Budget crisis decree coming

The governor says he'll declare a fiscal emergency in January.

By Kevin Yamamura
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Gov. Arnold Schwarzenegger said Friday he will declare a "fiscal emergency" in January to reduce an anticipated $14 billion budget deficit, pressuring lawmakers to fast-track spending cuts and other solutions.

The Republican governor has signaled that he wants to cut spending across the board in state programs, while Democratic leaders have said that both spending reductions and tax increases need to be considered.

It will mark the first time the Republican governor has used the "fiscal emergency" authority he asked voters to approve in a 2004 ballot measure.

Proposition 58 allows the governor to declare an emergency when revenues are "substantially below" what was anticipated when he signed the current $102.3 billion budget in August.

Such an emergency would bring the Legislature into special session, which has shorter deadlines, and requires the governor to submit his own proposals when he issues his declaration.

Schwarzenegger on Friday called the situation "a common thing for California, that we're going on this roller-coaster ride."

"What we have to do is fix the budget system," Schwarzenegger said during a health care press conference in Long Beach. "The system itself needs to be fixed, and I think this is a good year, this coming year, to fix it."

If the Legislature does not submit a budget solution 45 days after the governor declares a "fiscal emergency," it cannot consider bills on other subjects or adjourn.

The governor's fiscal emergency proclamation – the first of its kind since it was established – will be tied to the 2008-09 budget proposal he will release next month.

"There will be some relationship between the two because the extent to which we can achieve savings in the current year means we can achieve annual savings as well," Department of Finance spokesman H.D. Palmer said.
Schwarzenegger will not declare the emergency until January because he needs time to prepare his 2008-09 budget proposal and propose legislation for the special session, Palmer said.

Legislative leaders from both parties welcomed the declaration, albeit with different views on how to solve the problem.

Senate Republican leader Dick Ackerman, R-Irvine, said it would enable a "quick reaction" and hopes lawmakers will review laws that automatically increase payments for health and welfare. He and Assembly Republican leader Mike Villines, R-Clovis, said they oppose any tax increases.

But Assembly Speaker Fabian Núñez, D-Los Angeles, called it a "serious step for a serious problem." Núñez on Thursday suggested pursuing new Internet taxes and raising the car tax.

"We are committed to working with (Schwarzenegger) to address the ongoing imbalance between the services Californians require and the resources to fund them, and not drawing any lines in the sand," Núñez said in a statement.

Most legislative midyear cuts, in special or regular session, require a bipartisan two-thirds vote. But that is the same threshold required for a bill to take effect immediately, so a special session does not necessarily speed up a bill's effective date. Lawmakers also could waive deadlines in regular session if they chose to.

Jean Ross, executive director of the nonpartisan California Budget Project, which advocates for poor and middle-class families, suggested the emergency declaration is more a public relations maneuver than a necessary step.

"They don't need a special session, and they don't need a fiscal emergency to get a solution," Ross said. "I really don't think it matters other than for public relations value and saying that we have a 'fiscal emergency.'"

The emergency declaration pressures lawmakers to send the governor a bill within 45 days. Mac Taylor of the nonpartisan Legislative Analyst's Office said the law is vague about how extensive a bill the Legislature would have to send.

Still, Palmer said the fiscal emergency will force everyone to take immediate action.

"We need to move on this expeditiously," Palmer said. "Because if we do not, the problem is going to get worse and the cuts are going to get deeper."

The governor told social service groups and local government officials this month that he wants to impose across-the-board cuts of approximately 10 percent so no department would face a disproportionate burden.

None of it will be easy, judging by the growing anxiety among interest groups.

Legislative Analyst Elizabeth Hill wrote last month that because of a revenue decline, the state could cut the current education budget $400 million without suspending the state's guaranteed Proposition 98 payment to schools.
Schwarzenegger earlier this month told education leaders he was considering doing just that, said Scott Plotkin, director of the California School Boards Association. "We're aware that money is at risk," Plotkin said. "He specifically brought that up as a possibility."

Ackerman said Friday the governor should go beyond that amount and suspend Proposition 98.

"(The $400 million) is the easy step and should be done right away," Ackerman said. "But I think you're going to have to suspend Proposition 98 to take the necessary steps to keep the state in business."

Plotkin said education groups would fight any attempt to suspend Proposition 98 and want new revenues to be considered if spending cuts are discussed.

"It's always great when people look at us as the first place to go when it isn't our fault," Plotkin said. "We just wish people wouldn't draw lines in the sand."

A $14 billion deficit would represent more than 12 percent of an estimated $111 billion general fund budget.

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**FISCAL EMERGENCY**

*What it means:*

- The governor can declare an emergency when revenues fall substantially below forecast.

- The governor proposes solutions to be considered in a special session of the Legislature.

- Solutions could include immediate cuts or tax increases. Most require two-thirds votes.

- If lawmakers don't approve a solution within 45 days, they cannot consider bills on other subjects or adjourn until they do.