

Legislative Report

By Terry Leveille
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.A new legislative session is dawning in Sacramento with a new Governor and a new plan to deal with the state budget deficit. The deficit for this year and next is about \$28 billion. However, there is the so-called "structural deficit" that will linger even if the Governor can corral the special interests and the hyper-partisan politicians to agree on a plan to tackle the \$28 billion problem. The structural deficit is the year-to-year imbalance of revenues (primarily income taxes) versus spending (primarily education). Because of a proposition approved by the voters in 1988, approximately 40% of all General Fund spending goes to K-12 schools.

The Democrats don't want to reduce spending, although most understand that it is going to happen. The Republicans don't want tax increases, and almost all of them have signed a pledge not to increase taxes. From polls, most Californians don't want taxes increased, but neither do they want to see the programs, such as schooling, be cut by the amount necessary to balance the budget.

Meanwhile, Governor Jerry Brown has proposed a solution: Cut programs severely, curtail some tax loopholes, shift program responsibilities to local governments, and offer the voters the opportunity to extend the current tax amounts (temporary increases that are set to expire in a year) to prevent even more drastic cutbacks in education, health and other social programs. The Democrats seem willing to go along with most, but not all, of the proposals. They agree that the voters should have a say in whether to keep the current tax rates. The Republicans oppose putting a tax increase extension on the ballot and are urging the Democrats to come up with a spending plan that is based on what is expected from tax revenues. Democrats feel that the voters should have the final say when such drastic cuts are needed. In other words, finger pointing has continued unabated and the budget issue will continue to be the prominent focus of the new Governor and the Legislature in 2011.

From my perspective, to make a budget deal work everyone must feel some pain. If that doesn't happen there will be no budget deal.

But my job is to promote laws to help California's tire dealers and oppose ones that hurt the dealers. I started in 1994 with Eddie Cohn and the Southern California Tire Dealers Association and, in 2000, brought in Ejnar Fink-Jensen and the Northern California Tire Dealers Association.

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