Fixing California’s budget for good

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A state budget that cuts spending and does not raise taxes is the surest way to revive our ailing economy.

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We are now more than a month into the new fiscal year, and still California has no budget. I want the people to be clear about what I am fighting for and why this fight is so critical.

Today we stand at a great crossroads. The economic crisis has rocked governments and families around the world and forced us all to confront harsh realities that were ignored for far too long. For California, the reality is that for decades government has been racking up debt by making promises it could not afford.

After solving a $60-billion deficit last year — which included many tough and unpopular cuts — we face another $20-billion shortfall this year. We have $500 billion in government-employee pension debt alone, a mind-numbing figure that is six times the size of our entire state budget and 10 times the amount we spend on education.

And at the same time, our corporate, sales and income tax rates are among the highest in the nation.

The public debt just for government employee benefits has grown so large that it is threatening to crush our private sector, which creates the jobs that pay for our schools, parks, public safety and more.

This is simply unsustainable. And let me remind you that this debt disease is not just a threat to California. Look at what is happening in other states and other nations like Greece, Spain, France, Ireland, Britain and even the United States. In fact, the co-chair of President Obama’s debt commission recently compared our national debt to a cancer. “It is truly going to destroy the country from within,” said Democrat Erskine Bowles.

Yet right now, there are those in Sacramento who want to continue tumbling down the same destructive path of more borrowing and higher taxes. That path will lead us to economic suicide.
Government must stop being a roadblock and instead begin helping employers and entrepreneurs expand and create jobs, because the economy will not come back and state revenues will not come back until private-sector jobs come back.

And higher taxes and more debt do not grow jobs. They kill them. Let’s also not forget that in last May’s special election, the voters overwhelmingly rejected higher taxes. That is why I am fighting for a budget that cuts spending, does not raise taxes and finally forces government to live within its means.

But this budget is not just about the short term. We must also adopt long-term reforms to put our finances on solid ground for future generations to come.

We must create a rainy-day fund, so we save money in the good years to cover shortfalls in the bad years.

We must also reform California’s pension system for government employees, whose costs to taxpayers for just one of our major pension funds have skyrocketed from $150 million a year a decade ago to almost $4 billion this year. Private-sector workers already struggle to pay for their own retirement. Now they are being forced to pay more and more for the government workers’ retirement, at the very time their own retirement accounts have declined. What is worse, in five years those pension costs will grow to well over $10 billion per year, and keep growing from there.

Over the next 30 years, the state will spend hundreds of billions of dollars just to service existing retirement benefit debt — further hammering taxpayers and crowding out funding for education, infrastructure, healthcare and other critical programs. In fact this year, for the first time ever, we will spend more on government employee retirement benefits than on higher education.

That is why I have proposed comprehensive pension reform, including rolling back benefits for new hires. I have fought for these reforms in prior years, yet the special interests spent tens of millions of dollars to defeat them. But this year their money is no match for my will and the will of fed-up Californians who are demanding change.

Today, there is no doubt that our state faces serious challenges. But in spite of whatever problems our government has, I never lose faith in the future of our state. California is still home to the greatest entrepreneurs and innovators in the world. Now we must give them a government that is a partner and not an obstacle, a friend and not a foe.

If we succeed, California’s star will shine brighter than ever.

Arnold Schwarzenegger is governor of California.