



For Immediate Release: January 8, 2007

Contact: Ron Roach (916) 930-3104 or ron@caltax.org

Budget “Cuts:” The Sacramento View and Taxpayer Perspective

Note: With this week’s release of the 2007-08 state budget proposal, the California Taxpayers’ Association anticipates the usual howls of protest from the spending lobby against what they call budget “cuts.” In the commentary that follows, Cal-Tax President Larry McCarthy presents a taxpayers-voters’ concept of state spending and why those who demand more spending often confuse the term “cut” with proposals that actually would spend as much or more than the current year.

By Larry McCarthy

SACRAMENTO – What is a state budget cut? Remarkably, depending on whom you ask, there can be a vast difference.

Inside the Sacramento beltway, lobbyists and institutional advocates who push for ever-increasing state spending would say a budget cut is any amount that is less than a current services budget or what is thought a program deserves based on prior spending. Even if the budget amount is larger than the previous year and the program is not achieving measurable goals, these advocates say allocating less than current services is a “cut.”

Under conventional Sacramento budgeting, last year’s spending with incremental annual adjustments is considered the base spending obligation. Current services budgeting is essentially carrying forward the dollar amount you spent last year even if that spending wasn’t working. Current services budgeting, as practiced in California, is one of the key factors protecting mismanaged, low-performing and sometimes fraud-ridden programs. While this budget perspective is the dominant view in Sacramento for spending advocates and many legislators, I don’t believe this view is held by a majority of voters/taxpayers. This flawed form of budgeting puts basic financial management of state spending at a real disadvantage – and the public continues to struggle to understand why there is not more accountability for how public funds are spent.

Public opinion polling and the ballot-box failures of June and November 2006 statewide tax initiatives demonstrate that a strong majority of voters-taxpayers have a different view toward budget cuts. When asked about satisfaction with the performance of state programs funded with hard-earned tax dollars, strong disappointment is registered. It is no mystery why the public is disappointed.

Major newspapers report frequently about recklessly mismanaged programs costing taxpayers billions of dollars year after year.

Here is a second budget “cut” question: Is it a cut to reduce spending for a program that is terribly mismanaged or full of fraud? The Sacramento lobbyists who have been protecting the indefensible will mobilize forces over a reduction in funding even if the spending seems to have little justification.

The mantra repeated over and over by lobbyists, policy-makers and some in the media is that in the face of deficits the California Legislature must cut vital programs or raise taxes. There rarely if ever is consideration of better management and more effective allocation of resources to meet priority needs in California. This financial management strategy is a huge opportunity. The amount of out-of-control and waste in state spending vastly exceeds deficits this state faces now and in the future.

Taxpayers deserve a better return on investment for more than \$130 billion spent each year by Sacramento policy-makers in the state budget. Stronger financial management focusing on low-priority programs and programs full of waste and fraud would be a good place to start.

Bringing each program up to current services levels of spending, so that well-documented waste and fraud can continue, makes no sense to taxpayers and, actually rewards those who would look the other way and keep making withdrawals from the public purse.

Larry McCarthy is president of the California Taxpayers' Association (Cal-Tax.).