

Editorial: A solid California budget, but still a shaky fiscal foundation

By [the Editorial Board](#)

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While it doesn't rank with the feats of Moses, Gov. Jerry Brown performed a near-miracle Thursday by proposing a budget that both Democrats and Republicans generally praised.

True, it is sometimes dangerous when both parties agree. (Remember electricity deregulation?) But there's a fair amount of consensus that California must make [education](#) a priority while being prudent about most other spending. Brown's budget does that, even to the disappointment of members of his own party who want the state to invest more in social programs.

Brown has proposed a \$97.7 billion general fund budget that increases K-12 school spending from \$53.5 billion to \$56.2 billion. It also boosts spending for higher education and Medi-Cal, largely because of an expected increase in the number of people seeking that state version of Medicaid as California implements federal [health care reform](#). It proposes a \$1 billion reserve.

Yet even if Brown's spending plan is as prudent as it seems, no one at the Capitol should be doing fiscal high-fives. Yes, the state's financial situation is far healthier than when Brown took office, and he deserves credit for that. But the state still has an alarming accumulation of debt that preceded Brown, which the governor and lawmakers haven't fully confronted. Plus, the pilots and passengers of California Flight 2013 would be wise to keep their [seat belts](#) buckled. There could be turbulence ahead.

The biggest storm, of course, is the dark cloud known as Congress.

California is highly dependent on federal funding, and continued impasses or sequestration-type spending cuts could affect everything from [health care](#) to transportation. Automatic tax increases could cut into take-home income, affecting consumer decisions and state tax revenue.

Europe's finances also continue to be volatile, a wild card for the larger economy. This week it was reported that unemployment in the eurozone rose to 11.8 percent in November, the highest since the euro currency was founded in 1999.

Even if California avoids these storms, it still needs to reckon with debt already on the books, including retirement obligations for state employees.

Check on Page 7 of the governor's budget summary, and you will find a chart showing that the state has \$181 billion in unfunded retirement liabilities, including both pension costs and health

care obligations. The biggest of these is \$64.5 billion for CalSTRS, the teachers retirement system.

Although the budget document notes such challenges, it proposes nothing beyond the status quo to address them.

Up until the new year, there were questions swirling about the governor's health and stamina. He's answered those in recent weeks with energetic defenses of his budget and prison plan, which we will comment upon separately in coming days.

But the real test of this governor, and lawmakers, is their willingness to complete the job of getting California's fiscal house in order. That job is far from done, and it will take steady progress, over many years, to achieve that ultimate of miracles.

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