



The Web Site of The Sacramento Bee

# Peter Schrag: How about some real California budget reform?

By Peter Schrag - [pschrag@sacbee.com](mailto:pschrag@sacbee.com)

*Published 12:00 am PDT Wednesday, March 26, 2008*

Gov. Arnold Schwarzenegger's weeklong toot through the state to sell his budget reform plan has been at least a qualified success: It sounded reasonable and got respectful attention in the hinterlands. But at bottom, it would add yet another set of levers and pulleys to California's incomprehensible Rube Goldberg budget machine. It takes it even further from anything that resembles democracy.

Part of the proposal – evening out the cyclical revenue peaks and valleys by putting any receipts above a "reasonable, long-term average rate of growth" into a Revenue Stabilization Fund for bad times – sounds like a perfectly unobjectionable reserve requirement. It got approving nods all around.

Another part requires automatic cuts in all state spending whenever the state Department of Finance predicts a deficit before the end of the budget year. If the Legislature doesn't do it, the governor can "waive state law and regulations in order to achieve the savings needed." That's a hardy perennial dating back to the administration of Gov. Pete Wilson. It's been rejected by the voters twice before. The first time, The Bee called it the "King Pete" proposal.

Worse, the Schwarzenegger plan ignores the governor's own role in creating much of that autopilot spending. His charts show both revenues and spending rising, but expenditures rising more steeply. One of the biggest reasons for that: the sharp reduction in the state car tax, which now costs the state an additional \$6 billion a year – that's expenditures.

Earlier this year, Schwarzenegger defended the car tax cut "because it is not fair to punish people who can hardly afford the gas to get to work ... then ask them to pay for a tax increase to cover Sacramento's overspending."

That's the car tax Californians had been paying for more than a half-century. Nor was it Sacramento that had been spending it. It was the same local officials who were applauding Schwarzenegger's budget reform speech and were now collecting the money from Sacramento's "overspending."

Also on the autopilot spending list: Schwarzenegger's Proposition 49, the after-school day care proposal that runs about \$500 million a year, his backing of a \$3 billion stem cell research bond that will cost taxpayers \$6 billion to repay and his support of Proposition 42, which prohibits the state from using revenue from fuel sales taxes for anything but transportation.

Neither Proposition 42 nor Proposition 98, the minimum school funding guarantee passed in 1988, emerged full-grown from the brow of "Sacramento." They were ballot measures approved by voters. So was Proposition 1A (also backed by the governor), which prohibits the state from raiding the local bail-out funds it had been paying cities and counties ever since the passage of Proposition 13 in 1978. In effect, he was boasting to the locals before him that he was forever guaranteeing them money out of the "overspent" state budget.

The governor is absolutely right: The state's budget process does need fixing and needed fixing long before the latest multibillion-dollar deficit started ravaging the books. It's both unworkable and incomprehensible. But if it's rigged on the spending side, it's also rigged on the revenue side.

As has often been pointed out, California is among the three states that require a two-thirds majority or more to enact a budget; it's also among the few that require a supermajority to raise taxes, both of which give minorities, usually Republicans, an effective veto, and tend to cloud all responsibility. Local governments are similarly hamstrung by ballot measures that either prohibit tax increases or require supermajorities at the ballot box.

The other day in Riverside the governor talked about how "we started fighting for infrastructure and look what happened. People's minds turned around and all of a sudden ... they approved all the infrastructure bonds, \$42 billion."

But he didn't ask for a cent in additional gas taxes, which have been insufficient for decades, to help pay for transportation or for any other sort of user fees. It's all on the credit card.

The governor now seems to be a little bit pregnant on tax hikes, at least with respect to the long-overdue elimination of unproductive tax breaks like those listed by Legislative Analyst Elizabeth Hill. He seemed to have welcomed her ideas, then backed away, probably to preserve them as bargaining chips with legislative Democrats.

But closing loopholes, while helpful, doesn't come close to real budget reform and restoration of the representative democracy and accountability that have been eroded for decades by an initiative process that encourages both ad-hoc automatic spending formulas and paralyzing revenue limits.

The governor properly points out that the common cycles of feast and famine – both in California and elsewhere – make little sense. But the fix is not more formulas. It's a return to a system of representative government that forces voters to make choices between good services and low taxes, and makes all politicians accountable instead of rewarding them, as the process does now, for fudging, borrowing and irresponsibility.

---