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Dan Walters: Governor's budget tab raises roof

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A few days after winning re-election to the governorship in 2002, Gray Davis declared that the state faced a \$35 billion budget deficit and proposed spending cuts and new taxes to close the gap.

Although Davis insisted that his plan contained "no gimmicks, no tricks, no evasions," it soon became apparent that it was one gigantic gimmick, that he had hyped the supposed deficit by many billions of dollars to make his supposed spending cuts look larger and his supposed \$8.3 billion in new taxes look smaller.

Davis apparently believed that he would gain political credence for a forthright approach to the budget problem. But when his duplicity became clear the public and media reaction was just the opposite, and it sparked a recall drive that culminated in his ouster from office a year after his re-election.

Five years later, Arnold Schwarzenegger, who succeeded Davis on a promise to end "crazy deficit spending," is dramatically increasing the budget deficit number again, jumping some \$8 billion over the figure that the administration had been citing.

Schwarzenegger now puts the deficit in the 2008-09 budget, as he told an audience in Orange County this week, at "approximately altogether \$20 billion" even after some \$7 billion in midyear budget changes that he and the Legislature enacted several months ago.

The \$20 billion includes nearly \$3 billion for a budget reserve that Schwarzenegger wants. Adjusting for that still leaves the projected deficit nearly twice as high as what administration officials had been citing – and raises a suspicion that the governor is hyping the problem for political reasons, à la Davis.

Another possibility is that the big deficit number was constructed after the fact to bolster Schwarzenegger's somewhat shaky fiscal credibility. He's been tossing around all sorts of deficit numbers at "town hall" meetings to tout the budget reforms he wants in addition to balancing the current budget. Until Tuesday, administration officials were often unable to justify his numbers. Now they are insisting that the \$20 billion figure is based on hard data.

Schwarzenegger's press secretary Aaron McLear said Tuesday that "it's not hyperbole" and is based on advice from the Department of Finance. But the much-

larger number appears to be at odds with recent revenue figures, which are definitely soft but not cataclysmic, as the state's economy slides into recession.

Whether the figure is close to reality or illusionary will become more apparent when the governor releases the "May revise" of his budget in two weeks and his calculations are subjected to deeper analysis by the media and the Legislature's own budget analysts. Whatever the final number may be, it will touch off a frantic search for solutions that could last through the summer and beyond because the Legislature's two parties are locked into diametrically opposed positions and the governor is trapped somewhere in between.

Last January, when the governor put the deficit at roughly half of his current figure, he proposed across-the-board spending cuts that have generated howls of protest from educators, health care providers and other affected groups. He's since edged a bit away from his no-new-taxes pledge and challenged lawmakers to become "creative." But if the deficit truly is as large as he's now saying, Democrats will renew their demands for substantial new taxes, and Republicans will become even more insistent on deep spending cuts and non-budgetary concessions.

GOP senators – citing economic stimulus – on Tuesday laid out an extensive array of concessions to business they want connected to budget negotiations, all of which Democrats instinctively oppose. That's an indication it will be a long, hot summer in the Capitol.
