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Sacramento Politics Affecting the Coachella Valley Economy - CVEP Legislative Breakfast Update



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California State Senator Bill Emmerson (R)

The Coachella Valley Economic Partnership (CVEP) was established in 1994 to assist companies in the Coachella Valley marketplace. Its members, made-up of high-profile community leaders in business and politics, explore regional issues and strategies related to the economy of Riverside County and the Desert Cities.

At last week's Legislative Breakfast, held at Bellatrix Classic Club in Palm Desert, CVEP hosted some of California's top legislators involved in the State's budget negotiations.

There is no question that California is in a very serious crisis and without a solution or even an approved budget. Yet partisan bickering and pressures from special interests halted the discussions. While the politicians are posturing, our communities are riddled with unemployment and uncertainty.

Governor Brown signed bills eliminating \$11.2 billion from the \$26.6 billion deficit by cutting benefits in welfare, higher education, and health. He is looking for more cuts by eliminating programs such as redevelopment agencies and the Enterprise Zone program. Brown also wants to raise taxes.

The legislators at the two-hour CVEP breakfast event gave an update as follows:

Although discussions to eliminate the Enterprise Zone are on-going, State Senator Emerson, Vice-Chair of the Business Professions and Economic Development Committee, says that action would in effect be a tax increase. Such would require a 2/3 vote, and "there is no appetite in Sacramento for that," he adds.

Assemblyman Brian Nestande of the 64th District points out there is much more to the budget problem. Nestande is the Chair of the Republican Caucus and currently serves as Vice-Chair of the Assembly Governmental Organization Committee. "If you want to solve a problem, be honest about it" says Nestande.

The Assemblyman explains that the real deficit is \$28 billion more than reported. Ten Billion dollars in deferrals (monies that are promised to be paid out, but cut from the annual budget); \$4 billion owed to city and country school districts in mandate, and \$14 billion in unemployment insurance borrowed from the Federal Government are not included in the published accounting.

Assemblyman Nestande also points to the neat trick played by politicians of "fixing" budget problems and creating incentives for businesses with solutions that expire in just one year. All attending guest speakers agreed that short term solutions create more problems in the long run and that serious structural budget reforms are needed.

Nestande also spoke of lowering tax rates and getting rid of deductions. "I don't like the fact that corporations; whoever gets the best lobbyists, the best lawyer, will get a tax deduction to their particular industry" he stated. He would like to "lower the corporate rate to 4-5%. Lower the personal income tax rate, because small businesses simply file as sole proprietors and pay 9% income tax.... I think we should lower that." He also wants to lower the sales tax. He believes that will benefit the economy.

State Senator Juan Vargas, Chairman of the Banking and Financial Institutions Committee, calls himself a pro-business Democrat who is not always supported by his colleagues. He believes that Democrat activists in Sacramento will make it difficult to reform the budget.

Vargas pointed out that some communities in California suffer from 20% unemployment. He says that Enterprise Zones that create jobs need to be protected. Despite those facts, he will vote to eliminate the Enterprise Zone "instead of cutting funds to the poor"; as he views reductions in social services.

Then, there are other issues that need to be resolved...

Vargas asked the audience if they thought there are scandals involving public employee pensions. No more than a dozen hands went-up in the room scattered with many working in government and politics.

Vargas asked if "a guy retiring with \$450,000 of public money – how is that not a scandal? The city manager of Vernon retires at \$450,000 a year.... That's absolutely scandalous.... The Governor feels that way, so he is trying to put a cap on that."

"Pension reform has to happen. I don't think anyone disagrees with that... Even public unions are coming along on that understanding that if there isn't some change, they are going to lose their pensions... this will be placed on the ballot and people will get angry..."

At the conclusion of the gathering, one wonders if these well meaning politicians are going to be able to solve the problems. They seem to be up to their necks in procedures, philosophical differences, and party politics.

When asked if the organization is satisfied with what these representatives of "we the people" are doing in Sacramento to help the economy in the Coachella Valley, CVEP Chief Operating Officer Wes Ahlgren said the following:

"I think they are all well intentioned and they all have the right idea. Something happens I think when (they) get up into the caucus into the larger environment in Sacramento. Sometimes common sense and reason goes out the door and politics plays... And that's frustrating." He added: "That's why CVEP organizes these events." It is important that these legislators keep in touch with the business community in the Valley so they can better serve it.