



**COLAB SAN LUIS OBISPO
WEEK OF JANUARY 14 - 20, 2018**

 **COLAB** ^{9th} **ANNUAL**
San Luis Obispo County

DINNER & FUNDRAISER

SAVE THE DATE

Thursday, March 22nd
Alex Madonna Expo Center

details coming soon...

**YOUR CROWD, YOUR ALLIES
WORKING TOGETHER
FOR A BRIGHTER FUTURE**

COLAB San Luis Obispo County
805-548-0340 colabslo@gmail.com

THIS WEEK

NO BOS MEETING

LAFCO MEETING PRIMARILY HOUSEKEEPING

LAST WEEK

**COUNTY MARIJUANA TAX TO BE SET ON JUNE
PRIMARY BALLOT**

PESCHONG TO REPEAT BOARD CHAIR IN 2018

**MARIJUANA LICENSING SNAFUS
REPAIRS BEGIN – MORE TO COME**

**PLANNING COMMISSION DEALING WITH
PERMITS/EXTENSIONS**

**DIABLO CLOSURE APPROVED
LOCAL BENEFIT PAYMENTS REJECTED**

SLO COLAB IN DEPTH

SEE PAGE 12

**GOVERNOR'S 2018 - 19 PROPOSED BUDGET
BRIEF SUMMARY & STUNNING HISTORY OF GROWTH**

COMMENTARY: BROWN'S FINAL BUDGET REFLECTS CAUTIOUS APPROACH

By Dan Walters

THIS WEEK'S HIGHLIGHTS

No Board of Supervisors Meeting on Tuesday, January 16, 2018 (Not Scheduled)

The Board does not usually schedule a meeting on a Tuesday following a major holiday. Monday January 15th is the commemoration of Martin Luther King.

San Luis Obispo County Local Agency Formation Commission (LAFCO) Meeting of Thursday, January 18, 2018 (Scheduled)

Item B-2: 2017 ANNUAL REPORT AND WORK PLAN FOR 2018. The report details various LAFCO actions in 2017, including creation of new water management districts, annexations, and potential dissolution of the Cayucos Fire District. The report also lists potential 2018 considerations including:

Potential annexations:

- ☐ San Luis Ranch, City of San Luis Obispo (Submitted)
- ☐ Fiero Lane Annexation, City of San Luis Obispo
- ☐ Jack Ranch Annexation, CSA 18
- ☐ Furlotti Ranch, City of Paso Robles
- ☐ Robert Hall-Vina Robles, City of Paso Robles
- ☐ Chevron Tank Farm, City of San Luis Obispo
- ☐ Froom Ranch, City of San Luis Obispo
- ☐ Annexation to the Nipomo CSD of St Joseph's Church

Cayucos Fire District Dissolution:

Dissolution of Cayucos Fire District - The Cayucos Board of Directors submitted an application to dissolve the District in 2017. The Board of Supervisors will consider taking action in the first quarter of the year on the question regarding future service to the community of Cayucos. The application is on hold until the Board of Supervisors considers this question. LAFCO has provided information to the Commission, the District, and the public about how the dissolution process works and the necessary steps to take. An Information Guide and FAQ were prepared to help understand and clarify the process and focus the discussion on the issues.

The full report can be seen at the link:

<http://nebula.wsimg.com/eba2c78a3fcf65ed37804c73b5c686bd?AccessKeyId=242F22EFFFFD E4B18755&disposition=0&alloworigin=1>

LAST WEEK'S HIGHLIGHTS

Board of Supervisors Meeting of Tuesday, January 9, 2018 (Completed)

Item 1 - Reorganization of the County Board of Supervisors. First District Supervisor John Peschong was re-elected as the Chairman and Fifth District Supervisor Debbie Arnold was elected Vice-Chair, both on 3/2 votes with Supervisor Hill and Supervisor Gibson dissenting.

The session was acrimonious. There were close to 100 people in the room of which 31 spoke, either opposed to Hill becoming Chairman or supporting Peschong. There were no speakers supporting Hill. Even before public comment, Hill gave a somewhat rambling dissertation, pretending that he didn't want to be Chairman because the issue was so contentious and he didn't want to "continue play into the atmosphere of spite." He further claimed that contention over the position would have negative impacts on staff, citing discipline which was reportedly administered to a County employee who supported one of his online rants.

Gibson characterized the issue as a "petty political melodrama" and stated that "COLAB has mobilized the choir." In fact COLAB didn't need to do anything overt in the near term because it has been reporting Hill's substantive positions, nasty tactics, and bullying behavior for years. More and more people are getting fed up. There are really 2 key questions at this point:

1. When will the Democratic Party organization repudiate Hill's conduct and take steps to replace him?

2. When will responsible leaders in the 3rd District take steps to replace him with a more responsible and non-threatening official? He still has 3 years left in his term. While we don't necessarily agree with all of their substantive positions, there are a number of articulate and focused progressives in the 3rd district with whom you can have a rational discussion without being threatened and chastised personally.

Item 9 - Contract with the Government Finance Officers Association (GFOA) to Review County Financial Systems. The item was approved unanimously and included a new and unbudgeted \$80,000 project to contract with GFOA to conduct a review of the County's financial systems. GFOA is the not-for-profit professional membership association of government financial executives, particularly municipal, county, special district, and state chief financial officers.

Item 14 - Request to approve renewal of the Energy Watch Partnership Program: 1) to extend the PG&E contract through June 30, 2018 and accept funding in the amount of \$285,075 from PG&E; 2) to extend the SoCal Gas contract through calendar year 2020 and accept funding in the amount of \$63,350 from SoCal Gas; and 3) approve a resolution extending the Position Allocation List for corresponding Limited Term. The Board unanimously approved the continuation of this program on the consent calendar. This is a rate payer funded program which you fund in your electric and gas bills. In effect it is a tax hiding in your utility bill. One part of the write-up states that the County is saving \$330,000 per year in utility costs. How about using that savings to fund some more homeless and affordable housing programs? At least everyone would be paying for it.

Energy Watch (PG&E)	
Administration	\$28,350
Marketing	\$11,000
Direct Implementation	\$177,325
Strategic Energy Resources	\$68,400
TOTAL	\$285,075

Energy Watch (SoCal Gas)	
Administration	\$6,300
Marketing & Outreach	\$1,000
Direct Implementation	\$56,050
TOTAL	\$63,350

Item 20 - Appointment of members of the Board of Supervisors to various commissions and committees. The board considered and approved the item routinely. The only dispute arose over Gibson's insistence that he be appointed as the County's representative to the California State Association of Counties. Instead, Lynn Compton was appointed on a 3/2 vote with Hill and Gibson dissenting.

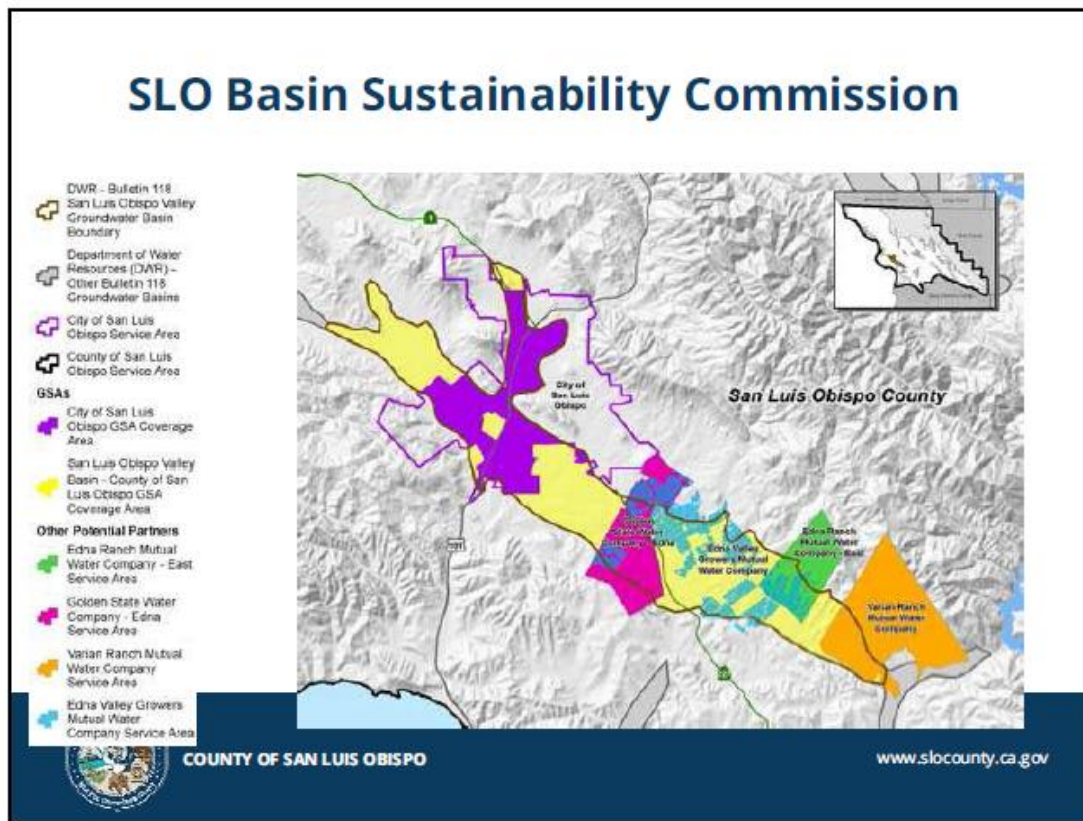
Background: This item contains the annual process by which the Board members appoint themselves to various statutory Boards and committees. Key appointments are to the California Association of Counties, Economic Vitality Corporation, and Local Agency Formation Commission.

TITLE	2017 Appointments	2018 Interest
Adult Services Policy Council	Lynn Compton	Debbie Arnold
Behavioral Health Advisory Board	Debbie Arnold	Debbie Arnold
Cal ID Advisory Board	John Peschong	John Peschong
Carrizo Plain National Monument Advisory Committee	Debbie Arnold	Debbie Arnold
Cal Poly Campus Planning Committee	Debbie Arnold	Debbie Arnold
California State Association of Counties (CSAC)	John Peschong, Lynn Compton (alternate)	Bruce Gibson, Lynn Compton
Community Action Partnership of San Luis Obispo (CAPSLO)	Debbie Arnold	Debbie Arnold
Economic Vitality Corporation	John Peschong, Lynn Compton	Adam Hill, Lynn Compton
Fire Safe Council	Debbie Arnold	Debbie Arnold

First 5 Children & Families Commission	Bruce Gibson	Bruce Gibson
Homeless Services Oversight Council	Debbie Arnold	
Latino Outreach Council	John Peschong	Lynn Compton
Local Agency Formation Commission (LAFCO)	Debbie Arnold, Lynn Compton,	Debbie Arnold, Lynn Compton
Model of Care Partnership Oversight Committee (MOCPOC) Martha's Place	Bruce Gibson	Bruce Gibson
Nacimiento Water Project Commission	John Peschong	John Peschong
National Estuary Program Executive Committee	Bruce Gibson	Bruce Gibson
Psychiatric Health Facility Committee	Lynn Compton	Lynn Compton
Rural Counties Representatives of California (RCRC)	Lynn Compton, Debbie Arnold (alternate)	John Peschong, Debbie Arnold
SB/SLO Regional Health Authority (CenCal)	Adam Hill	Adam Hill
South County Area Transit (SCAT)	Lynn Compton	Lynn Compton
Student-Community Liaison Committee	Debbie Arnold, Adam Hill (alternate)	Debbie Arnold, Adam Hill
Visit SLO Advisory Committee	Lynn Compton	Lynn Compton

Item 25 - San Luis Valley (Edna Valley) Groundwater Sustainability Administration. The item was approved unanimously. It sets up a management structure between the City of SLO, the

County, and overlying owner organizations (the Groundwater Sustainability Commission) to prepare a groundwater sustainability plan (GSP) for the valley per the requirements of the State Groundwater Management Act (SGMA).



Item 27 - Marijuana Licensing Snafus. In an effort to help the marijuana industry in the near term, the Board unanimously approved a form letter that can be used by marijuana businesses to receive state permits while their County permits are in process.

Background: In order for marijuana growers, processors, wholesalers, and retailers to operate, they must have a State license. To obtain the state license, they must have a permit to operate from their local county or city. One problem is that the County permit required is either a minor use permit or a more complex conditional use permit. Obtaining these permits can be time consuming and expensive. Further compounding the problem is the fact that some of these permits require an environmental assessment under the California Environmental Quality Act. Depending on the findings of the assessment, further environmental work could be required up to and including a full environmental impact report (EIR).

The situation could force existing legal growers out of business. County staff has proffered a potential temporary solution but is not sure whether the State will accept it. Staff pointed out that the State had accepted a similar letter from Santa Barbara County.

As we have said in the past, the cannabis industry may be forced to continue underground until some of these problems are worked out. We have heard from some growers that the minor use permit could cost \$13,000 in fees, which could be a substantial barrier for family and small operations. There could also be a permitting backlog.

Other Problems: The County ordinance does not include marijuana as a crop type qualifying for a Williamson Act exemption. Also, there are many registrants under the Urgency Ordinance 3334 who have multiple registrations under a single name. However, the State will only allow a single cultivation permit for a single individual, and the County will not change the name on a 3334 registration. The impact is that the County only has about 120 State Cultivation Permit candidates, not 141. In other words, the State law eliminates some growers that had registered under the County's interim ordinance and therefore might have applied for a permit. This will reduce tax revenues for the county.

Item 28 - Cannabis Taxation Options. The Board approved a marijuana tax measure and directed staff to prepare the measure for placement on the June 5, 2018 primary election. The tax would be 4% of the gross receipts of all marijuana businesses. Based on prior Board direction, the report assumes that any revenues raised would be for the purpose of mitigating known and unknown social, health, behavioral, and other adverse impacts of marijuana legalization. The Board also put tax increases on automatic pilot. Each year the tax rate will automatically increase by 2% until it reaches 10% unless the Board votes to suspend the increase in any year.

Background: The write-up states in part:

While fees charged to CRBs (Such as business licensing fees, Planning permit fees, and Sheriff background investigation fees) can recover direct costs associated with issuing licenses, inspections, and monitoring of legal businesses, they cannot be used to fund costs not attributable to a license holder such as law enforcement activities related to illegitimate businesses. In addition, fees cannot currently be used to recover indirect costs such as health and social impacts or child and adult education, and community outreach.

Without an additional funding source, the County will not be able to address the risks and adverse impacts of cannabis use in San Luis Obispo County while also maintaining the existing governmental services funded by the General Fund. Accordingly, the Auditor-Controller-Treasurer-Tax Collector (ACTTC) is proposing that the Board of Supervisors consider authorizing and endorsing the creation of an ordinance to place a general cannabis tax measure

on the June 2018 ballot for voter approval to help mitigate the known and unknown impacts legalized cannabis has on the San Luis Obispo County.

TAX ON GROSS RECEIPTS (32 Permits issued)	Low End	Middle	High End
2%	\$688K	\$1.5M	\$3.5M
4%	\$1.4M	\$3.0M	\$6.9M
6%	\$2.1M	\$4.5M	\$10.4M
8%	\$2.8M	\$6.0M	\$13.9M
10%	\$3.4M	\$7.5M	\$17.3M
TAX ON GROSS RECEIPTS (141 Permits issued)	Low End	Middle	High End
2%	\$2.4M	\$5.7M	\$14.0M
4%	\$4.9M	\$11.6M	\$28.0M
6%	\$7.4M	\$17.3M	\$42.0M
8%	\$9.8M	\$23.1M	\$56.1M
10%	\$12.3M	\$28.9M	\$70.1M

In one scenario a 4% tax with 141 permits might raise \$11.6 million. This could grow over time if business is good and/or if the Board determines to allow more permits in future years. An expenditure of \$11.4 million per year would suggest, in the words of the County, substantial *“risks and adverse impacts of cannabis use in San Luis Obispo County.”* Just what does the staff have in mind here? Of course a major mental health and substance abuse jail diversion program could cost millions. On the other hand, mental disease, alcoholism, use of opioids, and other problems leading to incarceration are not marijuana problems in and of themselves.

Strangely, and while the write-up as noted above and the preamble to the ordinance couch the reason for the ordinance in terms of mitigating adverse impacts, the actual ordinance would make the funding totally unrestricted and places it in the general fund.

Thus the preamble states:

The purpose of the Cannabis Business Tax (CBT) is to continue the quality of life in San Luis Obispo County while mitigating known and unknown impacts associated with the legalization of Adult Recreational use of Cannabis and the easing of requirements for the purchase and use of cannabis for medicinal purposes. We anticipate impacts on all levels of law enforcement, mental health services, drug and alcohol services, child and adult public education, child protective services, tax collection, and enforcement efforts of the Planning Department and the Office of the Agricultural Commissioner. Adult recreational use of cannabis is relatively new across the United States and we believe there will be consequences which are unanticipated at this time. This ordinance adds Chapter 3.05 to the San Luis Obispo County Code to impose a County General tax on commercial cannabis businesses in the unincorporated area of San Luis Obispo County as of June 1, 2018.

But the actual text makes it a general tax;

3.05.020 - General tax.

The commercial cannabis business tax is enacted solely for general governmental purposes for the County and not for specific purposes. All the proceeds from the tax imposed by this Chapter shall be placed in the County's general fund and can be used for general governmental purposes. The term "cannabis" or "marijuana" may be used interchangeably throughout this ordinance.

In other words it can be used for just about anything. Plus it can be approved by a 50%+1 vote.

AND

The tax can be raised by a 3/5 vote of any the Board of Supervisors in 2% increments per year to a maximum of 10%.

2. Beginning on July 1, 2020, such tax rate may be increased in 2 percent increments (2%), not to exceed the maximum tax rate of ten percent (10%) per fiscal year on gross receipts. Incremental increases in the tax rate shall occur following an approval by a 3/5th vote of the Board of Supervisors at a regularly scheduled meeting of the Board of Supervisors, and occur not more than once per fiscal year. Any decrease in the current amounts established at the time of voter approval of this ordinance will need to be approved by the Board of Supervisors by 3/5th vote.

Here and separately from any particular issues related to marijuana is the potential for major revenues, which can be used to increase salaries and benefits, add new programs, add to the number of County staffers, and otherwise expand the power of the bureaucracy and elected officials. The full report on the proposed tax measure can be accessed at the link:

<http://agenda.slocounty.ca.gov/agenda/sanluisobispo/8254/Q2FubmFiaXMgVGF4IFByZXNlbnRhdGlubi5wZGY=/12/n/88455.doc>

**California Public Utilities Commission Meeting of Wednesday, January 11, 2018
(Completed) – 9:30 AM**

Item 46 - Application of Pacific Gas and Electric Company for Approval of the Retirement of Diablo Canyon Power Plant, Implementation of the Joint Proposal, And Recovery of Associated Costs Through Proposed Ratemaking Mechanisms. The Commission unanimously approved the Administrative Law Judge's recommendation. The final decision includes:

1. The retirement (closure) of the Diablo Nuclear Power Plant.

2. Rejection of the proposed energy replacement program and deferral to a separate set of proceedings (the Commission's Integrated Resource Plan – IRP proceedings), which would take place in 2019. PG&E had originally proposed a series of phased acquisitions of huge amounts of “green” energy over many years to replace the 2400 MGW generated by Diablo.

3. Partial approval of the proposed \$352.1 million Employee Retention and Transition Program (\$211.3 million instead). The ALJ found some provisions in this portion of the proposal to be “overly generous” and had recommended \$140 million. Somehow this was bumped up to the \$211.3 million in the final write up presented to the Commission.

4. Complete rejection of the proposed Community Impacts Mitigation Program (CIMP), \$85 million, as being unfair and illegal.

5. Reimbursement of \$18.6 million of \$52.7 million which PG&E had spent on relicensing prior to its decision to close the plant.

The Commissioners stated that they sympathized with the plight of the local communities vis-a-vis lost tax revenue and suggested that they approach the State with legislation which would authorize the CPUC to grant PG&E ratepayer reimbursement to pay them the \$85 million. The Commission would actually prefer that the State fund the issue so that all taxpayers pay, rather than only PG&E ratepayers pay.

The Commissioners were also very enthusiastic about the closure of the plant and referred to nuclear energy as a “legacy” system like coal. Somewhat ominously, Commission Chairman Picker stated in the record that, given this decision and the evolving energy market, PG&E may find it advantageous to close the plant sooner, in 2020 or 2022. The Commissioners expressed the certain belief that PG&E will be able to replace the energy currently generated by Diablo with “clean no carbon energy over the long term.” They did admit that for some unspecified interim period, an increase in natural gas generated electricity might be required.

The 5 Commissioners are appointed by the Governor for 6-year overlapping terms. All 5 have been appointed or reappointed since 2014 (there were some retirements). Most have advanced degrees (largely law) from Yale, Princeton, and Berkeley. It was clear from the comments that all 5 are total believers in global warming, greenhouse gas reduction, and the end of fossil fuels.

Background: The vote was originally scheduled for December 14, 2017 but was continued to January 11, 2018.

On November 8, 2017, Public Utilities Commission (PUC) Administrative Law Judge (ALJ) Peter V. Allen rendered his recommended decision with respect to the PG&E Joint Proposal (JP) for the closure of Diablo to the full Public Utilities Commission Board. The Commission has the final decision making authority.

Planning Commission Meeting of Thursday, January 12, 2018 (Completed)

There were no major policy matters on this agenda. Instead it contained a number of requests for permit extensions and several cell tower applications.

COLAB IN DEPTH

IN FIGHTING THE TROUBLESOME, LOCAL DAY-TO-DAY ASSAULTS ON OUR FREEDOM AND PROPERTY, IT IS ALSO IMPORTANT TO KEEP IN MIND THE LARGER UNDERLYING IDEOLOGICAL, POLITICAL, AND ECONOMIC CAUSES AND FORCES

GOVERNOR'S 2018-19 PROPOSED BUDGET

The new Budget totals \$131.6 billion, an increase of \$5.1 billion from last year's \$126.5 billion. In actuality and when special funds for transportation, other earmarked revenues, and bond sales (debt) are included, the total true direct State spending reaches \$190.3 billion.

Figure SUM-08
2018-19 Revenue Sources
(Dollars in Millions)

	General Fund	Special Funds	Total	Change From 2017-18
Personal Income Tax	\$93,593	\$2,229	\$95,822	\$4,330
Sales and Use Tax	26,151	11,741	37,892	1,701
Corporation Tax	11,224	-	11,224	568
Highway Users Taxes	-	8,253	8,253	1,424
Insurance Tax	2,508	-	2,508	70
Alcoholic Beverage Taxes and Fees	382	-	382	6
Cigarette Tax	63	1,956	2,019	-52
Motor Vehicle Fees	27	9,355	9,382	1,028
Other	894	22,886	23,780	-977
Subtotal	\$134,842	\$56,420	\$191,262	\$8,098
Transfer to the Budget Stabilization Account/Rainy Day Fund	-5,050	5,050	0	0
Total	\$129,792	\$61,470	\$191,262	\$8,098

Note: Numbers may not add due to rounding.

On top of this are about \$105.8 billion in Federal funding administered by the State for Medi-Cal, welfare, and other income maintenance and social safety net programs, or close to \$300

billion all in (about the same as the gross domestic product of Denmark). The historical growth of the State Budget is displayed below.

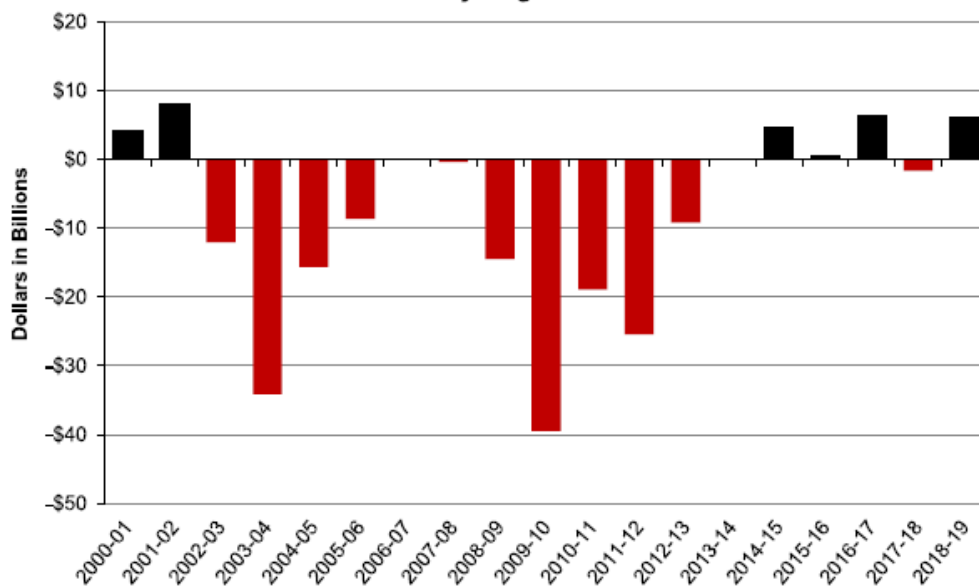
CHART B
HISTORICAL DATA
BUDGET EXPENDITURES
General, Special, Bond, and Federal Funds ^{1/}
(\$ in Millions)

FISCAL YEAR	GENERAL FUND ^{2/}	SPECIAL FUNDS	TOTALS	BOND FUNDS	BUDGET TOTALS	FEDERAL FUNDS	EXPENDITURE TOTALS INCLUDING FEDERAL FUNDS	SPECIAL FUND FOR ECONOMIC UNCERTAINTIES
1976-77	\$10,370.6	\$2,041.4	\$12,412.0	\$123.2	\$12,535.2	\$7,991.7	\$20,526.9	\$1,818.2
1977-78	\$11,613.1	2,161.1	13,774.2	156.6	13,930.8	7,239.1	21,169.9	\$3,886.9
1978-79	\$16,136.0	2,297.8	18,433.8	196.4	18,630.2	7,452.6	26,082.8	\$2,905.4
1979-80	\$18,421.0	2,760.4	21,181.4	193.0	21,374.4	8,160.2	29,534.6	\$1,998.0
1980-81	\$20,871.8	3,261.6	24,133.4	144.6	24,278.0	10,247.6	34,525.6	\$349.0
1981-82	\$21,445.3	3,098.6	24,543.9	230.2	24,774.1	10,863.2	35,637.3	\$4.9
1982-83	\$21,461.5	3,180.0	24,641.5	398.5	25,040.0	12,254.7	37,294.7	-\$590.8
1983-84	\$22,575.2	3,527.4	26,102.6	399.9	26,502.5	12,454.3	38,956.8	\$427.6
1984-85	\$25,466.4	4,651.4	30,117.8	588.4	30,706.2	13,371.6	44,077.8	\$1,320.5
1985-86	\$28,570.9	5,190.3	33,761.2	945.1	34,706.3	14,280.3	48,986.6	\$435.6
1986-87	\$31,227.2	5,649.5	36,876.7	961.3	37,838.0	14,744.7	52,582.7	\$547.5
1987-88	\$32,751.8	6,013.7	38,765.5	1,302.6	40,068.1	14,950.2	55,018.3	\$3.6
1988-89	\$35,763.7	6,222.9	41,986.6	2,514.2	44,500.8	16,626.2	61,127.0	\$856.5
1989-90	\$39,455.9	7,872.4	47,328.3	1,265.9	48,594.2	18,658.5	67,252.7	\$41.2
1990-91	\$40,263.6	8,562.7	48,826.3	2,619.2	51,445.5	21,483.9	72,929.4	-\$1,715.2
1991-92	\$43,327.0	11,192.6	54,519.6	1,760.5	56,280.1	26,722.3	83,002.4	-\$2,962.5
1992-93	\$40,948.3	11,652.0	52,600.3	3,879.9	56,480.2	29,582.7	86,062.9	-\$2,831.3
1993-94	\$38,957.9	12,746.5	51,704.4	1,378.9	53,083.3	32,553.8	85,637.1	-\$281.3
1994-95	\$41,961.5	11,942.9	53,904.4	708.1	54,612.5	31,497.3	86,109.8	\$313.0
1995-96	\$45,393.1	12,540.6	57,933.7	1,936.7	59,870.4	30,339.6	90,210.0	\$234.6
1996-97	\$49,088.1	13,261.7	62,349.8	2,173.4	64,523.2	31,385.3	95,908.5	\$461.0
1997-98	\$52,874.4	14,201.8	67,076.2	1,451.9	68,528.1	31,648.7	100,176.8	\$2,594.6
1998-99	\$57,827.1	14,735.9	72,563.0	2,697.3	75,260.3	34,375.1	109,635.4	\$3,116.0
1999-00	\$66,494.0	15,787.1	82,281.1	2,583.0	84,864.1	37,303.3	122,167.4	\$8,665.5
2000-01	\$78,052.9	13,971.5	92,024.4	4,357.1	96,381.5	41,272.8	137,654.3	\$1,309.6
2001-02	\$76,751.7	19,448.1	96,199.8	3,020.2	99,220.0	46,622.6	145,842.6	-\$3,535.2

CHART B
HISTORICAL DATA
BUDGET EXPENDITURES
General, Special, Bond, and Federal Funds ^{1/}
(\$ in Millions)

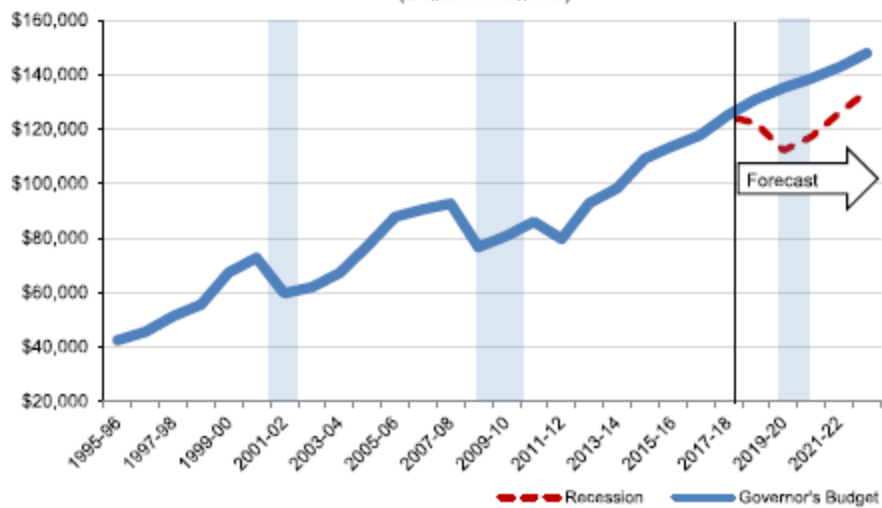
FISCAL YEAR	GENERAL FUND ^{2/}	SPECIAL FUNDS	TOTALS	BOND FUNDS	BUDGET TOTALS	FEDERAL FUNDS	EXPENDITURE TOTALS INCLUDING FEDERAL FUNDS	SPECIAL FUND FOR ECONOMIC UNCERTAINTIES
2002-03	\$77,482.1	18,282.0	95,764.1	11,014.5	106,778.6	54,732.6	161,511.2	\$678.6
2003-04	\$78,345.2	18,891.9	97,237.1	6,986.1	104,223.2	52,419.9	156,643.1	\$2,847.4
2004-05	\$79,804.0	22,191.7	101,995.7	5,595.5	107,591.2	52,121.7	159,712.9	\$9,112.3
2005-06	\$91,591.5	22,716.4	114,307.9	5,304.2	119,612.1	53,568.7	173,180.8	\$10,071.4
2006-07	\$101,413.0	22,554.0	123,967.0	6,001.0	129,968.0	52,935.1	182,903.1	\$3,014.8 ^{3/}
2007-08	\$102,985.7	26,673.8	129,659.5	8,405.3	138,064.8	56,211.3	194,276.1	\$1,296.3 ^{4/}
2008-09	\$90,940.4	23,843.8	114,784.2	7,601.8	122,386.0	73,089.6	195,475.6	-\$7,391.4 ^{5/}
2009-10	\$87,236.7	23,514.0	110,750.7	6,250.2	117,000.9	89,088.2	206,089.1	-\$6,112.6 ^{5/}
2010-11	\$91,549.1	33,432.1	124,981.2	6,000.0	130,981.2	84,764.3	215,745.5	-\$3,797.3 ^{5/}
2011-12	\$86,403.5	33,853.3	120,256.8	6,104.2	126,361.0	73,062.8	199,423.8	-\$2,233.1 ^{5/}
2012-13	\$96,562.1	37,724.3	134,286.4	6,714.6	141,001.0	70,431.4	211,432.4	\$1,572.9 ^{5/}
2013-14	\$100,005.2	38,311.4	138,316.6	4,493.7	142,810.3	72,583.3	215,393.6	\$4,619.0 ^{5/}
2014-15	\$113,447.7	41,701.7	155,149.4	5,145.0	160,294.4	90,049.5	250,343.9	\$2,478.4 ^{5/}
2015-16	\$114,464.8	42,099.9	156,564.7	3,644.0	160,208.7	90,690.3	250,899.0	\$3,524.2 ^{5/}
2016-17	\$119,087.4	44,254.7	163,342.1	2,340.0	165,682.1	95,296.7	260,978.8	\$3,446.0 ^{5/}
2017-18	\$126,511.3	55,851.5	182,362.8	6,317.6	188,680.4	102,234.1	290,914.5	\$4,186.2 ^{5/}
2018-19	\$131,690.1	56,154.0	187,844.1	2,475.4	190,319.5	105,877.3	296,196.8	\$2,287.6 ^{5/}

Figure INT-01
**Balanced Budgets Have Been Quickly
 Followed by Huge Deficits^{1/}**

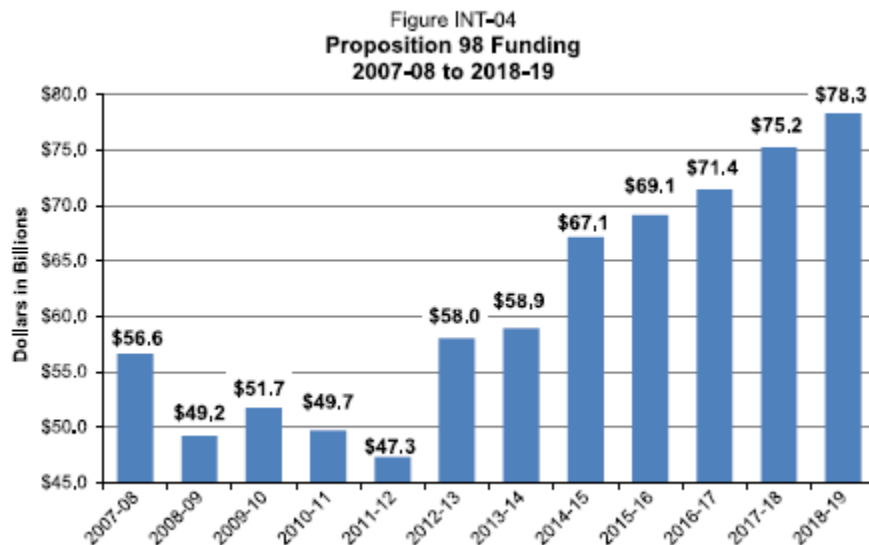


^{1/} Budget shortfalls or surplus, measured by the annual Governor's Budget.

Figure INT-02
Annual Revenue Could Drop by over \$20 Billion in a Recession
 (Dollars in Millions)



Notwithstanding huge growth, there is “never” enough for K-12 education.



COMMENTARY: BROWN’S FINAL BUDGET REFLECTS CAUTIOUS APPROACH

By Dan Walters

Roy Bell, who was Jerry Brown’s first budget director 43 years ago, called it a “dog-and-pony show” and it’s one of the Capitol’s longest-running rituals.

Each January, usually on the 10th, journalists who cover the Capitol file into a first-floor room dedicated to news conferences and settle into fiberglass swivel chairs that would command high prices at an auction of mid-century modern furniture.

Thereupon, the governor and his finance director reveal a proposed state budget for the fiscal year that would begin six months hence.



Brown’s first budget for the 1975-76 fiscal year was quite modest by contemporary standards, \$11.5 billion, and was contained in a thick sheaf of loose leaf pages bound with brown shoelaces.

On Wednesday, Brown proposed the 16th and final budget of his record-long gubernatorial career – two eight-year stints separated by 28 years of doing other things – aided by his current budget director, Michael Cohen, who was a toddler in 1975.

It totals \$190.3 billion, more than 16 times Brown's first – but according to historic data maintained by Cohen's staff, would spend roughly the same percentage of Californians' personal income as it did 43 years ago, a bit less than 8 percent.

That remarkably stable number underlies one of the budget's political axioms: Most of it is on autopilot, governed by statutory formulas, constitutional law (especially school spending), federal aid and other immutable factors.

Therefore, the annual political wrangling over the budget involves only its relatively tiny margins.

This year's version of marginal conflict involves roughly \$5 billion in revenue beyond what was earlier forecast.

Brown, as is his wont, warned anew Wednesday that California is overdue for a recession that, in combination with a tax system highly dependent on a handful of rich taxpayers, would hit the budget hard – an estimated \$20 billion per year loss of revenue.

"Fortunately, we haven't hit that recession yet, but we will," Brown told reporters to explain why he wants to use the extra money mostly to fatten the state's "rainy day" reserve, raising it to \$13.5 billion.

That intent runs counter to hopes of his fellow Democrats in the Legislature to spend more, particularly on health care, early childhood education and other entitlements that would be difficult, if not impossible, to cut if revenues fall.

"This is about steady-as-you-go or exuberance followed by pain," said Brown, who is obviously determined to leave the state's fiscal house in better order than the deficit- and debt-riddled situation he inherited from predecessor Arnold Schwarzenegger – or that he bequeathed to successor George Deukmejian in 1983.

Brown 2.0 has been fairly careful with the taxpayer's buck. While spending has increased sharply, from \$130.9 billion in 2011-12 to a proposed \$190.3 billion for 2018-19, it has actually dropped fractionally in relation to personal income.

There is, however, a caveat on that largely positive appraisal. The unfunded liabilities for public employee pensions and health care have expanded by tens of billions of dollars during his watch and Brown has addressed them only tepidly.

Those obligations will weigh heavily on the next governor, as will the inevitability of an economic downturn, since the recovery from last decade's Great Recession is already historically long.

Furthermore, as Brown was reminded by one of Wednesday's reportorial questioners, the Democrats vying to succeed him this year have been courting liberal voters by promising all sorts of new and expensive programs if elected, largely mirroring what Democratic legislators want.

Brown acknowledged Wednesday that he's been lucky to have an expanding economy and an electorate willing to enact higher taxes. His successor may not be as fortunate

Those obligations will weigh heavily on the next governor, as will the inevitability of an economic downturn, since the recovery from last decade's Great Recession is already historically long.

This article first appeared in the January 11, 2018 issue of Cal Matters. Dan Walters has been a journalist for nearly 57 years, spending all but a few of those years working for California newspapers. He is regarded as the dean of capitol writers covering State Government. He recently appeared at a COLAB Forum.



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