

## California golden again — and we're

*Seattle Times, The (WA) - November 30, 2014*

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No matter how dysfunctional politics gets in this state, for many decades we've been able to say: At least we're no California.

The Golden State has long been the Gridlock State, especially when it comes to budget red ink. It's America's Greece.

Every bad state-budget decision we've made here lately — such as slashing our higher-education system — California did first, and worse.

California's "the liberal state that wants to spend on everything, and the libertarian state that won't pay for anything," wrote Businessweek last year about what made the state such a fiscal mess.

Well, who is Greece now?

Washington state is the one heading into 2015 with big budget deficits — as much as \$5 billion, or 13 percent of the two-year budget, depending on if state lawmakers choose to follow both voter and court orders to spend more on schools.

California is looking sunny. After decades of mammoth deficits — in some years it was in arrears more money than the other 49 states combined — California is running a surplus for the second year in a row.

"A more golden state: California tops nation in job growth," reads a typical headline. "California's budget: redemption song," says another.

California's story is the most surprising, but most states now have budget surpluses, thanks to an economy steadily gaining steam for a few years now.

So what in the world is wrong with us?

That bit above about liberal spending dreams colliding with libertarian tax fantasy? That applies now more to us than it does to long-conflicted California.

In short what California did was get real. It got rid of some of its Tim Eyman-style, two-thirds budgeting constraints (California went Eyman 20 years before we did). It cut back on state spending. And then it raised taxes.

Those last two were pushed through by Gov. Jerry Brown. Remember Governor Moonbeam? It turns out he has a fiscal-hawk side, as well as the skill to sell a tax increase to voters. The combo erased a paralyzing 25 percent budget hole in only two years. Another word for it is leadership, of a sort we mostly only read about from afar around here.

California still has far worse structural problems than we do — huge pension liabilities and big debts, to name two. But that means we have a lower bar that we're not clearing.

Some of California's black ink has flowed from a tax we don't have, and no, it's not the income tax. Like 41 other states, California taxes capital gains — profit from the sale of stocks and investments. It's volatile, so Brown joined it with a conservative policy that saves excess amounts from boom years in a rainy-day fund.

The Puget Sound area is so frothy with investment profits that a 5 percent tax on capital gains, with exemptions for the first \$10,000 and the sale of primary homes, would raise \$1.3 billion per biennium, the state estimates. Only 2 percent of the state's 3.1 million taxpayers would pay it.

Take, say, Amazon's Jeff Bezos. In the past two years he sold stock worth \$1.25 billion. Not a penny of those transactions went to our state's schools and services. If he lived in any of 41 other states, including neighboring Idaho (7.4 percent state capital-gains rate), Oregon (9.9 percent) or California (13.3 percent), he would have paid \$90 million or more. That's just from one taxpayer.

The point isn't to gouge the rich — it's only a 5 percent tax, and it falls just on gains. It's a way of raising money without hitting the poor and without messing around with the dreaded state income tax. It could also be used to reduce sales or other business taxes.

Plans like this were suggested in the last Legislature, but went nowhere. Why? Fear of Eyman. Power split between the parties. But mainly there's nobody bold in Olympia that the public trusts and will follow.

We can still say it, but the meaning is changing: We're no California.

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