

CONNECTING CALIFORNIA

By THE CALIFORNIA BUDGET, as told to JOE MATHEWS

Do you really think that bulking me up with your billions will solve California's post-pandemic problems?

I, the California budget, am bigger than ever right now—more than \$267 billion, according to Governor Newsom's recent revision of me. And please don't think I don't appreciate being more swole than Schwarzenegger—I remember how lean and gaunt I got in the Great Recession.

When the pandemic first hit, everyone thought I'd be much smaller now. Instead, I'm projected to have a \$38 billion surplus. You might think that this would make me feel proud, since I can fund new programs.

But actually, I'm worried.

You should be too.

The phony conventional wisdom is that if I'm doing well, the state is doing well. Just look at the victory lap around California that Newsom, facing a recall, is taking to tout all the new things he put in me. But the reality is that focusing on me, when I appear to be in good shape, helps obscure our state's systemic failures.

Too much money is being poured into me to fund programs that aren't being properly managed. Consider all the money that the latest revision of me spreads among homelessness programs that, as a recent audit found, don't work well by themselves, or together. Or scrutinize the billions being added to housing programs that produce very little affordable housing.

You could also take note of the billions devoted to cover pension debt—without any accompanying efforts to bring retirement benefits under control. Or take a gander at the record amounts going to schools, which are not yet fully reopened, and which haven't developed plans to repair damage done to students by pandemic closures.

Of course, managing California is hard. By comparison, I'm easy—I'm just a spending plan. And my numbers are based on predictions about state revenues that are almost always wrong.

Why?

Because state budget officials make me by guessing how the stock market will look next year.

Indeed, my dependence on capital gains makes me so volatile that even Kanye probably thinks I'm nuts. And all the formulas that govern me—many of them approved by the real crazies, California voters—make me complicated and antiquated.

This year, the big reason why the governor is cutting taxes and giving schools extra bucks is because of a little-known 42-year-old, voter-approved formula that limits spending growth, based on population and personal income. That's right—how California budgets out of the pandemic is being determined not by today's needs but by a ballot measure written in 1979 by anti-tax activist Paul Gann, who died in 1989.

Even though I'm governed by the dead, I do include some good new proposals this year, like my new payments to low-income and middle-income Californians. Harvard economists have shown that such payments worked wonders in California this past year, with poorer counties like Imperial having higher levels of consumer spending during the pandemic than before it. In Fresno, COVID proved to be an economic stimulus.

Still, I wonder if I'm growing too big too fast. History says that it is at times when I'm most flush that California makes its dumbest mistakes.

State voters passed Prop 13 and its tax-cutting formulas when I had a giant surplus. The state unsustainably boosted public worker pensions during the 1990s tech bubble.

So, let me suggest making me less bulky. Let's put aside most of this giant windfall of tax revenues into a reserve, and focus on improving management and developing smarter pandemic recovery plans right now.

Then, in the years to come, we can devote this extra money to building better systems in health, education, corrections, and unemployment for the state, so that as I get bigger, I have a longer-lasting impact.

Joe Mathews writes the Connecting California column for Zócalo Public Square.