As California's economy roared in the middle years of the last decade – an unsustainable bubble fueled by mortgage funny money – income and sales taxes flooded into the state treasury.

General fund revenues climbed by one-third from $76.8 billion in 2003-04, Arnold Schwarzenegger's first fiscal year in the Governor's Office, to more than $102 billion in 2007-08. And Republican Schwarzenegger and a Legislature controlled by Democrats spent every nickel and then some.

When the housing bubble burst, however, revenues plummeted as fast as they had climbed, only to be stabilized a bit when he and lawmakers enacted temporary boosts in income, sales and car taxes in 2009.

Meanwhile, however, the spending commitments that Schwarzenegger and legislators made during the bubble remained largely intact, leaving the general fund budget – on paper, anyway – near the $100 billion level. So for a few years, they closed the "structural deficit" with the temporary taxes, temporary spending cuts, backdoor borrowing and bookkeeping gimmicks.

Schwarzenegger's successor, Jerry Brown, proclaims that he will tolerate no more fiscal evasions and wants both permanent spending cuts and a five-year extension of the temporary taxes to balance the general fund budget in the range of $85 billion to $90 billion.

Brown, however, would divert much of the extended tax revenue stream to local governments to pay for programs shifted from the state and – this is the big rub – give them a constitutional guarantee that state financing would continue even after the taxes expired in 2015-16.

Would the money be there? His own budget sees nothing better than a modest recovery by mid-decade, which darkens the prospect of revenues growing back to the range of $95 billion to $100 billion.

To dim the long-term picture even more, the administration also projects sharp increases in state spending obligations, especially for schools and health care if the new federal health mandate kicks in.
There's scant evidence of a strong recovery in the latest California unemployment data, showing tepid job growth and a jobless rate of 12.4 percent, second highest in the nation.

The state has lost upward of 1.5 million jobs since the recession began. It would take a half-decade of very strong growth to return employment to pre-recession levels – not counting the jobs the state would need to match labor force expansion.

Realistically, therefore, California will not have truly recovered when the temporary taxes expire again – if, indeed, the Legislature asks voters to extend them and voters agree.

Brown's budget is probably not the permanent fiscal fix he depicts it as being. It's more likely another postponement of the day of reckoning until either he's safely in his second term or has bequeathed the headache to someone else.