

# NEXT TEN

budget visioning for the NEXT TEN years

November 19, 2004  
University of Southern California, Davidson Center  
Los Angeles, California  
9:00 am - 12:00 noon

## Welcome, Introductions, and Project Overview

- Robert Garcia, Center for Law and Public Interest: the Governor's new California Performance Review, which tried to make recommendations to streamline state government, recommended ending funding of \$250,000 per year for the Baldwin Hills Conservancy while at the same time supporting the creation of a new conservancy in the Sierra Nevada, which will cost the state \$10 million dollars per year. Why is the state recommending ending state support for an urban park serving the low-income community of South Central Los Angeles?
- Noel Perry Noel Perry, Founder and Managing Director, Baccharis Capital Inc.

## Basic Budget Education

- Stephen Levy, Director and Senior Economist, Center for Continuing Study of the California Economy (CCSCE). CCSCE is a private research organization founded in 1969 to provide an independent assessment of economic and demographic trends in California. Dr. Levy presented an overview of the state budget (attached).

## Answers to 3 questions:

Take-aways:

- Great overview of our budget deficit
- K-12 spending
- California gets most of its money from sales and income taxes
- Our taxes are only slightly higher than the rest of the U.S.
- Hard choices to be made; no easy fix. Growth won't fix problem.
- State control of local education programs through category funding.
- What I take away is the importance of understanding how our budget works and that Californians should understand this to be better-informed voters.
- First systemic walk through of budget I have had.
- Understanding the general structure/proportion of how budget is allocated.
- Prop. 13 needs to be revised to generate more revenue (as implied by Warren Buffet)
- We need to get rid of Term Limits so legislators can take a longer view
- We need additional sources of revenue (maybe more taxes on gas, which would have other benefits)
- The severity of the state budget deficit.
- This was helpful in reinforcing my basic knowledge; especially interesting to see the direct correlation between the drop in revenue from stock options and capital gains and the budget deficit

- We have a structural deficit - and implied need to compromise (raise income, cut spending). Our deficit will only grow due to increased demand, unless we fix it.
- I didn't know much about the state budget before coming in. The presentation was very helpful in getting a broad view of the budget.
- Again, it was a very informative and comprehensive presentation. Thank you.
- The legislature needs a longer term vision of the budget and citizens need a much finer understanding of our budgetary responsibilities in order to incent the government to act.
- That Mr. Levy is a great presenter and spoke in a language that I can better understand what the budget is and also how we got to this deficit.

#### Surprises:

- Percent of budget going to K-12 education.
- Even though half of budget goes to K-12 education we still have such a low spending per pupil average.
- K-12 spending & higher education comprise half the budget.
- I was surprised by the amount going towards K-12 education compared to other services.
- Percent of state/local employees
- California has fewer state & local employees than I had imagined
- Lowest ratio of state employees to total population.
- Projected medical growth for elderly
- Impact of vehicle license fee on budget
- Levy's statement that the state does not get property tax dollars! They control the property tax dollars. Doesn't the dollars showed as going to education include this revenue?
- That our state tax was a higher percent in the late 90's due not to relative tax increases but because higher income people made more money and were taxed in a higher bracket
- How long this has been going on re: structural deficits
- That I didn't know much of this already.
- Probably the correlation noted above between the drop in stock & capital gain taxes; & that California teachers are paid higher than other states
- I didn't know that CA is paying incomes higher than any other state. Even though this is true we see such a great gap in rich and poor.

#### Additional Information needed:

- How do we fill the gap at the local level re: social services, health services as the budget gap widens the need increases.
- Effect of California budget performance review on budget
- More specific breakdown on spending trends in other social services (CalWorks, childcare)
- Why growth won't get us out of the mess. (Have heard it; but more detail.)
- Can there be savings through waste/abuse etc.
- More info re: how state spends dollars within the broad categories.
- I'd be interested in learning more about how ballot propositions authorizing funding affect the budget. This year we voted to spend \$3 billion on stem cell research - what effect does this have on other aspects of the budget? How can

we better educate voters to see what effects the passage of spending propositions will have on California's budget?

- Cites to relevant authorities in the written materials.
- Solutions: Ideas for how to re-structure major aspects/an understanding of political dynamics behind the decisions; understanding the implication of deficit/debt; strategies for participating/influencing budget decision-making process.
- I would have liked to know more about the budget adoption process in Sacramento (who makes these decisions, how is it voted, etc.)
- I would like more information about how our budget works compared to other states. What are the ramifications of a high sales tax and income tax? A low property tax? What "mix" would work best?
- Savings from scaling back on pensions
- Savings if flow of undocumented workers could be reduced
- Please spend more time explaining that immigrants' labor subsidize corporate profits and thus, government spending on the poor (including immigrants) is a corporate subsidy
- Who are the people in California? (age, gender, ethnicity, nativity, etc.)
- Why and how will state budget deficit affect our life?
- Since this is a basic education workshop on budget some explanation on some terminology will be helpful.
- Want to know how California compares with other states in terms of property taxes specifically, and how states with better balanced budgets structure their budgets
- More time for explanation of vehicle license fee, Prop 10, and Prop. 98.
- Pre-1970s budget - did we have a deficit? Also, same content-type info, but for the county budget (LA, OC, SD, SB, Riverside, etc.)
- Why a business can not be like the state (ie, examination of privatization of public goods and services)
- Better perspective of "caseload" as contributors to California economy
- I really don't understand how to read graphs, but that does not reflect on the presentation. Maybe there can be a little more explanation of these.

### Trade-Offs Discussion: Making choices using the Next Ten Budget Simulation Tool

Ideas for enhancements to the tool:

- Add policy choices related to these topics:
  - Reform Proposition 13: increase property tax revenue
  - Car Tax
  - Gas Tax: this has lots of positives related to incentivizing people to live closer to work and to reduce demand for sprawl housing
  - Indian Gaming
  - Other corporate taxes - see 16 corporate tax loopholes paper by CBP
  - Transportation/Infrastructure choice - something to help use focus on the traffic problem
- Increase the size of Fonts on the Summary page - for the deficit numbers/icon
- Allow a wish list to be developed
- Something to address the federal contribution
- Submit your choices and compare to other users

- Show the personal impact to you. E.g. this tax increase would cost me this much money
  - Concern that this could lead to short-term thinking rather than long-term thinking

Ideas for where we could use the tool:

- make it available to school districts
- Do trainings for members of the League of Cities
- League of Women Voters
- Grassroots organizations could use this tool in their work with communities
- Old usual suspects - Rotary Clubs, Optimists, etc.
- Philanthropic community and their grantees
- PTA's could use a simplified version
- Do a Speakers' Bureau to go out and multiply the number of people being exposed to this tool
- Mass penetration is key
- Translate to other languages
- Use the media