The much-revised state budget that Gov. Jerry Brown and Democratic legislative leaders have cobbled together solves their political problem, at least for the moment.

It means a budget will be in place for the new fiscal year that begins Friday and the state can now ask bankers to buy billions of dollars in short-term revenue anticipation notes needed for cash flow purposes.

It means that legislators, whose salaries and expense checks had been suspended by Controller John Chiang for non-action on the budget, will be paid again.

It means that Democrats didn't have to meet demands from Republicans, whose votes would have been needed for the tax extensions Brown and the Democrats originally sought.

However, it doesn't mean that the chronic fiscal crisis is over, and the budget's shaky assumptions mean it could fall apart in months.

The biggest and wobbliest assumption is that even though about $10 billion a year in temporary sales, income and car tax increases are expiring, the state will garner about $4 billion in previously unanticipated revenues because of an improving economy.

Brown's bean counters didn't conduct a full revenue modeling exercise, as they do for proposed budgets earlier in the year, but rather did a horseback extrapolation from the somewhat higher than anticipated revenue of the last few months.

It may be something more than a guess, but it's shaky enough that the budget package includes spending cut "triggers" that will presumably be pulled if revenue falls short.

The triggers made it easier for Democrats to vote for the package, because they are not the stark spending cuts that Brown had said earlier would be imposed without the tax extensions. And the triggers ease the sale of those short-term operational notes that must be repaid by next June.

The $4 billion revenue pop is not the only uncertain element, however. Many spending cuts are vague ("unallocated" in Capitolspeak), and specific ones in health and welfare face legal challenges.
Another big question mark is the assumption of $1.7 billion in revenues from virtual elimination of 400-plus local redevelopment agencies, since a protracted court battle is likely. Taxing Internet sales by big online marketers is scored at $200 million but is of dubious legality under a U.S. Supreme Court ruling.

All in all, the uncertain portions of the budget package add up to just about what Brown and the Democrats had hoped to cover with the blocked tax extensions. And if they don't pan out, either the spending-cut triggers will be pulled or politicians will reopen the budget in January.

Even if the shaky assumptions do become reality, however, the state still has a hefty structural deficit – and what Brown calls "a wall of debt" from past budgets – that could plague his second governorship for years to come.

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