

Back to the Future with Jerry Brown



AT LENGTH

James Preston Allen

The Nation-First of all, I would be remiss if I didn't comment briefly on the State of the Union speech. It was a conciliatory kumbayah-peace offering to a bunch of conservative congress people, who will immediately attack most, if not all, of President Obama's accomplishments, such as they are, over the last two years.

The President wants to be seen as the "great conciliator" rather than the man who throws the first punch, and it is not clear what he'll do when the real fight begins, as he knows it will. Where is the champion for hope and change that America voted for now?

The State-It is rare that one gets to go back and fix the things that happened 35 years ago, especially in politics. Yet California has given (former and current) Governor Jerry Brown just that very chance.

It's not like he did such a bad job the first two terms he sat in that chair. It's just that the fix we are in now comes from one fatal mistake that he now can rectify- Proposition 13. This notorious and celebrated tax cut that led the nation in cutting taxes and heralded in the Howard Jarvis movement of "small government," and it has been with us ever since.

It all sounded so good when they first started talking about saving old folks from being taxed out of their homes when real estate prices quadrupled, bringing out county assessors to reassess home values.

What Brown failed to do back in 1976 was to fight the Prop. 13 movement with the idea of protecting home ownership and saving schools by creating a two-tier tax system that allowed for higher property taxes on commercial, industrial and high end residential. Saving people's primary residence was an honorable goal but all properties simply don't deserve this same protection.

What is not discussed in the debate over deficit spending and balancing budgets is the inflationary cause of price increases that have catapulted the expense of government and business, both in California and nationwide.

What we have forgotten is that our economy is vulnerable to the speculative and manipulative whims of the oil and energy industry. Back in the 1970's it was the OPEC price gouging that

brought us rationing, price hikes and long lines at the pump, shocking consumers into paying ever increasing prices per gallon even while 30-40 percent of the gas used in California comes from California, and even more comes from the Alaska pipeline, which is mandated for domestic refining.

The conservative CATO Institute reports, "Oil production in the United States has declined 23 percent since prices collapsed in 1986, and net oil imports have doubled. But that is not true of many of California's and Alaska's oil fields."

What this means is that a significant percentage of oil used in this state comes from domestic production, but its price is still set by a world market that is controlled by speculation and the mood swings of Saudi royalty.

The second shock to the California economy came with the faux energy crisis in 2003, which cost the state billions in gamed overcharges on manipulated electricity prices, which the state was never fully reimbursed by the crooks at Enron and others. Both energy crises have fueled ever-increasing costs for government.

On top of these influences, California's population has grown faster than any other state. To maintain the services and expand the infrastructure even equal to the level of 1976 means spending more not less. So even as tax revenues decline, by the very nature of our government, expenditures have increased creating the deficit. What to do?

First, the oil severance tax needs to be passed, and then the taxing and regulation of medical marijuana will help. But this won't fill the gap. Restructuring Prop. 13 will. The rationale goes like this: Primary residences, affordable housing units and residences and commercial properties valued under say \$3 million should keep the existing Prop. 13 protection. All other properties should be taxed at a reasonably higher rate. And when the large corporations merge or buys a company, the real estate assets should be reassessed as though this was a property sale.

As for taking the tax increment revenues from the state's 400 CRA districts, if this were not a political ploy on the part of Governor Brown to get Prop 13 reconfigured, then the solution would be for the legislature to authorize the redevelopment agencies greater latitude on spending.

By recognizing the governor's priorities of education and health care, and his promise to bring government closer to the people, CRA districts should be allowed to invest their monies to cure conditions of blight in schools and public clinics in or near their districts and to be allowed to

fund certain cultural arts education programs that have been cut. This would back-fill cuts to the state budget.

This transfer of authority on spending works in favor of local CRA districts in that it would allow them to spend on underlying socio-economic conditions that cannot be dealt with by merely more infill housing or yet another shopping center.

Improving or replacing public educational facilities and providing greater access to existing schools and community health clinics would save the state millions and improve the lives of all residents.

And if these districts were allowed to spend just \$500,000 each in cultural arts education, this would generate some \$200 million statewide in a part of the economy that is labor intensive (helping to lower unemployment rate, now ranking second highest) and which is recognized for having a seven times multiplier for every dollar spent (as in spend one dollar and it circulates seven times)! That's some kind of stimulus.

If Governor Brown doesn't want to have a running battle with every city in the state with a redevelopment agency, then this would be the legislative cure that gets both Brown and the cities working in solving the problem of both the deficit and the underlying economic conditions of the recession.

(James Preston Allen is the Publisher of Random Lengths News. More of Allen ... and other views and news at at randomlengthsnews.com where this column was first posted) -cw