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Most Californians, especially lawmakers, won't feel impact of budget delay

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Gov. Arnold Schwarzenegger, to the dismay of his aides, last week cracked a joke as the state began another fiscal year without a state budget.

Asked whether he was worried that the state will run out of cash, the Republican governor said, "Not at this point." Then he pulled out his money clip, adding, "As a matter of fact, I still have some left."

Even Democrats laughed. Some critics called Schwarzenegger out of touch, but his budget-crisis joke shed light on a political truth: Californians are desensitized to late budgets and leaders face few job consequences for going into overtime.

Lawmakers have little chance of being ousted, because they represent partisan districts, political experts say. Republicans, in fact, may face retribution for agreeing too soon to a majority Democratic budget.

Most Californians avoid the effects of a late budget, so the immediate outcry is minimal. Courts in previous years have mandated that the state continue paying most education expenses, health and welfare costs and state employee salaries.

"It pretty much took the pressure off the Legislature," said Dave Gilliard, a Republican political consultant. "I don't know that Californians see state government being all that big a part of their daily lives. Certainly, if it started to impact the schools, voters would react to that. But until they see something really damaging, they don't tend to get too exercised."

California is still able to pay all Medi-Cal providers, such as doctors, dentists, pharmacists, hospitals, adult day care centers and regional developmental service centers, up to \$2 billion, through a state and federal contingency fund, though the money is expected to run dry next month.

Legal decisions enable the vast majority of the state's 235,000 employees to get a paycheck on schedule. In 1992, a federal judge ruled that issuing IOUs to state workers violated the Fair Labor Standards Act.

A 1998 lawsuit by the Howard Jarvis Taxpayers Association sought to bar the state controller from making a variety of payments in the absence of an approved budget. The court ultimately limited the amount the state can pay to K-12 schools and cut off

state funding to community colleges, though many school districts rely on reserve funds to operate.

Senate President Pro Tem Don Perata said it's more important to get a budget "done right" than one done on time.

This year, he presented a budget that would require as much as \$11 billion in added revenue – a proposal roundly rejected by the GOP – to help close a \$15.2 billion deficit in the \$101 billion general fund. The Oakland senator has yet to propose specific tax increases but said the state could recoup as much as \$6 billion a year if it restored vehicle license fees.

"Honestly, there are not too many people who are directly affected by the budget," Perata said. "Now, if we start the school year and we don't have money to open the doors or if we are out of cash and we have to go borrow and pay high borrowing rates, then I think they're going to get really angry with us."

The Legislature has suffered a drop in approval ratings as fiscal problems have mounted. Only 30 percent of registered voters said they approved of the Legislature in May, a drop from 39 percent in December, according to the Field Poll.

Yet most lawmakers facing re-election in November will return to Sacramento next year. They have built-in incumbent advantages and their districts are drawn heavily in their favor.

"Voters will just roll their eyes and say, 'Oh, those silly politicians,' and then go back to their lives," said Dan Schnur, a Republican political strategist who worked for former Gov. Pete Wilson.

But Assembly Speaker Karen Bass disputed the notion that lawmakers lack political motivation.

"I think there is tremendous pressure and that pressure is the human costs of not passing a budget on time," Bass said. "Everything is not about your next election."

With districts slanted for one party or the other, the real threat to incumbents comes in their own party primaries, where compromising on the budget can be seen as a weakness rather than statesmanlike.

Budget approval requires a two-thirds vote in California, which means Democrats need to obtain at least two Republican votes in the Senate and six in the Assembly. In past years, governors have employed a "pick-off" strategy to get Republican votes, which led to consequences for GOP legislators.

In 2001, Gov. Gray Davis and Democratic leaders were able to break a budget stalemate by providing district projects for four Republican assemblymen. That included \$7.5 million for former Republican Assemblyman Anthony Pescetti's Sacramento-area district.

Republicans immediately denounced Pescetti and three other GOP members as traitors because the budget included a quarter-cent sales tax increase. Two

members, Mike Briggs and Richard Dickerson, lost in subsequent Republican primaries. Pescetti and David Kelley did not run again. In the Senate, Maurice Johannessen provided the necessary GOP vote and was subsequently ostracized by his caucus.

GOP lawmakers appear to have taken those lessons to heart in recent years, generally only voting for budgets once their leaders give their blessing, which makes for a unified Republican caucus. But it also can lead to protracted delays, as was the case last year when Senate Republicans held out for 52 days.

"I think a Republican who breaks ranks and votes for a budget that includes tax increases is going to be a pretty lonely guy or gal in the Legislature," Gilliard said.

Schwarzenegger has suffered a more significant decline in his approval rating than lawmakers, dropping from 60 percent in December to 41 percent in May.

Voters more easily blame the state's figurehead for a late budget than their individual lawmakers, in no small part because they can actually name the governor, said Garry South, a Democratic consultant and former adviser to Davis.

"I don't think legislators face any pressure, which is why they don't pass a budget on time and string out the process as long as 50 to 60 days," South said. "Generally, the only one who faces pressure is the governor. Nobody knows who his legislator is."

But Schwarzenegger cannot run for re-election again and has no plans to seek another office.

Under current procedures, state lawmakers, legislative staff, the governor, other constitutional officers and their appointed staff don't get paid until a budget is in place. They recover those missed paychecks and per diems as soon as a spending plan passes.

Many of them never feel the impact of delayed pay. Golden 1 Credit Union, which caters to the state work force, is once again offering interest-free loans to its direct-deposit customers through mid-September, according to Scott Ingram, vice president of marketing.

South believes the only way to force lawmakers to reach a budget on time is to cancel their checks altogether, with no retroactive pay. Sen. Jeff Denham, R-Atwater, proposed such a measure this year, but it was quickly defeated in committee.

Voters may not notice the effects of a budget delay now, but pressure will mount in the coming weeks and months. The state's budget uncertainty has patients and providers bracing for reduced access to health care, including closures of rural medical facilities.

The state also could face heavy borrowing costs if it does not have a budget by August. That would saddle taxpayers with interest rates and fees, particularly as the

credit market remains tight. The treasurer's office has estimated that a short-term loan today could easily cost taxpayers more than \$100 million.
