



Assessment of the State Fiscal Analysis Initiative

**Site Profile for:
California Budget Project
Sacramento, CA**



Prepared for the
Ford Foundation
by the OMG Center
for Collaborative Learning

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site profile

*This site profile of the California Budget Project is one of ten individual case descriptions prepared as part of an assessment of the State Fiscal Analysis Initiative (SFAI), conducted by the OMG Center for Collaborative Learning with support from the Ford Foundation. SFAI is a national collaborative effort that began in 1991 to strengthen capacity among state-level non-governmental organizations to undertake credible, timely, and understandable analysis of critical tax and budget questions. The Initiative is funded by several national foundations and receives staffing and technical support from the Center on Budget and Policy Priorities (CBPP), a Washington, DC-based nonprofit that has been conducting national policy research since 1981 and that expanded its role to include analysis of state fiscal policies also in 1992. The entire assessment report, **A Cross-Site Synthesis of Findings, Conclusions and Recommendations**, is available from the Ford Foundation or the OMG Center for Collaborative Learning.¹*

This and the other case studies prepared as part of the assessment describe a broad array of activities undertaken by the state-level fiscal policy organizations with support received not only from the Ford Foundation and other SFAI funders, but also from other local and national sources. From the Initiative's inception, the Ford Foundation has required that its funding provided through SFAI be used entirely for the support of research education, organizing, and other non-legislative activities. Although the report covers the full range of strategies employed by SFAI groups to enable a full picture of their work and impact to emerge, the activities detailed here are not a direct by-product of Ford funding.

This case provides an overview of how one "veteran" state-level policy organization evolved over a period of several years within its own unique state policy setting. The cases provide much of the empirical basis for the larger assessment report, by bringing to light the different circumstances and approaches that shaped the accomplishments of individual grantees and by documenting the different types of impacts that the SFAI grantees have

had within varied local fiscal policy environments.²

Much of the case study fieldwork was conducted during the last half of 2002, although further telephone follow-up occurred throughout 2003 and into 2004. The fieldwork approach was primarily qualitative and relied mainly on site visits to each of the grantee sites. Site visits were generally made by two or more members of the assessment team and included meetings with representatives of the grantee organizations and a variety of other local actors with knowledge of the grantee organizations and the state-level policy setting in which they operate. Phone and email communications provided an opportunity for rounding out the details of each case. The draft profiles were shared with the grantee organizations two or more times as they were being developed, and each site was given an opportunity to review final versions of their profile before they were finalized. Most of the factual information about the grantee organizations is for the year 2002, although in a few instances fiscal or budget changes and other policy accomplishments that occurred in 2003 are noted if they were the result of efforts in prior years.

The site profile starts with an account of how the organization began and then offers an overview of California's social and political context. Next it introduces the particular focus and approach that the SFAI grantee organization has taken to improve knowledge locally about tax and budget issues and contribute to the quality of local fiscal policy debates. Woven into the case are overviews of the grantee organization's size, staff structure and funding base; examples of typical products and activities; and descriptions of its major accomplishments.

The SFAI assessment was directed by Tom Burns. The following current and former staff of the OMG Center for Collaborative Learning also participated in the assessment – Bonita Stowell, Kennard Wing, Sheetal Matani, Lee Alford, Amanda Bergson-Shilcock, and Margaret Berkey.

¹ At OMG, contact Robin Lafty at robin@omgcenter.org or 215-732-2200. Or contact the Ford Foundation at www.fordfound.org.

² The ten veteran states selected for the case studies include: Alabama, Arizona, California, Illinois, Maine, Massachusetts, Michigan, New York, North Carolina and Texas.

California Budget Project Sacramento, CA

THE CBP TRACES ITS ORIGINS TO 1992 WHEN FORMER GOVERNOR Pete Wilson sponsored Proposition 165, an initiative that would have restructured California's Aid to Families with Dependent Children (AFDC) program. This initiative would have also broadened the Governor's power to make additional budget cuts without legislative approval. Advocates for low-income populations, education, and public services organized as a coalition to oppose this initiative, which was ultimately rejected by the voters.

Valuing the partnership that had formed and feeling that their efforts could only be improved by having a credible fiscal policy organization as a partner, several coalition members joined together in 1994 to form the CBP, with assistance from the Advocacy Institute West.³ After forming the CBP's organizing board, they set about finding its first director. The position was offered to Jean Ross, who was then working for the California Assembly's Revenue and Taxation Committee. After assuming the position in 1995, Ross began building the new organization. Under her leadership the CBP has steadily expanded its staff and programs. With growth has come increased visibility and respect throughout the state for the quality and relevance of its fiscal budget work.

Social and Political Context

The CBP was formed against the backdrop of a severe and prolonged economic downturn which resulted in the loss of about 700,000 jobs, or 5.5% of the state's labor force.⁴ Unemployment rates climbed to over 9%. Lasting nearly four years, that recession was the deepest the state had faced since the 1930s.

California's economy improved significantly in the latter part of the nineties. But with the more recent downturn came new budget deficits. At the beginning of the 2002-03 fiscal year, California faced a projected budget deficit equivalent to thirty percent of budgeted spending. This was the state's second consecutive budget shortfall, and one much larger than the \$5.7 billion gap of 2001-02. In order to make up the deficit, \$7.6 billion, or roughly one-third of the total gap, came in funding cuts to programs. Declining revenues were the result of a significant drop in personal income tax collections, mainly reduced tax revenues from capital gains and stock options, both driven by stock market declines, many in the Silicon Valley which was particularly hard-hit by the dot-com bust.

Balancing the State's budget is made more difficult by constitutional limits on the ability to increase revenues at all levels of

³ The Advocacy Institute West, which was affiliated with the Washington, DC-based Advocacy Institute, is no longer in operation.

⁴ From an analysis by the Legislative Analyst's Office of the 2001-03 recession in comparison with the recession of 1990-93, in "The 2002-03 Budget Bill: Perspectives and Issues." For more information, go to www.lao.ca.gov.

CBP at a Glance

Year started: 1994

Current budget: \$850,000 (2002)

Main sources of support: James Irvine Foundation, the Ford Foundation, the Charles Stewart Mott Foundation, the David and Lucile Packard Foundation, and California Wellness Foundation.

Total staff: 7 (2002)

Main areas of focus: State tax and budget, welfare reform, economic development policy, housing, living standards in California, health care and education.

Recent products: Maximizing Returns: A Proposal for Improving the Accountability of California's Investments in Economic

Development; Borrowing Against the Future: Is Securitizing California's Tobacco Settlement Revenues The Best Way to Close the Budget Gap? Locked Out 2002: California's Housing Crisis Continues, TANF Reauthorization: A California Perspective; Making Ends Meet: How Much Does it Cost to Raise a Family in California?

Notable Accomplishments:

Analyses that have led to broader participation in budget and policy debates and that have improved California's economic development policies, increased funding for housing programs, minimum wage increases, and avoidance of personal and corporate tax cuts.

government. In 1978, Proposition 13 passed by almost a two-thirds majority. This measure reduced property tax rates by some 53 percent and capped them at one percent of full cash value at the time of acquisition, plus a two percent increase per year. This legislation survived several legal battles, including one in the US Supreme Court, and is frequently cited as the impetus for a national anti-tax movement that began in the late 1970's. Proposition 13 has been described as the watershed to which many of the State's current structural fiscal problems can be traced. But California also has supermajority vote requirements, which require that measures that increase state taxes must be approved by two-thirds of each house of the legislature. So too must state budgets, and voters must approve all local tax increases. These laws place remarkable limits on the responsiveness of policymakers to budget shortfalls and changing policy priorities. The supermajority requirement for budget passage exists in only two other states, while the supermajority requirement for any state tax increase is used in just ten other states.

California's legislators serve full-time and have large staffs. As a result of term limits enacted in 1990, Assembly members are limited to three 2-year terms and State Senators to two 4-year terms. Term limits have resulted in frequent turnover in the legislature; in 1997, nearly half the State Assembly was newly elected. Such limits have also led to the departure of many experienced legislative staff, increased turnover in the committee chairs, and dealt a blow to the legislature's institutional memory. Many believe that term limits have increased the tendency of lawmakers to focus on immediately winnable issues.

California's policy arena is both active and crowded, with a large number of advocacy groups and coalitions focused on individual issues and often representing relatively narrow constituencies. Within this arena, the CBP plays a unique role as an organization with a broader statewide perspective, focusing on tax, budget and economic policy issues affecting low and middle-income Californians. Over the years since it was formed, the CBP has engaged broadly in analysis and public education on

"The beauty of CBP is that it recognizes the connection between fiscal policy and public policy; their approach is a holistic, cross-cutting one."

- Elizabeth Kersten
former Director
California Senate Office of Research

state tax and budget issues as well as the budget process. Among the issues it has addressed are welfare reform, economic development policy, housing, and more recently health care and education. The CBP has also had a longstanding concern with living standards and related economic issues within the state.

The CBP's Approach

The CBP's approach to budget and tax analysis has been refined over the years, both as a result of its own growing experience with how to take on fiscal policy work that makes a difference, and in response to shifts in the state's fiscal and economic health. One early factor that helped the CBP position itself as a valued resource for legislators was the trimming of the legislature's operating budget with the measure imposing term limits in the early 1990s. Reduced staffing levels for individual legislators and legislative committees led legislators and their staffs to rely more heavily on external sources for budget and policy analysis. The CBP soon came to be seen as a new resource that legislators could rely on for sound analysis of issues coming before the legislature. According to Elizabeth Kersten, former Director of the Senate Office of Research, the CBP's knowledge of the issues, especially relating to the impacts of federal policy changes on the State, helped to make her job easier. "CBP has a way of answering the important questions before we have a chance to ask them," she says. "CBP is just as interested in providing the dialog for conversation as being a speaker at the table."

Another factor that helped the CBP to emerge as a recognized source of credible budget and tax information was the organization's early decision to avoid narrower issues and focus instead on broader statewide concerns. In a state as large and diverse as California, each region faces unique issues. The CBP has generally concentrated its energies on "big picture" budget and tax policies. In a state well populated with issue-driven advocacy and policy groups, the CBP offers itself and its fiscal analysis work as a more general resource for an array of advocacy organizations concerned with interests affecting low and middle-income California families.

When asked to describe how the CBP chooses where to place its energies, Ross explains, "We are distinctly not trendy in our work. We view this as a strength, rather than a weakness." It is also an approach that she believes has helped the CBP to build a broader and more stable base of funding, although she acknowledges that maintaining financial support will always be a challenge because of the long-term nature of their work.

Over the years, the CBP has honed its approach for presenting the results of its fiscal analysis work in a straightforward, easy-to-read style that uses a minimum of fiscal jargon. Legislators, advocates and service providers can make use of its analysis without a lot of additional help in understanding the issues or interpreting findings.

Complementing the clean style of the CBP's written materials is a commitment to strengthening the capacity of individuals and organizations to make use of their analysis, mainly through an extensive statewide program of training and education activities focused on budget literacy and the effective use of fiscal analysis in advocacy. The CBP typically offers over 100 workshops and presentations each year to groups and organizations throughout the state. For example, in 1999 the CBP conducted a series of leadership trainings for state and local leaders of the Pacific Institute for Community Organization (PICO) network. The CBP's findings and recommendations on what working families need to earn to be economically self-sufficient formed the policy content while other aspects of the training focused on how such information could be used. This training helped PICO to establish a program aimed at promoting policies to assist the working poor.

Finally, the CBP has over the years developed effective ways of offering information and analysis to other organizations and coalitions committed to advancing advocacy agendas. These varied relationships, which may involve gathering essential information, analyzing policy alternatives, training and technical assistance for staff and volunteers, and assisting in shaping proposals, have enabled the CBP to introduce budget and tax expertise into a broad array of issue-specific advocacy work undertaken by organizations throughout the state. The CBP believes its public education and technical assistance activities have helped to establish its credibility as a reliable fiscal policy resource. In addition, through these relationships the CBP maintains access to a broad network of issue-specific information that informs its fiscal analysis work.

Organizational Staff and Funding

The CBP is an independent, 501(c)3 organization established to undertake budget and tax policy. At the end of 2002 its staff included seven individuals with a mix of backgrounds in policy analysis as well as broad experience with the legislative process.

The CBP is governed by a ten-member board, with representation from community organizations, governmental and non-profit service providers, unions and academia. Many of its board members have been involved with the organization since it was

"We are distinctly not trendy in our work. We view this as a strength, rather than a weakness."

- Jean Ross
Executive Director
California Budget Project

CBP's Funding

CBP's primary support comes from a number of foundations. Additional contributions come from subscriptions and individual contributions.

founded. The board and staff of CBP have formed a relationship of mutual support that has remained strong throughout the life of the organization.

Foundations provide 92% of the CBP's support. Approximately 60% of its foundation support is from California-based foundations; the remainder comes from national foundations, including the Ford and Charles Stewart Mott Foundations. The CBP's non-foundation support comes from individual contributions and hundreds of agency and individual subscribers.

Activities and Products

On a day-to-day basis, CBP staff are involved in variety of activities, choosing to maintain capacity to carry out a diverse range of functions instead of narrowing their focus to one or two types of work. The principal areas are:

Research and analysis. The CBP's research activities focus on state tax and budget issues, as well as the budget process. While many advocacy groups and public policy agencies in California sometimes engage in budget analysis, they tend to do so around one issue only. No other group in the state deals as directly or broadly with fiscal issues as the California Budget Project. The majority of the CBP's analysis is directed toward fiscal issues that affect the needs of low and middle-income California families. Among the issues it has addressed are welfare reform, economic development policy, housing, and more recently health care and education. As noted earlier, the CBP has also had a longstanding concern with living standards and related economic policy issues within the state.

Training and education. Training remains an essential component of the CBP's overall program. The organization sees its training work as a highly effective way of encouraging budget and tax policy change. Its main emphasis has been on conducting budget workshops for an array of issue groups and community organizations throughout the state. These trainings, which focus on how to participate in budget and policy debates, can run from two hours to a full day and are most often led by CBP's Outreach Coordinator.

Legislative briefing sessions. One of the CBP's most anticipated events is the annual budget meeting, carried out shortly after the release of the Governor's Proposed Budget each year for legislative staff, the media, and advocates. At these meetings the CBP details the Governor's January recommendations for the state budget and provides analysis of the effects of these recommendations. These annual meetings are well attended and have enhanced the CBP's visibility and reputation.

Publications. The CBP's research is distributed through a variety of publications, bulletins, and supplementary materials. While they produce many recurring publications, one of the more prominent is the *Locked Out* series on affordable housing. The series consists of three major reports produced over a period of four years. The CBP's annual chartbook examining the state budget is among the most widely distributed of its publications.

Budget briefing papers. Known as *Budget Briefs*, these 5-15 page issue documents delve into pertinent budget and policy

CBP's SFAI-Related Staff in 2002

Jean Ross, Executive Director. Jean Ross is the founding Executive Director of the California Budget Project. Her prior professional experience includes serving as Principal Consultant to the Assembly Revenue and Taxation Committee; Senior Consultant to the Assembly Human Services Committee, where she staffed the California Legislature's Joint Select Committee on the Changing Family; and Assistant Research Director of the Service Employees International Union in Washington, DC, where she was responsible for coordinating the union's research on tax, budget, and employment policy issues.

David Carroll, Project Director, Welfare Reform Policy Monitoring Project. Mr. Carroll joined the CBP in May 2000 as a Policy Analyst and works primarily on welfare and income issues. Prior to coming to the CBP, he worked for several years in Central America on social and economic justice issues. Mr. Carroll recently graduated from UC Berkeley with a Masters in Public Policy and has a BS from the Massachusetts Institute of Technology.

Rebecca Gonzalez, Outreach Coordinator. Ms. Gonzalez joined the California Budget Project as the Outreach Coordinator in 1998. She is primarily responsible for conducting training sessions on the state budget process as well as other major policy issues that are before the California Legislature. Prior to her tenure with the CBP, Ms. Gonzales worked for the California State Assembly for nine years.

Erin Riches, Policy Analyst. Erin has been with the CBP since January 1999. Prior to joining the Project, she spent nearly 10 years in the California State Assembly, working in the offices of Majority Services, Speaker Willie Brown, Democratic Floor Analysis, and Assembly member Michael Sweeney.

Scott Graves, Policy Analyst. Scott Graves is a policy analyst specializing in welfare reform policy. He earned a Ph.D. in political science from the University of Texas at Austin. He previously worked as a researcher for the Tomas Rivera Policy Institute, Consumers Union, and the Public Policy Clinic at UT Austin, and was a California Executive Fellow placed at the Trade and Commerce Agency during 1999-2000.

Delaine McCullough, Policy Analyst. Ms. McCullough joined as a Policy Analyst in the CBP 1999. In addition to general analysis of the state's budget and fiscal policies, her work at the CBP has focused on education, economic development, and tax policy. Prior to coming to the CBP, Delaine worked in Washington, DC promoting international development programs targeted to assisting women living in poverty, and in California directing community outreach programs for environmental advocacy organizations.

Deana Carrillo, Policy Analyst. Ms. Carrillo joined the California Budget Project as a policy analyst in July 2002. She earned her Master's degree in Public Policy at UCLA, where she concentrated in urban poverty and economic development issues, and earned a Bachelor's degree in political science from UC Santa Cruz. Prior to joining the CBP, Deana spent several years working on California policy issues, working for State Treasurer Phil Angelides, and conducting research for the Milken Institute, UCLA Institute for Labor and Employment, and the public opinion firm Fairbank, Maslin, Maullin & Associates.

issues. These often provide critical analysis of options available as well as recommendations for action.

Press releases, editorials and guest columns. Recognized throughout the state as an authority on budget and tax issues, the CBP has contributed work to the *Sacramento Bee*, *San Diego Union-Tribune*, *San Jose Mercury News*, *Los Angeles Times*, *San Francisco Chronicle*, *Oakland Tribune*, and *Orange County Register*. The CBP has also been cited in national media including NPR, CNN, New York Times, and Business Week.

Website. The CBP maintains a well organized, informational website containing publications, statistics, editorials, press releases, and frequent updates on current budget and tax policy issues. The website was redesigned in June 2002 to better accommodate visitors. It also provides subscription information for those interested in receiving CBP publications. With information organized by issue, the website is an easily searchable resource.

Outreach. The CBP's staff conduct dozens of briefings for targeted audiences statewide and for state lawmakers on a variety of policy issues. In 2002 these included presentations to California Affiliates of the National Council of La Raza, California PTA, the California Congress of Seniors, The Welfare Reform Task Force of the National Conference of State Legislatures, The Funders' Collaborative for Strong Latino Communities, and the Child Development Policy Advisory Committee.

Technical assistance. The CBP provides technical support and assistance to advocacy groups and policymakers throughout the State. In its earlier years, direct technical assistance work represented a large portion of the organization's overall activity. More recently the organization has shifted its emphasis toward budget training sessions and the preparation of briefing papers and other publications intended to reach a broader audience.

CBP's Policy Agenda in 2002

- Assessing the structure of tax and fiscal systems, including the impacts of the state's continuing budget crisis.
- Working to improve the state's budget process (e.g., eliminating the supermajority vote requirements).
- Increasing the accountability and transparency of the fiscal policymaking process to ensure that it is democratic, responsive and that it results in effective decision-making (e.g., by introducing a "transparency scorecard").
- Examining the division of resources between state and local governments and among various public services. (This includes the array of issues associated with intergovernmental policies, programs and funding, with special emphasis on federal-state matters (such as TANF) and state-local issues.)
- Examining how state public policies and programs affect the health of the state's economy and budget.

Nonetheless, technical assistance remains an essential part of the CBP's overall program.

Building Coalitions and Leveraging Key Relationships

The CBP has developed many of its important working relationships through its statewide training efforts on budget and tax issues. Often these collaborations are concerned with how budget and fiscal policies impact one particular area such as childcare or welfare reform.

In recent years, the CBP has made its information and technical support available to a variety of policy and advocacy organizations. Examples of these organizations include the California Labor Federation on wage issues; the California Immigrant Welfare Collaborative, the Child Development Policy Institute, the California Council of Churches around welfare reform; and the California Parent Teacher Association.

Accomplishments

In a few short years the California Budget Project has been able to make its presence felt in a large way through its contributions to reform efforts that have resulted in positive fiscal and budget policy changes affecting millions of Californians. The CBP's efforts have also contributed to the prevention of certain fiscal and budget decisions that would have harmed low and middle-income families. The CBP has also helped bring issues to light or changed the policy dialogue in ways that lay the groundwork for future victories. Following are examples of the accomplishments that the CBP helped to bring about.

Evaluation and Sunset of New Tax Expenditures

In 1999, the CBP participated in legislative hearings and related deliberations aimed at improving the state's tax expenditure oversight processes. Based in part on the analysis and recommendations offered by the CBP, the committee ultimately agreed to adopt a policy that all new tax expenditures include sunset clauses and provisions for evaluation.

Minimum Wage Increases

Dating back to 1996, the CBP regularly produced analysis and information on the status of the state's low-wage workers that were used by a broad campaign to increase the state's minimum wage. The campaign's efforts were rewarded when the Industrial Welfare Commission voted in October 2000 to increase the minimum wage from \$5.75 to \$6.25 per hour starting in 2001 and \$6.75 the following year. At the time of its implementation, the second increase gave California a minimum wage rate second only to Washington State's. Approximately 1.5 million working Californians—over ten percent of the workforce—earned at or near the State's minimum wage in 2001, and most of those workers received a pay raise directly attributable to the legislated increase.

Critics of minimum wage increases argued that such increases would result in large employment losses. However, the CBP's analysis showed that despite California's higher minimum wage

and more frequent wage hikes, it experienced greater employment growth (18.3 percent) than the nation as a whole (12.6 percent) during the period studied.

Defeat of Income Tax Cutting Efforts

The CBP has frequently prepared analyses showing the negative consequences of tax cuts. For example, their analysis of a 1999 income tax cut proposal by Governor Davis showed it would benefit only the wealthiest five percent of California's residents. The subsequent defeat of the proposal was, from the CBP's perspective, one of the easier victories that its analysis helped to bring about. In 2002, the CBP prepared an analysis that helped defeat a bill to adopt the "single sales factor" approach to corporate taxation.⁵ Proponents of the single sales factor approach argue that the change in approach would reward businesses with significant investments in property and payroll in California and create an incentive for them to increase their investment and employment within the state. The CBP's analysis showed that the proposed change would benefit only a small number of corporations filing California tax returns and it argued that the projected loss of corporate tax revenues would exacerbate the state's budget crisis and worsen the already well-documented imbalance between revenues and expenditures.

Moving Toward an Increase in the Vehicle License Fee Rate

The Vehicle License Fee (VLF) is an annual fee on the ownership of vehicles registered in California, collected by the state and redistributed to cities and counties. In 1998, lawmakers reduced the VLF by 67.5 percent. To offset this important source of local revenues, the Legislature has provided local governments with the same amount of revenues that they would have received prior to the reduction. In 2002-03, the State was scheduled to reimburse local governments for \$3.8 billion of lost VLF revenues. In a May 2002 report, *Options for Balancing the Budget: Reinstating the Vehicle License Fee Rate*, the CBP recommended that the VLF be raised to make up some of the 2002-03 budget gap. The report cited the levy's stability and showed it was less regressive than other alternatives being considered, and noted that their recommended rate would still be lower than it had been in 1998. Less than a month later, Governor Davis proposed such an increase in the VLF in the May revision of his proposed budget, although it ended up being dropped as part of the final budget compromise.

New Funding for Housing Programs

In recent years, California policymakers and voters have recognized the need to address the State's affordable housing crisis. The CBP developed a policy research agenda that resulted in a series of reports entitled *Locked Out*, that document the problems low- and middle-income Californians face in the housing market. The CBP's efforts to disseminate these reports clearly helped focus attention on the state's housing problems. CBP's research and analysis was widely cited in interviews and op-eds that raised the visibility of housing needs faced by the elderly, low-income families, and the homeless. Proposition 46, the

⁵ This approach would have changed the formula that multi-state businesses use to apportion income to California to one based solely on sales, rather than the "double weighted" approach in place since 1993 which gives twice as much weight to income from sales within the state.

Housing and Emergency Shelter Trust Fund Act of 2002, was placed on the ballot by the Legislature after passage by a two-thirds majority, and with the signature of Governor Davis. Voters approved the Proposition in November 2002, marking the largest allocation of state money for housing production in California's history. The measure called for a \$2.1 billion bond issue to fund 21 housing programs including multi-family housing, farmworker housing, homeownership, and homeless shelters.

Protecting State Child Care Programs

As part of his January 2002-2003 budget, Governor Davis proposed several changes to the State's childcare system. Chief among these was a plan to eliminate Stage 3 (the transition stage) of CalWORKS, a welfare reform program that provides much of the state's childcare support for working parents.⁶ The proposed program cut was prompted by large projected increases in the cost of childcare. Led by the Women's Legislative Caucus, a coalition of childcare providers held rallies, a letter-writing campaign and press conferences to vehemently oppose the measure. These groups relied on an analysis prepared by the CBP to show why transition-stage childcare is vital. By the May revision of his budget, Governor Davis had dropped this proposal, preserving \$103.7 million for low-income families.

Challenges and Issues

In reflecting on these accomplishments and the work that has led to them, CBP staff point to a number of ongoing and future challenges that will continue to affect the environment in which they work.

Term Limits

In California, as in other states with legislative term limits, increased turnover among legislators has led to a significant loss of institutional memory and has increased the need for legislators to rely on others inside and outside government for an array of information and ideas needed to be effective lawmakers. For the CBP, term limits have increased the need to continually invest in establishing new relationships, and increased the amount of time that must be devoted to often quite basic education on the budget and tax implications of an array of issues and policy choices that come before the legislature.

Avoiding Perennial Budget Battles

While the budget impasse of 2002 may have been the longest in history, stalemates of this kind are not new in the Golden State. In 1997 the Assembly took 41 days beyond the start of the new fiscal year before passing a budget and a 1992 budget impasse lasted 60 days. The CBP sees underlying structural factors, such as reapportionment that protects 95 percent of state lawmakers, and the state's constitutional limits on the ability to increase revenues at all levels of government, as the main con-

⁶ CalWORKS stands for the California Work Opportunity and Responsibility to Kids program, which provides childcare support for working parents.

tributors to California's now predictable struggles to get annual budgets passed by the legislature. Without some adjustments to these underlying constraints, the struggles will likely continue.

Protecting Needed Services

In 2002, experts estimate that the 2003-2004 fiscal year would likely result in a budget deficit in the \$21-35 billion range. Moreover, it predicted that without decisive action by the legislature, annual operating deficits could be as high as \$16 billion until 2008. Lawmakers in California often look first and sometimes exclusively to reducing program spending to bring budgets back in balance. Many of the one-time actions taken to balance the 2002-2003 budget will no longer be available in future years, making the protection of needed services for California's low-income families much more challenging in the future.

In the few years it has been in operation, the California Budget Project has earned the reputation within California and beyond for the accuracy of its analysis and the clarity of its arguments on a wide range of fiscal issues. It has emerged as a valued resource for legislators and those who follow the legislative process and attempt to influence the policy process. And it has demonstrated its ability to provide effective budget education and training to a growing number of community and advocacy groups representing the interests of lower income and working families. Looking to the future, the CBP can be expected not only to continue playing the central role it has played in improving the quality of California's fiscal and budget policy-making process, but also to continue influencing fiscal policy work in other states by the example it sets.