

Dan Walters: Budget meltdown was inevitable

By Dan Walters

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Well, it was bound to happen sooner or later. Gov. Arnold Schwarzenegger and an ideologically polarized Legislature had danced around California's budget mess for years, running up deficits even during prosperous years and covering shortfalls with hide-the-pea bookkeeping and phantom revenues.

Their current budget, enacted just a few weeks ago after a record-long stalemate, was packed with even more gimmicks and based on a revenue forecast that wasn't worth the paper on which it was printed. And on Thursday, Schwarzenegger – who was elected five years ago on his pledge to end "crazy deficit spending" – made it official: The budget is already more than \$11 billion upside down.

Schwarzenegger did what politicians do when adversity strikes – blamed circumstances beyond his control. "In the six weeks since I signed our last budget, the mortgage crisis has deepened, unemployment has increased, and the stock market has lost almost 20 percent of its value," he told reporters as he called for sharp spending cuts, hitting education and welfare the hardest, and \$4.7 billion in new taxes, including a 1.5-cent boost in the sales tax.

Yes, a sour economy makes the problem much worse. But the crisis is about twice as big as it would have been had Schwarzenegger not played political games rather than doing the job he promised to do. Other recession-plagued states that handled their finances more prudently are not seeing nearly the difficulties that beset California.

Schwarzenegger's first act as governor in 2003 was to reinstate a popular cut in property taxes on cars – which now costs the state \$6 billion a year in indirect payments to local governments. In the first months of his governorship, he unilaterally increased spending by about \$3 billion year to cozy up to Democratic legislators. And two years ago, as he was seeking re-election, he spent a windfall of unexpected revenues rather than saving them for the downturn that was just around the corner.

That said, his prescription of a roughly 50-50 split between new taxes and spending cuts is probably a rational one – keeping in mind that the deficit is likely to grow as the economy worsens.

But will the Legislature, which has been fully complicit in the fiscal irresponsibility to date, finally elevate rationality over ideological gamesmanship? "We are in a profession here where getting elected sometimes is more important than doing what is right," he said – which could have been a commentary on his own record. And then he added as he

called the Legislature back for a lame duck session. "That's just the way it works in politics I think that after the election, there is more will there, and therefore we have a much better shot of getting things done."

Well, maybe. But the initial reactions from legislators and budget interests were not encouraging. It sounded very much like the same old ideological claptrap that has made California a fiscal basket case.