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Proposition 1D

Hi. I'm political analyst and Citizen Voice President Gary Dietrich. We're here to talk now about Proposition 1D on the May 19th California special statewide election ballot. That deals, by the way, with the redirection of tobacco tax funds. We'll get more about that in just a moment. Representing both sides here today, on the Yes side we've got Bill Hauck, who's the President of the California Business Roundtable and Sheila Boxley who's the President of the Child Abuse Prevention Center. Thanks so much for being here with us today.

So what would actually Prop 1D do, folks? Well, here, very simply, you'll remember that Californians actually passed Proposition 10 which directed monies at 50 cents a pack per cigarettes towards programs serving kids under 5. This would temporarily redirect some of those monies to help with the current California state budget deficit. So let's give Bill a chance here to tell us, why do we need Prop 1D, Bill?

Bill Hauck: Well, you just referred to the first reason Gary. There is a significant state budget deficit and while these programs financed by Prop 10 are certainly good programs, we are in a difficult situation in California. I think it's important to know that as of June 30 of last year, there was about a \$2 billion surplus total in the Prop 10 fund. What is proposed here is to use a portion of those funds for again, services to children 5 and under. So, we're not talking about diverting money here to other state programs, we're talking about using some of these funds, not all, of course. Some of the funds that are in that account for additional children's programs. The state already operates a significant number of programs for children. Those will continue to be funded.

Gary Dietrich: Sheila, let's have you respond to that opening by Bill.

Sheila Boxley: Well, sure, I'd like to do that. First of all, there will be services cut if Prop 1D passes, services that are in high demand right now. In this economic time, most of the people who are providing the basic core services have so much demand and so much need that they can't meet it. Secondly, and I think very important, this particular proposition will actually negatively impact the budget. I'll give you an example. In child abuse prevention, treatment costs 100 times more than prevention. If we divert \$200 million from child abuse prevention, we will end up spending more money, and not just at the state level, but it will be passed down to the schools and the counties.

Gary Dietrich: Sheila, let me give you a chance to respond to what initially is the notion in state budget deficit years, that you need to share the pain. Everybody needs to have

some cuts. Why should your folks be exempt? I want to give you a chance to respond to that.

Sheila Boxley: We've already given. We've already had cuts in the state budget. We've had cuts from 3 different departments just in the past year that are massive. There are core services going away. In effect, the safety net has already been eroded for children. We are going to pay over and over if we cut any further and any deeper into those core services for our children. We shouldn't be deciding to get rid of programs that immunize children. Right now, we have a swine flu outbreak. We know how important it is to keep children safe. These programs are core. They're not frilly kinds of programs. They're not things, that wouldn't it be nice if we can do it. We're talking about child abuse, we're talking about early health, we're talking about immunization.

Gary Dietrich: Bill, are these dollars really important to help balance the state budget?

Bill Hauck: They are, Gary. I think it's important to point out that this Prop 10 raises about \$500 million a year and if the services that Sheila was talking about were critical, and I think they are, why is there a \$2 billion balance in this account? It's also important to say that in Prop 10 there's no accountability for how that money is spent. All the state commission and local commissions, one in every county, have to do is report to the state commission, and in the state's case to the governor and the legislature. The funds are automatically appropriated so there's no discretion by the legislature or the governor as to the expenditure of those funds. These services that Sheila's talking about are critical, there's no question about that. Why do we have the kind of balance we do? We're also at \$500 million a year. We're not talking about diverting all \$500 million each year, first. And second, we're talking about these diversions for a limited period of time, for 5 years. This is all critical as far as the state budget is concerned. These are not things that we would choose to do if we had our druthers, but at the moment we don't. There's lots of blame that could go around, that doesn't do any good either. There's no point in that. We have to deal with what's in front of us. This is a bipartisan agreement by Republicans and Democrats in the legislature. No question about that. The programs are good. This is not a diversion of the entire amount. There is a large balance. It is not proposed to take that large balance and move it entirely into again, these are services for children. We're not talking about using this money for some other entirely different program.

Gary Dietrich: Sheila, I'm going to give you a chance to respond to that because this surplus argument is a big one that is out there right now. You've got \$2.5 billion supposedly in a surplus of this fund that's built up from Prop 10 dollars. What can you say about that?

Sheila Boxley: Well, it's not really a surplus. That's a false word that's been bandied around. What happens is that 1st Five has done something very responsible. What they've done is that they've recognized that they have a declining revenue source. Fewer people are smoking and so each year they get less money than they did the year before. They make 3 and 5 year commitments to programs. Because you build the infrastructure you need to know you have at least that much time to implement. So they make sure that they reserve some money in each year so they can meet that 3 or 5 year commitment. I wish the state legislature had done this same thing with their budgeting and maybe we wouldn't be sitting here having this conversation. I also want to mention that, yes, there was bipartisan support in the legislature, but just yesterday the Democrat party refused to endorse Prop 1D and the Republican Party has already come out against it, so that bipartisan support doesn't filter down.

Gary Dietrich: Bill, I want to give you a chance to respond to that, the politics of this thing. Tell us a little bit about that.

Bill Hauck: Well, party conventions, Democratic and Republican, tend to bring people who are, shall we say, to the right and to the left on the Democratic side. I don't think they are representative of the California population. In fact, Democratic and Republican registration in California is declining. What's increasing is Decline to State and Independent registration, now up to about 20% statewide. So I think, to the average Californian, this is a program they would support and we support it as well. But, as I said earlier, we are in a difficult situation. I wouldn't pay much attention to the results of party procedures here. I think it's more important to listen to folks who are a little bit more toward the middle and more reasonable. This, we believe, is reasonable. It wouldn't have been agreed to by Democrats and Republicans of all stripes in the legislature were it not necessary. There's no question they wouldn't have gone to this program if they didn't believe it were absolutely necessary.

Gary Dietrich: Let me ask you why the California Business Roundtable actually supports this. Is your concern if these kinds of savings aren't generated and applied toward the budget deficit there will higher taxes? Why business people behind this?

Bill Hauck: Well, we're going to have higher taxes. We already have higher taxes. The sales tax was increased by 1 penny. We're supportive of this because the young people that are being taken care of in this program are our future workforce in California and we can't afford not to deal with this. Sheila's also correct. If we don't have these programs we're going to spend a lot more money down the road in terms of crime and incarceration. We have no disagreement about the need for these programs. The business community has supported higher taxes. The state of California has no recourse to the bankruptcy law. We cannot get ourselves to the point, and we were almost there a couple of months ago, of an effectively fiscally insolvent. The cuts then are going to be even more drastic than have occurred to date. Is all of this right? Of course, it's not. We should have dealt with this, even years ago. But we are here today and we've got to do what we've got to do.

Gary Dietrich: Okay, so your short term fix is necessary, but not pleasant. Sheila, let me give you an opportunity to really address the larger question, which is, if not this, then what? You don't want to see general funds services cut for children as well. If monies don't come from something like the Prop 10 fund, does it put the state in a further hole? That's going to be sort of the big question people are going to ask.

Sheila Boxley: Everybody talks about if we have to divert these funds for other children services. As far as I'm concerned, Gary, that sounds like Sophie's choice. We don't have to do that. We don't have to choose between needed services for children. We don't have to do that. If people vote No on Prop 1D, then I think what they're voting is to say, we want to balance our budget the way we would do in our families. What people do in their families, what people do that have healthy families, is they don't decide not to immunize their children. They decide not to go out to the movies. They decide what's essential. They take care of the basic health and safety of their children first and that's what we think should be the choice now in this budget crisis. There is a crisis. We know there is. We know there needs to be cuts. Well, first of all \$268 million is a huge amount in children's services, but it's really not much money in the whole budget process. We think that if that money is taken away at this time, people know what will happen. People know that the first years of life for children are critical. You can't wait. If you divert that money, you divert that away from a child right now that is born today who's not going to have the services he or she needs through the first 5 years. And what we know happens when children don't get the services they need is their long term health is

impacted, their ability to be successful in school, their ability to join the workforce and be a part of the economic solutions of the future, is thwarted. So there's no second chance for that. You take those services away from somebody who is depending on them now, who trusts that they'll be there, they won't be back. You can't undo the harm that happens. We know that from research, we know that from science. It's critical that we do this. So it's not much money. It's not going to solve the crisis.

Gary Dietrich: I'm going to give you a chance to respond as we wrap up here Bill. Not much money in the scheme of things when you're talking \$100 billion budget, or not?

Bill Hauck: There is no single source of help for the budget. You have to string together a whole series of things that both tax increases and spending reductions in order to close what the legislature was faced with, a \$42 billion gap. Certainly, if you take them one at a time in terms of the total budget, they don't sound like a lot, but you can't put a budget together that way. Secondly, child immunizations will not stop as a result of the diversion of these funds. The Prop 10 language prohibited the state from supplanting or replacing in effect existing general fund funding for the arrange of services that are already provided to young people up to age 5. They include foster care, Medical, other health coverage, healthy families, state preschool and child care. Those programs will not go away. No, \$200 million or so is not by itself huge in relation to \$100 billion, but you can't get to \$42 billion if you don't put together a whole range of those programs and that is exactly what the legislature did again, on a bipartisan basis.

Gary Dietrich: Okay, and obviously your view, not the case. Those cuts will actually hurt. Go ahead, Sheila.

Sheila Boxley: They will actually hurt. And in fact, the proposition says that the funds will be taken away and put into some of those categories that Bill just mentioned, can't be cut, like foster care.

Gary Dietrich: Okay, we'll have to leave it there, but we do thank you for your time here today. Yes on Prop 1B, that's Bill Hauck, President of the California Roundtable, and No- Sheila Boxley, President of the Child Abuse Prevention Center. Thanks very much for your time. And, friends, that's been Proposition 1D, our discussion coming up for your May 19th statewide California special election ballot. We do encourage you to participate, certainly important issues for California. If you want more information, not only the ability to download this video, but get it in audio form, transcripts in English and Spanish, summaries of all the propositions and lots more voter helps, you can find those at citizenvoice.org. Thanks for being with us.

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