View today's E-Dition
Get the E-Dition sent to your inbox.
Click here!

sfexaminer.com
The Examiner

Thursday, August 6, 2009 | Last Update 4:35 PDT

San Francisco, CA
Mostly Cloudy 63°F
High/Low: 59°F / 52°F
(click for forecast)

OPINION

[Print] [Email] SHARE

State’s policy is to leave money sitting idle during deficit times

By: William F. Shughart II
Special to The Examiner
August 6, 2009

California’s political leaders are in the midst of celebrating their temporary "solving" of the state’s Brobdingnagian budget mess by combining spending cuts and tax increases with heavy doses of accounting legerdemain. Once again, however, Sacramento has failed to take advantage of a golden opportunity to stanch the red ink without increasing the burden on the private sector — selling state-owned properties.

At the urging of Gov. Arnold Schwarzenegger, the Department of General Services — the state’s landlord — has indeed recently started exploring opportunities to market some of California’s most valuable assets, including the Los Angeles Coliseum, Daly City’s Cow Palace and San Quentin State Prison.

That renewed effort represents a major policy change since 2000, when California’s state auditor sharply criticized the General Services Department for failing to dispose of surplus state property expeditiously, thus bypassing billions of dollars in potential revenue.

According to the statewide property inventory maintained by the Real Estate Services Division of the General Services Department, the taxpayers of California owned 22,727 buildings and more than 6.7 million acres of land at 2,313 sites statewide as of Jan. 2, 2008.

It turns out that state government policy erects barriers to exploiting that potential source of ready cash.

Other than ordinary bureaucratic inertia, delays created by filing environmental impact statements and complying with master facilities plans, the chief reason for foot-dragging is that state agencies have little incentive to identify and sell the properties they no longer need. If and when surplus property actually is disposed of, the General Services Department applies the proceeds (net of its own costs) to pay interest and principal on state bonds. Agencies incur the cost of identifying surplus property, but do not share in the gains from doing so.

Moreover, "surplus" properties can only be disposed of with approval from the state Legislature. Given that such authorization only comes once a year, properties may remain in limbo for up to 14 months while awaiting legislative approval.

Two simple policy changes would transform the incentives now impeding the disposal of surplus state-owned properties: First, eliminate the right of first refusal, thereby forcing public agencies to compete with the private sector for the right to acquire "surplus" lands and ensuring that property ownership is transferred at fair market value to its highest and best user; and second, allow the selling agency to

To view this site, you need to have Flash Player 8.0 or later installed. Click here to get the latest Flash player.

MOST POPULAR STORIES

- 100 skydivers to invade City skies
- Russian military official: Russian submarines off US East Coast on legitimate training mission
- Obama’s whopper on a middle-class tax hike
- Two teens killed, another injured in crash on 101
- Thousands of pot plants siezed from three Sunset district homes
- Muni tries to quell safety fears
- Electronic city parking meters are easy to bilk
- City still trying to jazz up Fillmore
- Dickey: Bay Area teams rev up for upcoming NCAA season
- Family patriarch Joe Jackson doesn't plan to help raise Michael Jackson's children

retain a predetermined percentage of that value, thus motivating it to identify and dispose of no longer needed property in a timely manner.

It's of course true that property now considered "surplus" is only the tip of the fiscal iceberg. If California taxpayers demanded that state government return to its core functions of protecting private-property rights and safeguarding the rule of law, many more state-owned assets would fall under the auctioneer's hammer.

William F. Shughart II, a senior fellow of the Independent Institute, is F.A.P. Barnard Distinguished Professor of Economics at the University of Mississippi.

Reader Comments

All comments on this page are subject to our Terms of Use and do not necessarily reflect the views of the Examiner or its staff. Comment box is limited to 200 words.

Brian
Aug 6, 2009
The California budget has not been resolved. Delaying payment of this year's expenses to future fiscal years does not make the expenses go away. Rigging income tax tables in order to overcollect income tax from working citizens does not solve the problem. The Governor, members of the State Senate and members of the State Assembly who supported this farce should be removed from office immediately.

Post a comment

Email:
(This will not be displayed or shared. Privacy Policy)

Display Name:

Comment:

Submit Comment