



Frequently Asked Questions

Proposition 1A – The Budget Stabilization Act

California voters will be asked to consider Proposition 1A, also known as the Budget Stabilization Act, on the special statewide May 19 ballot. This is one of six ballot measures that the Governor and the state Legislature have put forward as part of a package of actions to address a \$41.6 billion state budget shortfall.

According to the California Legislative Analyst's Office, Prop 1A would make major changes to the way in which the state sets aside money in one of its "rainy day" reserve accounts and how this money is spent. As a result, Prop 1A could have significant impacts on the state's budgeting practices in the future. The measure would tend to increase the amount of money set aside in the state's rainy day account by increasing how much money is put into this account and restricting the withdrawal of these funds.

The UC Board of Regents endorsed Prop 1A at their March 19 meeting.

What exactly will Prop 1A do?

Prop 1A would establish a "rainy day" reserve fund, regulate the level of spending each year, and increase the amount of funding held in reserve to help guard against the dramatic ups and downs that have characterized state spending in recent years.

If approved by California voters, Prop 1A could result in approximately \$16 billion in additional revenue to the state's general fund between 2010-11 and 2012-13. This revenue would come from a 1-cent-per-dollar increase in the state sales tax (from 8% to 9%), a vehicle license fee increase, and a 0.25% increase in the state personal income tax.

Under Prop 1A, these increases would be combined with a budget cap on the amount the state can spend each year and the creation of a "rainy day" fund. The spending limit is based on revenue growth over the previous 10-year period – any revenues over that amount would be saved in a rainy day fund.

Starting in 2011, 3% of general fund revenue would be placed in the rainy day fund each year. The rainy day fund would be capped at 12.5% of the revenue generated. Any amount above that could be used to pay debt or for one-time purposes.

How would Prop 1A impact the university?

The state budget approved in February for the rest of 2008-09 and FY 2009-10 extends the university's total immediate state budget challenge to \$450 million. This shortfall consists of the \$115 million in new cuts, \$122 million in underfunded enrollments and \$213 million in unfunded mandatory costs over the two-year period for utilities, employee health benefits and other inflationary costs.

The Regents determined that the passage of Prop 1A would enhance UC's ability to secure more adequate state support to fund its core mission in future years by helping the state to achieve a more stable financial picture. Prop 1A will help avoid further deep budget cuts to higher education and state agencies that are subject to discretionary funding actions of the Legislature and the governor. It also helps smooth out how state funds are spent in future years to avoid the boom and bust cycles California has experienced in the last decade-and-a-half.

Who is supporting Prop 1A?

In addition to the University of California, Prop 1A supporters include the California Chamber of Commerce, the California Taxpayers Association, the California Business Roundtable, California Farm Bureau Federation, the California Alliance for Jobs, the California Fire Chiefs Association, the California Peace Officers' Association, California NAACP and California Hispanic Chambers of Commerce.

Proponents argue that Prop 1A will help provide short-term solutions to get California through these difficult economic times and long-term solutions to ensure we never again face the type of deficits we faced this year.

If Prop 1A is not approved, supporters say that the general fund may once again be in significant deficit, which likely would necessitate further cuts to state-funded programs. [Yes on 1A campaign Web site: www.cabudgetreformnow.com]

Who is opposing Prop 1A?

Organizations against Prop 1A include the Howard Jarvis Taxpayers Association, the California Faculty Association, SEIU and AFSCME. Opponents claim that Prop 1A is a tax hike disguised as a spending limit, with a two-year extension of higher car, income and sales taxes that will cost Californians jobs, hurt small businesses and weaken California's ability to compete in the global economy.

Opponents also argue that higher sales taxes will hurt low-income residents disproportionately, and the \$200 per child tax credit will be eliminated if Prop 1A passes. [No Web site available at this time]

Is it common for the Regents to take positions on ballot measures?

In recent years, the UC Regents have endorsed state propositions with funding implications for the university, including bond measures for K-12 and higher education facilities (Prop 47 in 2002, Prop 55 in 2004 and Prop 1D in 2006) as well as funding for UC and private children's hospitals across the state (Prop 3 in 2008). All four ballot measures were approved by California voters.

Beyond the Regents' endorsements, the University of California does not support or oppose ballot measures. However, it does seek to objectively evaluate a ballot measure's impact on UC and higher education. For legal guidelines for UC participation in ballot campaigns: www.ucop.edu/state/advocacy/ballotguidelines.html

For more information about the state propositions

More information about Prop 1A, including analysis and ballot arguments for and against the measure, is available on the Secretary of State's Web site:

- www.voterguide.sos.ca.gov/pdf-guide/props/prop1a-analysis.pdf
- www.voterguide.sos.ca.gov/pdf-guide/props/prop1a-arguments.pdf

For more information about all the propositions on the ballot and an overview of how the state budget process works: www.voterguide.sos.ca.gov

** Additional information may be posted here as it becomes available.*