



THE CALIFORNIA FORWARD REFORM PLAN: QUESTIONS & ANSWERS

What is California Forward?

We're Californians who have come together to reclaim our power as citizens and make our government work again. Our focus on government reform is grounded in California's need to meet the challenges of the coming decades – in healthcare, education, the environment, public safety, and economic growth, among other issues. California needs to fundamentally change how public decisions are made and how public dollars are spent and Californians need better tools to hold politicians accountable.

We were formed in 2008 to address these challenges in response to a request from California's biggest foundations: The California Endowment, The Evelyn and Walter Haas Jr. Fund, The William and Flora Hewlett Foundation, The James Irvine Foundation, and The David and Lucile Packard Foundation. They asked for a new plan to change how California is governed. You can find out more about *California Forward* by visiting caforward.org.

What is California Forward's plan? How will it help?

To really turn the state around, we need change on a number of fronts; but given the dire state of our fiscal system, that's where we've chosen to start. We studied dozens of policy options, culling the very best practices from our own communities and across the country. We found that California's state government lacks many of the tools other states and the private sector consider essential to managing their budgets. Our plan would require the Governor and Legislature to adopt these best practices and pass responsible, on-time budgets.

Our plan also will rethink the relationship between state and local government – with a strong preference for government that's closer and more accountable to people. Our plan gives local governments more freedom to solve problems at the local level, innovate to govern more effectively, while providing more accountability at the local level.

What problem does the California Forward plan address?

While California is widely regarded as a leader in opportunity, innovation and diversity, the sad fact is – when it comes to the basics of government – we've fallen behind other states. The widely respected Pew Center on the States literally gives California an overall grade of "C" for the way top officials manage the state. Forty one states got higher grades, six scored the same, and only two scored lower. Looking solely at fiscal performance, California earned a "D+."

Even among the largest states – which make for the best comparisons with California – we’re at the bottom of the class. Eight of the other 10 largest states all score better, with Florida, New York, North Carolina, Ohio and Pennsylvania all earning “B-,” and Georgia, Michigan and Texas all at the top of the class at “B+.”

The *California Forward* plan addresses these shortcomings, because states that get these basics right also get better results in their schools, keeping their highways safe and providing health care.

What is Pay-As-You-Go?

Pay-as-you-go means the state can’t spend money on new programs without first specifying how to pay for them. This reform would make it much harder for Sacramento to spend taxpayer money it doesn’t have. One of the reasons we ended up with a multi-billion dollar structural deficit in California is because we created new programs or expanded existing ones without first identifying a funding source. Our state’s budget problems grow worse every time the state makes a public policy commitment (whether on programs or tax breaks) without first recognizing its long-term fiscal impact.

A pay-as-you-go reform would also clarify what Californians can expect for their tax dollars. For example, legislation passed in 2000 guaranteed financial aid to any college student admitted to state colleges and universities who meets educational and income requirements – but without specifying a source of funding. And today, the University of California is using funds from short-term accounts to cover the estimated \$125 million in grants for roughly 46,000 students.

What’s Results-based Budgeting?

Results-based budgeting (sometimes called performance-based budgeting) would force the Governor and Legislature to set clear goals for programs as part of the state budget. California voters and lawmakers would better understand what the state is trying to accomplish with its tax dollars, and the Legislature would base more spending decisions on whether programs are actually working. If state programs meet their targets and deliver results, then it makes sense to continue funding them. If programs fail, this system will help lawmakers make changes to improve results.

Currently, many state programs automatically receive the amount of money they received last year, plus growth. Results-based budgeting would force state agencies to submit to the Governor and Legislature a complete and detailed budget that sets clear and measurable goals.

Is results-based budgeting working elsewhere?

Yes. Governors and legislatures in other states, including Washington, Virginia and Florida, offer successful models for performance budgeting. A number of local governments in California, including San Mateo County, also have been leaders in integrating performance goals into the local budgeting process.

If you reduce the state budget vote requirement, won't that make it easier to raise taxes?

No. Our plan eliminates budget stalemates by changing the legislative vote requirement for state budget approval to a simple majority (to be adopted in conjunction with the plan's other fiscal reforms, and while retaining the two-thirds majority vote requirement for tax increases) – which the vast majority of states use to adopt their budgets.

What about the vote threshold for local tax increases?

Our plan retains the local vote thresholds established under Proposition 218, with general tax increases approved by majority vote and specific tax increases approved by two-thirds majorities. It also allows local and regional governments to work together to develop plans to address priority community needs – which also would need to be approved by a majority of voters to take effect.

Why is increased budget oversight in your plan? Isn't that happening already?

Budget oversight is not happening to the degree we need. California needs the Legislature to conduct regular monitoring and change redundant, inefficient and out-dated programs and tax breaks that are not working. Our plan would require a new constitutional oversight process for the Legislature empowering two watchdog organizations: the Joint Legislative Budget Committee and the Little Hoover Commission.

The Legislature should systematically review the performance of programs and their contribution to the state's goals and objectives, and encourage expert and public comment on how public funds could be better used to achieve objectives. Performance reviews should be scheduled ahead of the budget review process so those reviews inform budget deliberations. For new programs, unproven strategies or struggling programs, policy-makers need to consider a sunset review system to create an incentive for improvement and to prompt change if necessary.

Other states have put in place tools that allow not only policymakers to assess progress of public programs, but the public, as well. In Virginia, which consistently receives high marks from the Government Performance Project of the Pew Center on the States, the Governor has

established clear goals for state programs. Progress toward those goals is readily available, enabling residents to track progress over time. Virginia's Department of Transportation has an online dashboard allowing residents to track progress on several performance measures, including vehicle accident fatalities, roadway congestion and fiscal management within the agency. The Virginia Department of Transportation's dashboard can be found at: <http://dashboard.virginiadot.org/Default.aspx>.

What difference is a two-year budget going to make?

The state tax system's heavy reliance on income taxes means California has a very volatile revenues from year to year – in good economic times we have much more money, and in worse economic times we have significantly less, typically with swings of billions of dollars.

A multiyear budget will allow officials to plan over a longer time than 12 months, as is the current practice. Multiyear budgeting is common practice in the private sector, and in many other states – it's a common-sense step to improve budget planning and results, without gimmicks and accounting tricks.

Our plan requires the Governor and Legislature to craft two-year budgets with midcourse correction authority and long-term revenue forecasts with capital investment plans. It also focuses attention on long-term implications of budget decisions and controls costs over time, requiring the Governor and Legislature to rebalance the budget when conditions change.

What do you mean by one-time revenues?

The state's reliance on income taxes and the volatility of those revenues from year to year means we periodically have spikes in tax collections that don't last more than a year or two. One of the ways we've gotten into trouble is by spending these one-time spikes to expand ongoing services that will cost money for the foreseeable future and most likely get even more expensive over time. Those spikes in revenue should be captured and only used for one-time purposes, which is what our plan requires.

California's leaders need to figure out what services are critical for the state to offer, and then figure out how to pay for them in a responsible, sustainable way – without creating huge structural deficits and incurring huge public debt. The current system pushes the costs of current programs onto future generations of Californians, which will make it even harder for them to buy houses, provide for their families, preserve the state's natural resources, and be the entrepreneurs that stimulate and lead our economy in the future.

Your plan also gives more power to local governments. How?

Our plan gives communities more control over community-related services and prevents the state from siphoning off local revenue. Local governments need legal ownership of specific funds for community services.

Our plan also gives community-level governments the authority to coordinate; consolidate districts when this makes sense; and, if there is agreement among the local governments that receive the property tax, to reallocate those taxes to match contemporary priorities and to improve efficiency and results.

Why do you support reforming term limits?

Legislators need to be problem-solvers, and they need experience in office to be effective. Instead of developing this expertise, California's current term limits gives legislators an incentive to do just the opposite, constantly jumping from one office to another – from the Assembly to the Senate and sometimes back again. Our plan would eliminate the incentive to leap-frog from office to office, while reducing the total time newly-elected state legislators are allowed to serve from 14 years to 12 years, regardless of whether the time is spent in the Assembly or Senate.

What makes you think this plan will succeed?

California voters are fed up with government that costs too much, gets too little done, and goes broke in the process. We're prepared to work with the Governor and Legislature to enact these reforms, but we're also prepared to take them directly to the people in the form of ballot initiatives in 2010 and 2012.

What's wrong with California anyway? Why are we so off track?

We agree – California is in crisis. Too many people have no connection to their elected representatives, particularly at the state level. Even when people are dissatisfied with the way things are, they don't know how to change what they don't like. Government is too far away from real people and elected officials seem deaf to the concerns and priorities of the public. In part, this is due to the complexity of California; the state stands alone by virtue of its size, the diversity of its geography and population and the global reach of its economy. But our system of governance also is severely outdated and in need of a major overhaul.

Why do it this way? Why not just enact reforms through a Constitutional Convention?

We need reform now. We can't wait for a constitutional convention to be called in 2010, convene in 2011 and finally propose reforms that would take effect years from now, if ever. What's more, there's no telling what issues a constitutional convention would address – and whether they would produce the reforms we really need. We think our approach is faster, more cost effective, and has a better chance of putting California back on track.