

TURN OFF THE TELEVISION

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“Doing nothing is very hard to do—you never know when you’re finished”

- Leslie Nielsen

Recent published reports by Zillow Inc. indicate that U.S. home values are poised to drop \$1.7 trillion dollars this year. This negative news is compounded by the continued growth of foreclosures. It is “definitely going to continue into 2011” according to Stan Humphries, Zillow’s chief economist.

There are many reports of a similar nature. Some are more dire, others somewhat optimistic. However, anyone living in Santa Barbara knows someone who is unemployed, in foreclosure, losing their business or having to move out of the area. The question for many today is where to move to?

With the decline of real estate values comes the reassessment of real property. These reassessments will no doubt continue to have profound impact property tax revenue to local government. Los Angeles and San Jose are two great examples of the implosion of local government. Many municipalities are looking at un-incorporating or filing bankruptcy.

Locally, it appears that denial is the operational plan of action. For business, things are getting better, but then business addressed these issues well over ten years ago. Business did what business does to survive; cut costs, including salaries and benefits. Business is not in business to cut services or product. Alas government just kept on spending, spending and spending. Worse, promises were made to employees that today we cannot keep.

Proposition 13 or the People’s Initiative to Limit Property Taxation, was the 1978 initiative amending the California Constitution on real property taxes to 1% of the full property cash value. Despite the doom and gloom of local and state government pontificators, the proposition passed with 64.8% of the vote, carrying 56 of 58 counties. It seems property owners were tired of being the bank for runaway government spending.

Now there are no shortages of people who think Proposition 13 is the problem. Some argue that the tax is progressive and fails to provide equity among private and commercial property owners. Older homes that have not sold are assessed at a much lower rate than recently sold homes on the same street that presumably consume the same services.

I would suggest that initiative process itself is a significant root to our problems. We have voted ourselves into poverty with our endless propositions of giveaways and programs. Little consideration is ever given to the conflicts created by these initiatives or their impact to state and local budgets.

So here we are some thirty years later. We have learned that local and state government has had no problem finding other methodologies to seek out revenue and spend anyway. Despite the efforts of property owners to control government spending, the rapid growth of property values became the cash cow of government.

The governor in 1978 was Jerry Brown. He resumes the chair in January - a touch of irony that he himself comments about. Last Wednesday the governor-elect called a two-hour conference with legislators devoted to insuring that everyone appreciated the totality of the current financial situation of California. He did not pull any punches by pointing out that the projected shortfall over the next 18 months is more than the annual state spending on the prison system, welfare, the University of California and the California State University system combined. Think about that. If you closed it all down today, it would not be enough to cover our bills.

The forum included fiscal experts that outlined the state's financial woes. The warnings went out of exploding debt, continued shortfalls and inflation. Never mind that these shortfalls were fabrications and illusions of hope in the first place. As I have said in the past, hope is not a plan. If California had any plan at all it was on the flash paper of hope.

Well, reality is here. It is bigger than fires, floods and earthquakes. In fact, we cannot afford these disasters. The collective "we" must accept that we are morally, spirituality and financially broke. As a community, we cannot buy our way out of the financial mess we have allowed to develop. Denial is no longer an option. It is no longer an issue of who is at fault because we all are. Decades of not paying attention and electing smiles, nice haircuts, and empty suits who would say anything and sell anything to get a vote have taken us to the financial abyss.

Further complicating our predicament is the sad reality that the evolution of the trinity of me, myself and I, has appeared to have reached full maturity. Whatever is left of our communities as we know them may soon be gone if we do not take charge and find solutions. Nice parks, clean streets, good police and fire protection, education, public health services, animal control and all of our important programs of interest are all on the block now. The argument of what program is more important may be an argument of the past. They are all going to go.

Was Proposition 13 the root cause as some would suggest? I think not. It was the byproduct of people standing up and taking back what was theirs in the first place. We have returned yet again to reclaim an out of control system that has taken the dreams and hard work of millions and reduced them to a pile of debt with interest. Yes, there is interest. We don't even know what we owe anymore.

This situation is not all bad. The financial crisis is going to rejuvenate our social structure out of practical necessity. Volunteerism will no doubt return. Charity will return as a much needed asset to the community. Personal responsibility will return because the public services will not be there to take care of your every need. The free ride is over and it is time to turn off the television and get to work. It is not going to fix itself.