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Dan Walters: Will lacking for needed budget fix

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Published 12:00 am PDT Tuesday, June 17, 2008

This year's version of California's more or less perpetual state budget crisis has four noteworthy aspects, to wit:

- The \$15.2 billion projected deficit in the 2008-09 budget's general fund is the worst of recent history. Roughly half is the "structural deficit" that has plagued the state for the past seven years; the remainder is the result of reduced revenues from a sharp economic downturn.
- The political differences are every bit as wide as the financial gap. Democrats, who had been coy about advocating tax increases to close the structural deficit, now are saying taxes should be raised, although they differ on the amounts they want. Republican legislators, whose votes would be needed to pass a budget or enact new taxes, are flatly rejecting the latter. Gov. Arnold Schwarzenegger is somewhere in between, although exactly where is unknown.
- The economic downturn has created a secondary cash flow problem. With or without a budget, the state will run out of money to pay its employees and bills and send aid to schools and local governments sometime in August. If a budget isn't in place by then, the normal practice of issuing "revenue anticipation notes" cannot be employed and the state may have to revert to revenue anticipation warrants (aptly named "RAWs"), which put the state at lenders' mercy.
- Despite the three top factors – or perhaps because of their gravity – the Capitol's politicians are operating in slow motion, not even scheduling the high-level negotiations that will be needed to reach a conclusion.

The constitutional deadline for a budget passed Sunday without a whimper and the new fiscal year will begin in two weeks with virtually no likelihood of a budget being in place. Senate President Pro Tem Don Perata, citing the cash flow problem, says he's shooting for Aug. 1, but the consensus in the Capitol is that September or October – if ever – is more likely.

At some point in September – the exact moment is uncertain – the drop-dead moment for placing issues on the Nov. 4 ballot will arrive. That is no small factor because borrowing against future profits of the state lottery, which Schwarzenegger and Assembly Democrats advocate, would require voter approval.

A two-house conference committee is plowing through the relatively minor differences between the two Democratic versions of the budget. The Senate's proposal is slightly more liberal than the Assembly's, meaning it's less willing to make health and welfare cuts that the governor wants, but both are somewhat more generous to education than the governor.

The Senate ignores Schwarzenegger's lottery gambit and includes \$11.5 billion in new taxes of some kind while the Assembly splits the difference, adopting a smaller version of the lottery plan and assuming \$6.4 billion in new taxes.

Democratic leaders insist that they are being straightforward by proposing new taxes and eschewing the accounting gimmicks that have marked past budgets, but by plugging in multibillion-dollar revenue numbers without saying what taxes they want to raise or which loopholes they want to close, they're still bobbing and weaving. Republican legislators are, however, being even less candid; they say they oppose new taxes but aren't willing to say what they want to cut.

Put it all together, and it's a big, fat political mess. The contending ideological factions have been rolling toward this calamity for years, adopting budget after budget that evaded underlying conflicts of spending and revenues with gimmicks and wishful thinking, well aware that any economic downturn could put them into a hole too deep to ignore.

It's finally happened. No one – and that includes the governor and 120 legislators – has the slightest notion of how or when the mess will be cleaned up, or whether it will be.
