



Where Are We? Where Are We Going? The 2007-08 Budget Stalemate

On August 1, the State Senate failed to achieve the required two-thirds majority needed to approve a 2007-08 spending plan. The budget bill approved by a vote of 56 -23 in the Assembly, received support from all 25 Democratic State Senators and one Republican, Senator Abel Maldonado. Two Republican votes are needed for the measure's passage. On July 25, Senate Republicans called for deep cuts to the spending plan passed by the Assembly, including major policy changes to the state's CalWORKs Program. Press reports indicate that Republicans have requested changes to state environmental laws, specifically limits on lawsuits related to the impact of proposed developments on climate change, as a condition for approving a spending plan. The Governor has stated that he doesn't "think it is appropriate to hold up the budget over a non-budget issue." Prior to the August 1 vote, rumors had suggested that the Governor's promise to use his line item veto authority to bring 2007-08 revenues and spending into balance would be sufficient to win two Republican Senators' support for the budget.

The state is unable to pay many of its bills in the absence of a budget. Last week, the Department of Health Care Services announced that it lacked authority to pay institutional providers – such as hospitals, nursing homes, clinics, and managed care plans – that participate in the state's Medi-Cal program. The state also lacks authority to pay providers of some services delivered to children in the California Children's Services, Child Health and Disability Prevention, Genetically Handicapped Persons, and Healthy Families Programs. On July 31, State Controller John Chiang announced that the state lacked authority to make payments to community colleges, school districts for categorical programs, and vendors. State workers, except for certain elected officials, political appointees, and legislative staff continue to receive their salaries in the absence of a budget. The list of obligations that can and cannot be paid in the absence of a spending plan has evolved in response to court decisions and other rulings subsequent to past budget delays.

A CBP summary, available at www.cbp.org, reviewed the budget passed by the Assembly. Additional details are available from the Legislative Analyst's Office at <http://www.lao.ca.gov/laoapp/PubDetails.aspx?id=1666>. The Senate adjourned after the budget's failure with no scheduled meeting until August 20. The Senate is officially recessed on "call of the Chair" and could meet if agreement is reached on a spending plan. The Assembly, which has passed the budget and related implementing legislation, will also return from summer recess on August 20. Press reports issued by the Governor's communications staff, expressed frustration that Senate Republicans' budget demands have shifted during the course of negotiations.

California is one of just three states – the other two being Rhode Island and Arkansas – to require a two-thirds or greater approval of a state budget under any circumstances. California is one of just 11 states, and the only large state, to require a two-thirds or greater vote to approve a state tax increase.