

Curb the Budget Deficit Before It's Too Late



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FRI | Jan. 18
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Featuring Michael Dukakis
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THU | Jan. 24
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THU | Jan. 24
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WED | Jan. 30
Land Use, Construction & Housing Committee Meeting
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THU | Jan. 31
119th Annual Inaugural Dinner
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A billion here and a billion there, and soon you're talking about real money.—Sen. Everett Dirksen

The late Sen. Dirksen said those words 40 years ago when speaking about the growth of the federal budget. Were he alive today he would likely make the same comment about California's growing budget deficit.

In 2008, California will face a \$10 billion or more budget shortfall between what the state is obligated to spend under current law and estimated tax revenues, as projected by State Legislative Analyst Elizabeth Hill. A non-partisan analyst, Hill has said that these numbers will grow as mandatory spending increases are implemented and tax revenues slow.

The budget that was adopted just a few months ago for the current fiscal year is already out of balance. General fund revenues are down for 2007-08 and general fund expenditures are up. People will differ about the amount of the projected shortfall—the governor is currently projecting a \$14 billion deficit—but as Dirksen said, it is real money. And unless something changes soon, the state budget deficit will start looking like a runaway truck down a steep hill.

It is clear that legislators and the governor must do what businesses and individual families would do in this situation. They must consider this an emergency and take action immediately to:

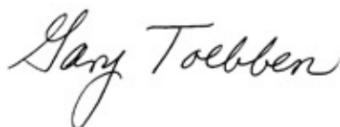
- Explore all possibilities for budget reductions and make the hard decisions as soon as possible. Put every state line item under the microscope. Resist the temptation to erase the deficit on paper through budget gimmickry that will put off the problem for another day. One thing is highly predictable—the \$10 billion deficit that Hill estimated is likely a floor rather than a ceiling.
- Reject the notion that across the board percentage cuts will solve this long-term problem. Across the board cuts simply perpetuate the status quo of offices, programs and employee contracts. Instead, undertake an objective review of every office, program, and activity of state government and retain only those that are essential, as opposed to those that are desirable.
- Set an example by clamping down on spending in the governor's office and in the offices of individual legislators. Make it clear that everyone must be part of the solution and share part of the pain.

Our elected officials in Sacramento have no choice but to make these tough decisions. If not, I am reminded of a lesser known Dirksen quotation that, although referring to the federal government, is just as applicable to California, "I have said, with respect to authorization bills, that I do not want the Congress or the country to commit fiscal suicide on the installment plan."

This is not a cheery way to close out 2007, but it is an issue that California's elected officials and citizens must address immediately. Let's start 2008 with a resolution to put our state's fiscal house in order. In the long run, this decisive action will be a gift to all of us who have chosen California as our home.

And that's The Business Perspective.

This is the last *Business Perspective* for 2007. We thank our members and readers for their frequent responses to this column and we wish you all a wonderful holiday season.



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The Business Perspective is a weekly opinion piece by Gary Toebben, President & CEO of the Los Angeles Area Chamber of Commerce, produced with the input of Senior Policy Advisor Rusty Hammer.

by Gary Toebben, President & CEO, Los Angeles Area Chamber of Commerce

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