

## **Canciamilla-Richman Reform Plan**

Prepared by Assemblyman Joe Canciamilla and Assemblyman Keith Richman to supplement testimony before the Little Hoover Commission

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### **Achievements**

**2003 Bipartisan Budget Proposal** - Last year, we proposed a financially responsible budget and economic stimulus package. The proposal rolled per capita spending and state employee levels below 1998 levels, protected essential services, raised the sales tax by ½-cent to pay off the existing debt, provided a solid foundation for future budgets and promised to increase jobs by improving California's economic climate. According to the LAO, the proposal would have resulted in a reserve of \$793 million in 2003-04 – a stark contrast to the \$14 billion budget deficit the state currently faces. Yet because of the severity of the necessary cuts to important state programs, the proposal did not generate wide support in the Legislature.

**Spending Limit/Budget Reserve** – As part of the bipartisan budget proposal, we suggested that the Legislature create a budget reserve to protect important programs from fluctuations in revenue. We also suggested that the state needs a constitutional limit on state spending to smooth out the ups and downs in the growth of programs. To further this proposal, we introduced Assembly Constitutional Amendment 1 (ACA 1) on the first day of the fifth Extraordinary Session in October. ACA 1 later became the foundation for negotiations between the Governor and the Senate and Assembly leadership that resulted in Proposition 58, a proposal to set aside 5% of the state's revenue for a reserve on the March 2004 ballot.

**Infrastructure** – Last year, we authored Assembly Constitutional Amendment 11 (later Proposition 53) to provide a reliable, long-term source of funding for infrastructure – a critical element of any economic stimulus package and an essential part of improving the quality of life for Californians. While the measure was defeated at the October 7<sup>th</sup> Special Election (in part because voters disagreed with the method through which we proposed to fund infrastructure), the pressing need to stop the deterioration of California's infrastructure received a significant amount of media and public attention. Every newspaper editorial board, even those that opposed Proposition 53, stressed the need for a reliable source of infrastructure funding. It remains an unresolved problem.

### **Remaining Challenges**

While the Legislature has made some small steps forward in the last year, much remains to be done. Fiscal reform, process reform, political reform and an economic stimulus package are all a necessary part of the solution.

#### ***1. Fiscal Reform***

**Review of Tax Exemptions and Credits** – The Legislature should review tax exemptions and credits intended for specific incentives to ensure they are effective and consistent with state priorities.

**Local Government and School Mandate Reform** – The Legislature should review local government and school mandates to: a) eliminate duplication and inefficiencies; and b) to provide additional flexibility to allocate resources in a manner that best fits the specific needs of local governments and schools.

**Sinclair Paint Fees** – The Legislature should narrow the “nexus” requirements established by the Sinclair Paint decision regarding fees to fund government services. The Legislature should increase the voter approval threshold for all fees that do not meet the narrower requirement to a 2/3rds vote.

**Pension Reform** – The Legislature should close the current “defined benefits” plans to new state, local and education employees. The new employees should instead have a “defined contribution model” – for example, a 401(k) plan - similar to the models used by most private organizations.

## ***2. Process Reform***

**Increase Legislative Oversight** – The Legislature should review each budget item carefully through a systematic oversight process. The oversight process must include a framework for setting priorities, in both good and bad economic times. With this information, as well as an accurate revenue picture, the Legislature could then have an intelligent discussion about the options available to resolve any budget shortfall or to distribute funding during budget surpluses. Both Republicans and Democrats must recognize that every program cannot be a top priority that is protected from declines in government revenue.

**Improve Policy Committees** – The Legislature should explore ideas to improve the policy committee process. Potential reforms include improvements to the quality and consistency of analyses through formal training and review, exemption of policy committee consultants from campaign activities, and ensuring Republican input into analyses when the Democrats control the Legislature and vice versa.

## ***3. Political Reform***

While structural reforms to the Legislature’s policy and budget processes are an essential part of long-term reform, political reforms will ensure that the legislators that make important policy and budget decisions are elected through a more competitive process than the one that exists today. The Assembly Bipartisan Group has committed to working on the following issues, as well as other reform issues, this year.

**Revise Term Limits** – While it appears that voters do not want to extend the number of years a legislator can serve, the Legislature should explore other options to ensure that legislators have the sufficient expertise and experience to navigate the difficult issues that the Legislature faces. One option includes allowing a legislator to serve the entire 14 years of eligibility (currently 6 in the Assembly and 8 in the Senate) in either the Assembly or the Senate.

**Open Primaries** – It appears there is broad public support for open primaries, which will promote competition by allowing voters to choose a candidate from either party during primary elections.

**Independent Redistricting Commission** – As a result of the politics of redistricting, current legislative districts are drawn to ensure that incumbents are protected and to discourage competition. An independent redistricting commission would ensure that districts are drawn to promote competition, rather than hinder it. The Assembly Bipartisan Group supported the preparation and introduction of ACA 19 (Lowenthal), a constitutional amendment that will substantially improve legislative redistricting in California by adopting a less partisan approach than the current redistricting process. The proposed approach is modeled after the system currently used in Arizona.

#### ***4. Economic Stimulus***

Economic stimulus is an important part of long-term fiscal reform because a healthy economy generates revenue that government can use to provide vital public services.

**Worker’s Compensation Reform** – The Legislature should pass real reforms that improve workers’ health care, control medical costs, reduce administration expenses, and eliminate fraud and improve California’s business climate. Necessary components include: reasonable fee schedules for all services, mandatory training for workers’ compensation physicians, objective criteria for permanent disability ratings and independent review of treatment programs.

**Extend the Manufacturers Investment Tax Credit** – The Legislature should extend the state tax credit for purchase of jobs-producing manufacturing equipment.

**End Abusive Commercial Lawsuits** – The Legislature should require trial lawyers to find a specific individual with provable damages before allowing lawsuits to be filed under the Unfair Competition statute (Business and Professions Code section 17200).

**Reduce Energy Costs** – The Legislature should restore customer choice in energy procurement through a core/non-core market and eliminate the 8-year rate freeze for residential customers using 130% or less of baseline quantities.