How Not To Run A Government

Bill Watkins
August, 2005
Frank Zappa says:

“Sometimes you got to get sick before you can feel better.”
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...”
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.
<table>
<thead>
<tr>
<th>Bond Type</th>
<th>Outstanding</th>
<th>Unsold</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Obligation Bonds</td>
<td>$33 billion</td>
<td>$30 billion</td>
</tr>
<tr>
<td>Lease Revenue Bonds</td>
<td>$7 billion</td>
<td>none</td>
</tr>
<tr>
<td>Deficit Reduction Bonds</td>
<td>$11.3 billion</td>
<td>$3.7 billion</td>
</tr>
<tr>
<td>Total</td>
<td>$51.3 billion</td>
<td>$33.7 billion</td>
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</table>
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.”
The Super Majority Requirement
California’s Personal Income Tax
PIT Average and Marginal Tax Rates
By Income Class

Joint-Return Taxpayers in 1998

Taxable Income (in Thousands)

Marginal Tax Rates
Average Tax Rates

UCSB Economic Forecast Project
Excluding effects of law changes.
Politics

- Gerrymandering
- Initiatives
- Term limits
- Proposition 13
Gerrymandering in California
California’s Initiative Process
Term Limits and California’s Budget
Proposition 13
Impacts
Impacts

- Economy
- Local Governments
- Infrastructure
Economic Impacts
Bill Says:

“California has been doing better than I expected.”
Real Gross State Product Growth
California

<table>
<thead>
<tr>
<th>Year</th>
<th>1993</th>
<th>1995</th>
<th>1997</th>
<th>1999</th>
<th>2001</th>
<th>2003</th>
<th>2005</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth Rate</td>
<td>-1.0%</td>
<td>1.2%</td>
<td>3.6%</td>
<td>3.7%</td>
<td>5.8%</td>
<td>8.1%</td>
<td>7.6%</td>
<td>3.6%</td>
</tr>
<tr>
<td>Predicted Growth Rate</td>
<td>3.1%</td>
<td>3.0%</td>
<td>3.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

UCSB Economic Forecast Project
California Manufacturing Percentage of All Jobs

UCSB Economic Forecast Project
Impacts on Local Governments
Bill Says:

“When the California State Government says it is going to help you…”
Impacts California Infrastructure
Thank you.

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