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Wilson Loses Key Backing for Plan to Shift Funds : Budget: GOP Sen. Ken Maddy says the governor's proposal to take \$2.6 billion from local governments cannot get through the Legislature.

June 10, 1993 | DANIEL M. WEINTRAUB | TIMES STAFF WRITER

SACRAMENTO — The top Republican in the state Senate distanced himself Wednesday from Gov. Pete Wilson's controversial proposal to shift \$2.6 billion in property tax revenue from local government to help balance the state budget.

Several key lawmakers, meanwhile, were seeking to craft a plan that could lead to an overhaul of the way local government works in California.

Senate Republican Leader Ken Maddy of Fresno said Wilson's proposal to shift \$2.6 billion in local property tax revenue to the schools in one year lacks the support it needs to win passage in the Legislature.

He said county supervisors have succeeded in a well-orchestrated lobbying campaign to spread the word that the tax transfer would cripple local law enforcement.

"I don't think the votes are there for a \$2.6-billion property tax shift," Maddy, an important ally of the governor, said in an interview. "The supervisors have rallied the right troops to come to Sacramento to get everyone's attention--to threaten people's safety."

As an alternative, Maddy on Wednesday was floating a plan that would phase in the tax shift over two years while giving counties broader taxing authority than Wilson so far has consented to.

Wilson has agreed to extend a temporary, half-cent sales tax surcharge for six months beyond its scheduled June 30 expiration. He wants the money raised by the tax to go for local police, fire and other public safety services. He also has scheduled a Nov. 2 special election and urged counties to ask their voters to make the half-cent tax permanent.

Maddy said the state should also give counties the authority to seek a second half-cent increase in the sales tax for general local programs.

Under Maddy's proposal, the state would shift \$1.3 billion away from local governments in the first year and the full \$2.6 billion in the second year. That combined \$3.9-billion transfer contrasts with the \$5.2-billion, two-year effect of the governor's plan.

To close the resulting gap in the state budget, Maddy proposed a number of "triggers" that would result in automatic budget reductions if state tax revenues remain stagnant.

Wilson aides have indicated the governor might support such triggers as an insurance policy if they were coupled with an already balanced budget. But under Maddy's plan, the triggers would need to be pulled to balance the budget even if revenues came in consistent with Wilson's projections.

On Oct. 1, for instance, state employees would almost certainly be hit with a 5% pay cut in the form of a one-day-a-month furlough program, for a savings to the state of \$450 million over two years. Health and welfare reductions totaling \$500 million would be triggered the same day. Another \$770 million in local government cuts would also go into effect.

Only if state revenues far exceeded projections--an unlikely prospect at this point--would the triggered reductions not occur.

Politically, Maddy's idea would give Republicans assurance that the budget would remain balanced while giving Democrats hope that some spending reductions might not be needed if the economy performs better than expected.

"It's political insulation," said state Sen. Frank Hill, a Whittier Republican.

Steve Olsen, Wilson's deputy finance director, said the governor would prefer to see the Legislature enact the cuts upfront, rather than rely on triggers. If the reductions are certain to happen anyway, he said, "then just do it."

Also Wednesday, Democratic Assemblyman Philip Isenberg of Sacramento and Republican state Sen. Marian Bergeson of Newport Beach were putting the finishing touches on a plan to begin a reordering of state and local government responsibilities. Neither lawmaker would discuss the details, but their work was described by others, including Maddy.

The plan seeks to force a comprehensive reassessment of the entire local government financing scheme by freezing, as of July 1, 1994, all local sales tax money, vehicle license fees, tobacco tax proceeds and other funds that the state controls. None of that money could be spent without a subsequent vote of the Legislature, presumably on a major government finance reform package.

The idea is to clarify accountability and responsibility for programs by minimizing the shared administration that now typifies judicial, correctional, health and

ocial services.

"Everyone needs to understand the responsibilities of each entity of government, give them a revenue source and then let them raise their own taxes and carry out their responsibilities," Maddy said. "What we have now is a procedure that calls on us to raise the money and for them to spend it and for every major decision to come back here into our lap."