Governor planning across-the-board budget cuts

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Faced with what his staff now estimates as a $14 billion budget hole, Gov. Arnold Schwarzenegger has decided to seek across-the-board cuts to state operations.

The administration last month asked departments to prepare hypothetical budgets based on 10 percent reductions for the fiscal year beginning July 1 in case such a move was sought.

But now, as the fiscal outlook has worsened, the Republican governor has decided to go forward, according to advocates for social services and local government the governor has summoned in recent days for budget discussions.

"Our goal is to be able to spread this as equitably as possible," said Department of Finance spokesman H.D. Palmer, who would not say what percentage cut the governor will seek or whether it would apply to current year spending.

Schwarzenegger is planning to ask the Legislature for a 10 percent across-the-board reduction in state spending next year, according to sources who have met with the governor this month.

The 10 percent figure is a target for all departments, intended to impact every sector of state government equally, the governor told social service advocates this week. Schwarzenegger remained resistant to new tax increases, however, insisting that not enough support exists among legislators and voters.

Rich Gordon, a San Mateo County supervisor and president of the California State Association of Counties, said the governor and administration officials told local government officials that the 10 percent was an average goal and that some state departments could be above or below that reduction.

"It felt to me like 10 percent was a target they were looking at both in the short-term and long-term," Gordon said.

Schwarzenegger's finance officials have determined that the state is facing a $14 billion deficit over the next 18 months, significantly more than the $9.8 billion projected by Legislative Analyst Elizabeth Hill.
The $14 billion shortfall would represent more than 12 percent of $111 billion in state General Fund expenditures in the 2008-09 budget year, the spending projection Hill used in her analysis.

Schwarzenegger is scheduled to present his annual budget proposal Jan. 10.