Legislative analyst criticizes across-the-board reductions

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At the same time the state's bond outlook took a negative turn, Gov. Arnold Schwarzenegger's proposed budget was criticized by a top budget analyst Monday for failing to prioritize which programs are most critical for California's future.

In her report on the governor's proposed spending plan, Legislative Analyst Elizabeth Hill said the administration's across-the-board reductions would leave programs "operating in a less than optimal manner and provide lower quality services to the public."

"On its face this has an element of fairness, but ... we're not setting state priorities," Hill said. She suggested that vital payments could be made, with reduced discretionary spending rather than across-the-board cuts.

Hill encouraged the Legislature to consider eliminating tax credits or adding fees to raise more revenue.

Also on Monday, Fitch Ratings placed $43 billion worth of outstanding state bonds on a negative watch, which could lead to a downgrade in California's A-plus bond rating, one of the lowest among state governments.

Fitch analyst Richard Raphael cited the "long-term lack of political consensus" on solving the state's chronic deficit, as well as concerns about the state's diminishing economic outlook. Negative watch ratings affect the cost of future borrowing, which would include the governor's proposal for additional infrastructure bonds for water, classrooms and universities.

Administration spokesman H.D. Palmer said the negative outlook makes clear that the governor's proposed changes in the budgeting process are needed. In releasing his much-anticipated budget last week, the governor resurrected a plan to create a rainy-day fund during good years and impose automatic spending cuts during bad years.

However, the nonpartisan fiscal analyst expressed concerns about Schwarzenegger's proposed budget change, which she said would seriously dilute the Legislature's appropriation authority.
As the clock began ticking in the Capitol on a 45-day deadline for the Legislature to tackle the fiscal emergency, the governor spent Monday in the Central Valley promoting his plan.

In discussing the state's projected $14.5 billion deficit with Tulare County officials, Schwarzenegger offered to provide "Wiener schnitzel" and "schnapps" to help the Legislature get work done.