

POLICY WATCH – May 2015

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This issue focuses on the perils of short-sightedness in policy-making. We have a good example in the North Bay when we look at what years of neglect of maintaining our local roads is now costing us. NBLC urges support for Sonoma County's Measure A, which will help get some of the County's 1200 miles of roads in better condition, but also seeks more long-term planning at the local and state levels to avoid the short-sightedness of the past. As Autumn Carter says, "From a budget stand-point, taken together, California's last 15 years are a textbook example of the perils of short-sighted policy. Long-term planning and fiscal responsibility are always public goods, but the state government's budgeting decisions have now taken them from good governance principles to practical necessities. As it turns out, years of short-sightedness tends to beget short-sightedness, thereby limiting any real discretion policymakers may want (or actually think they have)."

We also caution that the higher than predicted revenue coming to the state must be treated as a boom, with the understanding that this money will not last and what goes boom soon goes bust. Here's to sound public policy decisions that reflect the reality of our times and prepare us for brighter tomorrows!

Best,

Cynthia

Vote Yes on Measure A, the Sonoma County Roads Tax

NBLC urges Sonoma County citizens to vote Yes on Measure A, "Sonoma County 2015 Transactions and Use Tax Ordinance," on the June ballot. The measure calls for a five-year, quarter-cent sales tax increase to be spent on "general governmental purposes such as public safety, local roads and pothole repair, senior, student and veterans transit and other essential services ..." The measure would raise about \$20 million in its first year for the county and its nine cities, with revenue estimated to grow by 3 percent annually and would include annual audits.



Sonoma County's roads, are in such a state of disrepair that they pose a threat to the County's economic vitality and public safety. The County has ramped up their funding for road maintenance but it is not enough to make a dent in the backlog of miles of roads that are a risk of moving from needing repair to needed reconstruction. Fixing these roads now will save money and increase safety.

Is More Transportation Funding from the State or Federal Government on the Horizon?

NBLC also supports more funding for local roads at the state level. Senator Jim Beall has written an article for the Mercury News, “Jim Beall: A plan to fix California's streets and highways” (04/27/2015), about his proposed SB 16, whose goal, he says, “is to generate \$3 billion to \$4 billion in new revenue a year so we may keep up with routine annual maintenance and avoid expensive borrowing to finance repairs. It would expire after five years, serving as an interim solution to buy time for the state to develop a long-term plan. The bill's aim is fairness, spreading the cost of maintenance to all users of our roads over the five-year life of the bill.”

Sen. Beall points out that Sonoma County isn't alone in not having the resources to maintain our local infrastructure. He says, “California faces a \$59 billion backlog in deferred maintenance that will grow in the absence of a solution. The deteriorating condition of the roads also costs drivers billions in associated repairs, a study by The Road Information Program, a transportation research group.”

Sen. Beall's bill would “Under SB 16, the per gallon excise fuel tax would be increased by 10 cents to make up for the decline in value lost to inflation, electric vehicles and hybrids. This excise tax has not been adjusted since 1992. Electric vehicles that use our streets and highways but do not contribute to the fuel tax, the primary main source of revenue for maintenance, would be subject to an annual fee of \$100. The bill also calls for a \$35 increase in the vehicle registration fee. The vehicle license fee would be increased by 0.07 percent each year over a five-year period. Truck weight fees would be returned to its intended purpose: mitigating the damage to roads caused by heavy commercial trucks. The fees were hijacked years ago to help pay off the state's general obligation debt. Today, the truck weight fees amount to about \$1 billion a year. SB 16 contains a lock box requirement guaranteeing the revenue raised for road repair will be used for that express purpose and kept off limits from any other use.”

The revenue generated by these increases would be more than \$3 billion a year. No one likes more taxes, but Sen. Beall points out that the amount is dwarfed when you “compare that with a staggering \$44 billion paid annually by Californians for lost productivity and damages or additional maintenance to their cars related directly to our bad roads.”



At NBLC's Legislative Advocacy Day in Sacramento earlier this month, we heard from our elected representatives that transportation funding is a priority. There were many ideas on how to get new revenue to pay for the myriad of improvements needed. It was encouraging that the Legislature is focused on this issue and dedicated to coming up with the means to take California roads out of the “looks like a third world country” status.

It is less than encouraging that Congress hasn't been able to get their act together to fund the Federal transportation funding bill. After 20 extensions in the past seven years, Congress has failed yet again to pass a long-term, comprehensive bill that would allow quality transportation planning and implementation to occur. The current funding bill expires at the end of May, and the extension is for a mere two months. You can call the extension a band-aid, or kicking the can down the road, but most people would just call it another Congressional failure to lead.

More Evidence of the Perils of Short-Sighted Policy

In the Fox & Hounds blog of May 19th, 2015, Autumn Carter writes on, "[California: A Textbook Example of the Perils of Short-Sighted Policy](#)." Carter, the Executive Director, California Common Sense, has reviewed decades of state actions in adopting budgets. She says, "The opening words of Governor Jerry Brown's recent California state budget should ring true. 'Despite these stronger revenues, the budget remains precariously balanced and faces the prospect of deficits in succeeding years. The state has hundreds of billions of dollars in existing liabilities, such as deferred maintenance on its roads and other infrastructure and its unfunded liability for future retiree health care benefits for state employees and various pension benefits.'"

Carter says, "From a budget stand-point, taken together, California's last 15 years are a textbook example of the perils of short-sighted policy. Long-term planning and fiscal responsibility are always public goods, but the state government's budgeting decisions have now taken them from good governance principles to practical necessities. As it turns out, years of short-sightedness tends to beget short-sightedness, thereby limiting any real discretion policymakers may want (or actually think they have).

She gives the examples of those perils. One is the "short-sightedness that drove CalPERS to propose retroactively expanding retirement benefits for public employees (especially police officers and firefighters) and lowering the retirement age in 1999. Short-sightedness drove California lawmakers hungry for union support and re-election to run with the idea that CalPERS's argument was a plausible one. They were wrong. Even pre-Dotcom-bust, math and common sense clearly indicated otherwise. Growing unfunded liabilities have increased annual pension costs, which have repeatedly crowded out public services."

Another example of short-sightedness was when the state legislature "repeatedly budgeted for program expansions in the midst of revenue spikes during the 2000s, just to cut them soon thereafter during downturns. Even a revised 2015-16 budget that anticipates \$6.7 billion more in revenue than its January version leaves little room for budget flexibility. In the name of temporary austerity, state policymakers spent years withholding mandated funds from schools, allowing the CalSTRS teacher pension fund to languish, leaving roads in despicable disrepair, paying lip service to rising retirement healthcare costs, and watching Medicaid costs gobble up more and more of the state budget. We can trace short-sighted inaction on these issues back to short-sighted decisions like the retroactive pension hike a decade prior."

Carter sagely observes, "Even supposed solutions these days are short-sighted and politically expedient ways to focus the public attention on the symptoms of our budget problems rather than their root causes. In 2012, the popular argument was that Prop 30's temporary income and sales tax hikes would bail us out. In 2014, Prop 2's stronger Rainy Day Fund would force legislators to stockpile revenue during booms to spend it during busts. In principle, Prop 2 is a step in the right direction, but even it ultimately relies on an unsustainably volatile tax system that became even more dependent on volatile capital gains following Prop 30's passage."



Showing that common sense is more than the name of her employer, Carter points out, "The fact is that quite often, political expediency and sound public policy just do not jive. Willful negligence, avoidance,

and ignorance among supposed leaders have long-lasting negative implications for citizens and those tasked with leading in the future. Years ago, it should have been entirely foreseeable that decisions then would manifest themselves in policy today. Today's policymakers should see the same when they consider whether they will give future lawmakers any real opportunity to improve this state. Short-sightedness may seem like a cycle that is too tough to break, but we know just how costly that kind of short-sighted thinking can be."

Having been in Sacramento just after the Governor's May revise of the budget, it is impossible to ignore that shortsighted thinking is still in residence in the state capitol. There is a great need for civic leadership to help bring vision and long-term thinking to our Legislature so that shortsighted policies are not perpetuated going forward. We need the force of collective impact to permeate Sacramento.

Beware - It's just a Boom!

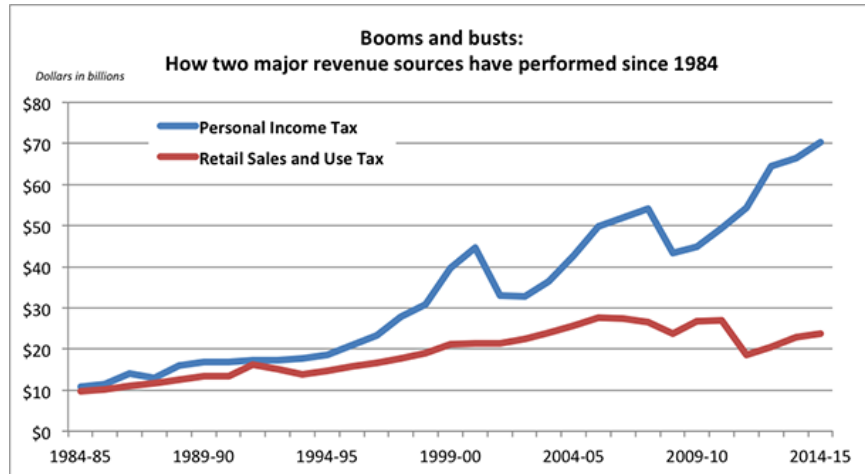
Reinforcing Autumn Carter, Fred Silva, Senior Fiscal Policy Advisor, California Forward writes in a posting at California Forward, "Part 2: This is a boom, and it should be treated as a boom," (May 6, 2015) that this boom is not unprecedented and caution must be taken to understand that it will not last. Silva says, 'As CA Fwd's Lenny Mendonca and Pete Weber pointed out, California has been here before—quite a few times: "In hindsight, many of the state's biggest fiscal challenges are the consequences of decisions made at moments exactly like this one.' In a blog series called Boom, Bust, Repeat?, CA Fwd is highlighting how state leaders can learn from the state's rocky fiscal past—and use this year's budget to lay a foundation for long-term prosperity."

Silva says, "**The first step, is to prepare for the next dip.** While lawmakers are pondering ways to funnel a portion of this year's revenue windfall into state programs, Mendonca and Weber offer a word of caution: 'The average time between the last five recessions was 68 months. May 2015 is the 71st month of economic growth.' It may be a year or two, but the economy will dip again. And when it does, the state's still-unstable revenue system—more dependent than ever on volatile personal incomes of the wealthiest Californians—will dip with it. And typically revenue comes down the way it went up. Remember 2005?"

Silva states, "This time around, it can be different. And it must be different. The pressure to ignore the lessons of the past will be even stronger in this cycle because of Proposition 30—the temporary taxes on Californians making over \$250,000 a year, which are now responsible for \$8 billion of the \$113 billion in the General Fund. These revenues, which provided an enormous—and important—boost to schools and safety net programs when the state was emerging from the recession, will start to phase out next year, taking billions of dollars off the table."

"As lawmakers consider how to build a budget at what may be the peak of the business cycle," says Silva, "they would also be wise to remember 1978. That spring, too, surpluses rolled in to state and local governments—including inflation-fueled property taxes. Californians, persuaded that they were overtaxed, were offered only one solution: Proposition 13, a tax measure that has impacted every state and local budget for nearly 40 years."

Silva says, "there are certainly ways to avoid these budgetary mistakes of the past—using a portion of what are likely one-time resources this year to hold down future costs, for example, and prepare the budget for the next recession. But the first step is to start with thinking of this year as a boom—some of which will eventually go bust."



Members in the News

Ghilotti Construction Company Awarded Conventional State Highway Project of the Year

GCC won the Conventional State Highway Project of the Year for Jameson Canyon HWY 12!

Redwood Credit Union's Visa® Credit Card Ranks in Top 10 in U.S.

Independent rating service cites low rates, no fees & free rewards as best in nation

Redwood Credit Union Races to Support Local Nonprofits

RCU Contributes \$25,000 through Tri-County Human Race Events

Sonoma Raceway to Host Ten North Bay Schools to Participate in STEM Race Car Challenge at Toyota/Save Mart 350

Science and technology go hand in hand with high performance, and Sonoma Raceway continues to do its parts to help develop the next generation of engineers and scientists through its youth education initiative for the 2015 race season.

Kaiser Permanente Grants \$1 Million in Roseland to Boost Health

Kaiser Permanente has given another \$1 million grant to the Sonoma County HEAL (Health Eating Active Living) program, which funds a variety of nutrition and exercise programs in south Santa Rosa.

Sonoma Raceway to Host Military STEM Career Fair presented by PG&E during NASCAR Weekend

Sonoma Raceway, Pacific Gas & Electric (PG&E) and Intel have teamed up to host the Hire America's Heroes STEM Career Fair at the Toyota/Save Mart 350 NASCAR Sprint Cup Series weekend.

Press Democrat Editorial: Is Housing Relief in Sight for the North Bay?

The dilemma facing Sonoma County couldn't have been presented more clearly than it was on Page 1 of Saturday's Press Democrat.

North Bay Leadership Council's North Bay Housing Summit Urged Business and Government Leaders to Build More Housing

Claiming that a shortage of affordable housing is starting to hurt the local economy, North Bay business leaders were urged Friday to get involved politically to acquire financing and win regulatory approval for local workforce housing projects.

Redwood Credit Union Ranks #1 in Financial Health Among US Credit Unions

A consulting firm that studies the financial health of credit unions recently reported that Redwood Credit Union (RCU) achieved the highest score out of over 6,400 credit unions nationwide, based on financial and operational strength and growth.

Buck Institute Enters Into an Agreement With Calico

Calico enters into agreement with the Buck Institute to conduct research into the biology of aging and to identify potential therapeutics for age-related diseases.

SolarCraft Helps a North Bay Church Makes the Switch to Solar

Sonoma and Novato-based SolarCraft announced the completion of a 13.2 kW solar panel system at the First Congregation Church of Sonoma in Sonoma, CA.

Comcast Cares Day: Making Change Happen

On April 25th, tens of thousands of Comcast NBCUniversal volunteers around the globe will participate in one of our company's best traditions — Comcast Cares Day.

Read more online at www.northbayleadership.org/news



Who We Are

Over twenty years ago, business leaders founded the North Bay Leadership Council on a simple premise: We can accomplish more by working together. Today, the Council includes 45 leading employers in the North Bay. Our members represent a wide variety of businesses, non-profits and educational institutions, with a workforce in excess of 25,000. As business and civic leaders, our goal is to promote sound public policy, innovation and sustainability to make our region a better place to live and work. For more information: Call

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www.northbayleadership.org