

State budget a saga in overreaching outlay

SPENDING PLAN: As the governor debuts changes, it's clear some areas have grown exponentially.

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PDF: [How much spending has increased from 2000-2001](#)

SACRAMENTO - Several thousand more old, blind and disabled people in Riverside and San Bernardino counties receive taxpayer-funded care in their homes.

Wages among correctional officers at the region's five prisons and around the state have increased by more than a third. Judges have ordered expensive improvements in inmate health care.

And it costs the state roughly \$25,000 a year to pay back a \$375,000 parks bond grant to resurface the soccer field at San Bernardino's Nunez Park.

In amounts large and small, through good budget years and bad, California's general fund has grown by about a third this decade, pushed by higher costs, greater demand for services, court rulings and voter-approved initiatives.

But with the housing slowdown and a sluggish economy, California revenue is projected to grow by less than 2 percent next year, setting up a political fight in Sacramento as lawmakers and the governor try to hammer out a state budget.

Wednesday, the conflict begins in earnest. Schwarzenegger will release a revised spending plan for the year beginning July 1. The governor will propose his solutions to a shortfall he recently pegged at \$20 billion, almost double the \$11.2 billion estimated in January.

While describing legislators during a speech in Beverly Hills last month, Schwarzenegger said "they are such big spenders and love to spend money year after year, even money they don't have."

Yet the governor has said that all options are on the table -- including tax increases.

Schwarzenegger's fellow Republicans in the Legislature say they will hold out for a budget that cuts spending and does not increase taxes. Past spending growth, they say, hasn't improved schools or other state programs.

"I think there are a lot of programs right now where there might be duplication or not a lot of evaluation done," said state Sen. Bob Dutton, R-Rancho Cucamonga, the new vice chairman of the Senate budget panel.

Republicans note that this decade's spending growth exceeds the rate of inflation. California's population, though, has grown by about 3.5 million. Also, California's population is graying, and older people generally use government services more often than younger people.

The Legislature's majority Democrats say tax increases need to be considered.

"What we've been doing is serving more people with the same amount of money," said state Sen. Denise Moreno Ducheny, D-San Diego, the chairwoman of the Senate budget committee. She represents part of the Coachella Valley.

Ducheny and others single out what they call the biggest general fund spending increase of all: billions to reimburse local governments for money they lost after Schwarzenegger, on his first day in office in 2003, reversed a hike in the motor vehicle license fee.

"Only in California could a \$6 billion cut in the VLF show up as a \$6 billion spending increase in the budget," said Jean Ross, executive director of the California Budget Project, which evaluates budget impacts on low- and middle-income residents.

Department of Finance spokesman H.D. Palmer said the Schwarzenegger administration stands by the reduction.

"It was one of his singular issues," Palmer said. "Local governments shouldn't be forced to shoulder that cost."

Schools, Health, Prisons

Buoyed by billions in "dot-com" revenue, the 2000-01 budget included a multi-billion dollar windfall.

State revenue has been up and down ever since.

It nose-dived over the next few years. It rebounded in the middle part of the decade. Now it's sagging again.

General fund spending, meanwhile, has dropped some years and increased by nearly 15 percent in others. Schwarzenegger's January plan would cut general fund spending by more than 2 percent in 2008-09.

About three-quarters of the general fund pays for education, health and social services.

"The real underlying problem here is we've taken on a set of entitlements that grow," said Fred Silva, a former legislative budget aide who is now a fiscal affairs adviser with consulting firm Beacon Economics.

There are few areas of state government this decade where spending has increased by as much and as fast as California's prison system.

In 2000-01, the state spent \$4.6 billion on its prison and parole system. Several years later, the system's general fund costs will likely surpass \$10 billion.

"I don't have a good answer. It's a huge number, and so, on its face it makes you ask what are we doing here," said Assemblyman Todd Spitzer, R-Orange, who works on prison issues. "On the other hand, the No. 1 concern is public safety."

The number of inmates has grown from about 161,000 to more than 171,000 since 2000. Each inmate costs the state about \$35,000 annually.

In addition, salaries for the state's 30,000 correctional officers and parole agents have increased by a third since 2001 under a collective bargaining agreement approved by the Legislature.

Inmate health costs also have soared due to court orders.

In 2000-01, the state spent less than \$700 million on health care for inmates. The January budget proposal calls for \$2.01 billion in health care-related spending.

"The state has simply allowed the expenses of our corrections system to get out of hand," Silva said.

Other Growth

Other corners of state government have seen similar spending increases.

State spending on services for the developmentally disabled, for example, has nearly tripled from \$1.13 billion in 2000-01 to a proposed \$2.75 billion in 2008-09.

Experts offer several reasons for the growth.

More people than ever are receiving services -- 232,000 compared to 173,000 several years ago. Unlike other state agencies that generally are the provider of last resort, state services for the developmentally disabled are open to all, regardless of income.

In addition, people with developmental disabilities are living longer. Doctors are diagnosing more people with developmental disabilities such as mental retardation, epilepsy and cerebral palsy and referring them to state programs at a younger age. New treatments are available.

There also has been a significant spike in autism diagnoses.

State Sen. Darrell Steinberg, D-Sacramento, who will be the next Senate leader, said autism is a major health concern for the state.

"That's not a spending problem," said Steinberg, who led an autism blue-ribbon commission two years ago. "It's our obligation to help the families and the children to live productive lives."

Where To Cut?

Lawmakers approved some cuts in February as part of several-billion dollars in mid-year changes to the 2007-08 budget.

So far, though, lawmakers have been vague about what other spending should be cut.

"Part of the difficulty here is that there is not a lot of stomach in the Capitol to spend less on education, less on health care, less on higher education," said Bill Hauck, president of the California Business Roundtable and a former aid to Gov. Pete Wilson.

For his part, Schwarzenegger has signed the past four state budgets. The governor vetoed some spending beforehand but largely left intact the plans passed by the Legislature.

Schwarzenegger's January budget proposed 10 percent across-the-board cuts in all programs. The Legislature's nonpartisan fiscal analyst later criticized the approach as "fundamentally flawed" because it fails to prioritize state services.

The finance department's Palmer defended the governor's strategy.

"You have a fixed amount of money to spend and you have to make policy choices with that," he said. "He is looking at it under the broader concept of overall budget reform."

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