



Editorial: Sticking to formulas

Schwarzenegger shies from budget reform -

Published 12:00 am PDT Wednesday, May 16, 2007

Gov. Arnold Schwarzenegger is starting to sound like a broken record, and an apologetic one to boot.

Every year, he bemoans the ballot-box spending formulas that make it hard for him to set priorities. "Ninety percent of the budget is already spoken for," the governor said in presenting his May revision. If only he weren't forced to choose between funding schools or helping the poor.

"I wish that we could fund all those programs," he said. "But I have an obligation, which is a promise to the people of California, that I will bring down the structural deficit to zero."

In reality, Schwarzenegger has many choices -- more than he acknowledges. The problem is he is shackled by his own good fortune. He didn't make the tough choices in the past, such as raising gas taxes to pay for his transportation priorities or taking steps to reduce spending on the state's bloated prison system. Yet for several years he was saved by revenues that fell from the sky.

This year is tougher. The housing market is weak, and although the treasury was enriched by a surprise April shower of tax revenues, the next year looks pretty bleak. Now's the time for bold leadership, yet Schwarzenegger isn't delivering. His revised budget continues to reflect the shackles of his past promises and a pattern of wishful thinking.

The budget presented Monday blithely assumes that Democrats in the Legislature will cut funds for 200,000 kids on welfare so he can save \$315 million.

It assumes that lawmakers will turn their backs on foster families who take care of 80,000 children. These families say they can't care for these kids on \$500 a month and are rightly asking for more.

It assumes that the Assembly will approve a historic expansion of Indian gaming and that these compacts will generate \$314 million in revenue. It also assumes that lawmakers will sell EdFund, the state's student loan guarantor, for \$980 million and that they will suspend a \$185 million cost-of-living increase for the aged, the disabled and blind.

Schwarzenegger lives in a fantasy world. The Legislature will never go along with these cuts and freezes. The likely outcome will be a protracted budget battle over a shortfall that could reach \$3 billion, as the Legislative Analyst has warned.

It doesn't have to be this way. Schwarzenegger could put off early payment on debt to avoid some of these clashes. He could propose an increase in the gasoline tax to help pay for his infrastructure plans and urge the Legislature to reform sentencing laws.

California could potentially save hundreds of millions of dollars each year if nonviolent offenders served their time outside of costly prisons. Instead, state leaders continue to expand this system and sap the state's budget. Back in 1985, California spent just 4.3 percent of its budget on corrections and rehabilitation. Next year, the state is slated to spend nearly 10 percent -- or \$9.97 billion.

There are some worthy additions to the May revise -- such as extra funds for career-technical education and \$65 million to gain more accurate information about public schools. But the bad far outweighs the good.

It promises to be a long, hot summer, with little prospect of fundamental change. Schwarzenegger once crusaded against formulaic spending. Now he seems trapped by the system and is unwilling to confront it.
