

# Daniel Weintraub: Cyborg budgeting: Governor wants remote control

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You have to admit there is a kind of bizarre logic to Gov. Arnold Schwarzenegger's proposal to beg the voters to do what he and the state Legislature cannot bring themselves to accomplish: Balance California's perennially out-of-whack state budget.

What bugs Schwarzenegger most, he says, is that the state's spending priorities are hopelessly bound up by formulas. Some were applied by the voters, others by legislators - even one, for after-school programs, put there by an initiative Schwarzenegger sponsored before he was governor. The only way to overcome these many strictures, he now believes, is with an über-formula, the formula to kill all formulas - an automatic, across-the-board reduction to all programs whenever revenues fall short of spending.

It's not hard to understand the governor's frustration. Because so much of state spending is programmed by law to expand, if not explode, the Democrats who control the Legislature know that if they sit on their hands and do nothing, spending will grow. It will grow and grow until it outpaces even robust growth in revenues and eventually forces a tax increase.

And so, when Schwarzenegger proposed cuts in health and social services a year ago, the Democrats just said no. Instead of cuts, most programs were given increases, and now those increases are multiplying upon themselves. The deficit persists.

The answer, the governor says, is to take the power out of the hands of the Legislature. He wants to create a cyborg budget, balanced by remote control, so that no politician has to take the heat for difficult decisions. Instead of delay and stalemate making the problem worse, it becomes the route to fiscal salvation. It's deliciously creative.

Despite its allure, though, Schwarzenegger's plan is seriously flawed.

For one thing, he proposes as part of the deal to lock the dreaded spending formulas into law even more tightly than they are today, completely banning the option of shifting either transportation or education funds to other priorities should the situation require it. That would make it harder, not easier, to balance the budget, leading to even more of the very kind of stalemate Schwarzenegger deplures.

The only difference is that with his proposal on the books, Republican lawmakers wouldn't have to come to the negotiating table at all. It takes a two-thirds vote in each house of the Legislature to pass a budget, so while Republicans are in the minority, that supermajority requirement gives them the balance of power on fiscal decisions. They could simply walk away, run out the clock, then watch as the state controller implemented the governor's new, voter-approved budget-balancing solution.

And that solution - the automatic across-the-board cuts of the same percentage to every program - is a terrible way to budget. Otherwise, Schwarzenegger would have proposed just such a method when he offered his latest spending plan this week. He did not. Because he knows that it is far smarter to set priorities, to pick and choose among what is most important and what is not.

His master formula would put prisons on the same level as universities, and require that schools take the same hit, in proportion, as state parks. It's a cop-out.

A better solution would be to simply not let legislators and the governor spend money they do not have. You could do this by requiring that each budget spend no more than was received the year before, or is projected for the year ahead, whichever is less. Surpluses would be set aside and used to offset revenue downturns, or spent only on onetime projects, such as building roads and schools.

That simple reform would have eliminated most of the deficits California has incurred since 2001.

A slightly more nuanced version - basing spending on an average of three years of revenue instead of looking only at the previous year - would have eliminated the red ink entirely.

Democrats should like this idea because it does not place an artificial cap on revenues and spending, but simply slows things down. All the revenue that comes in can be spent, just not until it is actually in the treasury.

Republicans should like this approach because it requires the government to live within its means. And while it wouldn't ban tax increases, revenue averaging would make them less desirable, because they couldn't be used to bail out of a short-term fix. The revenue wouldn't be available until the taxpayers actually paid the money.

The only problem is that once the spending limit was set, legislators and the governor would actually have to make choices about the state's priorities. But isn't that why they get the big bucks?

The governor, coming from Hollywood, has thrown his support behind a more dramatic idea. He is like the madman with his hand on the nuclear button. It's to his advantage to make everyone else in the fight think he is crazy.

By embracing the ultimate formula to destroy all the little formulas, he says he is fighting "fire with fire." But he has also described the current budget system as "lunacy." That should tell you all you need to know about his plan.