Children's Advocacy Institute

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State Slashes Aid for Kids — and Taxes for Adults

By Robert C. Fellmeth*

In July of 2002, we cut $11 billion in public spending for fiscal 2002-03, primarily affecting children. The governor now convenes a special legislative session to offer another $10 billion in cuts over two years.

Yet another $12 to $20 billion in cuts beyond that is in prospect. The Republicans in the Legislature contend that spending has been excessive in recent years and such cuts are simply an efficiency correction. Both they and the governor essentially reject new revenue categorically. And the media help to stimulate that aversion by pouncing on any proponent of enhanced revenue with pejorative "aha! tax and spender!" headlines.

But let's review recent public finance trends. On the cost side, public officials commonly use raw numbers in describing trends, ignoring the fact of inflation and population gain; some raw number increases are needed year to year to hold real spending per child even. Now, with a remarkable population bulge in our middle and high schools, such increases are especially needed just to hold this investment constant.

As to revenue, start with Proposition 13's "I've got mine—too bad for you, kid" discrimination against our children.

My own property taxes are now based on a grandfathered value that is one-eighth my home's recent appraisal. My boy will soon try to buy real property and will pay eight times my taxes to finance the same services. Son, welcome to this unique (not exactly "the greatest") generation of California adults.

The picture is even more stark on the state and federal personal income tax side. These taxes have been cut, reducing public assets for children. Bipartisan votes have approved massive spending over the last decade in the form of "tax expenditures" (deductions and credits). They require only a majority vote, remain permanently in place once enacted and attract virtually no media attention—certainly not the negative headlines additional taxes for children command.

They have shredded the general fund tax base for our children. And almost all have been expended for special interests and the elderly—a group with a universal safety net, assured medical coverage and one-third the poverty level of children. Such unreported spending has continued apace—over the last four years, we have added $5.7 billion in new state tax breaks.

The feds went wild after 2000, enacting what translates to reductions of $27 billion per annum for California adults. Now with the surplus gone, big deficits loom—to be paid later by our children while they will also payroll-tax fund our Social Security and Medicare and finance our prescription drugs.

A key indicator: Look at the percentage of personal income expended for child-related state spending in 1979. Apply that percentage to current personal income levels, and adults should be publicly investing $11.2 billion more than the Legislature has approved for the current year—before this new round of cuts. Republicans and our "middle ground" governor need to compare this performance to the inaugural pledge to replicate the commitment of our forbears.

University of San Diego
School of Law
5998 Alcalá Park
San Diego, CA 92110
(619) 260-4806
(619) 260-4753 (Fax)

926 J Street
Suite 709
Sacramento, CA 95814
(916) 444-3875
(916) 444-6611 (Fax)

Reply to:
☐ San Diego
☐ Sacramento

www.sandiego.edu/childrensissues

How were California children doing before the governor's current disinvestment epistle?

Not well. The California Children's Budget 2002-03 documents their status in a densely cited 600 pages. Poverty is now spiking back up and extreme poverty (below half of the poverty line) is near record levels with almost one million California children facing federal welfare safety net cut-off over the next several years.

More than 15 percent of the state's children remain medically uncovered. That percentage is now increasing again. Meanwhile, we have enough federal money— at only a one-third state match—sufficient to medically cover all of our children. Rather than spend the one third, we shall be sending over $700 million back to Washington. Every other state in the union medically covers their poorest children for the first year where moms qualify—California now covers the first two months and then sets up a barrier to save paltry state money.

Gray Davis has proclaimed himself "the education governor," noting in his inaugural: "I offer the words of the Prophet Isaiah: 'My People are gone into captivity for want of knowledge.' My friends, unless we invest in the future of our youth, our youth will have no future."

Our schools are now 49th in class size and heading toward the bottom. Our community colleges are operating well beyond capacity in terms of class size, and higher education slots per 18-year-old will be lower than in 1991—just when we need more higher education so our youth will have a future.

It is this disinvested base that the governor now proposes to reduce for a third time—with no countervailing revenue increases. It is revealing that a decade ago, when faced with a similar dilemma, Republican Pete Wilson signed tax increases making up over half of the shortfall.

But it is not on the table, as parents who are now off welfare and working will lose child care, higher education will actually contract and new school investment necessary for real reform is largely abandoned. And the list goes on and on—excluding perhaps only the politically powerful prison guards enjoying unprecedented increased pay and entertaining our legislative leadership on Maui. It does not hit just the fat—such as the governor's cockamamie $1,000 rewards for children scoring high in tests; it hits flesh and bone—a formidable contraction of commitment to our children.

Those officials catering to self-indulgence implicitly presume there are no alternatives to child disinvestment. Poppycock. We are among the wealthiest jurisdictions in the history of the world, with personal income projected up another 6 percent. We need not rely on a tax base disproportionately depending on volatile capital gains income.

And new revenue is available from the alcohol industry—given a largely free ride in California; and from the very wealthy at record affluence and who can well afford the additional 2 percent they were assessed 20 years ago. We can roll back recent tax breaks and sunset the other $23 billion on a rotating schedule so we collect for our kids unless we have a continuing reason to forego it.

The governor likely believes that widespread electoral disappointment in his performance is the product of an energy crisis he did not cause or a media obsessed with his fund-raising. He is wrong. His words in 1999 poetically captured what most of us believe. The people want a leader. A leader does what is right -- damn the consequences to himself personally.

He and his focus group consultants might be surprised at the reaction to such real leadership on behalf of our children. A lack of such leadership now will condemn to ignominy his historical legacy, and that of legislators who choose to supinely follow him.

About the Writer

Robert C. Fellmeth is the Price Professor of Public Interest Law at the University of San Diego and director of the Children's Advocacy Institute.