

LIAR, LIAR, PANTS ON FIRE!

A series of articles/ads published in the state's major newspapers to expose the Debt Crisis threatening California's economic future.

by Dean (Dino) Cortopassi

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DEAN (DINO) CORTOPASSI

My name is Dino Cortopassi and I am a 77-year-old lifelong California resident retired from a 55-year career, first in farming, and then in food processing.

This booklet contains the original text and charts which first appeared in a series of eight full-page informational newspaper ads published in July, August, and September of 2014. Each ad ran simultaneously in the following California newspapers: San Diego Union Tribune, Sacramento Bee, San Francisco Chronicle, Los Angeles Times, San Jose Mercury News, Fresno Bee, and Stockton Record.

All costs of these ads and subsequent publications were paid from my wife's and my tax-paid savings. We were motivated to do so because we believe that saddling our grandkids' generation with the sins of unsustainable state overspending is morally wrong.

After reading this factual information about the Dragon of Debt consuming the financial future of California, we hope that you join other citizen volunteers in spreading the Debt Dragon message to others in your local area.

To become part of the "Debt Dragon Hunters" volunteer effort, please respond via e-mail to Dino/Joan at liar.liar.pants.on.fire.ad@gmail.com. We are not set up to receive money, so please do not try to send us financial support, and do not give money to anyone purporting to represent Liar, Liar.

In your e-mail response, please include your mailing address and the largest town/city most convenient to where you live. (Volunteer groups are forming in various areas of California for periodic information sharing.) In your e-mail response, give us an idea of the degree of your personal commitment to spreading the Debt Dragon message to others in your area.

We hope you share our belief that motivated ordinary citizens joined in this cause can improve the future of our children and grandchildren.

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When I was in elementary school, Liar, Liar is what we called kids who told big whoppers. (That saying dates from an 1810 poem by William Blake, the first line of which is “Dissembler, Deceiver, your trousers are alight . . .”)

Recently Governor Brown and California Legislators (aka Politicians) have been telling a very BIG WHOPPER that their 2014-15 state budget was “Balanced”. I call that a BIG LIE and here’s why.

Using deceptive “cash in–cash out” accounting, the so-called “Balanced Budget” simply leaves out SIX BILLION DOLLARS of expense to fund the state’s 2014-15 obligations to the Retired State Employees Health Benefits fund (3 BILLION dollars) and the California Teachers Fund (3 BILLION dollars)?! That’s right – because the “Balanced Budget” does not fund that six BILLION dollars in cash, it’s as if that very real obligation doesn’t occur in the 2014-15 budget year?!

Virtually all California business enterprises of any size are required to file California tax returns on the “accrual basis.” (Accrual basis accounting means ALL income and ALL expenses are recorded during the year they occur, regardless of when cash is received or disbursed.) Any business enterprise that filed a California tax return based on “cash in–cash out” accounting would be promptly charged with tax fraud and would probably result in jail time for who signed it!

However, California politicians don’t apply the same accounting rules to themselves that they impose on taxpayer businesses. Why not? Because “cash in – cash out” accounting allows them to annually OVER-SPEND REVENUES while hiding their Ponzi schemes for “kicking the can down the road.” That’s how the Governor and Legislators conspire to hide the truth of California’s total expenses and then tell Whoppers about how they “Balanced the Budget” for 2014-15.

You decide whether the Governor/Legislators should be labeled “Dissemblers, Deceivers, or Liars.” What is indisputable is their hiding the true costs of their profligate spending behind cash in–cash out flim-flam, and then claiming California’s 2014-15 budget is “Balanced”!

I challenge the Governor/Legislative leaders to deny any of the factual substance set forth herein. I also challenge the media to explain why they haven’t discovered/exposed the Big Whopper of the so-called “Balanced Budget.” Does that media silence result from simply not understanding basic accounting? Or does the silence arise from partisan sympathy for politicians in power hiding the ball?

The next edition of “Liar, Liar, Pants on Fire” will expose other examples of California politicians deceiving voters about the true costs of state government.



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First, my warmest thanks to all who e-mailed your expressions of support after the first “Liar, Liar” ad appeared. Joan and I appreciate knowing that you too are upset with State politicians hiding their profligate spending behind phony claims.

The great majority of the Capitol’s present occupants have never earned a living outside of politics. Starting as staff aides, then appointees, and then proceeding on to elective offices, politicians learn how to dance around the truth; how to hide the truth; and how to deliberately misstate the truth. (e.g. Like when the Governor, Senate Leader, and the Assembly Speaker stand before TV cameras proclaiming, “We have produced a Balanced Budget”!) To me, whether a politician is dancing around the truth, hiding the truth, or misstating the truth, it’s all the same—it’s lying to voters!

Here are more examples of political lies. When Governor Brown announced the 2014-15 Budget (flanked by Senate Leaders Steinberg and Assembly Speaker Perez), he stated: We are attacking California’s “Wall of Debt,” which he described as totaling approximately \$26 Billion dollars. The Governor and his cohorts went on to brag that their budget was putting \$1.6 Billion dollars into a “Rainy Day Fund,” and also that their budget would reduce the unfunded liabilities of CalSTRS (Teachers’ Pension Fund).

Now look at the FACTS and then YOU DECIDE if the Governor and his cohorts were DANCING around the truth, were HIDING the truth, or were MISSTATING the truth?! The following facts are from the May 2014 Legislative Analyst Office (LAO) Report.

FACT: Excluding unfunded pensions, California’s current debt is \$122 Billion.

This is FIVE TIMES BIGGER than the \$26 Billion the Governor/Leaders pointed to and named as California’s “Wall of Debt”?! (Why point to only \$26 Billion? So voters don’t notice California’s debt is really \$122 Billion!)

FACT: The 2014-15 State Budget spending total is \$156 BILLION!

By comparison, the \$1.6 Billion “Rainy Day Fund” contribution is only one percent of the Budget?! Said another way, putting \$1.6 Billion per year into the “Rainy Day Fund” would take 100 years to equal this year’s spending?!

FACT: The May 2014 LAO Report shows \$ 218 BILLION of total Unfunded Pension/ Health Liabilities!

Yet the Governor and his cohorts bragged about the State Budget contributing the grand total of \$150 million to unfunded liabilities?! \$150 million is less than one-tenth of one percent of the \$218 Billion total?! Claiming that such a miniscule contribution “Reduces California’s Unfunded Liabilities” takes incredibly brazen political gall even for a three-time Governor and two termed-out Legislators!

Once again, I challenge the Governor and Legislative Leaders to PUBLICLY REFUTE the foregoing numbers! (The extent to which they remain silent reveals that the numbers are true!) Once again, I challenge the media to PUBLICLY INTERROGATE our leaders’ lies of omission. (To the extent the media remains silent is demonstrative of their partisan bias.) Next week’s Liar, Liar ad will show you how State politicians have conned voters to keep providing more “cash in” in order to continue their “cash out” overspending.



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My warmest thanks for the supportive e-mails continuing to arrive at our Liar, Liar e-mail account. Many of you asked how you can help the cause and here's my suggestion. **Please pass along the facts in this and future messages you believe other voters should be aware of.** Whether you choose to pass along these facts via e-mail, social media, or radio call-in, my wife and I appreciate your voice joining the chorus shouting, "STOP!" to political overspending.

Because many state politicians haven't held a real job, getting elected/re-elected is very important to them. Similarly, elections often depend on campaign contributions from various entities wanting "something" from government. (Think of something as political "owesies.")

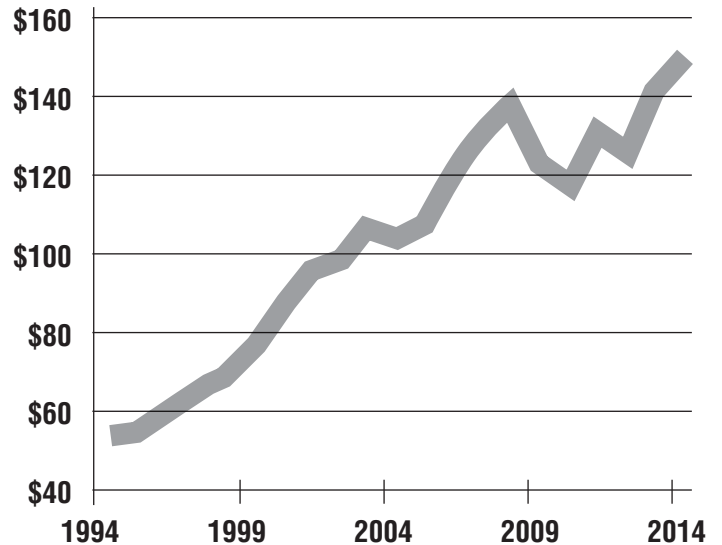
Almost all political owesies require some spending increases – which brings to mind a quote attributed to U.S. Senator Everett Dirksen: "A Billion here, a Billion there, pretty soon it adds up to real money!"

Let's start with the top adjacent chart showing budgeted spending. Please note that while population only increased 25% over the last twenty years, SPENDING GREW 200%, FROM \$50 BILLION to \$150 BILLION?! (Note: During that twenty years, there were two Republican and two Democrat Governors.) So how did politicians from both parties increase "cash in" revenues by \$100 Billion over that twenty years?! The answer is found in the bottom adjacent chart showing California Bonds. Twenty years ago authorized bond debt was \$24 Billion; TODAY'S AUTHORIZED DEBT HAS GROWN TO \$128 BILLION!

To fund the increasing cost of their "owesies," politicians increased the sale of Bonds. All they needed to do was describe a bond's noble purpose in warm, fuzzy language that would gain voter approval and, bingo, virtually all bonds were approved!

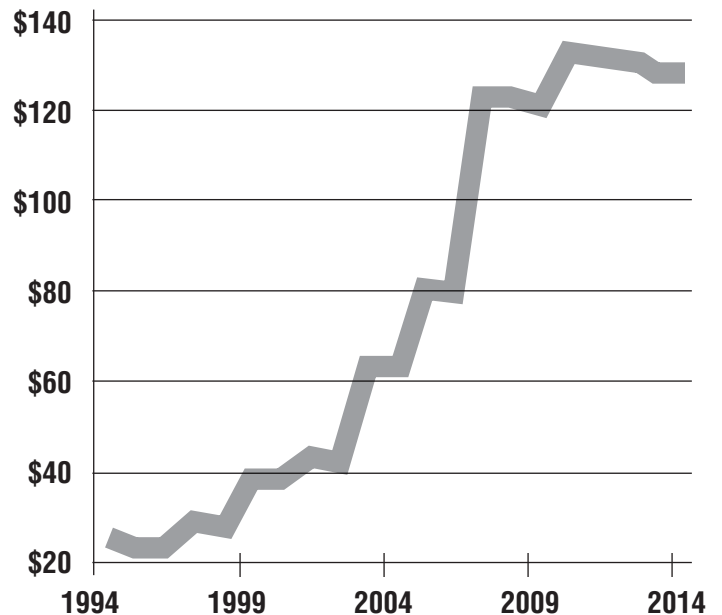
California Total Budget Spending

in Billions



California Authorized Bonds

in Billions



Selling bonds to be repaid years later and USING THE CASH PROCEEDS FOR CURRENT SPENDING is the very definition of a Ponzi scheme. My wife and I believe it's immoral to saddle tomorrow's generations with today's debts. If you agree, then I suggest the best defense against wanton overspending is **VOTING NO ON EVERY BOND PROPOSITION** that appears on future ballots. No matter how glowingly the bond is described, just remember the debt chart!

growth in state debt is described above. Shrinking unfunded liabilities and specific examples of 2014-15 budget overspending will be addressed in next week's Liar, Liar message.


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California Unfunded Liabilities (a)
(IN BILLIONS)

State Entity	Unfunded at 7.5%
CalSTRS Pension Program (Teachers)	\$73.7
CalPERS Pension Program (State Employees)	49.9
UC Pension Program (UC System Employees)	13.8
Judges' Pension Program	3.3
Retiree Health Benefits (State Employees)	64.6
Retiree Health Benefits (UC System Employees)	12.5
TOTAL Unfunded Liabilities	\$217.8 (b)

(a) "California's Key Liabilities," California Legislative Analyst's Office

(b) A 7.5% investment return rate is the assumed rate used by State Pension Programs. Per LAO at a 5.5% return, the unfunded liability is \$265 BILLION.

Finally, let's look at the chart above showing Unfunded Liabilities. The "official" \$218 Billion unfunded computation is based on a historically unrealized 7.5% rate of return. At a more realistic 5.5% return computation, unfunded liabilities are actually \$265 Billion! I suggest if you are a present or future beneficiary of a state pension and/or health plan, you should be very concerned about politicians' continued overspending and can-kicking. Why? Because the combination of growing state debt and unfunded liabilities will inevitably result in pension/benefits reduction. How to stop

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As promised last week, here are two examples of bloated state government.

CalTrans:

All State Agencies are bureaucratic and overspend, but CalTrans is their poster child! The MISMANAGED Bay Bridge fiasco depicted in the top adjacent chart took twice as long as originally planned and cost FIVE BILLION DOLLARS MORE THAN ORIGINALLY BUDGETED!

The next chart shows what CalTrans' long-running boondoggle did to toll rates. As bond debt spiraled up, so did the per-car toll rate, from ONE DOLLAR PER CAR TO SIX DOLLARS PER CAR! Here are some relevant quotes regarding CalTrans.

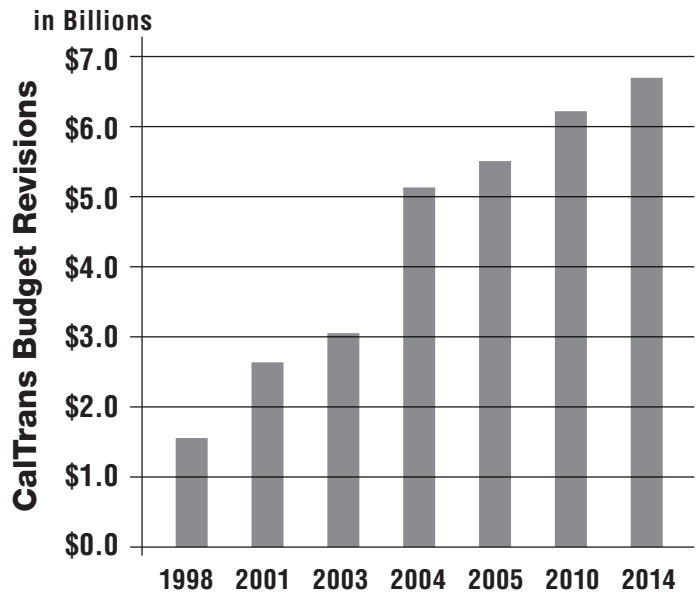
Last week Chairman Mark DeSaulnier (D-Concord) released a Senate Transportation Committee report stating:

- CalTrans managers “gagged and then banished nine top experts . . .for complaining about substandard work by the contractor.”
- CalTrans managers “attempted to keep many serious allegations quiet as part of an institutionalized lack of project transparency.”

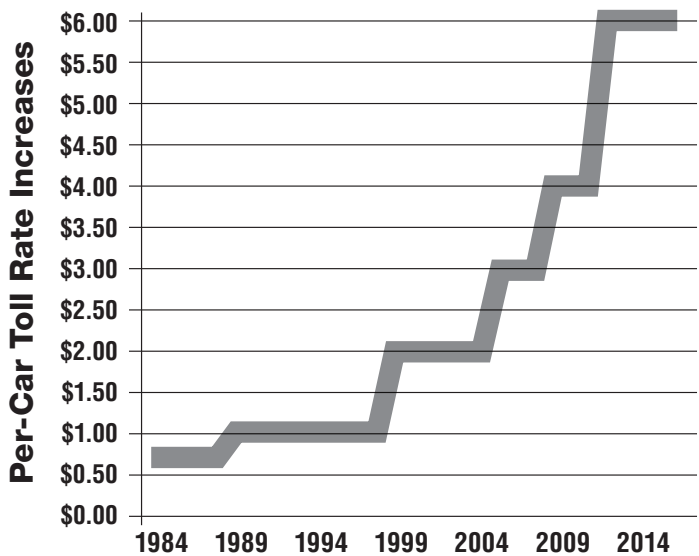
In May 2014 the Legislative Analyst Office (LAO) issued a report on CalTrans: “The COS program is experiencing significant overstaffing. The Governor’s Budget Proposal results in overstaffing 3,500 employees in 2014-15 at a cost of more than \$500 million per year.” (Emphasis added.)

The Bay Bridge boondoggle was financed with “User-Pay” Revenue Bonds which Sacramento Poobahs deceitfully characterize as “non-debt.” However, five million Bay Area residents will be repaying that non-debt via six-dollar tolls for the next 30 years! Like building up paper mâché, regional User-Pay Bonds build up an overlapping matrix of debt statewide. Via sales taxes, property taxes, and increased fees,

California Bay Bridge Budget Increases



California Bay Bridge Toll Increases



the cash to service “User-Pay” Bonds comes out of Californians’ pockets! User-Pay debt seems invisible until cash flow runs short (like the cities of Vallejo, Stockton and San Bernardino) and bankruptcy occurs. It is only then that employees/retirees belatedly see that “User-Pay” was a CAPITOL CON JOB!

Department of Corrections (COR):

The Judicial overcrowding mandate forced a reduction of inmate population in California's prisons. Using that mandate as its cover, Sacramento shifted significant COR costs onto Counties/Cities, while claiming to make Counties/Cities whole via "Realignment" payments. That too was a State con job because Realignment "underfunded" County/City cost increases! By comparing county realignment dollars (\$10,900 per capita) to COR avoided costs (\$34,900 per capita) the underfunded scam is exposed! i.e., The difference between \$34,900 and \$10,900 equals \$24,000 of per-capita costs that COR dumped onto Counties/Cities!

California Department of Corrections (COR)

	2011-2012	2014-2015	Change
Total COR Budget	\$9.2 Billion	\$9.6 Billion	+\$400 Million
Total Inmates/Parolees	263,147	187,583	<75,564>
Cost per Inmate/Parolee	\$34,960	\$51,180	+\$16,220 (per capita)

- Over a four-year span, the State transferred/released 75,000 COR Inmates/Parolees to County Jails/County Parole Departments, resulting in greatly increased County costs.
- COR released a number of the 75,000 (including sex offenders, non-violent offenders, etc.) to "Community Supervision," (an additional cost burden imposed on County/City Police forces).
- Concurrently the State announced "Re-Alignment" payments to Counties as purported mitigation of County cost increases. However, the State payments were much less than their own prior costs!

State Re-Alignment Program	2011-12 to 2014-15
2010-11 Total Inmates/Parolees transferred to County Jails/Com. Supervision	75,564
4-Year Total Re-Alignment \$ given to Counties	\$3.3 Billion
Re-Alignment \$ to Counties per Inmate/Parolee per year (a)	\$10,900
2011-12 State Cost per Inmate/Parolee	\$34,960
2014-15 State Cost per Inmate/Parolee	\$51,180

(a) \$3.3 Billion divided by 75,564 divided by 4 years

That's why County/City Public Safety costs have become staggering, and virtually all County Jails were forced into inmate "early release" on a daily basis. If your County/City Public Safety costs have exploded, send a Thank You note to Governor Brown! Finally, a 29% reduction in COR's 2011-12 population should have reduced its 2014-15 budget. Surprise! Despite COR's 75,000 inmate/parolee exodus, the 2014-15 budget is HIGHER THAN PRE-EXODUS! If a cost-cutting Governor was in charge, how could that be?!

Summary:

If you are a State, County, or City employee/retiree, please understand our Liar, Liar messages are not partisan. Joan's and my intentions are solely to AWAKEN ALL VOTERS to California's debt/unfunded liabilities crisis. It is self-evident that our family is financially insulated from that crisis. But we very much care that State/County/City employees' families avoid FUTURE JOB FURLOUGHS/PENSION REDUCTIONS. It doesn't matter which party you belong to or who you choose to vote for. There is only one tool you hold to stop the overspending. That one tool is reducing politician's "cash in" by **VOTING NO on every bond proposition**. We urge you to look past short-term noise, and link arms towards a better long term for you and for the next generations.



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Governor Brown Hoisted by His Own Petard!

(“Petard”: A Primitive Bomb – From French “péter” meaning to break wind!)

Trapped between his own “legacy” cravings, the insatiable state spending he has failed to control, and frantic Legislators splintered by Lobbying cross-currents, last week the Governor chose to throw his Democrat allies under the bus!

Demonstrating the brazen chutzpah of a lifetime in politics, “BBB” (Balanced Budget Brown) swathed himself once again in the robes of fiscal restraint, and then TRASHED the “Water Bond” currently pending. (Originally designed for the 2010 election, and then punted forward to 2014 by current Legislators.)

Characterizing the pending measure as: “A pork-laden water bond with a price tag beyond what’s reasonable or affordable,” the Governor’s trashing served to contrast his \$6 BILLION proposal as “Reasonable and Affordable.” In the face of California’s mushrooming debt/pension liability crisis, describing more Bond debt as REASONABLE AND AFFORDABLE is yet another whopper! To understand how all so-called “Water Bonds” are in fact deliberately disguised to hide both internal and external Pork, let’s review the Prop. 84 con job sold to voters in 2006.

2006 – Proposition 84

Promoted as a “Water Bond” by the Sacramento Gang, Prop. 84 was in reality a \$5 BILLION PORK BARREL funneling cash to non-water State Agencies as well as to non-water uses. Because many State Agencies spend more than General Fund revenues provide, their shortfalls are increasingly augmented by Bond Sale cash flow.

The following chart shows the separate categories described in Prop. 84. However, buried in those bland descriptions is over \$3 BILLION OF NON-WATER PORK!

The 2006 “Water Bond” (Prop. 84)

Category Description	Number of Programs	Number of Agencies	Number of Dollars
Drinking Water	8	3	\$1,500 Million
Rivers/Lakes	15	10	1,000 Million
Flood Control	5	1	900 Million
Ocean/Beaches	9	6	540 Million
State Parks	2	1	500 Million
Climate Change	3	4	480 Million
Wildlife Conservation	4	2	450 Million
TOTAL	46	N.A.	\$5,400 Million

The following chart reflects the various Non-Water State Agencies and “Water Bond” funds they received. Of that \$3 BILLION PORK, 15% went to third-party Grantees (External Pork) and 85% went to Non-Water State Agencies as “Internal Pork”!

“Internal/External Pork” (Prop. 84)

Agency Name	Allocation
California State Parks	\$900 Million
Wildlife Conservation Board	450 Million
State Coastal Conservancy	360 Million
Department of Public Health	300 Million
Individual Conservancies	280 Million
Secretary for Natural Resources	200 Million
Department of Fish & Wildlife	180 Million
Department of Forestry	90 Million
California Conservation Corps	50 Million
Various Agencies	250 Million
TOTAL	\$3,000 Million

Some egregious examples of External Pork are reflected in the following chart. This is not to criticize the merits of those activities but rather to demonstrate how the Sacramento Gang promotes “Water Bond” support through unrelated grants.

Examples of External Pork (Prop. 84)

Location	Title	Dollars
Los Angeles	“Learning Gardens”	\$7 Million
Oakland	”The California Trail”	7 Million
Santa Ana	”Natural Resources Pavilion”	7 Million
Sacramento	”Space Science Center”	7 Million
San Diego	”Habitat Journey”	7 Million
Burbank	”Native American Facilities”	7 Million
Monterey	”Open Sea Wing”	6 Million
San Francisco	”Randall Museum”	5 Million
Visalia	”Nature Museum”	5 Million
Oakland	”Gallery of Natural Science”	3 Million
Various	Other External Pork	32 Million
TOTAL		\$93 Million

Summary:

So to funnel cash to overspending Agencies, politicians cunningly disguised the 2006 PORK BARREL with flowery “Water Bond” language and thereby conned the voters! As shown in adjacent charts and herein, about 40% of that CON JOB related to water; about 40% was a cash funnel to other State Agencies; and about 20% was political payola to generate broader Bond support.

So here we are in August 2014; the 2006 Water Bond cash is long gone; however, the \$5 Billion of Debt is still with us. Meanwhile, bloated State Agencies once again need Bond sale cash! Which means it’s feeding time in the Sacramento Pig Pen with Legislators squealing and fighting to design a “Water Bond” they hope voters can be conned with! Just in the nick of time, out steps our hero – “BBB” – swathed in robes of Fiscal Restraint and solemnly pronouncing that his \$6 BILLION “no frills version won’t contain Pork and won’t break the bank.”

Don’t believe any part of yet another BBB Whopper! The cyclically occurring drought provides a convenient cover story for a Bond the Governor needs to funnel cash into overspending Agencies he has failed to control for four years! Since the last “Water Bond” was passed, \$120 BILLION has been added to California’s Debt/Unfunded Pension Liabilities!

As State Ponzi schemes become ever more unsustainable, the Sacramento Dragon grows ever hungrier for cash. The Governor’s “Water Bond” proposal does little more than feed the Dragon and provide him four more years to promote the “Legacy Status” he craves.

It is my belief that Responsible Voters will not be conned again; that any Water Bond on this November’s Ballot will be defeated; and that proponents thereof will come to be judged as fiscally irresponsible politicians.


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Never Let a Serious Crisis Go to Waste

(Rahm Emanuel; Obama Chief of Staff; November 2009)

Crisis Politics:

Playing the drought crisis to perfection last week, Governor Brown displayed his political wizardry using 11th-hour urgency to herd milling Legislators into his \$7.5 Billion “Water Bond” Corral. As elated Politicos patted themselves on the back for HAVING DONE SOMETHING and factually-challenged Media applauded, Pork-Fed Agencies sighed in relief! (Like Rahm Emanuel, Governor Brown didn’t waste the crisis!)

Political Wizardry Is Not Good Governance:

Transforming his public image to match voter emotions, our Political Wizard is more focused on good polls rather than Good Governance. e.g., As Voters became more concerned about California Debt, “Balanced Budget Brown” became his new image. Let’s compare that BBB facade to factual measurement of the past four years. As the chart below demonstrates, since Governor Brown took over, his Budgets INCREASED STATE SPENDING BY \$31 BILLION! Given that inflation only increased 2% per year, does a 25% INCREASE seem like Good Governance?!

in Billions	Total Budget 2010-11	Total Budget 2014-15	4-Year \$ Change	4-Year % Change
Health/Human Services	\$ 38 B	\$ 49 B	+ \$11 B	+29%
K-12 Education	37 B	45 B	+ 8 B	+22%
Higher Education	13 B	13 B	-	-
Corrections	9 B	10 B	+ 1 B	+10%
CalTrans	12 B	10 B	- 2 B	-17%
All Other Agencies	17 B	29 B	+ 12 B	+70%
TOTAL BUDGET	\$126 B	\$156 B	+ \$30 B	+23%

Understanding the Meaning of Billion:

To quantify the \$156 Billion Total of BBB’s 2014-15 Budget, consider what “Billion” means in comparative terms:

1 Billion Seconds equals 31.7 Years.

1 Billion Minutes equals 1,902 Years.

\$156 Billion ÷ 365 Days equals \$427 Million per Day!

\$427 Million ÷ 24 Hours equals \$18 Million per Hour!!

Looking at the 2014-15 State Budget in the context of dollars per day or per hour drives home the STAGGERING ENORMITY of runaway state spending funded through Bond sales. (Fly Now—Pay Later!) For BBB to characterize himself/his budget/his Bond as “Fiscally Prudent” is SHAMELESS DECEIT!

Kicking the Can Down Crumbling Roads:

Another example of Bad Governance by BBB (and his two predecessors) is the scandalous condition of California highways. As the chart below demonstrates, yet another ticking Fiscal Bomb is \$60 BILLION OF DEFERRED MAINTENANCE AND REPAIR on 50,000 lane-miles of State Highways?!

State Agencies	Deferred M & R \$	2014-15 Funding \$	%
State Highways	\$59,000 Million	\$337 Million	+5.5%
Judicial Branch	2,000 Million	15 Million	+8%
Parks & Recreation	1,540 Million	40 Million	+2.7%
Corrections	960 Million	20 Million	+2.1%
TOTAL	\$63,500 Million	\$412 Million	+7%

(1) Dollar amounts of Deferred M & R reported in California 5-Year Infrastructure Plan 2014.

From CalTrans 2013 report: Roadway programs for 49,518 lane/miles of total State highways:

- "Twenty-five percent (one out of every four lane/miles) of pavement on the State Highway System has deteriorated to the point where it needs to be reconstructed to get back into acceptable condition."
- "Motorists pay twice for poor pavement conditions, first for additional vehicle maintenance resulting from driving on pavement in poor condition and secondly for the higher costs to reconstruct highly degraded pavement."

In the face of that \$60 Billion of Deferred M&R, note that the 2014-15 "Balanced Budget" provides the princely total of \$337 Million?! At BBB's rate of repair it would TAKE 175 YEARS TO FIX EXISTING HIGHWAYS?! Governor Brown's political wizardry can manipulate voter emotion and herd legislators, but the underlying facts expose Bad Governance and "Kick-the-Can" Deceits pushing ethical boundaries.

The 2006 "Highway" Bond:

Comparing the two previous charts demonstrates that providing Bond cash to the Sacramento Gang is akin to providing Drugs to addicts. How can a \$20 BILLION "HIGHWAY BOND" RESULT IN \$60 BILLION DEFERRED M&R ONLY SEVEN YEARS LATER?! Well, let's follow the money.

As reflected on the last chart's first line, only \$6 Billion of the total \$20 BILLION went to repairing State Highways?! Note that \$8.3 BILLION was allocated to "State Grants/Local Other," a category which has absolutely nothing to do with repairing or building Highways/Roads! So \$8.3 BILLION OF PURE PORK went to local areas which could have self-funded these projects through local assessments/taxes/User-Pay Bonds. Why didn't they? Because local taxpayers wouldn't vote to pay the tab, so recipients lobbied Sacramento and stuck State taxpayers instead!

The 2006 "Highway Bond" (Prop. 1B)

Programs	Dollar Allocation
State Highway:	
State Highway (Repairs)	\$ 6,000 Million
State Highway (New)	2,000 Million
Subtotal	\$ 8,000 Million
State Grants/Local Roads	
Roads (Repair & New)	\$ 3,000 Million
Traffic Lights (Synchro)	250 Million
Railroad Crossings (Safety)	250 Million
Bridges (Seismic)	125 Million
Subtotal	\$ 3,630 Million
State Grants/Local Other	
Public Transport (e.g. Metro Bus)	\$ 4,000 Million
Urban Traffic (Congestion)	2,000 Million
Security (e.g. Metro Bus)	1,100 Million
Truck Emission (Reduction)	1,000 Million
School Bus (Repair/Replace)	200 Million
Subtotal	\$ 8,300 Million
TOTAL	\$19,900 Million

Summary:

As all three charts factually expose, Governors/Legislators (of both parties) have practiced willful, deliberate deceit upon trusting voters. The only tool you have to avert California's financial crash **IS TO VOTE NO ON EVERY BOND!** At the current pace of Bond Debt issuance, California's "House of Cards" will collapse, putting at risk THE PENSIONS OF EVERY CITY/COUNTY/STATE RETIREE!



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Arithmetic Is Not an Opinion!

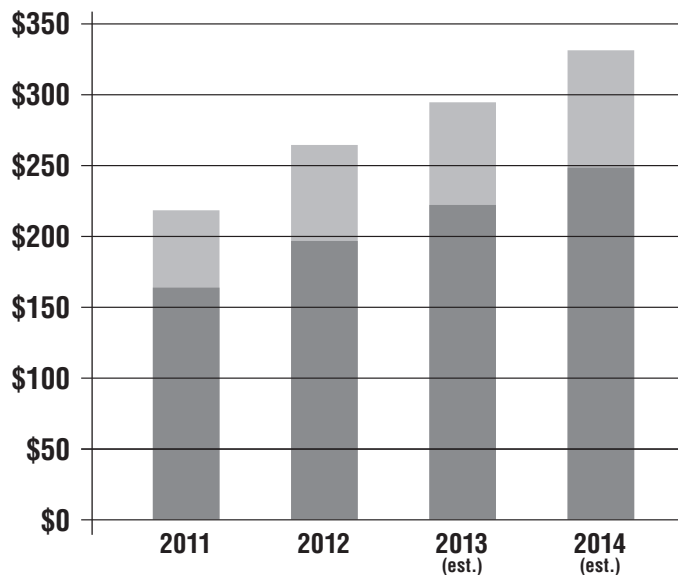
On October 11, 2011, at a Los Angeles “State of the State” conference, Governor Brown made the following statement about California’s Unfunded Pension Liabilities:

“There is no doubt that we are going to have to adjust our pensions so that money coming in is going to be equal to what we can expect what the money going out will be. It’s not even a matter of higher math. It’s fifth-grade arithmetic.”

Let’s look at what the Governor actually did about Unfunded Pensions since that statement was made. As the chart below demonstrates, either the Governor’s declaration to reduce unfunded liabilities was deliberately deceptive, or he didn’t remember fifth-grade arithmetic!

California Unfunded Pension Liabilities

in Billions



Note: The dark portion of the chart shows unfunded pension liability at a 7.5% Return on Investment (ROI). The light portion shows the incremental liability at 5.5% ROI.

Source: CalPERS; CalSTRS; UC; Financial Statements

As the chart above graphically shows, each of the last three Budget years, CalPERS/CalSTRS/UCAL unfunded pension liabilities INCREASED FROM

\$163 BILLION TO \$250 BILLION?! So not only did Governor Brown not deliver on “money coming in equaling money going out.” his three budgets INCREASED UNDERFUNDING BY \$87 BILLION!

Compounding the \$87 Billion underfunding was a three-year \$31 Billion increase in State spending! (See Liar, Liar of August 21st.) Either Governor Brown doesn’t understand fifth-grade arithmetic (very unlikely) or WHAT HE SAYS IS NOT WHAT HE DOES! (In my fifth grade we used to call that “telling whoppers”!) Whenever Governor Brown faces choices between a “present” problem (e.g., reining back state overspending) and a “future” problem (e.g., reducing unfunded pension liability), he avoids the discipline of fiscal prudence, and KICKS THE CAN DOWN THE ROAD!

The AB 1469 “Solution”

Payor	2013-14 Payment (a)	Percent of Payment		2021-22 Payment (a)
		2013-2014	Inc./<Dec.>	
School Districts	\$2.2 Billion	38%	+16%	\$6.0 Billion
Teachers	2.3 Billion	39%	-13%	2.9 Billion
State	1.3 Billion	23%	-3%	2.2 Billion
TOTAL	\$5.8 Billion	100%		\$11.1 Billion

(a) 2013-14 Payment does not reduce unfunded liability. The 2021-22 “Payment” is the LAO estimate for that year. LAO further estimates that if AB 1469 payment schedule is adhered to every year, CalSTRS’ unfunded liability is extinguished 30 years hence.

(Note: AB 1469 payment schedule is subject to annual change.)

Governor Says AB 1469 “Resolves” CalSTRS’ Problems

On June 30, 2014, “Balanced Budget Brown” (BBB) and Legislative leaders stood at the podium and boasted that their AB 1469 had fixed CalSTRS’ underfunded liabilities. Let’s compare what the Governor said to what actually happened. The chart above shows how

AB 1469 cleverly shifts CalSTRS' pension responsibility from the State and DUMPS it on school districts! The same BBB maneuver used to dump costs of 75,000 State Inmates/Parolees onto Counties/Cities strained Budgets! (Exposed in the August 7th Liar, Liar ad.)

What was not explained from the podium (nor reported in the press) was that AB 1469 was shifting virtually all the unfunded liability to local School Districts and reducing the state's percentage contribution! i.e., School District payments increase from 38% to 54% of 2021 pension payments, while the State's share drops from 23% to 20%. The reality of AB 1469 was to force school districts to raise taxes at the local level, while BBB and cohorts got to brag they "fixed" the problem!

California Debt Iceberg

in Billions	Bond Debt	Unfunded Pension Liabilities	Unfunded Health Liabilities	Total Debt & Liabilities
State of California (a)	\$ 123 B	\$ 250 B (b)	\$78 B (c)	\$451 B
K-12 School Districts (a)	49 B	?	?	49 B
City Governments (a)	63 B	13 B	?	76 B
County Governments (a)	24 B	26 B	?	50 B
Special Districts (a)	81 B	2 B	?	83 B
TOTAL BUDGET	\$340 B	\$291 B	\$78 B	\$709 B

(a) The data sources of these numbers are: California State Controller's Office/Legislative Analyst Office.

(b) CalPERS; CalSTRS; University of California.

(c) Current/Retired State Employee Health Benefits.

California Debt/Obligations Are like an Iceberg

Like the total mass of an Iceberg, the totality of California Debt/Obligations remains below the surface. i.e., Pulling together the bottom adjacent chart required strenuous research of disparate State records. The Iceberg chart enumerates the totality of California's Debts/Obligations by category and by Debtor entities. Its purpose is to provide readers a "Big Picture" view of the enormity of California's Iceberg in stark contrast to the self-serving piecemeal examples that politicians point to. This chart factually demonstrates that "Arithmetic is Not an Opinion" and that \$709 Billion is an enormous Debt load!

Summary:

By any measure, \$709 Billion of Debt sucks an enormous amount of cash out of California's economy and job creation. What's less clear is the Iceberg's threat to the future retirement benefits of 2.1 million government employees at state/local levels. In the past, some government employees have believed government growth was good. However, looking forward, those employees should be more concerned about government debt than government growth. The three California cities that went bankrupt are precursors of more of the same for debt-burdened entities.

Like all Ponzi schemes, California's will collapse if not reined in. As voters, we have but two choices: To allow the Sacramento Gang to keep paying today's bills with tomorrow's debts, or to shut down their Bond sales ATM. When you get into the voting booth, keep in mind that **ARITHMETIC IS NOT AN OPINION!**



liar.liar.pants.on.fire.ad@gmail.com

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Of Thrones and Dragons

Over the past eight weeks Liar, Liar has parted the curtains of political spin and exposed the Debt Crisis threatening California's future. In the huge flood of supportive e-mails we've received, recurring questions have been: "Who/what is behind profligate state overspending, unfunded pension liabilities, and debt growth?"

The Power Behind the Throne

From its medieval origins "The Power Behind the Throne" has referred to manipulators hidden behind massive thrones whispering into the ears of Kings. Today the phrase has morphed into the benign-sounding name of "Lobbying," but it still means the same thing: hidden manipulators whispering into the ears of Legislators/Governors.

The charts on the next page unveil the enormity of lobbying dollars in California as categorically measured by the Secretary of State. Few, if any, voters would guess that ONE MILLION DOLLARS PER DAY is spent whispering into the ears of the Sacramento Gang! Is it any wonder the RAVENOUS BEAST OF GOVERNMENT SPENDING DEMANDS EVER-GREATER AMOUNTS OF PORK?!

There are 3,300 entities listed as engaged in California Lobbying activities. However, Lobbying horsepower is relatively concentrated, as shown by dollars within defined categories (first chart), and by the principal spenders within categories particularly attuned to state spending (second chart).

By the dollar amounts of their lobbying efforts, top spenders demonstrate that whispering into politicians' ears must pay off! For example, observe that the "Government" category (major recipients of Pork) spends ONE MILLION DOLLARS PER WEEK. (That much whispering borders on heavy breathing!) Ultimately, the dollar source of political Pork comes

from California Taxpayers (conspicuously absent in Lobbyist listings), resulting in government spending being a one-way street.

As demonstrated in adjacent charts, Beneficiaries of political pork (e.g., Grantees/project builders/public employees/etc.) spend major dollars to gain a place at the feeding trough. Meanwhile, the taxpayer sources of PORK DOLLARS are voiceless in the lobbying game, which explains the genesis and rapid growth OF THE DEBT DRAGON, i.e., knowing voters will resist tax increases in the present, Sacramento politicians PUNT PORK COSTS FORWARD via the sale of Bonds (IOUs) to be paid by future generations.

Summary:

Judging from your responses, exposing quantitative truths hidden behind political deceits proved useful, and having accomplished its informative mission, the Liar, Liar series ends with this issue. Joan and I appreciate the overwhelmingly positive e-mail support from the many, many hundreds of concerned citizens throughout California. Thank you for your feedback! (Over the past eight weeks I declined all media interview requests until the quantitative facts were published. I am now available to media interviewers interested in substance rather than sound bites.)

Given the widespread citizen responses from across California, we are preparing to assist formation of non-partisan, all-volunteer teams, focused on SPREADING DEBT DRAGON AWARENESS in their local area. (Organizing expenses of these non-partisan, local area volunteer groups will be paid from our tax-paid personal savings.)

If you want to join the volunteer effort to slay the Dragon of Debt threatening your/our children's and grandchildren's futures, please respond via e-mail to Dino/Joan at liar.liar.pants.on.fire.ad@gmail.com.

Do not try to send us money, as we are not set up legally to receive it, and do not give money to anyone purporting to represent Liar, Liar.

In your e-mail response, please identify the city nearest to where you live (mailing address is optional) and the degree of your personal commitment to spreading the Debt Dragon message to others in your local area. (This will be strictly an unpaid volunteer effort, so persons seeking employment or wanting to sell us services should look elsewhere.) Anticipating that Liar, Liar messages were a springboard to action, we hope that you choose to be part of the next phase. In the interim, stay well and be strong in the belief that you can improve the future of our children/grandchildren!



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Lobbying Dollars by Category (2013-14)

#	Employer Category	Lobbying Expenditures
1.	Government (a)	\$54,484,000
2.	Health (a)	47,854,000
3.	Manufacturing/Industrial	29,026,000
4.	Finance/Insurance	25,934,000
5.	Labor Unions (a)	19,509,000
6.	Education (a)	19,392,000
7.	Professional/Trade	19,060,000
8.	Oil & Gas	18,058,000
9.	Utilities	16,890,000
10.	Transportation	8,703,000
	All Other Categories	99,236,000
TOTAL LOBBYING DOLLARS		\$ 358,146,000

(a) Descriptions of Certain Categories

- **Government** (Cities/Counties/Districts)
- **Health** (Medical Associations/Hospitals/Nursing Homes)
- **Labor Unions** (Excluding Education/Public Employee Unions)
- **Education** (Union/Schools/Educators)

Top Lobbyists by Category (2013-14)

Category/Lobbyist	Lobbying Expenditures
Government (Category Total = \$54 Million)	
1. California Association of Counties	\$2,332,000
2. League of California Cities	2,211,000
3. Metropolitan Water District SoCal	1,983,000
4. San Bernardino County	1,650,000
5. Orange County	1,472,000
6. Alameda County	1,451,000
7. Contra Costa County	1,404,000
8. Rural County Representatives of California	1,387,000
9. San Diego County	1,345,000
10. City of Los Angeles	1,284,000
Health (Category Total = \$48 Million)	
1. California Hospital Association	\$4,619,000
2. Kaiser Foundation Health Plan	3,760,000
3. California Medical Association	3,145,000
4. California Association of Health Plans	1,733,000
5. California Optometric Association	1,536,000
Labor Unions (Category Total = \$19 Million)	
1. Council of Service Employees/SEIU-UHW	\$9,416,000
2. California School Employees Association	2,569,000
3. California AFL-CIO	1,548,000
4. California Professional Firefighters	1,071,000
5. California Nurses Association	950,000
Education (Category Total = \$19 Million)	
1. Teachers Unions	\$3,332,000
2. Association of California School Administrators	1,224,000
3. California School Boards Association	878,000
4. Coalition for Adequate School Housing	686,000
5. Los Angeles Unified School District	683,000

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