Scarcely three weeks ago, Gov. Arnold Schwarzenegger unveiled his final budget, predicated on the outlandish notion that the federal government would cough up almost $7 billion more to cover California's budget deficits.

Schwarzenegger and legislative leaders then jetted off to Washington to lobby for a federal bailout, but received – at best – a cool reception even from the state's congressional delegation, much less other federales.

This week, President Barack Obama unveiled his own budget and it contains, at most, less than a quarter of what Schwarzenegger wants – such as no more than a token payment to the state to cover imprisoning illegal immigrant felons.

"This represents a down payment on what California is owed," Department of Finance spokesman H.D. Palmer said after the Obama budget was released. "The governor will continue his work with the Obama administration and congressional delegation to secure the balance."

OK, but meanwhile California's budget woes worsen by the day. Officially, the state has a $19.9 billion deficit for the remaining five months of this fiscal year and all of the next, but there's every reason to believe it will be worse, given the sorry history of budget forecasts. In just two months, Controller John Chiang says, the state will face the year's first cash crunch – a lack of money to pay its outstanding bills – unless Schwarzenegger and legislators act quickly.

The state will receive a surge of income taxes in April, but much of that revenue will be quickly diverted into repayment of short-term loans. The state could be cash-poor again beginning July 1 and unable to float more short-term "revenue anticipation notes" unless it has a budget in place. When that happened last year, the state reverted to paying bills with IOUs.

Meanwhile, back at the Capitol, Democrats are staging hearings to publicize the effects of the deep cuts in social welfare and health care that Schwarzenegger proposes even if the state were, by some miracle, to receive all the money from the feds that the governor evidently believes we are owed. But if the federal bucks aren't forthcoming, as now appears evident, Schwarzenegger proposes even deeper cuts in those programs, such as elimination of all welfare grants and the controversial program that provides state-paid home helpers to the elderly and infirm.
So where does that leave the deficit-ridden state budget? Up the creek without conveyance.

Democrats insist they won't make the severe social service and health care cuts Schwarzenegger wants and talk vaguely about finding new "revenues," which are presumably more tax increases of some kind, but they are not being specific. Republicans, including Schwarzenegger, are saying "no way" anyway.

This is a recipe for another prolonged political stalemate, but in the meantime, reality – the state's looming cash crunch – bites. Here we go again.

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