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By Michael Hiltzik

California budget fixes on May 19 ballot are mostly shams and frauds

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Of the six propositions billed as solutions to the fiscal crisis, two would make things worse, one would be irrelevant to the budget, two would be mostly irrelevant and the last is wishful thinking.

One can always tell that a California election is drawing near because commercials lying about ballot propositions start crowding commercials lying about detergents and pharmaceuticals off the TV.

So it is with the May 19 election. Every time I turn on my set, I can already detect the acrid stench of political mendacity billowing into the room. And nearly a month yet to go.

The May ballot features six propositions, dubbed 1A through 1F, that the Legislature concocted to end this year's embarrassing budget stalemate in Sacramento. The claim is that these measures will finally put state budget procedures on a sane path to "fiscal responsibility."

How? By undoing some of the excesses of the past and shuffling budgetary powers around a bit, mostly so the governor will get some powers he didn't have in the past and lose some authority he has today. Are we jazzed yet?

The propositions' supporters are many of the same interests that have long condoned the political charades that have yielded this year's \$42-billion deficit. The California Chamber of Commerce and other business lobbies, which utter bromides about our children being our future while lobbying to starve public educational institutions of tax revenue, are very much in favor.

Opponents of the main initiative, 1A, include the big public employees union SEIU, while the biggest teachers union, the California Teachers Assn., favors all six.

(Proposition 1B funnels some money to K-12 education but won't be implemented unless voters also approve 1A.)

"We're very supportive of trying to find solutions," Alan Zaremborg, president of the chamber, told me last week, adding that he thinks the chamber's proactive support is a positive change from its usual habit of "walking away and just saying no" to tax increases and other budget provisions it doesn't like.

He's especially enamored of 1A, because he believes it will restrict the spending of one-time revenue (income tax surges during boom years in the stock market, for example) to support or expand ongoing programs. "That's how the state's gotten in trouble," he says, arguing that 1A will require that excess revenue, which in the past has been spent as if it's permanent, be set aside as a budget reserve.

For all that the propositions are billed as keys to ending the state's dysfunctional budget process, in reality they're mostly shams and frauds. Of the six, one (1F) will be almost completely irrelevant to the budget process. Two others (D and E) will be mostly irrelevant. A fourth (1C) is based on wishful thinking that the state lottery will magically become much more profitable, and the two left over, 1A and 1B, will make things worse.

Let's take the key propositions one by one.

Proposition 1A is the Big Daddy, which we can tell because it's almost completely incomprehensible — in fact, its opponents are fighting it by parading placards bearing its actual text around in public.

In essence, the measure would enlarge the state's rainy-day fund. It would require the Legislature to pay into it even in years when current revenue is needed to balance the budget. It restricts the conditions under which the reserve can be used and limits budget growth to a formula based on population growth and inflation. A sister measure, Proposition 1B, dictates how reserve funds are to be transferred to an educational reserve.

The bottom line is that 1A does nothing to narrow the existing budget deficit, and may make deficits worse in the future. As the nonpartisan California Budget Project points out, because the costs of many services provided by state government, such

as healthcare, grow much faster than inflation, the formula will squeeze almost every other budget category. That makes Proposition 1A a time bomb.

Propositions 1D and 1E partially roll back two of the voters' crummier decisions from past years: sequestering a new tobacco tax for a child and family service known as First 5 (Proposition 10 in 1998), and sequestering a surtax on incomes of \$1 million or more for mental health services (Proposition 63 in 2004). The new measures would effectively funnel some of that money into the general fund.

Now, there's nothing inherently wrong with tobacco taxes or surcharges on the wealthy, or with services for children, families or the mentally ill. The problem is locking in these arrangements via the ballot box — as is proved by the fact that we're now being asked to undo two such deals.

If our political leaders are really intent on reforming ballot-box budgeting, they should place a measure on this ballot to outlaw it — or at least to restrict tax and spending initiatives to regular general elections, so that highly motivated special interest groups can't rely on low turnouts to chisel their pet projects into the state Constitution. But if that were the law, of course, we wouldn't be having a special election next month in the first place.

Proposition 1F prohibits giving elected state officials, chiefly legislators, a raise in any year when it looks like there's going to be a deficit in the general fund. Given that this proposed constitutional amendment is based on the principle of sending misbehaving children to bed without supper, its philosophical parent would therefore appear to be my mother.

As a fiscal device, this measure is nugatory. Legislators aren't due raises every year. Supposing that the goal is to goad the lawmakers into reaching a budget agreement in order to keep a raise they're counting on, an agreement reached under duress is just as likely to be a bad agreement as a good one.

Nevertheless, pollsters say 1F is by far the most popular on the ballot and may be the only one that passes — which only shows the voters' limitless contempt for the people they themselves put in office.

Plainly, this whole package proliferates the complexities and dodges that already make the California budget unmanageable. It's silent on the real reforms that are so desperately needed, such as an end to the supermajority requirement for budget bills, which gives a tiny cadre of legislators a huge veto over the budget.

Worst of all, it maintains the favorite myth of California politicians that the budget can be balanced by sleight of hand — growth caps, rainy-day funds, the borrowing of imaginary future revenue from the lottery, etc. The modest tax increases enacted in return for this ridiculous ballot slate will raise about \$16 billion if they're continued through 2013 — but the structural deficit by then will still be in the 11-digit range.

If the voters have any sense, they'll tune out the well-funded barrage of TV ads promoting these measures the way one tunes out the yowling ShamWow guy. Once they're voted down, maybe the leaders will come back with a package that, in fiscal terms, really cleans up spills and polishes the countertops.