

Autopilot Spending Requires a Major Redo

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When Governor Schwarzenegger was first elected, he commissioned the California Performance Review panel to look at state government. Their charge was to maintain services levels at a responsible level and make recommendations of how and where the state could save money. They concluded that if the state made certain structural and administrative changes, over \$30 billion savings could be realized while maintaining current service levels. Unfortunately, few of the changes were implemented and therefore minimal budget savings were achieved. If I were governor I would dust off that report

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and examine all of its recommendations. I would suggest the following be given a priority:

1. Business regulation. California has one the worst business climates of all 50 states. Our businesses are overtaxed, overregulated, and pay excessive fees (the majority vote version of a tax). The loss of revenue we suffer is billions of dollars from companies that have moved out of the state or have elected not to expand here. This is a result of higher taxes on corporate income, higher sales tax, higher property tax, higher income tax, higher gas tax—you name it; California is higher. Also, our overregulation of business regarding employee issues such as meal and rest periods, sick leave, eight-hour day, overtime, minimum wage, prevailing wage, project labor agreements, and on and on and . . . you get the problem.

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California a few years ago was the fifth largest economy in the world. Now we have dropped to eighth place.

2. Education reform. Our single largest budget item is education, taking almost 40% of our money every year. While this represents 35 to 40 billion dollars every year going into K-12 education, only about 60% of this amount actually gets into our local classrooms. That fact and misdirected use of our resources has created a system that devours more and more money every year while test scores and overall productivity continue to drop. Billions of dollars could be saved each year by adopting a few ideas such as starting kindergarten at age five, not requiring new text books as often, combining or eliminating many of the categorical programs, making it possible to get rid of unsatisfactory teachers, and restoring more local control to districts.

3. Welfare reform. While California followed President Clinton's national welfare reform many years ago, we have almost returned to the bad old days of the past. We have increased eligibility and benefits for legal and illegal residents to a point that we can no longer afford. We spend over \$8 billion dollars on illegals in our state, including medical, welfare, education, and prison costs.

4. Prison reform. Our system in California costs about double what other states of our size spend. This is a result of union contracts, management issues, and court cases. We urgently need legislative changes to modify existing

laws that make it more difficult and, therefore, more costly to administer our prisons.

Lastly, I believe we should consider a constitutional convention to reform how our state operates, raises revenue, and spends on programs. The myriad of initiatives, amendments to our constitution, and autopilot spending has created an almost unworkable situation that cannot be cured piecemeal. I think the time is now to do a major redo.