



July 28, 2003

**To: News Media**  
**From: Cal-Tax**  
**Re: State Budget Myths**

Following is an excerpt from the July 28 *Caltaxletter* coverage of the budget. It was written by David R. Doerr, Cal-Tax chief tax consultant. We hope you will find it useful in accurately reporting budget details. – Ron Roach, communications director.

- **Myths Still Prevail in Budget Crisis Perceptions.** In discussions of the current state of California's budget crisis, several myths continue to be bandied about:
  - **Myth #1: No Tax Increase Budget v. Tax Increase and Cuts Budget.** People are still framing the issues in current budget debate on alternatives between a no-tax-increase budget v. a budget balanced with tax increases and cuts.
  - **Facts:** Taxes have already been increased to balance the budget. The car tax increase will raise more than \$4 billion a year. Fees, such as student fees, are also going up.

There is no absolute cut in spending. Cuts in some programs are offset by increases in others. The Legislative Analyst says that, while General Fund spending is shown to be down, actual spending is up by \$2.5 billion. While spending growth is slowed by historic standards, it is still 3.2 percent above last year in the Senate Democratic version of the budget, or near the increase in inflation and population.

The current debate is whether taxes should be raised even more, such as sales and income tax increases, or spending growth be curtailed somewhat. Actually, most of the budget solution is neither, but rather a reliance on borrowing and accounting gimmicks.

- **Myth #2: Origins of the Car Tax Trigger.** The trigger pulled by the Davis Administration in June that increases the car tax by \$4 billion is said to be a trigger put in place by former governor Pete Wilson.

- **Facts:** The current car tax trigger that was pulled was enacted in [AB 1121](#) (Nakano), passed in 1999 and signed by Governor Davis. This replaced the original car tax trigger in [AB 2797](#) (Cardoza), signed by Governor Wilson in 1998. Under the 1998 trigger, the car tax could only be raised by up to 1.5 percent, rather than to 2 percent that was done under the 1999 trigger.
- **Myth #3: Appropriations to Schools Require a Two-Thirds Vote of the Legislature.** This is the most pervasive budget myth in Sacramento, and stems from the fact that school spending is included in the overall budget, which requires a two-thirds vote. The proposed suit by Mr. O'Connell, seeking a majority vote on the budget due to harm to schools, reinforced the myth.
- **Facts:** Appropriations for public schools require only a majority vote of the Legislature. Article IV, Section 12(d) provides: "Appropriations from the General Fund of the State, except appropriations for the public schools, are void unless passed in each house by a roll call vote entered in the journal, two-thirds of the membership concurring."

If school appropriations were removed from the budget, they can be passed by a majority vote. They are included in the overall budget by the majority party to maximize pressure to approve the rest of the budget.