair
Anthony Adams, R-Hesperia, vice chair

Environmental Safety and Toxic Materials

Wesley Chesbro, D-Eureka, chair
Jeff Miller, R-Corona, vice chair

Governmental Organization

Curren Price, D-Inglewood, chair
Joel Anderson, R-Alpine, vice chair

Health

Dave Jones, D-Sacramento, chair
Nathan Fletcher, R-San Diego, vice chair

Higher Education

Anthony Portantino, D-La Cañada Flintridge, chair
Connie Conway, R-Tulare, vice chair

Housing and Community Development

Tony Mendoza, D-Norwalk, chair
Diane Harkey, R-Dana Point, vice chair

Human Services

Jim Beall Jr., D-San Jose, chair
Tom Ammiano, D-San Francisco, vice chair

Insurance

Joe Coto, D-San Jose, chair
Martin Garrick, R-Carlsbad, vice chair

Jobs, Economic Development and the Economy

V. Manuel Pérez, D-Coachella, chair
Dan Logue, R-Linda, vice chair

Judiciary

Mike Feuer, D-Los Angeles, chair
Van Tran, R-Costa Mesa, vice chair

Labor and Employment

Sandré Swanson, D-Alameda, chair
Bill Berryhill, R-Ceres, vice chair

Local Government

Anna Caballero, D-Salinas, chair
Steve Knight, R-Palmdale, vice chair

Natural Resources

Nancy Skinner, D-Berkeley, chair
Danny Gilmore, R-Hanford, vice chair

Public Employees, Retirement and Social Security

Ed Hernandez, D-West Covina, chair
Paul Fong, D-Mountainview, vice chair

Public Safety

Jose Solorio, D-Anaheim, chair
Curt Hagman, R-Chino Hills, vice chair

Revenue and Taxation

Charles Calderon, D-Montebello, chair
Chuck DeVore, R-Irvine, vice chair

Rules

Ted Lieu, D-Torrance, chair
Sam Blakeslee, R-San Luis Obispo, vice chair

Transportation

Mike Eng, D-Monterey Park, chair
Kevin Jeffries, R-Lake Elsinore, vice chair

Utilities and Commerce

Felipe Fuentes, D-Sylmar, chair
Mike Duvall, R-Yorba Linda, vice chair

Veterans Affairs

Mary Salas, D-Chula Vista, chair
Paul Cook, R-Yucca Valley, vice chair

Water, Parks and Wildlife

Jared Huffman, D-San Rafael, chair
Jean Fuller, R-Bakersfield, vice chair

Joint Legislative Audit Committee

Bill Monning, D-Santa Cruz, chair

High Speed Rail Scoping Meetings Coming To Bay Area This Month

The California High Speed Rail Authority (Authority) will hold a series of environmental "scoping" meetings designed to give local public officials and residents a chance to comment on individual sections of the state's high-speed train system later this month.

Scoping meetings on some sections of the 800-mile high-speed train system in Southern California already have occurred. Three meetings are scheduled this month in the San Francisco

Bay Area. These meetings are the first scheduled in Northern California since voter approval of Prop. 1A, which will help finance the statewide network of trains operating at up to 220 miles an hour.

Last year, the Authority approved broader program-level environmental reviews. Now the work turns to project-specific technical studies, impact analyses and mitigation measures required before construction can begin. Voter approval of Prop. 1A provides \$9 billion as a financial foundation for construction of the system, which will eventually link California's major population centers from San Diego to Sacramento and San Francisco through the Central Valley.

More information about the Scoping Plan and the High Speed Rail project is available at:
<http://www.cahighspeedrail.ca.gov/>

City Officials to Attend League Events January 19-23 in Sacramento

Hundreds of city officials will be in Sacramento next week for the League of California Cities' New Mayors and Council Members Academy, a League-sponsored reception for city officials and legislators, and for meetings of the League's policy committees.

The New Mayors and Council Members Academy will convene Jan. 21-23 at the Hyatt Regency Hotel, across from the Capitol. The 2009 Academy features a range of educational sessions designed to address the priorities and requirements newly-elected officials face as they assume office. For more information on information on the Mayors and Council Members Academy, please contact Brian Sanders at bsanders@cacities.org, or visit the League website at www.cacities.org/events.

On Jan. 21 the League will host a special reception at the Citizen Hotel for city officials to meet and visit with their legislators. The League will also recognize legislators who had shown leadership and support for local government during 2008.

League Policy Committee meetings are scheduled for Jan. 21-22 at the Doubletree Hotel in the Arden area, which is five miles from downtown Sacramento. The policy committee meeting agendas for next week are posted on the League Web site. Please visit the main policy committee webpage and select the committee of your choice for the corresponding agenda packet (www.cacities.org/polcomm.)

- Administrative Services
http://www.cacities.org/index.jsp?displaytype=§ion=about&zone=locc&sub_sec=about_policy&tert=about_policy_admin_sel
- Community Services
http://www.cacities.org/index.jsp?displaytype=§ion=about&zone=locc&sub_sec=about_policy&tert=about_policy_comm_sel
- Employee Relations
http://www.cacities.org/index.jsp?displaytype=§ion=about&zone=locc&sub_sec=about_policy&tert=about_policy_employ_sel
- Environmental Quality
http://www.cacities.org/index.jsp?displaytype=§ion=about&zone=locc&sub_sec=about_policy&tert=about_policy_enviro_sel
- Housing, Community and Economic Development
http://www.cacities.org/index.jsp?displaytype=§ion=about&zone=locc&sub_sec=about_policy&tert=about_policy_housing_sel
- Public Safety
http://www.cacities.org/index.jsp?displaytype=§ion=about&zone=locc&sub_sec=about_policy&tert=about_policy_safety_sel
- Revenue and Taxation
http://www.cacities.org/index.jsp?displaytype=§ion=about&zone=locc&sub_sec=about_policy&tert=about_policy_revenue_sel

- Transportation, Communications & Public Works Policy Committee
http://www.cacities.org/index.jsp?displaytype=§ion=about&zone=locc&sub_sec=about_policy&tert=about_policy_trans_sel

Save-the-Date! The League's Legislative Action Days is scheduled for April 15-16 at the Sheraton Grand in Sacramento. Legislative Action Days are designed so that city officials can learn about the latest on issues such as the budget, climate change regulatory efforts and legislation, infrastructure bond implementation, land use, and other key legislation. This is a prime opportunity for visiting city officials to meet with state legislators to deliver the message of the importance of preserving local services. For more information about this event, please visit the League Web site (www.cacities.org/events.)

Attend the 3rd Annual Green CA Summit, March 16 – 18, 2009

Register now to attend the 3rd Annual Green California Summit, to be held March 8 – 10, at the Sacramento Convention Center. You will gain insights that can help you conserve and cut costs. The summit will provide information, training and resources that will increase understanding of current environmental pressures and challenges and will support the efforts of both government and private sectors to respond to these pressures in an efficient and economically sustainable manner.

The summit offers six pre-conference workshops and 18 concurrent breakout sessions. The pre-conference workshops are full-day (six-hour) sessions that will allow for in-depth exploration of topics relevant to various aspects of green government. Pre-conference topics will cover Buying Green, Green Fleets, Financing Renewable Energy Projects, LEED Project Management, Green O&M and AB 32 Tool Kit for Local Government. Concurrent sessions will be 75 minutes in length and feature ideas on transportation, energy, green building, green basics and climate change.

Discover hundreds of green products and services all in one place - talk to experts and get intensive, hands-on education that's not available anywhere else! Free registration is offered to attend the keynote speaker sessions and expo floor. Special group rates are available for teams of four or more.

For questions please contact Cindy Dangberg at (916) 838-3339 or cdangberg@green-technology.org. For more information please visit the Green Technology Summit Web site at <http://www.green-technology.org/gcsummit/attendees.htm>.

Nominate an Outstanding Leader for the 2009 California Civic Leadership Institute

The nomination process is open for the League's 2009 California Civic Leadership Institute (CCLI). Now in its fifth year, CCLI educates elected city officials who are interested in pursuing future state office about key state issues. We are proud of the great leaders our organization has produced, and pleased to be able to once again offer this prestigious program to interested city officials.

Program Details

Presented by the League Partner Program, CCLI exposes city officials to a variety of complex statewide priorities including transportation, housing, the impact of increasing energy demand on our growing state, and more. The program is designed to give local leaders a broad, in-depth understanding of critical issues affecting the state; highlight the tools they will need to succeed if elected to the Legislature; and provide a forum where lasting bonds can be created among California's rising leaders.

CCLI features informal roundtable discussions and takes participants out in the field. The program includes a tour of Big Creek, Southern California Edison's hydro-electric facility, giving

participants the opportunity to see first hand how electricity is generated and moved throughout the state.

This year's program is ideal for those already within leadership roles at the League or for anyone interested in becoming a statewide advocate of local government.

Nomination Process

Any mayor, council member or professional city staff member may nominate a current elected city official to participate in CCLI. Nominations may also come from any of the League's caucuses or from the League Partner Program.

Nominations must successfully convey the governance skills and accomplishments of the nominee and should highlight any and all contributions toward League goals and/or the League's mission of protecting local control. Nominees will be sent an application packet. Applicants will be asked to compose an essay outlining their individual goals and interests in the program.

Nominations are due by Friday, March 6.

The nomination form can be found at www.cacities.org/leaguepartners. Submit entries to Samantha Caygill by email at scaygill@cacities.org or by fax at (916) 658-8240.

[The following press release is reprinted with the permission from the Public Policy Institute of California, a private, nonprofit organization dedicated to informing and improving public policy in California through independent, objective, nonpartisan research on major economic, social, and political issues.]

PPIC Task Force Calls on State's Leaders to Act with Unity, Urgency on Plan for Federal Dollars

Bipartisan Group of Experts Offers Guidance on Response to Historic Crisis

SAN FRANCISCO, California, January 6, 2009 — California has an unprecedented opportunity to take bold steps toward economic recovery but only if its elected leaders can unite to present a clear plan for using federal dollars, according to a group of state leaders assembled by the Public Policy Institute of California (PPIC).

The California Economic Recovery Task Force, established by the PPIC at the request of the bipartisan leadership of the state legislature, was diverse in its membership but united in its message: California faces a crisis of historic proportions that requires its elected leaders to make a cogent case for the state's needs in Washington, develop projects that support long-term growth, and balance the state budget.

"This distinguished group was made up of Republicans and Democrats, business and labor, and represented the major regions of the state," said Mark Baldassare, PPIC president and CEO, who presided at the group's one-day meeting. "Despite their differences, they reached consensus quickly and cordially. In these extraordinary times, we need our state's leaders to do the same."

PPIC began assembling the 12-member task force in November, consulted with its members in early December, and convened the meeting on December 17 with the goal of providing recommendations to legislative leaders by the end of the year. The task force reached consensus on three central principles for undertaking economic recovery:

Plan for federal dollars. Task force members warned that failure to develop a comprehensive plan for using federal funds on state infrastructure projects and budget needs would severely limit the state's economic recovery. The need is particularly pressing, they said, because other states will have their own competing plans. Members emphasized the need to stem housing foreclosures and specifically mentioned the need for federal intervention to reset mortgages for

homeowners who will face unaffordable interest rate increases in coming years. Members said federal action was needed to unlock credit markets for state and local governments—and for the small businesses and start-up companies that fuel growth in California’s economy.

Set the stage for long-term growth. California can be a national leader in developing infrastructure projects that support environmental goals if leaders focus on long-term growth rather than stop-gap measures, task force members said. They were unified in opposing action that would hurt the state’s environmental leadership role or harm the health and safety of its residents. They would not delay the regulation of diesel truck emissions, for example, despite its short-term negative economic impact. Specifically, the group felt the state should:

- **Prioritize infrastructure and “green” projects.** The task force recommended that the state consider infrastructure investment in two phases. The first would consist of projects, such as road repair, that are ready to begin as soon as possible, use existing funds, and would create jobs today. The second would encompass projects that take more time to plan but could raise California’s long-term productivity and help the state achieve environmental goals—for example, building a smart electricity grid.
- **Consider ways to streamline state regulations.** The group said leaders need to find ways to spend faster on infrastructure projects and develop more flexibility in the system. For instance, the state could benefit from exploring best practices for “design-build” construction contracts. Most states allow these contracts, which allow a single company to both design and build a project.
- **Invest in education.** Task force members emphasized the need for investing in education facilities and programs at all levels in light of the growing gap between the need for college-educated workers and the likely supply of these workers.

Balance the budget. The primary mandate of the task force was to focus on economic recovery, but members were united in the view that steps to end the budget crisis should be considered part of an economic recovery program. They said the state’s elected leaders must balance the budget even though measures to do so run counter to economic recovery. Specifically, they recommended that leaders:

- **Choose budget-balancing actions that do the least harm.** Members agreed that such actions would need to take the form of tax increases and spending cuts but, given the depth of the current downturn, specific fiscal actions should be considered in light of the overall goal of economic recovery. Tax increases should be broad and temporary, with the smallest possible negative effect on new consumer and business spending. Spending cuts should have the smallest possible negative effect on overall employment.
- **Pursue permanent, fundamental budget reform.** The group agreed that annual state budget crises pose a serious threat to the state’s long-term economic stability and emphasized the critical importance of the Commission for the 21st Century Economy, appointed by Governor Arnold Schwarzenegger and Assembly Speaker Karen Bass to consider ways to restructure the tax system.
- **Make a stronger case to use federal funds to help close the current budget gap.** A grant from the federal government would reduce the tax increases or spending cuts that the state will otherwise have to make.

PPIC set up the California Economic Recovery Task Force at the request of Senate President pro Tem Darrell Steinberg with the active support of Senate Republican Leader Dave Cogdill, Assembly Speaker Karen Bass, and Assembly Republican Leader Mike Villines.

PPIC selected bipartisan leaders with experience in both the private and public sectors to co-chair the task force: Kathleen Brown, senior advisor and head of public finance for the west region at Goldman, Sachs & Co. and former California state treasurer, and Daniel Young, president of the Irvine Community Development Company and a former mayor of Santa Ana. The other members were:

- Alan Auerbach, director of the Robert D. Burch Center for Tax Policy and Public Finance at the University of California, Berkeley
- Ruben Barrales, president and CEO of the San Diego Regional Chamber of Commerce and former deputy assistant to President George W. Bush
- John Bryson, senior advisor for infrastructure initiative at Kohlberg Kravis Roberts & Co. (KKR), former chairman and CEO of Edison International, and former president of the California Public Utilities Commission
- Maria Contreras-Sweet, chair of Promerica Bank and former California secretary of business, transportation, and housing
- Ed Grier, president of Disneyland Resort
- John Harris, president and CEO of Harris Ranch
- James W. Head, director of programs at The San Francisco Foundation and commissioner for the Port of Oakland
- Noel Perry, founder of the nonprofit Next 10 and founder of the venture capital firm Baccharis Capital Inc.
- Courtni Pugh, executive director of the Service Employees International Union (SEIU) California State Council
- Fred Ruiz, chairman of Ruiz Foods and a regent of the University of California

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