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Dan Walters offers blueprint for closing budget gap

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So, Mr. Smarty Pants Columnist, since you're always complaining about politicians failing to close the state's chronic budget deficit, how would you do it?

How indeed? It wouldn't be easy because if it were, politicians would have done it already. But if one sets aside the arcane, often inane, politics of budgeting and approaches it rationally, it's doable.

Three things need to happen: bring income and outgo into balance this year; do it in a way that at least semipermanently tames the budget beast; and finance legitimate needs in years ahead.

Legislative Analyst Elizabeth Hill's alternative budget is a good starting point for the immediate task. She would close the deficit by reducing projected spending in some big-ticket categories, such as education – not a drop in absolute numbers but an increase smaller than current law would require – and by closing some tax loopholes that are, as she says, difficult to justify. She says her plan would reduce the projected deficit in future years to a manageable level, or even eliminate it.

Gov. Arnold Schwarzenegger's proposal to smooth out the budget cycle by holding spending increases to historical averages and setting aside revenues in flush years to finance the budget in lean years makes sense as far as it goes. But it doesn't go far enough because it doesn't reform long-term priorities.

We devote too much money to prisons, with eight times as many inmates and 20 times as much spending as when we launched California's massive prison-building program a quarter-century ago. Schwarzenegger is on the right path in suggesting the release of low-security inmates, especially those with drug problems, into treatment and transition programs. Spending \$40,000-plus per year to keep a drug addict or a geriatric inmate in prison is ludicrous.

We spend too little on K-12 schools, and we spend it badly. We should raise per pupil spending to at least the national average, which might cost \$4 billion to \$8 billion more a year. We should also eliminate or consolidate billions of dollars in so-called "categorical" programs and redirect funds toward the kids and schools needing them most and toward proven educational strategies.

We should overhaul health care for the poor; there are ways to expand coverage at modest cost by leveraging federal funds now left sitting on the table. And we should rein in out-of-control public pension and retiree health care obligations.

We should expand Hill's modest recommendations on tax loopholes, ruthlessly closing those whose only bases are political pull or bad habit, to finance what we really need and/or reduce overall tax rates to encourage economic investment.

A \$10 billion-plus loophole-closure effort would be justified. But to overcome special interest resistance, we may need an independent commission, such as the one Congress created to close unneeded military bases. While we're at it, we should rework the tax system to align it with the real economy, such as extending sales taxes to services and reducing the sales tax rate.

As long as we're slaughtering sacred cows, we should overhaul higher education financing, which now amounts to a massive subsidy for upper-middle-class families. California has some of the nation's lowest four-year college fees. They could be raised to reduce the burden on taxpayers, increase aid to low-income students and/or encourage students to begin schooling at more cost-effective community colleges.

Finally, we should stop financing infrastructure with bonds to be repaid from a deficit-ridden general fund. We should raise gas taxes, impose levee improvement fees on property owners and bill water users for the costs of supplying their needs.

Mostly, we should accept the reality that there's no free lunch and if we want something from government, we must pay for it.
