Dan Walters: Budget deadline nears with no progress in sight

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It's a week before the June 15 constitutional deadline for enacting a state budget, an appropriate moment to consider the status of this year's version of the annual fiscal drama.

And that is? Up the proverbial creek without the proverbial paddle.

In the weeks since Gov. Arnold Schwarzenegger unveiled his revised 2010-11 budget, there's been absolutely no progress on closing the deficit that approaches $20 billion. In fact, the situation may have grown worse because the extra federal funds that the governor and the Legislature have counted on are evaporating.

Originally, Schwarzenegger projected that the state would get an extra $7 billion. His May revision cut that in half, but a congressional measure that would boost federal medical payments to states has stalled, perhaps permanently. And that means the state may receive no more than an extra $1 billion.

Adding to the rudderless turmoil is a conflict between the Democratic leaders of the Senate and Assembly, even though they jointly reject Schwarzenegger's big health and welfare cuts.

Senate President Pro Tem Darrell Steinberg wants about $5 billion in new tax revenues, mostly by extending temporary taxes due to expire or by postponing scheduled tax cuts. Assembly Speaker John A. Pérez, while proposing some additional revenues, is touting a very gimmicky borrowing scheme.

Meanwhile, Republicans – some of whose votes would be needed for any budget and any new taxes – are simply saying no.

We in the media often make too much of the tardiness of the budget. After all, a rational budget is more important than a timely one, and on-time budgets have usually been fiscal disasters. But this is one of those years when lengthy delay could have meaning.

State Controller John Chiang is warning of another cash crunch if a new budget isn't enacted by August. The state cannot float "revenue anticipation bonds" – short-term borrowing to ease cash flow problems – without a budget in place. Chiang says he may be forced to issue IOUs to pay the state's debts if the state treasury runs dry.
Chiang, in a letter last week to the Legislature, declared that "the worst thing you can do is nothing." But nothing, at least for weeks and perhaps months to come, is the most likely scenario.

Given the size of the deficit, the one-time gimmicks that already have been exhausted (such as paying June's payroll in July and deferring payments to schools and local governments), and the wide political disagreements in the Capitol, no one would be surprised if the budget is still pending when summer turns into autumn.

Schwarzenegger and the Legislature already suffer from historically low public approval ratings. This year's version of the budget melodrama shows every sign of driving their abysmal standing even lower.

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