Dan Walters: Governor's desertion haunts him

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If Arnold Schwarzenegger is looking for someone to blame for the state's worsening budget crisis – one he inherited from predecessor Gray Davis and promised to solve – he can look in the nearest mirror.

Schwarzenegger's own bean counters, the Legislature's budget office, a few curmudgeonly legislators and some in the media repeatedly warned Schwarzenegger that failing to balance the budget during the first three years of his governorship, when the economy and revenues were soaring, would result in a fiscal cataclysm when the economy cooled.

The governor made a few fitful attempts to bring the budget under control, although he exacerbated the problem immensely by reinstating a politically popular, if fiscally unsound, reduction in the taxes on cars. A couple of years ago, however, after his budget control measures were shot down by voters, Schwarzenegger deserted the budget battle and took up more popular causes, such as global warming.

Figuratively, he crossed his fingers and hoped that the good times would carry him through his second term without facing the fundamental disconnect between income and outgo.

Well, his luck is running out. Thanks largely to the collapse of the housing market, the state's economy is flattening and revenues are running behind projections, while some of the gimmicks that had been used to narrow the deficit on paper are vanishing. What had been projected to be a $6 billion operating deficit for the 2008-09 fiscal year – no small sum – has now ballooned into the $10 billion range that this column suggested a few weeks ago.

Yes, the Legislature was complicit in this dereliction of the state's single most important duty – prudent financial management – but it was Schwarzenegger who promised voters in 2003, as they cast out Davis, that he'd clean up "crazy deficit spending," and he has failed utterly.

General fund spending has skyrocketed by 44 percent during his governorship, reaching the levels that his first budget director, Donna Arduin, predicted four years ago. The only thing that prevented the crisis from erupting earlier is that revenues were, for several years, much stronger than Arduin and others had predicted. That gave Schwarzenegger and the Legislature an opportunity to bring the budget into balance without abrupt impacts, but they didn't do it. Instead, they spent every extra dollar and then some.

Meanwhile, Schwarzenegger bragged about not raising taxes and urged voters to approve tens of billions of new infrastructure bonds on the assumption that the
budget woes would be resolved, freeing up enough money to repay the loans as needed.

It would be difficult to conclude that Schwarzenegger has been any more diligent about his fiscal responsibilities than Davis. At least Davis was willing, in the final days of his ill-starred governorship, to bite the bullet on increasing revenues; to date, Schwarzenegger is still in denial about both sides of the ledger.

Fundamentally, the state budget is no different from a family budget. One projects revenues and then fits spending into the total, or finds some way to increase income. Just as living on credit cards is eventually ruinous to a family, so the state cannot continue to run deficits forever and paper them over with Enron-like gimmicks.

If Schwarzenegger is the leader he proclaims to be, he'll fess up to the state's precarious fiscal situation, tell Californians the harsh truth about what spending cuts and/or revenue increases would be necessary to close the gap – not just next year but permanently – and then hammer the Legislature to swallow the ill-tasting medicine needed to cure the disease.

If he's not capable of doing that, then he's the "girlie man" he once accused legislators of being. His governorship, despite all the hype, will have been an utter failure.