Dan Walters: Governor complains about autopilot spending but embraces it

By Dan Walters -- Bee Columnist
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Then-Gov. Pete Wilson coined, or at least adopted, the phrase "autopilot spending" in the early 1990s as he struggled to close an immense state budget gap and confronted political and legal barriers that made it nearly impossible to reduce spending even when revenues had plummeted.

Gov. Arnold Schwarzenegger has voiced the same complaints, most recently this week when he proposed a budget for the 2006-07 fiscal year. But an exchange with reporters also underscored that while Schwarzenegger complains about automatic spending, he's also an ardent advocate of it.

At one point, he renewed his pitch for gaining unilateral authority to reduce state spending when revenues fall short of expectations - a power that California governors once had, but that voters last year refused to reinstate. But this year, Schwarzenegger, bowing to the political realities, says he's willing to exempt the largest - by far - category of mandated state spending, Proposition 98 aid to public schools. And even if he had the authority, he added, "There is nothing that will solve the problem other than getting rid of those automatic spending formulas."

That, at least, was semiconsistent with past positions. But moments later a reporter asked him why, if he's complaining about automatic spending, he's also implementing Proposition 49, a measure he sponsored in 2002 before becoming governor to provide state funds to preschool and after-school programs that will cost about a half-billion dollars in its first year.

Proposition 49 requires the state to begin allocating money after the budget reaches a certain level of spending, an automatic trigger that is being pulled in 2006-07. Schwarzenegger insisted that Proposition 49 "was done in the most responsible way" because it didn't go into effect immediately and thus, he claimed, isn't "crowding out other programs," but that doesn't change the simple fact that Proposition 49 is untouchable autopilot spending every bit as rigid as Proposition 98, the school finance law. In fact, Proposition 49 spending will be folded into Proposition 98's annual allocation.

Schwarzenegger's claim that Proposition 49 isn't "crowding out other programs" is just as dubious because he is making cuts - freezing welfare grants, for example, and reducing money for child care for working welfare mothers - to provide funds for Proposition 49, Proposition 98 and other legal and political priorities.

"We're not picking on anyone," he insisted, adding, "It's all balancing. It's like you have a scale and you try to take a little bit away here to be fiscally responsible and to come in with a balanced budget. You take a little bit here, you put a little bit more there. And then you also look at the overall picture."

Elizabeth Hill, the Legislature's budget analyst, has suggested that in light of the state's continuing budget deficits, voters be asked to delay implementation of Proposition 49, but Schwarzenegger's not doing that. "Proposition 49 is a good example of automatic spending," Hill said in an initial analysis of his budget.

It isn't, however, the only one. The governor, while complaining about legal mandates that make it difficult, bordering on impossible, to balance the budget, has advocated raising other barriers that reduce the state's fiscal flexibility. He spearheaded the campaign to protect local government revenues from periodic state raids on their revenues and wants constitutional guarantees that the sales tax on gasoline and diesel fuel must be spent on transportation, rather than being diverted into the state general fund, as current law allows. Schwarzenegger also is advocating a cap on how much the state can spend on servicing bonds as he proposes to soak up virtually all of the state's remaining bond capacity for his infrastructure improvement plan.

The net impact of Schwarzenegger's mandate proposals would make it even more difficult to bring income and outflow into balance as Democrats continue to resist major spending cuts and Republicans - including Schwarzenegger - insist that they won't raise taxes.
Wilson was absolutely right in predicting that autopilot spending could be the fiscal ruination of California, and his protégé, Schwarzenegger, is proving the point.