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California's budget - one hand clapping

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Now that the state has a budget, perhaps we should let out a sigh of relief. The "fiscal Armageddon" the governor warned about has been avoided. The truth is, however, because of the Legislature's reluctance to address the underlying causes of the deficit, California faces recurring fiscal crises. Both parties share responsibility.

Republicans have intransigently stood by their pledge of no new taxes. God love them, Republicans sometimes seem to be the only ones looking out for taxpayers, and normally we should thank them. But legislators are also elected to govern, and by blocking the budget the Republicans deepened the state's fiscal crisis and undermined voters' confidence in their government.

Democrats also deserve their share of blame. For years, they have refused to consider serious budget reform, perhaps because it would limit their ability to provide an ever-growing array of government services to key constituencies. Thus, our state's expenditures have grown far faster than its revenues. The lack of a clear connection between the two explains the current crisis.

Sadly, we've been here before.

In California's last budget crisis, in 2002-03, expenditures also ran away from revenues. Observers at that time identified the steps need to prevent similar crises in the future. Five years on, the magnitude of the problem is greater, the causes are similar, and despite efforts by the governor, legislators have ignored the issue.

The new budget does contain one substantial reform, which requires voter approval in the May 19 special election: Excess revenues (those above a 10-year average) must be placed in reserve or a rainy-day fund. Voters should approve.

Had the Legislature passed a budget with more comprehensive reform, we could look to the future more confidently. So what would reform look like?

Democrats would say the two-thirds threshold required to pass a budget should be reduced. Perhaps. Lowering the threshold would expedite the process, but would remove a big constraint on unfettered legislative spending. And it wouldn't fix the underlying causes of California's budget problems. To achieve that, a complete overhaul of the budget process is needed.

A retooled, reformed budget process would:

- Use short-term revenue increases to build reserves.
- Require stricter control and oversight of expenditures.

- Employ pay-as-you-go funding, where new programs are directly linked to revenue.
- Bar using short-term revenues for long-term financial commitments.
- Identify priorities by shifting to a multiyear budget process.
- Make budget decisions based on both cost and how well programs perform.

Legislators and voters soon may have two options. California Forward, a nonpartisan civic group that focuses on state government reform, will propose a series of constitutional and statutory measures to implement many of these changes.

Separately, the Bay Area Council is holding a summit Feb. 24 to explore calling a constitutional convention to review the state's budgetary governance from top to bottom.

California Forward's proposals are specific and incremental. The Bay Area Council's approach is systemic: It would reopen key elements of the state's Constitution, including the initiative process.

One is more predictable, the other is broader. Both strategies reflect the deep frustration of Californians with the breakdown in California's governance. Whichever succeeds, business as usual in Sacramento is no longer acceptable. Only deep-seated reform will save California and its voters from even worse debacles to come.

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