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A Taxpayers' Perspective: Re-Engineering California's State Budget for Economic Growth

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Public finance in California is in grave turmoil. A severe recession took its toll in unprecedented job losses, reducing state and local revenues while increasing welfare caseloads and other social service costs. While economic difficulty can be a temporary problem, mounting public spending obligations have been burdening state and local government budgets long before this recession began.

For too many years, California has been trying to do too much for too many people without enough money to

sustain it. Now that we are facing a \$24 billion deficit, it is time to take a serious look at priorities and to find new ways to deliver better vital services in a more cost-effective manner. The status quo is no longer acceptable. Every state program needs to be accountable for every tax dollar it consumes.

The California Taxpayers' Association urges state legislators, the governor, and local elected officials to take these actions:

- Avoid new taxes and fees, while keeping in mind that the largest and most dramatic revenue opportunity for the state is revenue growth from an improved economy. Higher taxes are high-risk gambles. Particularly risky are split roll property taxes, various ways to tax high-income investors in the California economy, and other punitive taxes that target job creators.

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Casazza: Re-engineering California's State Budget for Economic Growth

- Put all spending on the table. The legislature should annually review and prioritize every government spending program enacted and, in economic downturns such as this, recommit to funding only the most crucial, with an eye toward need, program effectiveness, and efficiency.

- Re-engineer how programs are delivered. Policymakers need to demand efficiency, innovation, and doing more with less.

- Establish fiscal discipline. Policymakers do not receive the information they need to determine effectiveness of budgeted dollars. For many years, budgets have simply been prepared using an incremental approach in which programs are allotted the same funding as the prior year, plus increases for inflation and caseload growth to continue the current level of service. This creates no productivity incentive, and shifts the focus away from priority-setting.

- Re-configure the Department of Finance (DOF) into the Office of Management and Budgets (OMB) to focus on budget management, oversight, and accountability.

- Implement fundamental budget reform. Policymakers need to establish benchmarks to measure changes in outcomes. There must be regular review of program results and discussions of ways to implement programs in new ways to achieve desired outcomes. This should include a look at best practices implemented in other states.

- Implement performance contracting to bring competition and performance measurements into public service delivery systems.

- Act immediately on reports of waste, fraud, and mismanagement of public funds. Cal-Tax compiles press reports on government waste and has found that from 1999–2009, there has been more than \$34 billion in reported waste from just 428 of the reports. There were more than 200 reports of waste in which exact dollar amounts were not known (www.caltax.org).

- California must do a better job of managing its boom-and-bust revenue system. In the past, one-time revenue surges have been inappropriately committed to ongoing spending programs. This has been disastrous.

- California must apply economic stimulus to create jobs and expand the state's economy. Private-sector jobs and investment result in increased revenue to state and local agencies.