Dan Walters: Crisis may lead to a grand deal

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The governor of California described the state's fiscal crisis apocalyptically, saying "its sheer magnitude boggles the mind and threatens the unprecedented progress we've made together."

It could have been Arnold Schwarzenegger on Thursday as he unveiled plans to close a $14.5 billion gap between income and outgo. But the words were uttered five years earlier by his predecessor, Gray Davis, as he unveiled his scheme to close what he said was a $30 billion-plus deficit in the state budget.

Davis' scenario turned out to be a rather tawdry ploy that wildly overstated the state's fiscal peril to make his supposed spending cuts sound more substantial than they were, and to cushion the political blow of raising taxes. And it backfired badly; instead, he shouldered the blame for the fiscal crisis. Ten months later, voters recalled him and elected Schwarzenegger.

Schwarzenegger, although eschewing Davis' doomsday language, sketched a similarly grim picture of slashing virtually every public service – including an immense bite out of education – to close the current budget gap. And while Schwarzenegger does not appear to be artificially pumping up his budget deficit as Davis did, what one might term the sheer magnitude of his proposed cuts may also have an unspoken political motive.

Those cuts, coupled with a very hard line on raising taxes, may be laying the groundwork for some kind of grand budget deal next summer in which he would agree, albeit reluctantly, to raise taxes of some kind to ease the impact on schools, prisons, parks, health services and so forth in return for Democrats' accepting his long-sought constitutional amendment that would grant governors more power to unilaterally balance income and outgo.

Pressed on taxes by reporters as he unveiled the budget, Schwarzenegger seemingly slammed the door. "I will not raise taxes on the people of California because they pay enough taxes," he declared, echoing the sentiments of most voters. But Schwarzenegger has proved that he's not averse to changing his mind – and imposing some constitutional controls on what he described as the "sheer madness" of continued deficits could be a mind-changing factor.

Schwarzenegger knows that balancing the budget through spending cuts alone is a non-starter with the Democrats who control the Legislature, and they and their
interest group allies, such as the Education Coalition of unions and other school groups, reacted on cue with expressions of dismay and outrage. "Cuts alone will not work," Assembly Speaker Fabian Núñez declared. "An across-the-board cut winds up being a below-the-belt hit."

For Schwarzenegger's grand strategy – if there is one – to work, he needs the media, Democrats, educators and others, including Republicans who oppose releasing felons from prison, to raise as much ruckus as possible, intensifying the sense of imminent doom unless decisive action is taken. A clue that Schwarzenegger may have a deal in mind was his declaration that the crisis creates "historic opportunities" and his call to "fix California's budget system once and for all."

One question, of course, is whether the Legislature's fiercely anti-tax Republicans would go along with some sort of revenue increase in return for the kind of hard spending controls they've been demanding for years. They might, if it was packaged correctly, without the gimmicky language that can undermine such things. And done right, it would be a good deal for everyone. This perennial budget crisis is not only tiresome, it diverts energy away from the myriad other crises that should receive attention.

It is still another test of whether California is governable at all, given its fractious socioeconomic and cultural nature.