Editorial: Can state leaders nail down a decent budget deal?

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Gov. Jerry Brown sent out a warning shot Tuesday on the budget plan legislative leaders were cooking up in response to his May revised spending proposal. The Democrats' plan, he said, "was not structurally balanced and puts us into a hole in succeeding years."

Apparently, the message was received even before Brown made it public. By Wednesday morning, Senate President Pro Tem Darrell Steinberg and Assembly Speaker John A. Pérez offered up a reasonably thoughtful alternative to the governor's initial proposal, one that makes real progress on reducing the state's structural deficit, this year and into the future.

Compared to the governor's plan, Pérez and Steinberg would soften the blow on recipients of social services, including families receiving day care subsidies and students receiving financial aid. Both are important in this economy, since parents need day care to take jobs, and students need financial aid to get the degrees and training necessary for gainful employment.

On the latter, the governor had proposed reducing Cal Grant awards for students attending certain kinds of colleges. As the legislative analyst noted, the proposal was an overreach. "It could immediately disqualify from Cal Grant participation institutions that currently serve about one-third of Cal Grant students in the proprietary sector," the LAO said. Legislative leaders agree, and have proposed phasing in the cuts to avoid catching students by surprise.

To make up for the reduced cuts, legislative leaders want to use more of the state's rainy day fund than Brown has proposed, leaving a reserve of $544 million. That is about half of what Brown has proposed but basically the same as this year's reserve. What good is a rainy day fund if you don't use it on rainy days?

The Democrats' new proposal also matches Brown's in virtually eliminating deficits in future years, creating a surplus by 2015-16, according to documents released Wednesday. That could be wishful thinking if revenues don't come in as strong as anticipated. But as even the LAO has noted, forecasting revenues is a tough task in this economy, especially with California's tax system, which is far too reliant on volatile capital gains.

The biggest split between the governor and lawmakers, however, is over welfare-to-work. Two years ago, lawmakers exempted certain families from training and work mandates as a requirement for receiving assistance.
The governor thinks those exemptions have lasted long enough, and wants to create more incentives for families on welfare to seek jobs.

That is sound policy. The problem, however, is job training and child care for such families cost the state money. To pay for it, Brown proposes to slash grants to families on welfare. According to the County Welfare Directors Association of California, a family of three receives a maximum CalWORKs grant of $638 a month for 48 months. Brown's proposal would allow that amount for two years, after which it would drop to $375 a month. Can you imagine trying to make ends meet for three people on $375 a month?

We think there's a way to find a middle ground between Brown's more punitive approach and that of Democratic leaders, who could be creating an atmosphere for welfare recipients that is too lenient, undermining the get-a-job culture of CalWORKs. But this one issue shouldn't be a showstopper.

Indeed, we are surprised and disappointed the governor isn't using this "kick-the-Legislature" moment to prod lawmakers more on real pension reform. Then again, welfare recipients don't have much clout in the governor's office. State employee unions do.