Governor planning for 10 percent budget cut

Revenue shortfall may set up a conflict on Prop. 98 spending.

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California's deteriorating budget could derail Gov. Arnold Schwarzenegger's much-anticipated "year of education reform" – a year in which he was expected to take on the state's underperforming school system, education advocates said Tuesday.

As he prepares his proposed 2008-09 budget for release in January, the governor this week directed all state departments to work up spending plans that are 10 percent less than current spending.

Such a move could reduce K-12 education spending by $5 billion or more for the fiscal year that begins next July. And it also would require lawmakers to take the politically tenuous move of suspending Proposition 98, which guarantees schools a cut of state revenue.

"If that's what it means by having your year, I don't want it," said Kevin Gordon, a consultant on education budget issues, who said an administration official confirmed the proposed cuts.

Adam Mendelsohn, the governor's communications director, would not comment on ongoing "internal deliberations" on the budget. But he said the governor remains committed to tackling education next year.

"We can have a productive conversation about education while also addressing the budget," Mendelsohn said Tuesday. "And in some cases that conversation should be occurring at the same time."

Mendelsohn emphasized that no decisions have been made on the budget.

"It would be very premature for people to react to essentially what is internal deliberation," Mendelsohn said. "Two years ago we were preparing for a budget that had cuts and it ended up with a surplus."

The slumping housing market has contributed to lower-than-expected revenue during the first few months of the current fiscal year, pushing the state's expected
operating deficit for next fiscal year toward $10 billion, about 10 percent of the current general fund budget.

Education advocates said that if Schwarzenegger pushes for education cuts, he would break a promise made in 2005 to fund annual cost-of-living increases for schools. The current year's budget package included a $2.1 billion increase, or 3.9 percent, under Proposition 98.

The education community has felt slighted by the administration before. During his first months in office when the budget gap was even worse, Schwarzenegger struck a deal with the California Teachers Association to cut $2 billion.

But when repayment didn't come in 2005, education groups claimed Schwarzenegger had reneged on a promise and mounted a huge television campaign that helped sink the ballot measures he sought at a special election that year.

"Lest he wants to go down that road of broken promises, he ought to rethink this budget drill," Gordon said Tuesday.

Brian Lewis, executive director of the California Association of School Business Officials, said schools and teachers are ready "to battle" if the Schwarzenegger administration proposes a reduction in education spending.

"You're talking about draconian cuts that are going to impact students' education," Lewis said. "Despite the economy, we need to say we're going to serve our children."

"It was going to be a tough year to have a 'year of education,' " Lewis said. "Now we have less money."

The Legislature's nonpartisan budget analyst is expected to issue a grim update of the state's fiscal situation next week. The state started off with a projected $6 billion deficit. But in the first quarter of the year, the state fell nearly $800 million below projections.

"Revenues will be down for the year," said Michael Cohen, a budget analyst in the Legislative Analyst's Office.

Cohen said it's common practice during tough times for departments to reduce spending. He said the governor is likely running the drill "to generate ideas as they put together their budget for January."