



Editorial: State should heed budget warning

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A month ago, we wrote about Elizabeth Hill, whose job is to tell the truth to people who don't want to hear it.

This modern-day Cassandra was in the spotlight again Wednesday when she warned Gov. Arnold Schwarzenegger and the Legislature that red ink is threatening state government. As frequently happens when Hill, the state's nonpartisan legislative analyst, tells the truth, she was mostly ignored.

Hill told legislators that Schwarzenegger's overly rosy budget projections should be disregarded. Schwarzenegger projected that rising revenues would have the state's budget back in the black this year, fully erasing the \$25 billion deficit rung up during the Gray Davis years.

While the state's economic picture is certainly better, Hill said it's not as good as the Schwarzenegger administration expects. Hill said tax revenues so far this year aren't as high as projected and lawmakers should start cutting expenses now to avoid major budgeting problems later this year.

She said the governor's revenue projections will fall \$2 billion short for various reasons, including a lull in the housing market. Hill recommends spending cuts now.

"The Legislature will face major challenges in crafting a budget for the coming year," Hill said.

Republicans, who have chafed over the growth in spending under Schwarzenegger, were quick to agree with Hill.

Democrats, however, have control of the Legislature and they seem content to wait until April tax returns are in before making any mid-year adjustments. Schwarzenegger's budget spokesman said the governor stands by his plan and maintained everything would be fine.

It's a dangerous gamble for the governor and the Democrats. Schwarzenegger prides himself on being able to balance the budget without a tax increase. But if the revenue crisis is real and the government fails to adjust before the end of the fiscal year on June 30, it makes next year's budget much tougher to balance. The tax increases that have been mercifully avoided would become more of a likelihood.

We'll see. We've seen what happens when the governor and both parties in the Legislature start fighting over scarce budget dollars. We much prefer the more recent harmony. Of course, harmony is easily achieved when there's a windfall of money.

Schwarzenegger has an ambitious and expensive agenda in his second term. He'd be wise to pay close attention to the independent legislative analyst, even if she's not saying what the governor wants to hear.