Analysis: Governor declares state of emergency, offers budget plan with deep cuts

kyamamura@sacbee.com

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One thing is clear in Gov. Arnold Schwarzenegger's final January budget proposal: California's finances are about as desperate as desperate gets.

Facing a $19.9 billion deficit, the Republican governor placed a big bet on a federal infusion of $6.9 billion. Should that fail to materialize, he proposes eliminating welfare-to-work, suspending business tax benefits and cutting state worker pay more deeply than the 10 percent reduction already in play.

Schwarzenegger searched high and low for cash that can't be called taxes. He wants to install overhead enforcement cameras at intersections around the state to raise $338 million from speeding drivers. He also wants oil drilling off the Santa Barbara coast to generate over $100 million yearly for state parks.

And Schwarzenegger won't take "no" for an answer. He again wants voters to shift mental health and childhood development money to the general state budget – even though they rejected the same idea last year by nearly a 2-1 ratio.

In one questionable assumption, Schwarzenegger's plan banks on $880 million from the federal government for the cost of imprisoning undocumented immigrants. Congress doesn't plan to spend even half that amount for all 50 states.

Schwarzenegger declared a fiscal emergency and called a special legislative session, asking for immediate action on $8.9 billion in solutions in the next 45 days. Even if the governor's optimistic revenue assumptions come to pass, he will have a difficult time winning support for the cuts he proposes in the Legislature.

A year ago, both parties made concessions, with a plan that included deep cuts and higher taxes. This time, Republicans were generally supportive of the plan, save for corrections cuts and suspending business tax benefits.

"Republicans are glad to see the governor's commitment to not raising taxes, controlling spending and making sure that we start redoing the jobs picture in California," said Senate Republican leader Dennis Hollingsworth, R-Murrieta.
But winning more support from Republicans meant further angering Democrats. The majority party opposes widespread cuts in social service programs and believes schools are getting less than they deserve. In front of cameras, Democratic leaders spouted quick-hit rebukes as if they were gearing up for a prizefight.

Assembly Speaker Karen Bass, D-Los Angeles, called the governor's plan "a big pile of denial."

"You've got to be kidding," said Senate President Pro Tem Darrell Steinberg, D-Sacramento.

Schwarzenegger wasn't.

The current deficit total is smaller than the $40 billion gap a year ago, but state leaders back then relied on one-time solutions they cannot use again. They can't shift June 30 paychecks to July 1, an accounting gimmick that will go down in state budgeting lore.

Schwarzenegger ruled out the possibility of any further tax increases after lawmakers approved $12 billion worth of temporary annual tax hikes last year. It would be difficult, anyway, to get a two-thirds vote for taxes after some Republicans suffered political repercussions last year for supporting the budget.

"It's probably the most dire in a long series of terrible budget years," said Tim Hodson, director of the Center for California Studies at California State University, Sacramento. "Despite the rhetoric of gubernatorial candidates, there is not billions in waste, fraud and abuse. We're into the muscle and bone now of many programs."

Schwarzenegger blamed California's woes on a flawed budget and taxation system, one he has been unable to fix over the past six years.

"If you compare it to an intersection, it's like seeing people crashing into each other and never building a stop sign and never building a traffic light and see them over and over hurting themselves and killing themselves," Schwarzenegger said. "That's what's going on in California right now. Year after year we know that our budget system doesn't work."

As if passing the budget isn't hard enough, the governor still hopes to use the deficit one final time to win long-term changes that have been rejected throughout his time in office. All are opposed by Democrats and labor unions.

Schwarzenegger is again advocating for a stronger rainy-day fund, which voters opposed last year. He wants to weaken teacher tenure protections based on seniority, which voters rejected in 2005. He hopes to cut pension benefits for new state employees, a plan he couldn't get off the ground in 2005 and 2006.

Robert Huckfeldt, a UC Davis, political science professor, said Schwarzenegger has long pursued ideas that ignored the political realities of the moment. This budget is no different, he said.
"He's kind of a whimsical guy," Huckfeldt said. "I don't mean he's being irresponsible. He's caught in a corner, and there's nothing he can figure out to do. The problems are bigger than Arnold Schwarzenegger, and there are no ready remedies."