

# How Not To Run A Government

A sunset scene over a body of water. The sun is a large, bright, glowing orb in the upper center, casting a shimmering reflection on the water's surface. To the left, the dark silhouette of a palm tree trunk and fronds is visible. In the distance, a dark, low-lying shoreline with some buildings or structures is visible against the horizon. The sky is a mix of soft orange and pale yellow.

**Bill Watkins**  
**August, 2005**



Frank Zappa says:

"Sometimes you  
got to get sick  
before you can  
feel better."

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# Outline

- The Budget
- Politics
- Impacts

# California's Budget



# California's Budget

- The Facts
- Supermajority
- Progressive PIT



**Arnold Says:**

**“This is a  
bipartisan  
budget we can  
all be proud of  
because it is  
balanced...”**

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# The Facts:

Expenditures will  
exceed revenues by  
about \$6 billion.



# The Facts:

Expenditures have exceeded revenues by billions for five years.



# The Facts:

Revenues are  
expected to grow by  
\$5 billion to about  
\$85 billion.

# The Facts:

Expenditures are  
expected to grow  
by \$9 billion to  
\$90 billion.

# The Facts:

California owns  
70,000 vehicles.

It can only find  
40,000 vehicles.

# California Debt (June 1, 2004)

	Outstanding	Unsold
General Obligation Bonds	\$33 billion	\$30 billion
Lease Revenue Bonds	\$7 billion	none
Deficit Reduction Bonds	\$11.3 billion	\$3.7 billion
Total	\$51.3 billion	\$33.7 billion

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# The Facts:

About 6.2% of the budget is debt service. Debt service will reach 7.5% in 2008-09



**Bill Says:**

**“Then, California voters approved \$3 billion in new debt for stem cell research.”**

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# The Super Majority Requirement

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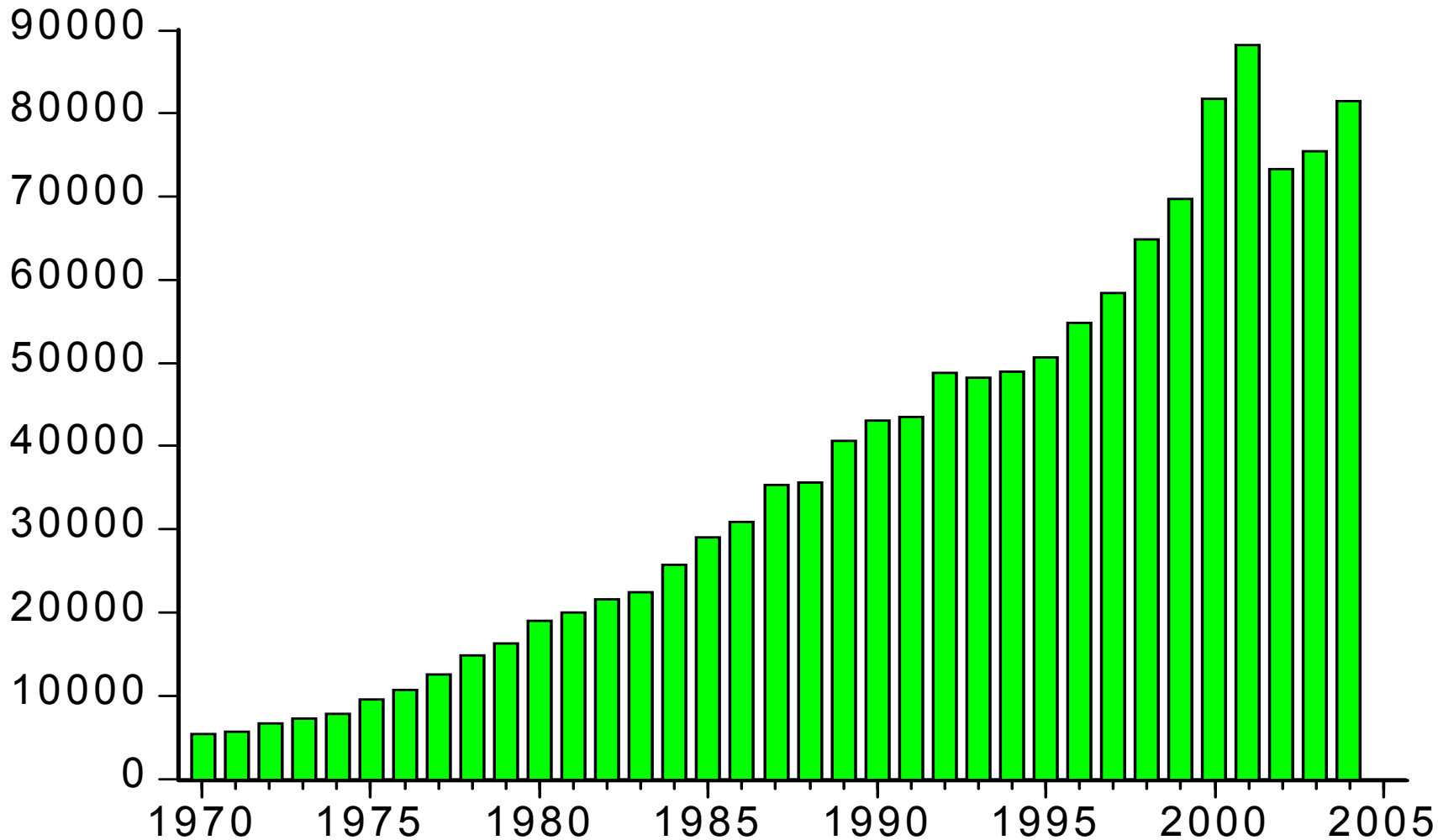


# California's Personal Income Tax

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# Total Tax Collections

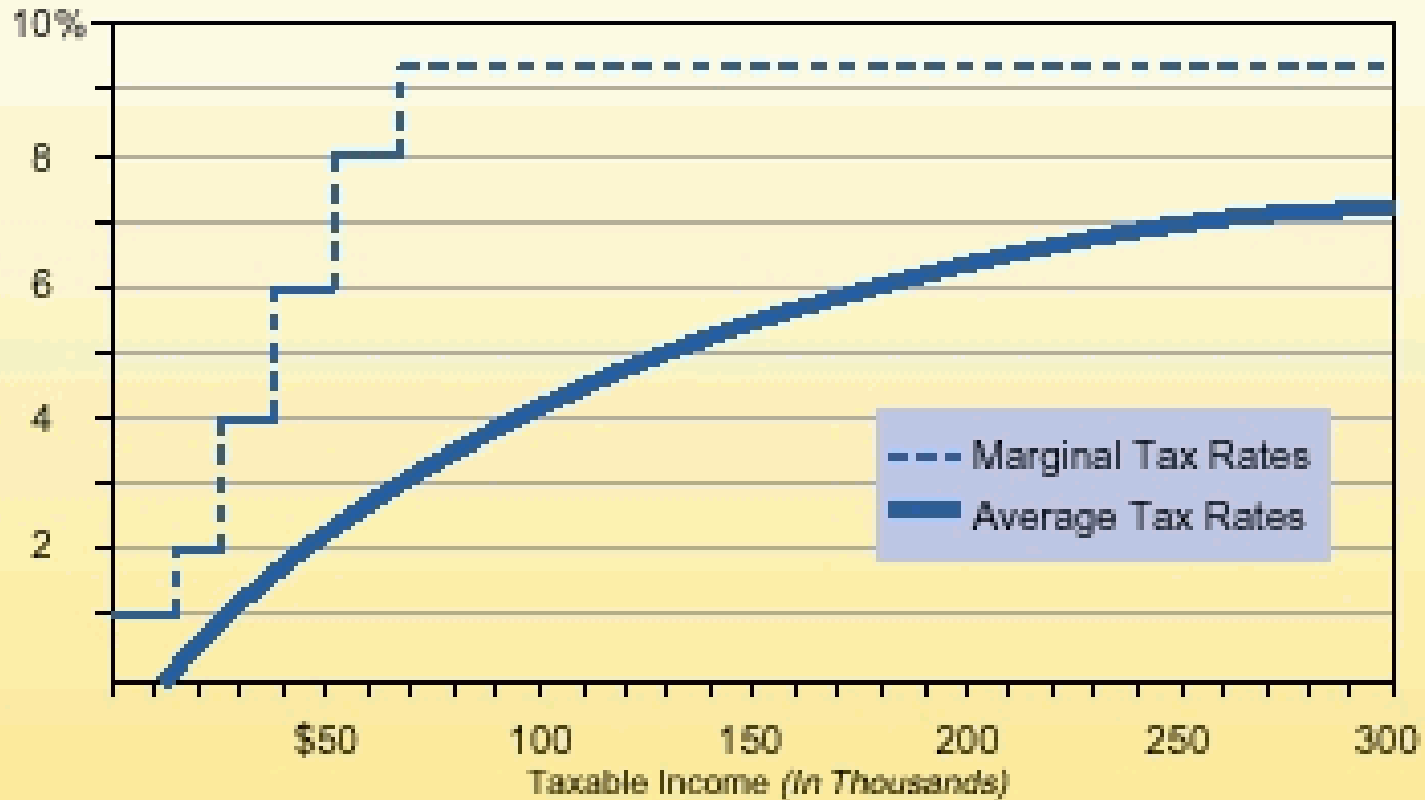
millions



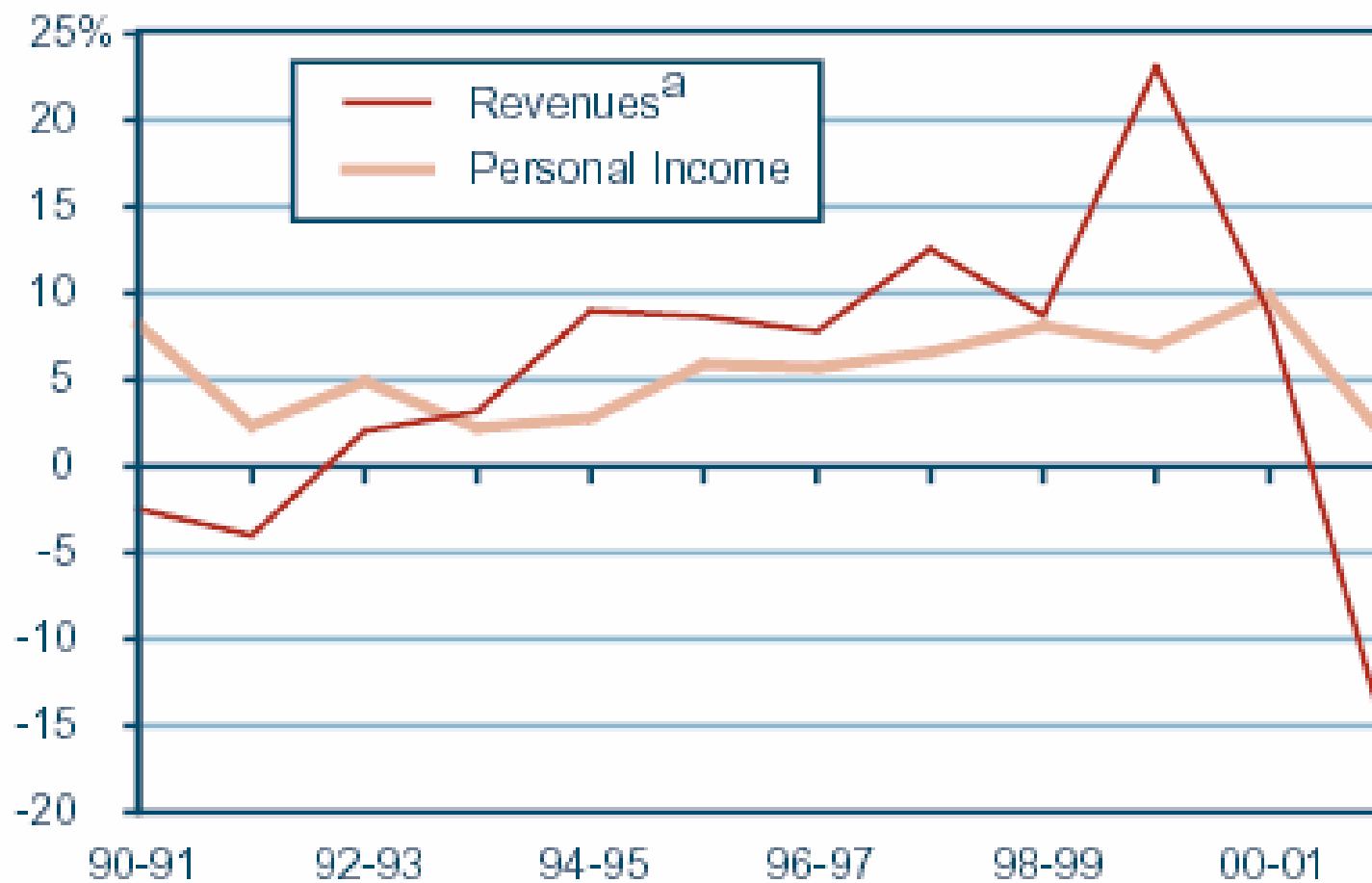
California

# PIT Average and Marginal Tax Rates By Income Class

*Joint-Return Taxpayers in 1998*

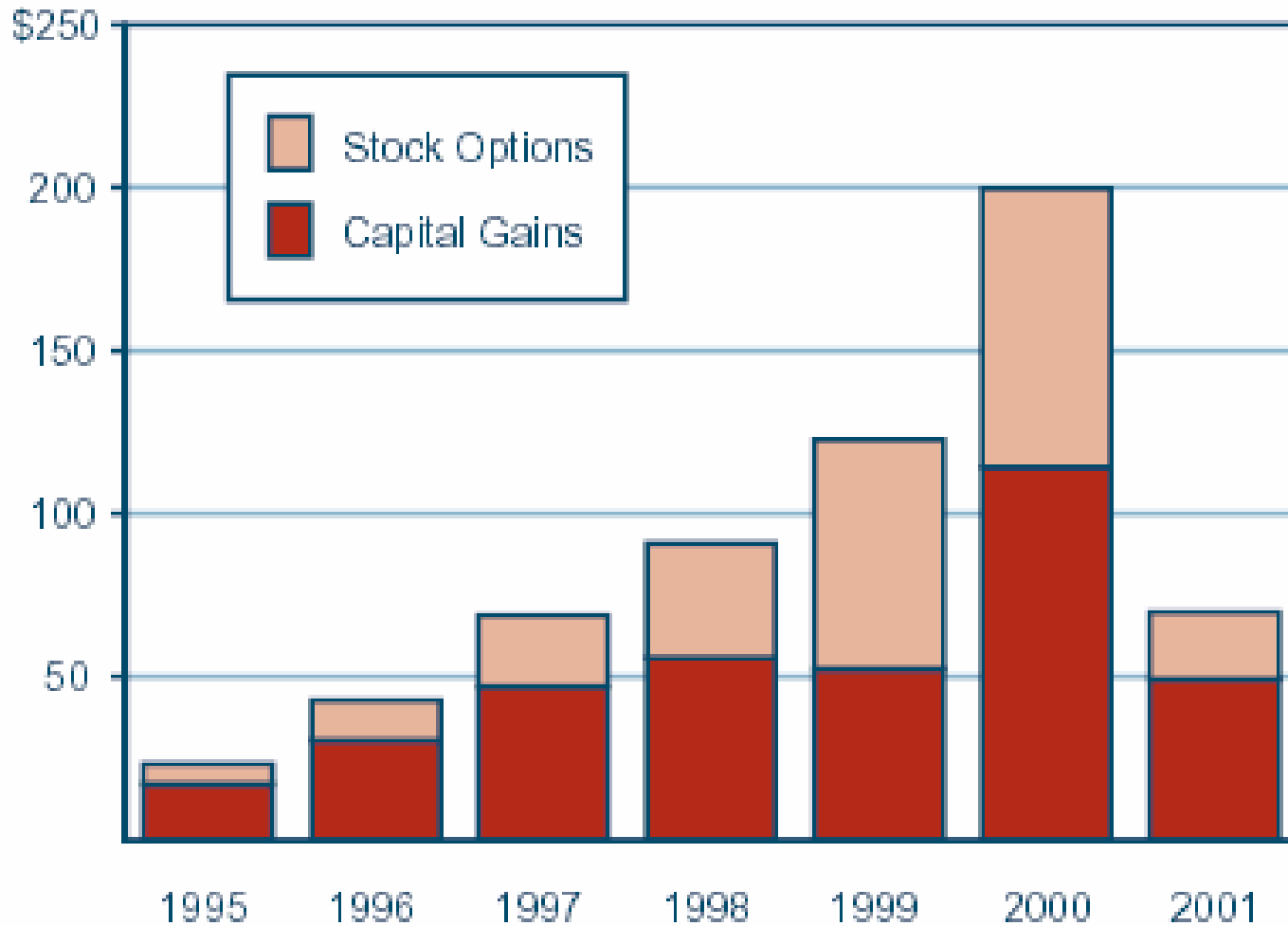


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<sup>a</sup> Excluding effects of law changes.

In Billions



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# Politics



# Politics

- Gerrymandering
- Initiatives
- Term limits
- Proposition 13



# Gerrymandering in California

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# California's Initiative Process

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# **Term Limits and California's Budget**

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# Proposition 13

# Impacts



# Impacts

- Economy
- Local Governments
- Infrastructure

# **Economic Impacts**

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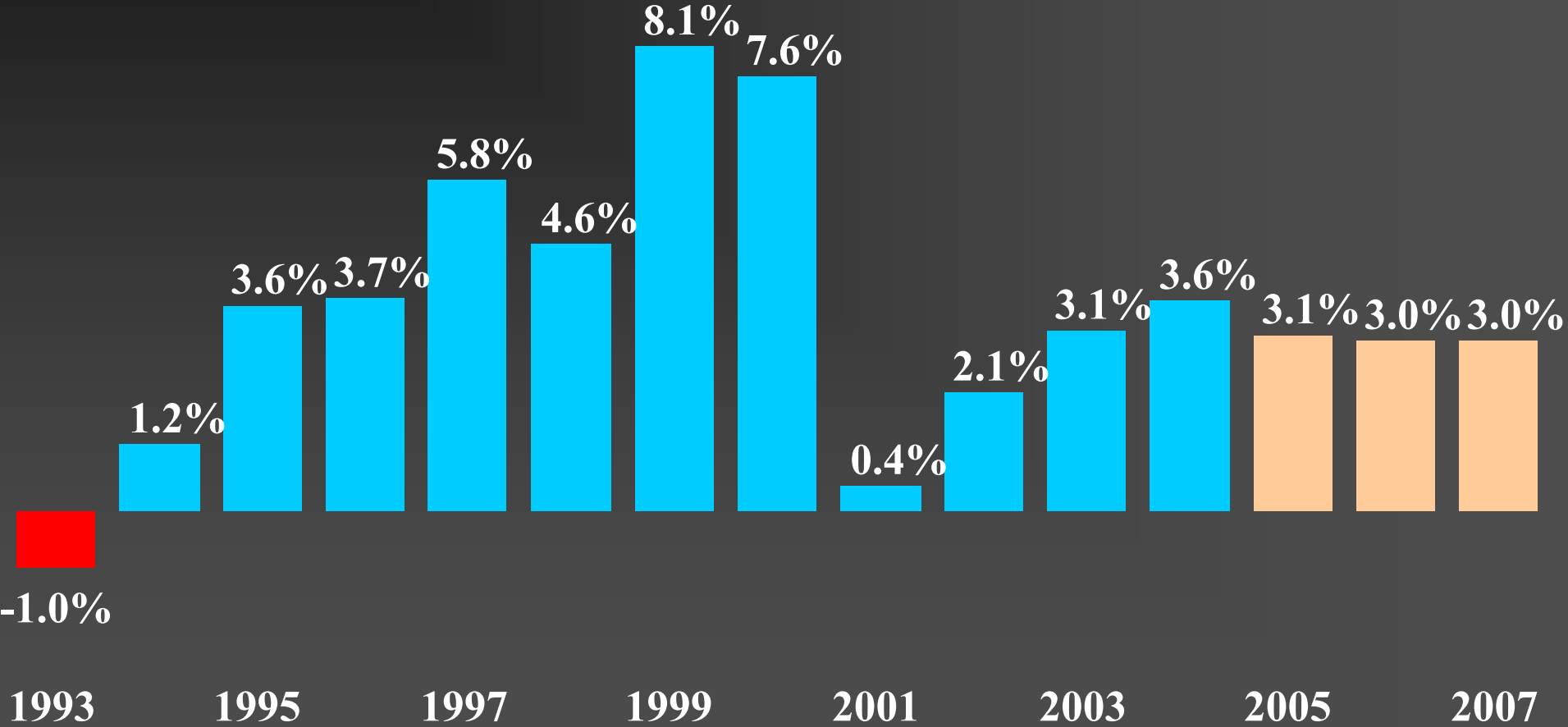


**Bill Says:**

**"California has been doing better than I expected."**

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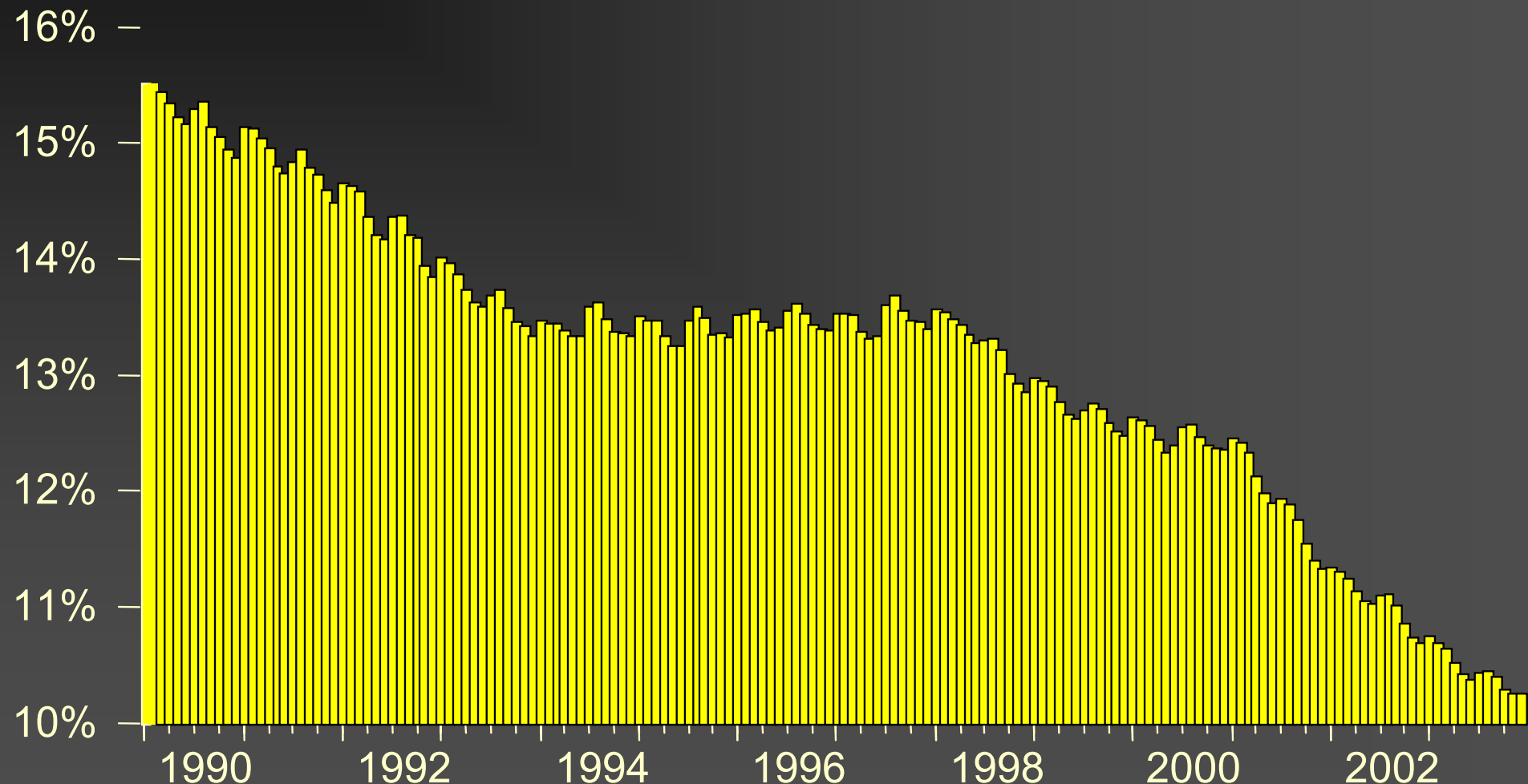
# Real Gross State Product Growth California



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# California

## Manufacturing Percentage of All Jobs



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# Impacts on Local Governments

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**Bill Says:**

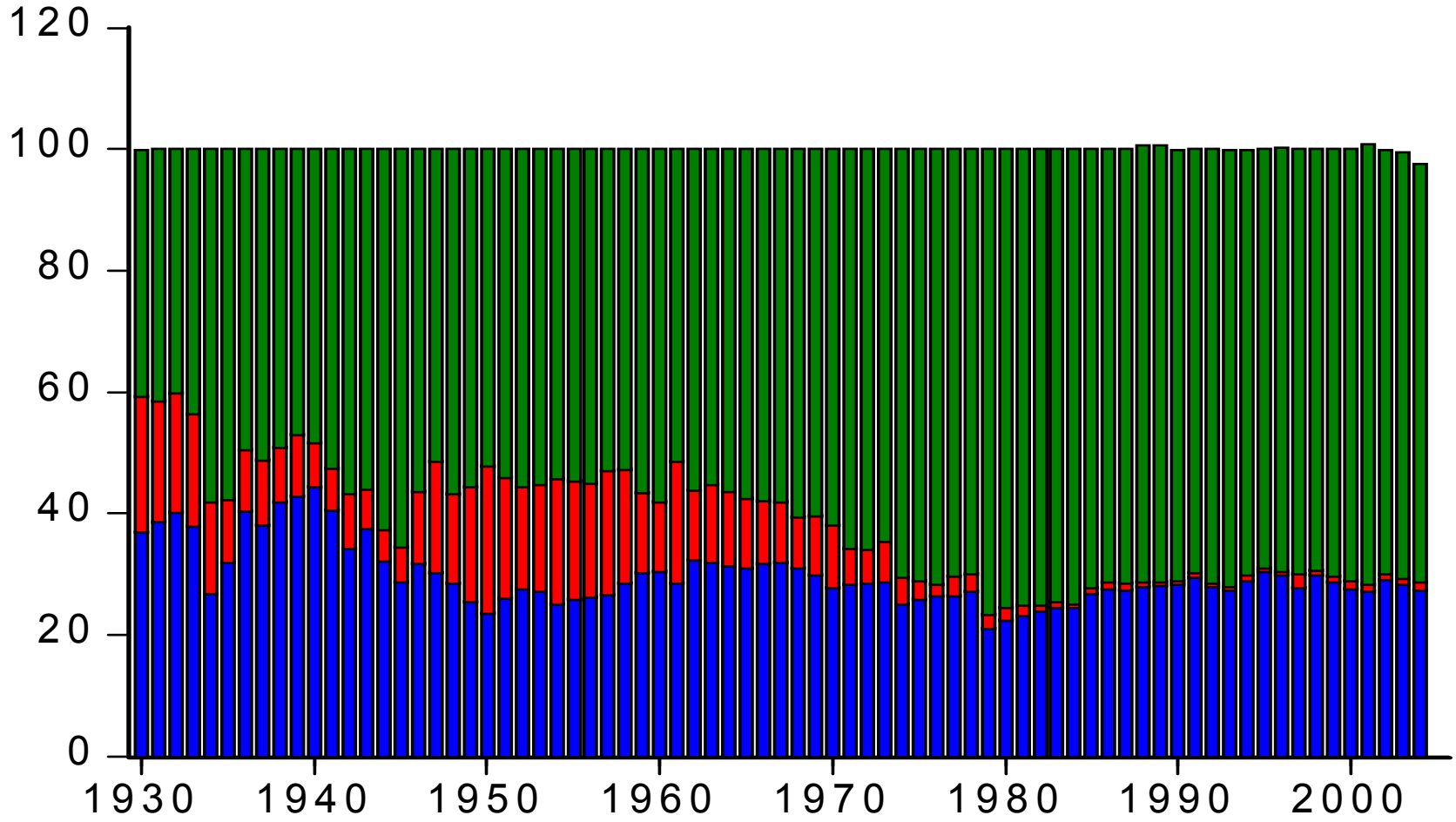
**“When the California State Government says it is going to help you...”**

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# **Impacts California Infrastructure**

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# California: Decomposition of Total Expenditures



**Thank you.**

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