



The Web Site of The Sacramento Bee

Editorial: 'Crisis' doesn't begin to cover it

Published: Wednesday, Nov. 12, 2008 | Page 14A

California's finances have moved beyond the realm of mere "crisis."

Even "emergency" isn't a strong enough term.

It's time to face up to the reality: California faces a budget catastrophe. There's no other way to describe the impact of a sagging economy on the state's ever-shrinking tax revenues.

According to a report Tuesday by the Legislative Analyst's Office, California can expect a shortfall in revenues over the next 20 months that will require nearly \$28 billion – that's right, \$28 billion – in budget solutions.

Without corrective action, the state will face shortfalls of roughly \$22 billion yearly stretching into 2014, according to the nonpartisan LAO.

Think about those numbers. California spends \$11 billion yearly on higher education and \$8 billion on criminal justice. Yet the state could close down all its universities, colleges and prisons and still not come close to bringing spending in line with revenues.

Yes, this is a catastrophe, but you wouldn't know it by the way various interest groups and state leaders are responding.

Republicans are clinging to their no-tax pledges. Veterans groups, public employee unions, transportation advocates and others are vowing to block any spending reductions that could hurt their programs and members.

Probably the most pathetic response came from Don Perata, the lame-duck Senate president pro tem.

On Friday, one day after Gov. Arnold Schwarzenegger urged legislators to adopt harsh but prudent cuts and tax increases in the current special session, Perata effectively undercut the governor. In an interview with KQED, he said "the best compromise" that Californians could expect would be a tax measure that would go to the ballot.

In other words, even before negotiations had started, Perata was ready to throw up his hands to avoid the hard work of pressuring Republicans to consider a tax increase. And he was willing to do so at grave peril to the state's solvency.

According to state Finance Director Mike Genest, California needs to sell about \$2 billion in revenue anticipation notes by February to avoid running out of money.

But if potential buyers of those notes have to wait until March to see if voters will approve a tax increase, they'll be unlikely to lend California cash it needs.

"We can't wait until the election," Genest told The Bee on Monday.

So the path is clear. State lawmakers must take action in this session to address declining revenues. They must enact tax increases. They must cut programs. They can't delay. They can't punt and toss it to the voters.

That means that key elected leaders, ranging from Assembly Republican leader Mike Villines to Perata to incoming Senate leader Darrell Steinberg, will have to stick their necks out.

If they fail to do so, California will teeter closer and closer to the ultimate catastrophe – insolvency.

Budget links

- To read the Legislative Analyst's Office report on California's revenue shortfall, go to: www.lao.ca.gov
- To read the governor's special session budget proposal, go to: www.dof.ca.gov
- To read excerpts from the governor's Q&A with The Bee's editorial board on Monday, go to: www.sacbee.com/swarm