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California budget battle looks like it'll be a rerun

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Gov. Arnold Schwarzenegger's plan to close the state's gaping budget deficit is a collection of already rejected ideas, supported by almost no one and facing an absurdly tight deadline.

As always, Schwarzenegger remains upbeat anyway.

"I have total faith in our legislators," the governor told reporters Thursday, "that we will fix all of those problems, and we'll get the economy going again and people back to work."

It's going to take a lot more than Schwarzeneggerian faith, however, to solve California's chronic – and growing – budget problems.

Administration officials estimate the gap between the revenues state government collects and the money it spends will grow to \$11.2 billion in the current fiscal year, which ends June 30, and another \$13 billion next fiscal year.

Other analysts say it will be even higher because they say the administration isn't taking into account unexpected costs in the next 19 months.

To begin balancing the books, the governor has proposed a \$9.2 billion package of tax hikes and spending cuts. But most elements of the plan Schwarzenegger unveiled Thursday have been seen under the Capitol Dome before – and rejected.

That includes three of his four tax increase proposals: a sales tax hike (starved for want of a single Republican legislator vote in September); a tax on oil production (died on the Assembly floor in March); and increased taxes on alcoholic drinks (died without a hearing in April).

The fourth idea, to impose sales taxes on selected services that range from veterinary care to playing golf, has also kicked around the Capitol for years in the form of routinely ignored suggestions from the nonpartisan Legislative Analyst's Office.

Many of the spending cuts Schwarzenegger is proposing have also been considered by legislators – and dismissed.

For example, the governor has proposed furloughing the state's 200,000-plus employees one day a month and taking away two of their paid holidays. But a similar pitch in 2005 went nowhere in the Legislature.

The governor also proposed cutting health care benefits to about 250,000 low-income working families, dropping some medical services such as dental care for 2.5 million poor Californians and increasing the share of Medi-Cal costs paid by low-income seniors, blind and disabled.

"Those are all reruns from the budget he proposed earlier this year," said Anthony Wright, executive director of the nonprofit advocacy group Health Access California. "And the Legislature rejected them as too severe."

Wright said some of the cuts save relatively little money and have potentially high price tags. For example, he said, eliminating diabetics' access to basic and relatively inexpensive podiatric services could lead to much more costly foot amputations, which would be covered by Medi-Cal.

Proposed cuts in other social service programs are also similar or identical to those rejected by the majority Democrats in the Legislature.

Not all of the governor's ambitious amalgam of ideas are tax hikes or program cuts. Schwarzenegger has also proposed kick-starting the state's floundering economy by accelerating \$2.5 billion worth of public works projects, from freeway building to hospital construction.

To pay for it, Schwarzenegger would draw on bonds already approved by voters. Because of the state's system of building projects first and selling bonds to pay for them later, the governor's proposal to speed up the projects needs only legislative approval and not a market for the bonds to pay for them.

That's a good thing, since state Treasurer Bill Lockyer said late last week he's not in a mood to take any California bonds to market.

"Current financial market conditions are not favorable," Lockyer said. "Investors will want to see how the state addresses the budget imbalance before lending to us at reasonable rates."

"Reasonable rates" is the key term. Absent a deficit deal among Republican and Democratic lawmakers and Schwarzenegger, it's possible, even probable, that the state will run out of money before March.