Governor to call for budgeting changes, again

By Kevin Yamamura - kyamamura@sacbee.com
Published 11:01 am PST Tuesday, January 8, 2008

In his State of the State address Tuesday afternoon, Gov. Arnold Schwarzenegger will blame the state's formulaic budgeting system for an estimated $14 billion shortfall and tell Californians his "difficult" spending plan will have across-the-board cuts but no tax increases, according to excerpts released this morning.

"The problem is that, while revenues are flat, automatic formulas are increasing spending by 7.3 percent," Schwarzenegger says, according to the prepared text. "Even a booming economy can't meet that kind of increase. So the system itself is the problem."

The governor will again propose a constitutional amendment that would require voter approval to change the state's budgeting system. His office did not disclose details, but his plan is likely to force the state to place more money in reserve when revenues are strong in order to avoid deep cuts in lean years, according to a proposal former Gov. Pete Wilson outlined on Schwarzenegger's behalf during a radio address Saturday.

Schwarzenegger suggests that he tried to fix the state's budget system in his first term but ran into roadblocks in the Legislature and at the ballot box. In his prepared speech, he says he tried and failed to convince the Legislature in 2004 to approve a spending cap proposal. He also reminds voters that they rejected his proposal during the 2005 special election to do the same.

Some budget analysts have blamed Schwarzenegger for contributing to the state's formulaic budget system by convincing voters to prevent the state from using funds for transportation and local government for other purposes. The governor says, according to the excerpts, that those changes "tightened the noose by taking away those options" and that the state has no way out "except to face our budget demons."

The governor is also expected to call for education reforms in his Tuesday address, kicking off a year he proclaimed would be the "Year of Education" before the state faced a $14 billion deficit. Schwarzenegger says, according to the excerpts, that it is not time to consider more money for schools but that it is still possible to "undertake reforms right now in the schools that need our help most."

In excerpts of his response, Assembly Speaker Fabian Núñez warned Tuesday that "cuts alone won't fix things."
"The conversation can't just be about price, it has to be about priorities, too," Núñez says.

Gov. Schwarzenegger will again propose a constitutional amendment that would require voter approval to change the state's budgeting system. Brian Baer / bbaer@sacbee.com