How Did Things Get So Bad?!

By Kathy Emery

> Some $432 billion in municipal bonds were issued in 2006 alone. In 2004, some 4.4 million investors earned $52 billion in interest on municipal bonds. (NYTimes, May 19, 2008)
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> As a rule of thumb, each $1 billion of new bonds sold at 5 percent interest adds close to $65 million annually in state debt–service costs for as long as 30 years. (From the CA state Legislative Analyst's Office, 2004)

When San Franciscans go the polls on November 4, they will be asked to vote on four bond measures: 887.4 million dollars to rebuild SF General Hospital; 980 million for California childrens' hospitals; 5 *BILLION* dollars for renewable energy and emission reduction purposes; and 900 million to help military veterans purchase homes or farms. Let's see, that is a total of $7,767,400,000 that San Francisco voters will be asked to let the state and city borrow. According to the state's Legislative Analyst's Office, not only will taxpayers eventually will have to pay the almost $8 billion in the costs of these services but will also be paying "debt–service costs" of $520 million per year "for as long as 30 years."

When we vote for bond measures to rebuild a hospital or help military veterans buy a house, we are borrowing money from Wall Street whose investors collect interest while brokers and insurance agents collect fees for their services. An entire industry has developed to make a profit out of voters' willingness to increase the cost of government services beyond what they have to be. I will never understand why there is not an outcry against bond measures. I will never understand why people are willing, indirectly, to cut services so Wall Street financiers can make a heap of money (Think of all the extra money we could have if we weren't pay the additional debt-service money!).

Notice that voters are never asked to approve the borrowing of money to help pay for more bombs and tanks. Instead, municipal bond measures are all about hospitals, schools, road construction and renewable energy. We are suckered into borrowing instead of stepping back and saying, "Wait a minute, why are we in a position to have to borrow in the first place?"

The California Budget Project analysed the Governor's proposed budget last February and asked how did the state end up with a $14.5 billion budget gap, or "How Did Things Get So Bad?" Their answer included "debt service costs attributable to deficit-related borrowing" (cbp.org, Two Steps Back, Feb 2008). Continuing to approve bonds will only make it harder to balance the budget in the future.

Another important part of the equation, CBP argued, is the tax structure. Corporate income taxes have fallen by nearly half since 1981. At the same time, the highest-income households pay the smallest share of their income in state and local taxes.

Furthermore:

> If corporations had paid the same share of their profits in corporate taxes in 2005 as they did in 1981, corporate tax collections would be $7.3 billion higher. . . .Tax cuts enacted between 1993 and 2006 will cost the state $12 billion in 2007-08. The largest reductions include the $4.8 billion reduction in Vehicle License Fees, the $1.0 billion expansion of the dependent tax credit, and the $562 million 1996 corporate tax rate reduction . . . . The phase-out of the federal estate tax will cost the state over $1.1 billion in 2008-09 (cbp.org, Two Steps Back, Feb 2008)

I continue to wonder why voters put up with cuts in public services while the rich continue to get richer? Perhaps someone can explain it to me someday.