



Windfall Could Tempt Legislature to Repeat Past Spending Mistakes

By George Runner

We've all heard dramatic stories of lottery winners acquiring hundreds of millions of dollars only to declare bankruptcy a few years later. In fact, studies show 70% of all individuals who suddenly receive large amounts of money will lose it in a short period of time.

The cause of this problem is impulse spending by people who incorrectly assume they will never have to worry about money again. They spend as much as they want on whatever they want, making permanent financial decisions with their one time earnings.

This year, California essentially won the lottery when it comes to the budget. The Governor's budget proposal shows nearly \$20 billion more in revenues will be generated during the next fiscal year than was collected three years ago.

Years ago, during the Davis administration, California found itself in a similar situation. As Vice Chair of the Assembly Budget Committee at the time, I remember sitting in Governor Davis's office as he personally promised to show fiscal restraint with the state's large revenue windfall. Unfortunately, Governor Davis ultimately caved to pressure from legislative Democrats and authorized ongoing spending with those temporary revenue dollars.

Governor Davis said all the right things, but his actions spoke louder than his words.

Despite Governor Brown's assurances, the messages we are hearing from the majority party indicate we may be on track to repeat these fiscal mistakes. Much like an irresponsible lottery winner, legislators can't seem to fight the impulse to spend extra money as soon as it's in the bank.

Our increased revenues are primarily the result of temporary tax increases that will soon expire and volatile capital gains that can disappear at any time. California cannot solve its long-term budget problems by relying on these temporary and unreliable solutions.

However, to go along with this new revenue, we've already seen proposals for increased spending.

For example, Democrats in both houses of the Legislature have already thrown their support behind SB 837 (Steinberg), a bill that will create a completely new school grade. By establishing a "transitional kindergarten" program available to every four year-old child in California, SB 837 will rack up a price tag of nearly \$1 billion by the year 2020.

These kinds of new, permanent spending proposals expand government, but do nothing to invest in the private sector.

Recently, a prominent Democratic elected official even called for the extension of Proposition 30, the temporary tax increases Californians imposed on themselves to get out of the fiscal hole of overspending. The majority party is already planning on making this latest round of "temporary" tax increases permanent before they expire.

Job creation and economic growth is the pathway to preventing future financial trouble for California. Our long term problems will only be solved if Governor Brown resists the impulse to spend our new surplus. We need to learn from the budget mistakes of the past, before it's too late.

George Runner represents more than nine million Californians as a taxpayer advocate and elected member of the State Board of Equalization. For more information, visit boe.ca.gov/Runner.