

November 2012 Legislative Update

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AN HISTORIC ELECTION

On November 6th, California voters made historic decisions relative to the composition of the California Legislature. Additionally, while all campaign spending reports will not be available for some weeks, it appears spending on legislative races and the 11 initiatives that appeared on the November 6th ballot, have set an all-time spending record, with over \$400 million spent for and against just a few of the initiatives alone.

THE NEW LEGISLATURE

With a number of Assembly and Senate races still too close to call, it is clear that both the Senate and Assembly Democrats have captured sufficient seats to attain a super-majority in both houses. As of this writing, the Assembly has captured 54 votes, with the Senate at 27(or 28), depending on one remaining too close to call race.

While voters granted the Legislature the authority to pass the state budget on a simple majority vote (41 in the Assembly/21 in the Senate), at the last statewide election, taxes and constitutional amendment remained at a 2/3rds vote requirement—54 votes in the Assembly/27 votes in the Senate. With both houses having captured super-majorities, both the Assembly and Senate could pass taxes, assuming all Democrats vote for taxes, which may not be a good assumption, plus passing constitutional amendments for placement on a statewide ballot, but that, too, would require all Democrats in both houses voting in favor of doing so.

So, as of this writing, the Assembly will have 54 Democrats and 26 Republicans, while the Senate is at 28 Democrats and 12 Republicans, with one Senate race still in doubt.

BUT WAIT!

There are two Assembly races that are still in doubt, but since those are Democrat verses Democrat contests, the outcome will not alter the fact that the Assembly Democrats have won a super-majority of 54 Democrats. The Senate has one race still in doubt, which could reduce their super-majority to 27 Democrats, but even so, there are a number of factors that could delay the Senate Democrats reaching their super-majority until early this spring.

The reason is two Senators were elected to Congress, Senators Jaun Vargas and Gloria Negrete-McLeod, both of whom will resign their Senate seats upon being sworn-in to Congress in January, thus, reducing the Senate Democrats below the super-majority. Once they have

resigned, the Governor will call special elections for the 2 seats, either in February or March, with the top-two runoff probably in June. Both seats are likely to remain in the Democrat column, thus giving the Senate their 28 Democrats super-majority following those June runoff election.

But to complicate this even more, Senator Curren Price who will be running for the Los Angeles City Council in May, is expected to win, which will require yet another special election, likely to be won by a Democrat. As of this writing, it is most likely that Democrat Assembly Members will be elected to the Senate seats vacated by Vargas, Negrete-McLeod and Price, thus, upon their election to the Senate, will require the Governor to call special elections to fill those Assembly Democrat seats, and until they are filled, again presumably by Democrats, the Assembly Democrats will fall below the Democrat super-majority.

In summary, both the Senate and Assembly Democrats have won super-majorities, but there will be periods of time this year when one or both houses will fall below their Democrat super-majorities until all of the special elections are decided. WHEW!

Given the number of new-to-the-Legislature winners, 38 new members, this is a great time to start the relationship building process with your new legislators.

THE STATE BUDGET—THE END OF RED INK?

Based on the passage of Governor Brown's Proposition 30, couple with an improving California economy, on November 14th the Legislative Analyst issued his **The 2013-14 Budget: California's Fiscal Outlook** report, a report that contained some optimistic forecasts, the first in many years.

While the report estimated a \$1.9 billion deficit through June 2014, due in part to higher spending than expected, coupled with the State receiving less revenue from dissolved redevelopment agencies than expected. The Legislative Analyst also predicted the State will receive less revenue from a managed care tax and cap-and-trade auction revenues.

Finally, the Legislative Analyst forecasts the possibility of surpluses starting at \$1 billion in 2014-15, growing to more than \$7 billion in 2017-18, but cautioned the Governor and Legislature to restrain program growth, as will certainly be sought by numerous advocacy groups, that could reduce those projected surpluses significantly.

NEW LEGISLATIVE SESSION STARTS December 3RD

The 2013-14 Legislative Session will commence on December 3rd, with swearing-in of the newly elected legislators, then recessing until January 7th. New legislation may be introduced on December 3rd, but with the bulk of legislation for next year introduced by the bill introduction deadline in late February.