

More tax dollars flow from California

By Tim Ransdell

It's official. The figures are in, and the big winner was . . . the rest of the country. In 1997, the citizens of California sent more tax dollars to Washington than has any state in the history of the nation.

More disturbing for us, and better still for those "other 49," California's share of federal spending dropped to its lowest level in recent memory. So low, in fact, yet another new record was set: Californians racked up the biggest taxes-vs.-spending deficit that this nation has ever seen. In 1997, California was a donor state to the tune of \$14.3 billion, a steep ascent from the \$10 billion shortfall just one year before.

According to the Tax Foundation, a Washington, D.C.-based think tank which tracks federal revenues, Californians sent a record 192 billion federal tax dollars to Washington last year. In doing so, we paid 12.4 percent of the nation's \$1.55 trillion tax bill, a total which incidentally has nearly doubled over the past decade. Californians thus already pay a generous share of the nation's taxes: the state comprises less than 12.1 percent of the population yet assumes 12.4 percent of the tax burden.

Couple this with a shortfall in federal spending, however, and you have the makings for historic deficits.

Relative to other states, federal expenditures in California have steadily declined for more than a decade, despite our growing population. After peaking in 1984 at 13 percent, California's share of federal expenditures had slipped to 12 percent by the beginning of this decade, roughly keeping pace with our portion of the nation's population. But after holding steady there for several years, the state's share then plummeted by half a point, falling to 11.4 percent last year.

When federal spending within California is balanced against federal taxes paid by the state's residents, (with adjustments to account for deficit spending), the scales are out of balance by record amounts. California's balance of payments deficit for 1997 was more than \$14.3 billion. Expressed another way, the Tax Foundation reports that, for every dollar Californians sent to Washington in taxes last year, the state received 93 cents back in spending.

It is no surprise that California pays somewhat more in taxes than the average state. Despite our recent economic hardships, the state's median income remained slightly above the national average, and the federal income tax system redistributes funds away from higher-income states, despite the fact that a dollar in California buys much less than one in Ohio or Arkansas.

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Likewise, California receives less from the growing federal accounts focused on older persons. Californians are relatively young (we rank 8th among states for percent under age 18, yet 45th for percent over age 65) so Social Security and Medicare payments are less here than in, say, Florida. Hence, some level of outflow is to be expected.

Nevertheless, slightly higher income and a younger population do not justify a \$14 billion deficit. And that deficit will likely grow again this year.

The state's 1997 federal tax receipts were based on taxpayers' 1996 income levels. And while 1996 was a good year for the California economy, the economic expansion has strengthened since then.

- In 1996, the densely populous southern portion of the state was still struggling; in 1997, the Southern California economy came back strongly.

- In 1996, statewide home prices remained at their lowest level in a decade; in 1997, the median home price advanced more than 5 percent.

- In 1996, unemployment rates in California were on the road to recovery but still had a long way to go, exceeding the national rate all year by more than a full point; in 1997, that gap was narrowed.

The bottom line is that Californians

likely will have sent more tax dollars to Washington in 1998 than in 1997. If we can set a new deficit record with its economy at half-throttle, imagine the inequity with it is running at full steam.

California acknowledges that it is large and growing, and that it may have to shoulder more than its technical share. But enough is enough here.

The prospects within Congress for a reversal of the situation are challenging to say the least. Simply put, our state is so big that our pockets look deep — and 49 other states are lining up to pick them. It will take solidarity and vigilance on the part of our congressional delegation to battle for the state's fair share.

On the promising side, the last 18 months have been notable for unprecedented bipartisan cooperation among Californians in Congress. It is time to use that newfound cohesiveness to hold the line on federal dollars to the state.

Whatever the prize — a science project won, a new road built, a base closure prevented, an education formula rewritten, a defense contract awarded, a trade provision added, a tax incentive tweaked for a key industry — our representatives in Washington need to remind plundering rivals that Californians already have done their duty . . . and then some.



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