CITIZENS'
Budget
2003–05

A 10-Point Plan to Balance the California Budget and Protect Quality-of-Life Priorities

Reason

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Citizens' Budget

A Balanced Approach to Solving the Deficit while Safeguarding California's Quality of Life

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Executive Summary

It is amazing what a difference four short years can make. In 1998, California was running a $12 billion surplus—economically on the rebound and adding nearly 500,000 new jobs to its economy that year. Yet, in the past four years, California has fallen from the *most* jobs-friendly state to the *least* jobs-friendly state in the nation.[1] Instead of saving record-breaking one-time surpluses produced by the stock bubble of the late 1990s, the state went on an unsustainable (and undeniable) spending spree in 1999, 2000 and 2001. As a result, today California faces a monumental budget deficit of between $26 and $34 billion dollars—and its economy has shed over 489,000 jobs alone since March 2001!

The state's budget deficit is merely a symptom of an overall decline in our quality of life in California. Indeed, in terms of cost of living and quality of life, the average Californian is finding living in our state harder and less satisfying.

Businesses are leaving the state in droves—not because consumers are not spending, but because the price of operating in California has skyrocketed due to higher costs for energy, workers' compensation insurance, and regulation. Mismanagement of the state's finances only contributes to a growing sense of uncertainty for businesses. In a sick cycle, as more jobs leave the state, the deficit gets worse with fewer and fewer taxpayers contributing. If every Californian that *wanted* a job could *get* a job, the state would actually face a budget surplus this year.

A Tale of Three Californias: Past, Present and Future		
Past (1998): Surplus	**Present (2002): Deficit**	**Future (2005): Possible ?**
		
$12 billion state budget surplus • 8.6 state employees per thousand population • K-12 education spending was $5,756 per pupil, California ranked 37 in achievement tests • Workers' compensation costs totaled $6.6 billion • The state's economy was creating 500,000 new jobs that year, keeping unemployment to a modest 5.6 percent.	**$26-34 billion state budget deficit** • 9.3 state employees per thousand population • Lowest bond credit rating of all US states! • K-12 education spending is $9,072 per pupil, California still ranked 37 in achievement tests (64 percent increase in spending, no increase in performance) • Workers' compensation costs soaring to over $15 billion • The state's economy shed 489,000 jobs since March 2001, pushing unemployment up to an unhealthy 6.6 percent.	**Should the state adopt the Citizen's Budget:** • $1.5 billion surplus • 8.7 state employees per thousand population • $10,000+ in per pupil spending, and top 25 and improving in academic achievement tests • 600,000 new jobs created in California since June 2003 (not a record, but good nonetheless)



California is spending more, but getting less in its education system.

Even Californians with jobs are finding it harder to make ends meet. Prices for basic necessities such as utilities, health care, and housing are rising beyond what many families can afford. One in five Californians cannot afford health insurance; more than half cannot afford to buy their own house at today's market rates. Then there are various taxes and fees, which may go up on everything from baby diapers to cars if Sacramento gets its way. Like the now-infamous case of golf pro Tiger Woods moving to Florida to avoid high California taxes, many Californians are fleeing what was once the golden state of opportunity…and taking their tax revenues with them.

The basic public services that define much of a quality life are failing our residents. Despite increasing spending to more than $9,072 per pupil (up dramatically from $5,756 in 1998), California's schools still have not made the mark—and only 30 percent of students in the seventh grade can pass state math and language proficiency exams. The transportation system is overburdened, with some Californians spending hours each day away from work, their families and their hobbies—sitting in bumper-to-bumper traffic. Finally, lawmakers at all levels are threatening to address the budget crisis by cutting back police and fire coverage, library hours, park and recreation opportunities, and a number of social services.

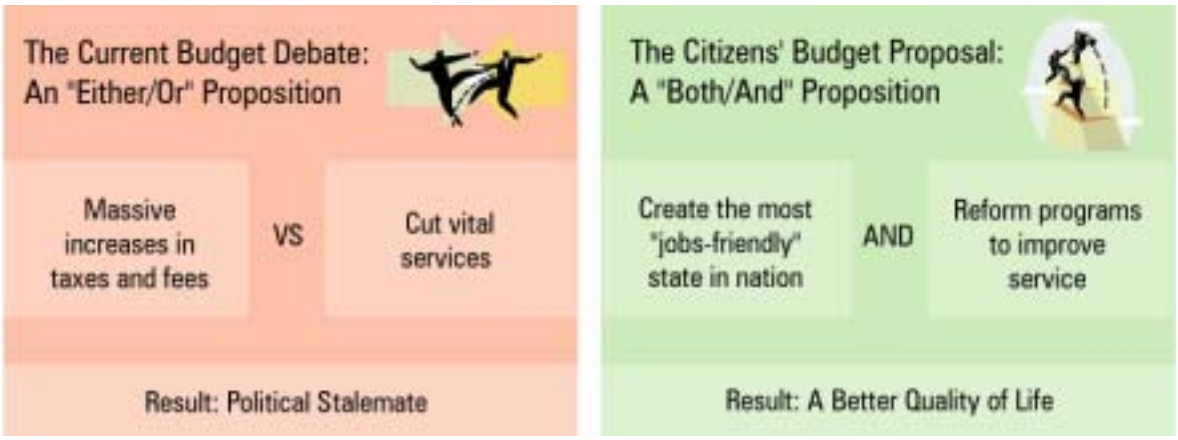
Today, California finds itself at a crossroads. The decisions made during the current budget crisis will affect Californians not only today but for years to come. Many of the quality-of-life challenges detailed above directly relate to decisions the state has (or has not) made each year in its budget. By not addressing a "job-killing" economic environment in the state through our tax and regulatory policies, we run the risk of driving away more businesses and the jobs they provide. By not examining the soaring cost of living in utilities, health care, and housing, residents will only see their quality of life further diminished. Most importantly, by not using the budget to fundamentally rethink and reform how the state provides essential citizen services such as education, transportation, public safety, and social services, we drive even more jobs and residents from the state…and see further decay in our quality of life.

The present challenge is not merely how to balance the books in Sacramento today; it is about what quality of life we want for California tomorrow.

Failure of Leadership in Sacramento Creates the Need for the "Citizens' Budget"

Depending on how you keep score, the state faces a budget deficit of between $26 and $34 billion dollars. With each passing day, the situation seems to be getting worse, not better. Gov. Gray Davis and the state legislature seem hopelessly deadlocked, engaging in a partisan game of finger-pointing and attacks. Only a fraction of the Governor's proposed emergency budget reductions have been enacted by the legislature. Indeed, much of the Governor's plan has been labeled by Legislators from both parties as "dead-on-arrival."

To date, the factions in Sacramento have yet to engage in a constructive, bipartisan dialogue on Long-term solutions to the state's fiscal mess and quality-of-life challenges. The **"Citizens' Budget"** hopes to fill that vacuum by offering a plan that balances the state's budget without tax increases, while maintaining important programs and services that are vital to our quality of life in California.



Most importantly, the **Citizens' Budget** fundamentally rejects the two extremes being presented by Sacramento on the budget. On one side, Republicans oppose tax increases they say would further dampen the economy and cost hundreds of thousands of jobs across the state. On the other side, Democrats reject cuts to programs they say would result in loss of vital services to the poor, women and children. And in the middle of these two extremes, some suggest a "balanced" approach would mix tax increases with cuts in services.

Neither extremes nor the middle is accepted in the **Citizens' Budget** plan. Balance cannot be defined as raising a dollar in taxes for every dollar cut in services. Balance is keeping taxes low to encourage job creation and a low cost of living, while ensuring vital public services can still be provided in a quality manner.

As a result, the **Citizens' Budget** provides comprehensive strategies for restructuring the state government, maintaining the public's commitment to increasing funding for education, improving performance of key state health and social service programs, and revitalizing the state's economy by creating an environment where businesses can once again create jobs in California. Instead of seeing the budget as an "either-or" proposition, the **Citizens' Budget** takes the view that California can close the deficit and *still* offer the same (or better) vital services currently being relied on by the citizens.



The **Citizens' Budget** offers line-by-line suggestions on how to achieve a balanced budget—as well as detailed implementation recommendations on how to enact spending reductions without sacrificing vital services. First, the plan identifies areas where the state is grossly mismanaging taxpayer money and where cost saving improvements can be implemented. (The examples we uncovered will truly enrage hard-working taxpayers who foot the bill!) Second, the plan identifies innovations from other states that are providing the same services to their citizens but at a better price. By adopting these "best-in-class" reforms to each state program, California can redesign *how* services are provided rather than identifying what services should be cut. Finally, the plan makes targeted spending reductions in the least essential programs—suspending programs temporarily for this budget cycle rather than eliminating them.

The **Citizens' Budget** actually contains *more* spending reductions than will be needed to balance the budget. In doing so, the plan serves as a "menu" of options for lawmakers to consider. Nevertheless, balancing the state budget will require a detailed, program-by-program review by the legislature rather than rhetoric and across-the-board, cookie-cutter solutions. It will take hard work, but it can be done—should Sacramento be willing.

The Citizens' Budget: How it All Adds Up

Budgets must start with a clear understanding of three elements. How much revenue is expected? How much do you have to spend to meet citizen needs? How much of a deficit (or surplus) carry-over is there from the previous year?

Holding revenues constant, if the state were to completely close the deficit in one single year, it would need to reduce spending by **$17.1 billion**. Yet over a two year (biennial) budget, the state would only have to reduce spending by a more manageable **$11.7 billion**. In addition to opting for a two-year budget cycle, the **Citizens' Budget** provides a "menu" of over **$18.2 billion** in reductions in addition to what the Governor has proposed. As a result, Legislators need only select from a few of the reforms to create a workable budget solution.

The FY 2002-03 budget figures reflect actual expenditures this year given the legislature's rejection of most of the Governor's proposed reductions. From those baseline figures, the **Citizens' Budget** makes "adjustments" reflecting the rejection of items proposed by the Governor as well as the addition of one approach to selecting from the "menu" of reforms and reductions suggested by our plan. As a result, while the budget below reflects our suggested solution from a realistic assessment of how fast and how far the state can go with its reform of various programs, it remains merely *one* of several packages that could be constructed using our recommendations.

Table ES 1: Biennial Budget Cycle 03-05 ($ millions)

Budget Year	2002-2003	2003-2004	2004-2005	2005-2006
Carry-Over	**-2135**	**-8054**	**-5146**	**1532**
Revenues	**72964**	**70643**	**73293**	**79012**
Adjust Indian Revenue	0	-1000	-800	-700
Divest Unused Assets		200	800	
Defer Transportation Loan			650	
Adjusted Revenues	72964	69843	73943	78312
Total Resources	**70829**	**61789**	**68797**	**79844**
Baseline/Governor's Proposal	**78883**	**63186**	**66935**	**78200**
Reject Realignment to Special Fund		8154		
Reject VLF Backfill Elimination		2900		
Reject Fee Increases		595		
Maintain Proposition 98 (restore current deferral)		-1100	1100	
Reform/Realign Health/Social Services			-500	
Allocate Mandatory Increases in 04-05 (caseloads, federal mandates)			2400	
Enact Performance-Based Reductions		-4400		
Reform Procurement and Competitive Sourcing		-800	-1800	
Reform Personnel and Create Employee Incentives		-1200	-400	
Streamline and Reorganize		-400	-470	
Final/Proposed Expenditures	**78883**	**66935**	**67265**	**78200**
Fund Balance	**-8054**	**-5146**	**1532**	**1644**
Encumbrances	-1400	-1400	-1400	-1400
Reserve	**-9454**	**-6546**	**132**	**244**

The bottom-line expenditures proposed by the Citizens' Budget reflect a roll back of budgets to funding state government at FY 1999-00 levels—a mere correction of the "spike" of uncontrolled and unsustainable spending increases enacted during the 2000-2001 cycle.

Achieving Balance: Recommended Reforms in the Citizens' Budget

1. Adopt Biennial (Two Year) Budgeting

By moving California to a two-year budget cycle under biennial budgeting, the challenge of balancing the budget becomes easier. Biennial budgeting is an accepted (and many would argue preferred) way to budget on the state level. Moreover, it will take time to thoughtfully implement the various management reforms and program restructuring recommended by our plan. By moving to a two-year cycle, the state can enact our recommended management changes in year one to reform programs to "do more with less" and prevent a disruption in services. Finally, additional revenues in 2004-05 make the shortfall easier to manage.

2. Use Realistic Revenue Expectations for Indian Gaming

The Governor assumes $1.5 billion in revenue from negotiations with Indian tribes over revenue sharing from casino gambling. We agree that this revenue source should be pursued. California is the only state in the nation to not receive a portion of casino gambling revenues. However, the Governor's projected revenues are not realistic and our plan adjusts revenues to a more reliable level of about only 40 percent of the Governor's expected revenue. Should the Governor's projections be correct, these revenues could be used to offset unrealized savings/revenues elsewhere.

 **Available Revenue**: $3 billion

 **Citizens' Budget Assumption**: $1.2 billion

3. Divest Unused Assets

As detailed in the supporting chapters of our plan, the state of California has a number of vacant, unused and under-utilized assets and real estate on its books that could be converted to other governments, the private sector or individuals through divestiture. While our analysis shows well over $1.5 billion is available from this recommendation, our budget assumes only $1 billion in revenue phased in over the two years of the budget. (Additional savings from operation and maintenance costs are not reflected in this reform but could be reflected in individual program budgets.)

 **Available Revenue**: $1.5 billion

 **Citizens' Budget Assumption**: $1 billion

4. Defer Transportation Loan

The Governor proposed to forgive a $500 million loan repayment from the General Fund to the Transportation Congestion Relief Fund (TCRF) in fiscal year 2003-04. By deferring the loan repayment for two years rather than forgiving the loan, the General Fund in 2004-05 will reflect an additional $650 million in resources.

 **Available Revenue**: $650 million  **Citizens' Budget Assumption:** $650 million

5. Reject Increased Taxes and Realignment Initiative

The Governor proposes to realign a variety of health and social service programs to the local level—and to provide a dedicated funding stream for these services to localities using increased taxes on tobacco, an increase in sales tax, and an increase in personal income taxes. Not only is it a bad idea to increase taxes during an economic downturn, but Proposition 98 rules might sequester half of the new revenue from these taxes to education. (We propose instead an alternate realignment based on block grants.)

6. Reject Elimination of VLF Backfill

The Governor proposes to violate a prior agreement with local governments to "backfill" the loss from the reduction in vehicle license fees adopted several years ago. Raiding local government to mask the state's own spending problems is no solution to the crisis—it merely shifts the pain to a level of government that had no part in the problem.

 **Available Cost Savings**: $2.9 billion in FY 03-04  **Citizens' Budget Assumption:** $0

7. Reject New Fees

The Governor proposes a myriad of new fees be charged to businesses, individuals and even students. These increased fees are ironically claimed as "cost savings" as they would defray on-budget costs for the services tied to the fees. One fee would increase fees charged to community college students for classes by 150 percent! With the cost of living already skyrocketing throughout the state, now is a bad time to be raising fees unless all other options have been exhausted first.

 **Available Cost Savings**: $565 million in FY 03-04; $605 million in FY 04-05  **Citizens' Budget Assumption:** $0

8. Protect and Improve Education/Maintain Proposition 98

The Governor proposes to reduce Proposition 98 funding to the mandatory level through a reduction of 2.7 percent. While some have proposed temporarily suspending Proposition 98, the **Citizens' Budget** flatly rejects that idea. Instead, Proposition 98 funding must be maintained in full. Moreover, during this legislative session, a one-time deferral in Proposition 98 funding was made by merely extending a $1.1 billion payment from June to July to create a "phantom" cost savings in FY 03-04. The **Citizens' Budget** restores this phantom savings in FY 04-05. (NOTE: It is possible that if revenues fall below expectations, other reductions in required funding under Proposition 98 could be made.)

Furthermore, instead of opting for the Governor's proposed across-the-board cut, our plan requires that reductions must be made outside of the classroom in a way that allows school districts greater flexibility over how they receive and allocate funding. As our recommendations and analysis detailed in a supporting chapter demonstrate, all of the Governor's reductions can indeed be made outside of the classroom through three reforms: reforming categorical funding in education, allowing school districts to competitively source non-instructional services, and adopting a "weighted funding formula" so schools can better anticipate and manage funding. Finally, during the 04-05 year of the budget, schools would move to an open enrollment system allowing funding tied to each child to move seamlessly within and among school districts.



Governor's Cost Proposal: $1.4 billion



Citizens' Budget Assumption: $1.4 billion (provided that no funding to classroom instruction is affected)

9. Realign and Reform Health/Social Services

The Governor proposes making $2.9 billion in reductions to health and social services. Health and social services are vitally important to the neediest in California, and as such the Citizens' Budget proposes to maintain services while achieving the Governor's proposed reductions through management reforms. While $1.5 billion of the Governor's reduction comes from a suspension in cost-of-living increases, the other $1.4 billion comes from actual reductions in health services. Under our plan, services levels will be maintained, but at a lower cost by implementing fixed-price/performance-based contracts, recovery auditing and entitlement fraud reduction, competitive sourcing, participation in the Independence Plus waiver program for Medicaid, and improved enforcement of child support payments.

The Citizens' Budget also proposes to realign the programs identified under the Governor's realignments proposal—but without the tax increases. Instead, the state will transfer over $8.2 billion to counties in realignment of the following categories of programs: Healthy Communities, Long-term Care Medicare, Mental Health and Substance Abuse, Children and Youth and Court Security. While the Governor did not identify cost savings from realignment, the integration of services at the local level and removal of a state-wide bureaucracy should be able to save between 5-7 percent on the net expenditures during the second year of the budget cycle (assuming the first year is a transition period.)



Realignment Cost Savings: $574 million



Citizens' Budget Assumption: $500 million

10. Allocate Mandatory Increases in 04-05

Due to projected caseload increases, federal and state mandates, and other factors, the budget for some program areas will have to be increased. A total of $2.4 billion is needed in FY 04-05 to satisfy these mandatory spending increases.

 **Mandatory Increases**: $2.4 billion

 **Citizens' Budget Assumption:** $2.4 billion

11. Enact Performance-based Reductions

Using program assessments examining the priority, performance and management of each state program, significant reductions can be made in a targeted manner that preserves priority and high-performance programs, while reforming or eliminating low priority and low-performing programs. In most cases where a program was not deemed a priority, our plan proposes a temporary "suspension" of the program until the state recovers financially. In other cases, the plan calls for reforms and eliminations. A line-by-line list of targeted reductions using performance-based criteria as well as LAO recommendations is contained in the Appendix of the budget plan.

 **Available Cost Savings**: $6.03 billion

 **Citizens' Budget Assumption:** $4.4 billion

12. Reform Procurement and Competitive Sourcing

Competitive sourcing is the best tool government can use to redesign its programs to be more efficient—producing cost savings of 30 percent on average each time it is applied. A review of state agencies reveals that state employees are routinely performing activities that could be best contracted out for a lower price. Moreover, many of the contracts being used by state agencies are outdated "fee-for-service" contracts that open the state to substantial cost overruns. Those contracts should be converted to fixed-price/performance-based contracts. Finally, the plan centralizes large contracting and procurement decisions in a single contracting agency for the state to improve competitive bidding, improve efficiency, and reduce payment errors through recovery auditing of all state contracts.

Choosing state functions that have been successfully subjected to competition in other states, and applying competition to a total of *only* 10 percent of those functions in 2003 and *just* 25 percent in 2004, at a conservative average cost savings of 30 percent would create a savings of $980 million in 2003 and $2.4 billion in 2004. A more aggressive program that applies competitive sourcing to the opportunities identified in the Appendix of the plan documents savings of as much as $8.2 billion. Recovery auditing could save at least $100 million in its first year of implementation, and perhaps more. Our plan assumes no cost savings from performance-based contracts and will use this reform instead to improve program services.

 **Available Cost Savings**: $3.5-8.2 billion

 **Citizens' Budget Assumption:** $800 million in '03-04; $1.8 billion in '04-05

13. Personnel Reform and Employee Incentives

While the Governor has made a modest proposal to achieve some savings from renegotiation of contracts, the **Citizens' Budget** proposes enacting a 5 percent reduction in state personnel costs through attrition, renegotiation of employee contracts, limits on overtime, and reduction in staff levels to compensate for excessive growth in recent years. A 5 percent reduction is not an enormous target to achieve. As countless private companies (employee-owned United Airlines even!) are renegotiating with their unions, so should the state open renegotiations during this time. Moreover, in Florida, Gov. Jeb Bush is making 5 percent reductions in state employees *each year* for four years! Even Governor Davis has asked state agencies to consider how they could achieve a 10 percent reduction in personnel costs. In addition, our plan calls for an of the Department of Personnel's Merit Award Program to provide bonuses to employees who identify and enact cost-saving measures and have documented accounting to prove savings.



Available Cost Savings: $1.1 billion from 5 percent cut; $2.3 billion potential from employee Merit Award Program



Citizens' Budget Assumption: $1.2 billion in '03-04; $400 million in '04-05

14. Streamline and Reorganize

Through reorganization of the state government, use of information technology to deliver services, and consolidation of administrative services into a centralized department, the state can create cost efficiencies, reduce duplication and overhead, and improve cross-program coordination. To achieve the $870 million in savings detailed in the budget appendix, our restructuring plan would shrink the number of cabinet-level agencies from twelve to seven. Implementation of the reorganization would be phased in over the two years.



Available Cost Savings: $870 million



Citizens' Budget Assumption: $400 million in '03-04; $470 in '04-05

15. Convert Medi-Cal to Cash Basis

Senate Republicans propose to shift Medi-Cal from accrual accounting to cash-basis accounting, reflecting a one-time savings of $1.1 billion. Eventually, accrual accounting would have to be restored and a commensurate $1.1 billion "expense" would occur during a future budget year. Moving to a cash-basis accounting of Medi-Cal flies in direct contrast with generally accepted accounting rules and constitutes only "phantom" savings.

16. Adopt Miscellaneous Reforms

Concurrent with many of the recommendations identified above, the **Citizens' Budget** suggests a variety of other reforms to state government programs, including:

- Adopt a **Performance Budgeting** statute to evaluate the relative priority, performance, and management efficiencies in programs to determine where to make targeted spending reductions without sacrificing vital services.

- Create a **California Sunset Commission** that would systematically review the continued relevance and performance achievements of 20 percent of all state programs annually.
- Consolidate **Independent Boards and Commissions** into the seven new state Departments to create one-stop decision-making, program management and service delivery.
- Implement **Employee Performance Contracts** for every employee in state government to hold them accountable for clear and transparent performance goals.
- Enact **Managerial Flexibility Legislation** that restores the authority of department and program heads to effectively manage the state workforce.
- Adopt **State Employee Retirement Reforms** by adjusting PERS and STRS benefits and allowing partial privatization of retirement funds that would provide beneficiaries greater freedom to invest in their own retirement.

Create the Most "Jobs-friendly" State in the Nation

California cannot achieve Long-term stability in its budget unless it has a flourishing economy that creates high-paying jobs. Indeed, a good job is the most important factor in securing a quality of life. California must *in perception and in reality* become the most jobs-friendly state in the nation. Three key actions must be taken this year to set that process in motion:

- Resist **Tax or Fee Increases** that would only worsen the state's economic condition.
- Reform the **Workers' Compensation System** that has robbed the state of billions in revenue and increased the cost of creating jobs in California.
- Create a **Regulatory Review and Innovation Commission** that would systematically review regulations for their cost-effectiveness and negotiate and enforce "Performance Incentive Agreements" with businesses to achieve regulatory results without high regulatory costs. It is important to note that under this Commission, no state law could be set aside in terms of intended outcomes, but the manner in which an outcome is achieved could be made more flexible and performance-based.

While most observers might assume that tax and regulatory policies are the primary determinants of whether businesses move or stay in a state, the quality of life of a state has just as significant an impact on how jobs-friendly a state is. In fact, businesses look for the same thing families look for in a quality economic environment: good schools for their employees and for an educated future work force, quality and affordable health care, a clean environment, reliable transportation and infrastructure, and safe neighborhoods.[2] In the end, the state will expand its revenue base through more job growth.

Prevent the Problem from Returning through Fundamental Constitutional Reform

The final element of the **Citizens' Budget** addresses Long-term structural reforms to the state's approach to managing its finances. An analysis of why the state faces this current crisis reveals that this massive budget deficit could have been avoided if Sacramento had kept realistic revenue assumptions during the stock market bubble as well as resisted the urge to increase spending faster than the economy could sustain in the Long-term.

As a result, the **Citizens' Budget** proposes the following three reforms;

- Adopt a **Constitutional Revenue Limit (Taxpayer Bill of Rights)** that holds increases in state revenue growth to population and inflation increases.
- Restore a **Modified Gann Spending Limit** that allows for larger carry-over reserve.
- Adopt a **Balanced Budget Trigger** that automatically makes proportional spending reductions to discretionary programs should revenue forecasts not match actual revenue collections.

Some have tried to blame Proposition 13 for causing the current crisis. While the facts dispute that claim, a fundamental re-examination of the state-county relationship of sales, personal income and property taxes should be initiated among all interested parties to produce a less volatile tax system and a more reliable way to distribute revenues.

An Open Challenge to State Agencies: Put Up or Shut Up

The **Citizens' Budget** relies heavily on fundamental management reforms in each state agency. No state program should escape performance reviews, management analysis and competitive sourcing under our plan. As a result, those inside state agencies as well as their advocates on the outside who find the existing bureaucratic processes to their liking might claim that they are already operating at absolute efficiency with no room for more cost savings.

Put simply: ***Don't believe them***. The evidence we present in the chapters that follow should shock and anger all taxpayers—even if they work for the state government. And what we found is only the tip of the iceberg. However, should you want to give a state agency the benefit of the doubt, ask it to answer three questions and provide concrete evidence to back up its assertions:

- Does your agency have a "full cost" accounting system that tracks your cost-per-unit of service provided to the taxpayer? (If the answer is no, stop the conversation right here.)
- Have you benchmarked your performance and operating costs against similar programs in other states and where do you rank?
- If I asked three vendors how much they would charge to deliver the same service you provide at the same or better quality, would your price always be lower?

In the Event of Total Failure by Sacramento: "The Failure of Governance Bond of 2004"

In the end, the **Citizens' Budget** can only advocate solutions—it will be up to the Governor and legislature to come to an agreement as our elected leaders. However, should politics prevent both sides from constructing a win-win solution for California, we suggest taking the issue directly to the voters as a *last* resort. A single vote should be held on deficit bond as well as the Constitutional amendments identified above and an additional constitutional requirement that there be open and routine competitive sourcing of all state activities every five years.

Based on where the various parties are in their positions today, a ten-year $15 billion bond would be required at the least to bridge the gap. Debt servicing on the bond would begin immediately and would burden future

budget cycles. The loan would be enough to transition past the present crisis along with Long-term constitutional changes necessary to impose discipline on Sacramento. However, the opportunity to make Long-term reforms to key quality-of-life state programs would be lost.

Remaining Focused on a Vision of Renewing California's Quality of Life

At the heart of this plan is the belief that with serious effort and leadership, California's best days are ahead of us. To get there, all sides of the budget debate must work together constructively—and all options and ideas must be put on the table. By approaching the budget not just from a fiscal perspective but from the "quality-of-life" perspective, we can fashion a vision of what California ought to be and how to get there, and make the necessary reforms and financial investments to get the job done. The time and effort put into constructing the **Citizens' Budget** is but one initial contribution to that effort.