Marathon session, Schwarzenegger's vetoes end California's record budget standoff

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Published Saturday, Oct. 09, 2010

Signed, sealed and delivered.

California's record-long budget impasse ended in a whirlwind Friday that included an all-night legislative session followed by nearly $1 billion in line-item vetoes by Gov. Arnold Schwarzenegger.

The $86.6 billion spending plan is no cure-all. California faces the prospect of massive red ink again next year. For now, however, the nightmare is over.

"It is often said that politics is the art of compromise and, let me tell you, this is exactly what this budget is – it's compromise," Schwarzenegger said.

Senate President Pro Tem Darrell Steinberg was pleased but not rejoicing.

"This is not a celebration because of the difficult times (we're in) and the decisions we've had to make," Steinberg said. "But it is a relief."

Capitol back-patting hardly had ended Friday before Schwarzenegger sparked new controversy by vetoing $962.5 million in spending, a hefty portion of it targeting programs for low income, sick or disadvantaged Californians.

"Governor Schwarzenegger's final actions in office were directed at making life more difficult for California's working parents and the poorest, sickest and most elderly Californians," Assembly Speaker John A. Pérez said in a written statement.

Schwarzenegger's vetoes were designed to bolster state reserves from $364 million to more than $1.3 billion. Three of the blue-pencil cuts served as lightning rods for criticism:

• A $256 million reduction in child care funds for low-income, former welfare-to-work participants who have found work.

• An $80 million reduction in funds for child welfare services meant to boost efforts to investigate child neglect and abuse. The veto leaves funding at last year's level.
• A $133 million reduction for provision of mental health services to special education students, which essentially shifts responsibilities for such services from counties to school districts.

Shannon Murphy, Peréz's spokeswoman, said the speaker's office believes the mental health veto is unconstitutional because it essentially eliminates a legislative mandate.

More than one-third of Schwarzenegger's total vetoes – or $366 million – stemmed from a one-time accounting maneuver that makes it possible to use federal funds to avoid cutting services.

The governor's other blue-pencil cuts targeted community clinics, women's and children's residential treatment services, community-based services for the elderly, and treatment of prostate cancer and substance abuse.

State finance officials said some of those impacts may also be eased by federal funds.

Frank Mecca, director of the County Welfare Directors Association of California, blasted the cuts to child care and to child-abuse investigation as devastating, noting that the $80 million cut to the latter will jeopardize $53 million in federal funds.

"It's a stain on his legacy and the ultimate hypocrisy," Mecca said of Schwarzenegger, who paints himself as a child welfare advocate and recently signed legislation to extend foster care services for young adults ages 18 to 21.

Assemblywoman Karen Bass, D-Los Angeles, also took aim at Schwarzenegger.

"The governor will be remembered for choosing to make destructive cuts to child welfare services, leaving children and foster kids vulnerable and left behind," Bass said.

Schwarzenegger also announced that he would set aside $2.9 million from a Department of Education project for a statewide data system to track student classes, grades, test scores and other information.

Completion of the project, called CalPADS, is a year behind schedule. Its failure is cited as a key reason California has failed to qualify for hundreds of millions of dollars in federal Race to the Top funds.

Schwarzenegger said he wants to consider whether another state agency should replace the Department of Education in overseeing the project.

The Senate cast the final vote on the new state budget about 8:30 a.m. Friday after a marathon, all-night session. Schwarzenegger signed the budget and announced his vetoes about nine hours later.

Senate passage of the budget by the necessary two-thirds majority was made more difficult by the absence of two Democratic senators due to illness – Patricia Wiggins of Santa Rosa and Jenny Oropeza of Long Beach.
A third Democrat, Sen. Rod Wright of Inglewood, left sometime during the night to attend court Friday on charges that he committed fraud by not residing within his senatorial district.

Republican Sen. Sam Aanestad of Grass Valley also was absent. His staff didn't return phone calls and e-mails early Friday to explain.

Throughout the night, jockeying occurred over so-called "carve-outs" proposed for specific interests.

A prime example targeted by some critics was an amendment that removes a debt cap on the San Diego Centre City Redevelopment area – a change that could eventually help the city fund a new National Football League stadium.

Another amendment lifts penalties for redevelopment agencies that missed payments because of revenue shifts approved in the 2009-10 budget package. The city of Richmond's redevelopment agency could benefit.

An 11th-hour attempt to attach language helping travel websites such as Expedia and Travelocity get local tax exemptions did not make it through.

Some Democrats strong on environmental regulation grumbled about language inserted into a natural resources trailer bill late in the game. The wording imposes a 2014 sunset on a new rule requiring ethanol companies to reduce their carbon footprint within four years rather than five years if they want to qualify for state grants.

Benefiting from the rollback is Pacific Ethanol, a company founded by Bill Jones, the former Republican secretary of state with strong ties to Gov. Arnold Schwarzenegger.

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