

MANAGING CALIFORNIA’S FISCAL CRISIS BUDGETARY PROCESS TO DECREASE BOTH THE SEVERITY AND OPPORTUNITIES FOR “GAMING THE SYSTEM”

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ABSTRACT

By any definition currently employed in the private sector, the State of California is bankrupt. This paper first details the severity of the fiscal crisis in many of the various State governments within the United States, with a special focus on California. Next, we provide an explanation of the various underlying causes of the crisis, including the sharp drop in tax revenues, the impact of unfunded liabilities on the current (and future) state budget, and the inadequacies of the current budgeting system used by the State. One of the major outcomes of the budgetary crisis has been an increase in the opportunity to “game” the budgetary process by elected officials and state agency bureaucrats. The paper then discusses various means of improving the budgeting process, and focuses on how such improvements could significantly reduce the opportunities for “gaming”. Finally, the paper details proposed solutions that should be seriously considered by this State (and all other governmental units – national, state, and local -- currently facing fiscal crises of this magnitude).