

Dan Walters: Wait till after Nov. 4 is new budget strategy

By Dan Walters

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Gov. Arnold Schwarzenegger and other high state officials are understandably relieved that they found institutional and individual purchasers for \$5 billion in short-term notes to keep the state's check-writing machines operating.

"The success of this deal far surpassed all expectations," state Treasurer Bill Lockyer said last week.

Schwarzenegger, Lockyer and other officials were openly worried that with the nation's banking system in turmoil, they would have difficulty selling "revenue anticipation notes" – so worried, in fact, that they took a vow of public silence on the much more important fiscal malady, a budget that's bleeding red ink less than a month after being enacted.

So that means, one might think, that with the notes sold they'd be eager to return to the budget and start making the difficult choices. There appears to be, curiously, no overt sense of urgency, even as bad economic news piles up and revenues slide.

Through the first three months of the fiscal year that began July 1, revenues were about a billion dollars, or roughly 5 percent, short of budget estimates.

The paperwork for the short-term notes mentioned a \$3 billion projected shortfall for the year and state officials were talking about it before they entered the cone of silence. But deeper into the documents, one finds a section on "cash pressures" that lists \$5.5 billion in potential problems, including a \$3.5 billion shortfall in tax revenues.

State officials had been talking about bringing the Legislature back to Sacramento for a special session. Schwarzenegger said Monday that he would call one "very soon," but as yet there's no indication anything serious will happen until after the Nov. 4 election – and perhaps for good reason.

For one thing, nobody really knows what to do. The budget approved less than a month ago is already loaded with gimmicks and advocates for major spending categories, especially in education, are pledging even stouter resistance to any midyear reductions.

State schools chief Jack O'Connell joined members of the powerful Education Coalition Monday in demanding "a commitment to no midyear cuts" and placing new taxes of some kind back on the agenda.

Republicans insisted on a no-new-taxes budget this year and because their votes were needed to pass any budget, they got it. They're maintaining their no-new-taxes stance even as the budget crisis deepens. But clearly, one reason for delaying any new budget action is that in another few weeks, Republicans will be less powerful.

This is shaping up as a strong election for Democrats, perhaps a real wave; they could come very close to two-thirds majorities in both legislative houses, and perhaps even go over the top.

As a practical matter, then, it will be easier, perhaps much easier, to enact the new taxes that Schwarzenegger, Democrats and groups such as the Education Coalition want when a new Legislature begins its session in December.