Schwarzenegger’s state of the state

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The governor’s proposal to plan for lean years is a good idea, but a more detailed discussion is needed.

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Gov. Arnold Schwarzenegger sounded Tuesday as though he were ready to take a lesson from Joseph. Just as the aide to Pharaoh advised stocking up on grain during the seven fat years to prepare for the seven lean ones, the governor in his State of the State address proposed revamping California’s budget system so that money from the cushy times is around for a year like the one coming up.

It’s the right approach, but politically risky. It carries none of the glory of last year’s pledge to lead the state into a promised land of post-partisanship. Budgeting is boring work. But it is fundamental, and the governor is right to take it on.

If only Schwarzenegger had had Joseph-like dreams of the lean year ahead before the shortfall actually appeared. The governor has been cruising on fiscal good news through most of his tenure and had opportunities to put more money aside. But those opportunities were limited, in part because of spending mandates — many of them adopted by the voters — that put the state on spending auto-pilot. It’s sobering to realize that the governor’s solution relies on even more automatic measures, such as cordon off “excess” funds in one of those fat years. Those kinds of mandates do nothing to hold elected officials accountable for their decisions, and they perpetuate the problems that brought us to this place.

If there is to be a frank discussion on California’s budgeting process, it also ought to include an acknowledgment that not every fat year should mean deep tax cuts for California taxpayers. Just as this year’s new money shouldn’t start up a new program if the same cash won’t be around next year, lawmakers have no business promising tax cuts if they are not sustainable. Schwarzenegger himself referred to criticism over his decision to reinstitute deep cuts to the state’s vehicle license fee. He continues to insist that his decision was the right one. He continues to be wrong. Just as California must not, in the governor’s words, go through a “binge and purge” cycle with spending, it shouldn’t do it with taxes either.

The time to impose broad new taxes is not when the economy is struggling. Still, the governor and the Legislature would be wise to take a long look at some of the loopholes they have adopted to cater to the needs of wealthy interests.
The governor did his best to balance warnings about the budget against high hopes for continued investment in education and infrastructure. When he releases his budget plan Thursday, Californians will have a better grasp on whether he can pull it off. As always, the governor’s best weapon is his boundless optimism. This year, he’ll need it.