ELECTIONS: REPUBLICANS WIN HOUSE MAJORITY; COSTA AND McNERNEY RACES TOO CLOSE TO CALL; BOXER/BROWN WIN STATEWIDE

The Republican’s net gain of about 60 seats in the November 2, 2010 mid-term elections gives them control of at least a 43 seat majority in the House, depending on the outcome of races that are still in contention. The Senate remains in the Democrats’ hands, but Republicans will add at least six seats, significantly narrowing the Democrats’ majority in the 112th Congress.

In California, Democrats Jerry Brown and Barbara Boxer won the statewide races. Brown defeated Meg Whitman for Governor, 53.8% to 41.2%. Boxer defeated Carly Fiorina, 52.2% to 42.4%. Former San Francisco Mayor Gavin Newsom won the race for Lt. Governor over Abel Maldonado with 50.2% of the vote versus 39.4%.

In U.S. Congressional races, the winner in the 11th District is still too close to call. The California Secretary of State’s official tally has incumbent Democrat Jerry McNerney holding a 121 vote lead over Republican David Harmer (San Ramon). The count is currently 82,124 votes for McNerney to 82,003 for Harmer. However, thousands of mail-in votes remain to be counted, which could take weeks.

In the 19th District, Republican Jeff Denham (Atwater) beat Loraine Goodwin (64.7% to 35.3%) to succeed retiring Republican Representative George Radanovich. Denham, 43, was elected to the State Senate in 2002. A graduate of California Polytechnic State University, San Luis Obispo, he owns and operates Denham Plastics, a supplier of reusable containers in the agriculture industry. He and his family also farm almonds at their ranch in Merced County.

The race in the 20th District is also too close to call. Republican Andy Vidak (Hanford) led incumbent Rep. Jim Costa by 1823 votes, according to the Secretary of State returns. But again, thousands of mail-in votes have to be counted before a winner is declared.

In the 33rd District, Democrat Karen Bass (Los Angeles) won over James Andion by 86.4% to 13.6%. Bass, 57, will replace retiring Rep. Diane Watson. She has served in the State Assembly since 2004, and in 2008 became Assembly Speaker. Previously, she founded and ran the Community Coalition and worked as a Clinical Instructor at the USC Keck School of Medicine Physician Assistant Program. She graduated from Cal State Dominguez Hills, and the University of Southern California School of Medicine Physician Assistant Program.

There were also nine propositions on the November ballot.
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**Proposition 19 - Regulate, Control and Tax Cannabis Act of 2010** - would have allowed people 21 years old or older to possess, cultivate, or transport marijuana for personal use. It was defeated 46.2% to 53.8%.

**Proposition 20 - U.S. Congressional Redistricting** - enhances Proposition 11, which was passed by voters in November 2008. That measure transferred authority to redraw Assembly, Senate, and Board of Equalization district boundaries from the legislature to a 14-person legislative redistricting commission. Proposition 20 would add congressional districts to the redistricting commission's authority. It also defines a "community of interest" for all districts. It was approved 61.2% to 38.8%. **Proposition 27 - State Legislative Redistricting** - on the other hand, would have reversed the effects of Proposition 11, by returning the authority to draw district boundaries for the State Assembly, State Senate, and Board of Equalization to the Legislature. It was defeated 40.5% - 59.5%.

**Proposition 21 - State Park Funding/Vehicle License Surcharge** - would have added an $18 annual surcharge to the amount paid when a person registers a motor vehicle to pay for state park maintenance. It was defeated 41.8% to 58.2%.

**Proposition 22 - Prohibit State From Taking Some Local Funds** - prohibits the state, even during severe fiscal hardship, from using property tax and gas tax revenues allocated for cities, counties and special districts. The measure would prevent the state from taking existing local funds allocated to redevelopment and transportation agencies, public safety and other local services. The measure was approved 61% - 39%.

**Proposition 23 - Suspend Air Pollution Control Law (AB 32)** - would have suspended the implementation of AB 32, the Global Warming Act of 2006, until California's unemployment rate drops to 5.5% or below for four consecutive quarters. AB 32 requires that greenhouse gas emission levels in the state be cut to 1990 levels by 2020 through a greenhouse gas reduction program that includes increased renewable energy and cleaner fuel requirements, and mandatory emissions reporting and fee requirements for major polluters, such as power plants and oil refineries. The process of cutting greenhouse gas emissions is slated under AB 32 to begin in 2012. Prop 23 was defeated 38.9% - 61.1%.

**Proposition 24 - Repeal Allowance of Lower Business Tax Liability** - would have changed three business tax provisions back to what they were before 2008 and 2009 law changes. Businesses would be less able to deduct losses in one year against income in other years, multi-state businesses would have their California income determined differently, and businesses would not be able to share tax credits with related businesses. Prop 24 also went down to defeat, 41.5% - 58.5%.

**Proposition 25 - Simple Majority Vote to Pass The State Budget** - would lower the Legislature’s vote requirement to send the annual budget bill to the Governor from two-thirds to a majority of each house of the Legislature. It was approved 54.8% to 45.2%.

**Proposition 26 - 2/3rds Vote for Some State/Local Fees** - broadens the definition of taxes to include many payments currently considered to be fees or charges. As a result, more state and local proposals to increase revenues would require approval by two-thirds of each house of the Legislature or by local voters. The proposition was approved 52.9% - 47.1%.
Further information on the election results can be found at the California Secretary of State’s website: http://www.sos.ca.gov.

**STATE: 2010 CALIFORNIA BUDGET APPROVED**

The 2010-11 Budget Bill for the state of California was passed by the Legislature and signed by Governor Arnold Schwarzenegger on October 8, 2010. The plan addresses a $17.9 billion budget deficient. The Governor offered a total of $19.1 billion in budget "solutions" to close the shortfall and generate a reserve of $1.2 billion. The budget relies on the following actions and assumptions:

- $7.8 billion of expenditure reductions (including ongoing and temporary cost or service reductions).
- $5.4 billion of new federal funding (most of it not yet approved by Congress).
- $3.3 billion of additional revenues (including $1.4 billion in higher assumed baseline state revenues).
- $2.7 billion of largely one-time loans, transfers, and funding shifts.

The following is a summary of some of the major provisions contained in the Budget:

**2010-11 Budget Major Proposals**

**Health and Human Services.** The budget makes a number of reductions in health and human services programs, but rejects the Governor's proposals to eliminate CalWORKs, community mental health programs, Adult Day Health care, and the significant reductions proposed to the In-Home Supportive Services program.

The negotiated budget also restores or partially restores several programs that were vetoed by the Governor in 2009-10. The most significant being the restoration of funding for child welfare services and the Office of AIDS.

**Public Safety.** The negotiated budget includes corrections savings of over $1.1 billion, primarily from reduced inmate medical care costs. The budget proposal does not include a "realignment" of state inmates to the counties.

**State Employees.** The budget package reduces spending for state employees by about $1.5 billion consistent with collective bargaining agreements that have already been reached or are in negotiation. This is $500 million less than what the Governor had proposed.

**K-14 Education.** The budget maintains a modest increase in education funding on a per pupil programmatic basis for 2010-11, and begins paying "settle-up" payments for the 2009-10 fiscal year with a $300 million payment in 2010-11. The budget provides ongoing Proposition 98 funding of $49.7 billion and through a new deferral of $1.9 billion and one-time funds brings total state funding for schools and community colleges to $52.5 billion.

Federal legislation provide K-12 education with $1.5 billion in special one-time federal funding. Of this amount, $1.2 billion is from recent federal grants provided specifically to help retain K-12 jobs, and $272 million is from the last round of federal stabilization funding from the 2009 stimulus package.

**Higher Education.** The budget provides $5.5 billion from the General Fund for support of the University of California and California State University systems. Funding is above the 2009-10 level and includes full funding for enrollment growth and an augmentation of approximately $199 million for each segment to backfill previous cuts to the systems.
Federal Funding Assumptions

The budget plan assumes that the federal government will provide the state with the ability to reduce General Fund costs by $5.4 billion in 2010-11. This is significantly more than the $3.4 billion projected by Gov. Arnold Schwarzenegger in his May revision.

Congress and the President have already approved about $1.3 billion of these funds through the extension of enhanced Federal Medical Assistance Percentage (FMAP) funding levels for Medi-Cal and related programs. According to the budget documents, additional savings could result either from increased federal funding to the state or federal approval for certain reductions in state costs or service levels.

Additional Revenue

The negotiated budget includes $2.5 billion of additional state revenue. More than half of this, $1.4 billion, is from the Legislative Analyst's revenue forecast. These revenue assumptions were not included in the Governor's May Revise. Three months into the fiscal year, this additional revenue has already been realized.

Loans, Transfers, and Funding Shifts

The budget plan includes $2.7 billion of loans, loan repayment extensions, transfers, and fund shifts from special funds, which generally are fee-supported funds that pay for specified state functions. A significant portion of these actions relate to the state's transportation accounts, including the Highway Users Tax Account ($762 million loan), the Motor Vehicle Account ($180 million loan and $72 million transfer), and other special funds related to the Department of Transportation ($231 million of loan repayment extensions).

Governor's Vetoes

When signing the budget, the Governor vetoed $963 million in General Fund spending that had been approved by the Legislature. In doing so, the anticipated year-end reserve increased from $364 million to $1.3 billion. Among the biggest cuts:

- $366 million from CalWorks, also known as welfare to work; administration officials said they hope to make up the cut with an advance from the federal government.
- $256 million from child care subsidies, affecting about 55,000 children statewide.
- $133 million from mental health services for about 30,000 special education students.

Pension Reform

The budget package includes legislation proposed by the Governor to decrease pension benefits for state employees hired on or after November 10, 2010. These changes would impact state employees in bargaining units that do not currently have a Memorandum of Understanding (MOU) with the state, as well as employees of the California State University, the judicial branch of government, the Legislature, and classified school employees. These changes do not apply to current employees.

Budget Reform

The package also places a measure on a future state ballot that is intended to stabilize state finances in the future by increasing amounts deposited to the state's rainy-day fund in certain years.
According to the Legislative Analyst's Office, two-thirds of the steps taken to bridge the $19 billion deficit are based on one-time or temporary money, some of which may never materialize.

For more information visit: http://www.senate.ca.gov; http://www.ebudget.ca.gov/ or http://www.lao.ca.gov/.

**REPORT: NEXT TEN RELEASES GREEN INNOVATION INDEX**

In October 2010, Next 10 released a study entitled *2010 California Green Innovation Index*. The study documents California's increasing global leadership in green innovation, clean tech venture capital investment, and energy productivity. Concluding research shows that California's green economy is one of the few areas of the economy that is growing in the current downturn.

The Index, produced by Next 10 and prepared by Collaborative Economics, tracks California's history of policy and technology innovation and resulting economic and environmental gains or losses.

Top findings include:
- California has attracted $11.6 billion in cleantech venture capital (VC) since 2006, accounting for 24 percent of total global investment.
- In the first half of 2010, the state attracted 40 percent of global cleantech.
- As a result of efficiency improvements, each Californian used 20 percent less energy in 2008 than in 1970 while little progress has been made in the rest of the country.

To download the *California Green Innovation Index* visit: http://www.next10.org/.

**REPORT: CALIFORNIA BUDGET PROJECT RELEASES EMPLOYMENT REPORT**

In September 2010, The California Budget Project released a report entitled *Stuck Between a Recession and a Recovery: California's Workers Face the Toughest Job Market in Decades*. The report examines recent employment, wage, and income data in order to assess how California's workers and their families have fared since the beginning of the downturn.

Key Findings of the report include:
- Modest job growth in early 2010 was largely driven by temporary positions that are not expected to lead to permanent positions.
- While many Californians renewed their search for work in early 2010, more dropped out in June and July.
- The average length of the workweek reached a 25-year low in the first half of 2010.
- The average unemployed Californian has been searching for work for a record-high eight months, and nearly 1 million Californians have been out of work for more than half a year.
- The long-term unemployed are the least likely to find work.

To view the report visit: http://www.cbp.org/.

**REPORT: EXCELENCIA ASSESSES STATE'S COMMUNITY COLLEGES**

In October 2010, Excelencia in Education released a report entitled *Divided We Fail: Improving Completion and Closing Racial Gaps in California Community Colleges*. The report tracks over six years more than a quarter of a million students who entered a California Community College in 2003-2004 and analyzes their progress and outcomes by major racial/ethnic populations. The report concludes that there is an urgent need to improve student outcomes in community colleges, particularly for blacks and Latinos.

Key findings include:
- Six years after enrolling, 70% of degree seeking students had not completed a certificate or degree, and had not transferred to a university (about 75% of black students and 80% of Latinos). Most had dropped out; only 15% of the non-completers were still enrolled.
- About 23% of degree seekers transferred to a university, and Latino students were only half as likely as white students to transfer (14% vs. 29%).
- An increasing share of transfer students is enrolling in the for-profit sector. Black students are especially likely to transfer to for profit institutions, and to leave the California Community College system with fewer credits completed.

According to the study, nearly one-fourth of the nation's community college students are enrolled in California. As such, the report finds, success of the Obama Administration's college attainment agenda depends on California increasing completion rates and reducing performance gaps in its 112 community colleges.

To view the report visit: http://www.edexcelencia.org/.