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Dan Walters: California's fiscal year starts with no state budget -- what else is new?

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So the new fiscal year begins without a state budget in place. So what's new?

So the state has a whopping deficit and the governor and lawmakers don't really have a clue as to how it will be closed, or even if it will be. So what's new?

So Republicans are talking about spending cuts and Democrats are talking about new taxes and the governor is wandering around in no man's land. So what's new?

What we're seeing is a more intense version of a fundamental conflict over taxes and spending that began 30 years ago, ever since voters slashed property taxes by passing Proposition 13 and the state assumed many billions of dollars in burden for schools and local governments.

It's more intense because eight years ago, then-Gov. Gray Davis and lawmakers of both parties squandered about two-thirds of a \$12 billion, one-time income tax windfall on permanent new spending and tax cuts, and because the resulting "structural deficit" has been widened by a deteriorating state economy.

The state's fiscal warriors have been itching for a showdown for years, and they may get it this year because a \$15 billion deficit projected in the 2008-09 budget may be too big to ignore or paper over with accounting gimmicks and short-term loans, the usual "solutions."

Everyone involved – Democrats, Republicans, pro-spending groups and anti-tax groups – seems to be muscling up for a climactic confrontation. And that means not only that the fiscal year begins without a budget, but that no one knows when there will be one.

Meanwhile, it appears the state will run out of cash to pay its bills – even those it could pay without a budget – sometime next month and to keep the check-writing machines operating, the state may have to revert to short-term borrowing called "revenue anticipation warrants," which lenders will accept only at substantial cost in interest and fees.

Gov. Arnold Schwarzenegger took some needling from Tom Brokaw about the fiscal plight when he appeared on "Meet the Press" Sunday.

"When you ran for governor in 2003, you ran as a fiscal conservative who would change the system," Brokaw said. "You would bring businesslike techniques. Now you're facing a \$15 billion deficit here in California. Unemployment is running at about 6.8 percent. You've got the worst housing crisis since the Great Depression. If you were the CEO of a public company, the board would probably say, 'It's time to go.' "

Schwarzenegger deflected the implied criticism of his stewardship by blaming the economy, which was more than a bit disingenuous, both because he claimed credit when the economy was humming a few years ago and because he failed to resolve the structural deficit even when the economy was doing well and the state was wallowing in revenues.

Although the governor laid out a revised budget in May, he's been only tangentially involved in fashioning a new spending plan, leaving it largely to the four legislative leaders. But they're not deeply engaged either, meeting occasionally to explore the parameters of their differences but so far unwilling to plunge into the details of the new taxes Democrats say they want – as much as \$11.5 billion in one version – or the deep spending cuts and budget reforms the Republicans are demanding.

Assembly Republican leader Mike Villines said Monday, during a meeting with The Bee Capitol Bureau, that it appears unlikely that Schwarzenegger's proposal to tap the state lottery for \$5 billion will gain traction. Such a scheme would require voter approval that could not be obtained until November and Schwarzenegger's proposal for a backup sales tax is a non-starter with Republicans.

So where does that leave the state? Without a budget and uncertain when one will be devised, or what its provisions may be. So what's new?
