Governor orders cuts in state agencies now

Budget trims can save $100 million by June 30, he says.

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Gov. Arnold Schwarzenegger on Tuesday ordered additional cuts across the state bureaucracy that will slow down state hiring and nonessential service contracts – a move he said could save the cash-strapped state $100 million by June 30.

The governor ordered all agency secretaries and department directors to immediately begin reducing their current budgets by 1.5 percent by cutting nonessential services and activities. The order, which takes effect immediately, directs secretaries and directors to find savings, whether it's on personnel, travel or equipment.

"Today I signed an executive order to instruct all departments to look for more cuts," Schwarzenegger said Tuesday. "And they will look at that, and I think we can get another $100 million worth of cuts out of it."

Schwarzenegger issued the order on the heels of a $2 billion midyear budget reduction last week to deal with the state's projected $14.5 billion deficit, which could get even larger when Legislative Analyst Elizabeth Hill releases her report today.

The governor, who has already proposed 10 percent across-the-board cuts, said he wanted to make sure the state is in "good financial footing" as it heads into the 2008-09 fiscal year, which begins July 1.

Schwarzenegger's finance director, Mike Genest, said each department head can achieve savings through a combination of ways: freezing hiring, postponing nonessential contracts, reducing equipment purchases, postponing outreach campaigns and canceling travel. Savings will be reviewed on a monthly basis by the Governor's Office.

Though departments are being urged to postpone hiring, Genest said directors will get to decide on a "case-by-case basis which positions they must fill" so as not to jeopardize health care delivery or public safety.

"What the hiring freeze is intended for is (to) control the pace of hiring so we can minimize the need for layoffs down the road if the budget situation worsens," Genest said.
Job candidates should check with the departments to which they are applying to see if the positions remain available, said Lynelle Jolley, spokeswoman for the Department of Personnel Administration.

One labor leader questioned whether the order was more political spin than an effort to produce actual savings.

Jim Hard, president of the Service Employees International Union, Local 1000, the largest state employee union, said previous efforts to freeze hiring failed to achieve significant savings. According to a 2002 Finance Department analysis, a hiring freeze imposed by then-Gov. Gray Davis during a multibillion-dollar deficit achieved roughly $33 million in savings over a two-year period.

"It's not a lot," Hard said.

Tuesday’s executive order called on departments to cancel or postpone state employees' discretionary travel to conferences, seminars or training sessions.

Schwarzenegger will continue to travel out of state, including a trip to the "Arnold Classic" bodybuilding extravaganza in Columbus, Ohio, next month.

Schwarzenegger does not take a salary and pays for his own travel, but taxpayers fund the expenses for the aides and security guards that accompany him.

Press Secretary Aaron McLear noted that Schwarzenegger canceled planned trips to India, Bali and Portugal, but will continue to travel "when he thinks it benefits California and will continue to promote California ... We are looking for more ways to operate more efficiently."

The governor urged the Democratic-controlled Legislature to immediately begin working on more cuts for the 2008-09 fiscal year.

He likened the deficit to a triathlon with one portion finished – the midyear cuts. Lawmakers, he said, still must deal with more challenging cuts to the 2008-09 fiscal year and agree to his call for a constitutional amendment that would establish a rainy day fund and tie state spending to revenues.

"There should not be one single day's rest," Schwarzenegger said.

But for the second time in less than a week, Assembly Republicans rejected a Schwarzenegger-backed proposal to eliminate a tax break for some owners of boats, airplanes and motor homes. The break allows owners to take possession outside the state's boundaries and avoid California sales taxes if they leave them out of state for a specified period.

Assembly Speaker Fabian Núñez, D-Los Angeles, said it was "reckless and callous" of the GOP to protect wealthy people when the Legislature approved health care and education cuts last week as part of a $2 billion midyear reduction package to maintain cash flow through the spring.
Most Republicans opposed closing the loophole, saying it would push luxury item purchasers out of state and could result in lost tax revenue and job losses. They denied they were defending wealthy yacht owners.

"I am not working for Thurston Howell III," said Assembly Republican leader Mike Villines, referring to the millionaire character on television's "Gilligan's Island."