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Dan Walters: Another tricky budget devised for California

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Published Tuesday, Jul. 21, 2009

Were California a corporation, rather than a state, its officers would be playing tiddlywinks with Bernie Madoff in the federal slammer, having engaged in years of hide-the-pea accounting tricks, under-the-table loans and other gimmicks to cover up the state's perpetual operating deficits.

Gov. Arnold Schwarzenegger and legislative leaders are finalizing another version of the budget, the third in less than a year, that's another mélange of fiscal tricks and evasions that's likely, like its predecessors, to quickly crumble.

Schwarzenegger may have declared that "this is the year we have to stop promising people things we can't deliver," but he and legislators apparently want to spend much more than a recession-battered revenue system can finance. And they will attempt to cover the gap largely with raids on local government funds, bookkeeping tricks such as shifting a month of the 2009-10 state payroll into the 2010-11 fiscal year, overly optimistic revenue estimates and wishful-thinking spending reductions.

It appears that real and sustainable spending cuts will account for no more – and possibly much less – than half of the deficit that the administration pegs at \$26-plus billion, but is probably much larger.

The state's economy has not yet hit bottom, so the general fund revenue estimate upon which the deficit and the new budget are based, around \$86 billion, is probably too high by several billion bucks. It wouldn't surprise anyone with knowledge of state finances were revenue to dip below \$80 billion.

That's already happened twice in the past year. The 2008-09 budget that Schwarzenegger and lawmakers passed last September after a record-long stalemate was based on 4-month-old revenue estimates that everyone knew were bogus and the plan began falling apart immediately.

The February budget that was supposed to cover the residual 2008-09 deficit and the projected 2009-10 deficit also crumbled. The new version that may hit the floors of both legislative houses this week is probably no firmer, given the history of the budget process

and the continuing decline in the economy.

There is, meanwhile, no assurance that as flawed as it is, the new scheme can even win legislative approval. The interest groups opposed to particular portions of the plan, such as local governments that dislike raids on their recession-stressed treasuries and law enforcement groups opposed to releasing tens of thousands of prison inmates, are ramping up pressure on lawmakers to reject or change the budget, contending that it would merely create longer-term problems.

The governor and legislative leaders are implicitly telling us that as flawed as it may be, the budget is the best they can do.

The most damning aspect of this tiresome situation is that the best budget our political system can produce is deceptive and fundamentally dishonest. It should tell us that we have a much bigger problem than an unbalanced budget.

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