



California busted through spending limits to feed the unions

By: Leslie Eastman - March 3, 2013

Truly, California is a very special state!

Today, I want to explain why.

Washington Examiner's Senior Editorial Writer Conn Carroll offered an outstanding 5-part analysis recently: California in Crisis.

The first article in that series asked the following question: What happened to the Golden State?

What happened?

To make a long story short, the same political constituencies that have made Brown's Democratic Party invincible at the ballot box have also made the state unable to compete economically. California public employees, who are represented by the nation's most politically powerful government unions, benefit from some of the nation's most generous compensation packages. These unions have made it nearly impossible to keep spending down, thus making debt and higher taxes inevitable.

In part, that is true. But, as with everything else in politics and economics, the real answer is substantially more complex.

When I moved to California in 1985, part of the draw was its vibrant economy. I originally hail from the Detroit area, and frankly, the city could have used an emergency financial manager back then. So, when the opportunity arose for me to go to San Diego, I took it.

Back then, the state budget was still being influenced by the Gann Limit.

What is that?

In the wake of the 1970's era citizens revolt that brought the famous Proposition 13 and its restraints on property tax increases, the Gann Limit provided California with a constitutionally-based spending ceiling. A review from the Cato Institute explains its importance:

...after the passage of Proposition 13, fiscal conservatives were concerned that state spending increases would prompt California lawmakers to increase other taxes to compensate for the

reduction in property tax revenues. As such, the Gann Limit was proposed as a mechanism to limit state spending.

Under the Gann Limit, a maximum bound was established for tax-funded government services. That bound was to be adjusted each year depending on changes in state population, inflation and the transfer of financial responsibility for various government activities from one level of government to another. Any significant amount of state tax revenue received above that Gann Limit was to lead to future tax rebates or tax cuts.

The Gann Limit was so successful that when tax receipts exceeded the set levels in 1987, the state refunded \$1.1 billion in surplus revenues to the taxpayers.

Golden State indeed!

Sadly, in this state, for every taxpayer friendly ballot measure approved, two that strap citizens even more are passed.

So, money- and power-hungry politicians went to the box office to circumvent the Gann Limit. For example, the California's education lobby worked hard to pass Proposition 98, which amended the California Constitution to mandate that at least 39 percent of the state budget be spent on K-12 education and then required the state to compensate for any decreases in education spending that occurred when revenues declined.

That helped lead to California's expensive education failure.

At an average salary of \$69,434 per year, a family of two teachers would bring in almost \$140,000 in income per year. That is almost triple the state's \$57,000 median family income — and teachers get summers off.

...Since then, California per pupil education spending has continued to rise, and student test scores have not. In 2011, the most recent year available, California eighth-graders finished 48th in reading, ahead of just Louisiana and Mississippi, and 48th in math, ahead of just Alabama and Mississippi. Perhaps California should change its state motto to "Thank God for Mississippi."

Couple the large salaries with union dues being used for political funding, and it plainly shows that the gutting of the Gann Limit is a significant, contributing factor to California's fiscal struggles.

Our California citizen groups beginning to plan new ballot measures to counter those that have tarnished our finances, as this is apt to be the most successful course to take in the 2014 election cycle. The Gann Limit shows the power of a good one.