SACRAMENTO -- Confronting the worst fiscal crisis of his political career, Gov. Arnold Schwarzenegger on Thursday proposed slashing payments to schools by billions of dollars, releasing tens of thousands of "low risk" inmates from prison early, and closing dozens of state parks as part of a plan to fill a gaping $14.5 billion hole in the state budget.

The Republican governor's call for 10 percent, virtually across-the-board cuts is expected to trigger a protracted battle with some of the Capitol's most powerful interest groups. Lawmakers in the Democrat-controlled Legislature vowed to oppose the plan, and said the severity of the shortfall demands that taxes be considered as part of the fix.

Budgets have to be approved by a two-thirds vote of the Legislature, so many of the governor's proposed cuts face long odds of ever being enacted. Still, the size of the deficit will almost certainly bring pain to many — and the governor's plan has something to offend just about anyone touched by state government.

Parents would see spending on public schools drop by about 10 percent. Public safety advocates would see 22,000 prison inmates who are deemed "low-risk" released up to 20 months early. Millions of low-income and disabled residents who rely on Medi-Cal for health care would lose dental coverage.

Hikers could no longer use the largest state park in Northern California, Henry Coe State Park. And the list goes on.

"I can see every single person hurt by these cuts," Schwarzenegger insisted as he unveiled his $101 billion general fund budget for fiscal year 2008-09. But "what we have to do is be fiscally responsible and to spend only the money that we have."

As part of his announcement Thursday, Schwarzenegger declared a fiscal emergency. Lawmakers will have 45 days to address a $3.3 billion shortfall in the current fiscal year, and at the same time they will begin to grapple with a $14.5 billion deficit through next year (that number would shrink if legislators enact cuts to this year's budget soon).

The budget plan and a spending cap he proposed earlier this week is the governor's latest attempt to exorcize the budget "demons" that paved the demise of his predecessor, Democrat Gray Davis, and helped propel Schwarzenegger into office in the 2003 recall election. Schwarzenegger tried but failed to deliver on his early promises to repair the state's boom-and-bust finances, then turned to more politically rewarding issues like the environment and health care.
But the housing downturn and softening economy has thrust the budget back to the fore. And now Schwarzenegger finds himself in a familiar bind, caught between Democrats and interest groups on one side who say his proposed cuts will devastate public education and the state's most vulnerable populations; and on the other side, Republicans who refuse to raise taxes.

"This is a cuts-only budget," said Assembly Speaker Fabian Nunez, D-Los Angeles. "If it's passed as written, it would cause tremendous, permanent pain to the people of California. ... Cuts alone simply will not work."

At the same time, raising taxes has become a near impossibility because any tax increase requires a two-thirds vote, and Republicans adamantly oppose the idea. Schwarzenegger himself all but ruled out endorsing a tax hike.

"I do not believe in tax increases," the governor said. "I think the people of California are sending to Sacramento plenty of dollars." To the chagrin of legislative Republicans, however, the governor did include two new fees in his plan _ an $11 per car fee for registering vehicles to help fund the California Highway Patrol, and a 1.25 percent levy on commercial and residential insurance policies to help pay for fire protection.

Some political observers say the call to slash popular programs could seriously weaken the governor's popularity. Schwarzenegger, however, is termed out of the governor's job in 2010 and is not expected to run for another political office.

The return of a multi-billion-dollar deficit could be an "obituary" for his political career, said David McCuan, a political science professor at California State University, Sonoma. "I can't help but think that he is done," McCuan said, "just done."

The suggestions to slash public school funding and release inmates from prison early may be the most politically perilous for the governor. The unions representing teachers and prison guards (Schwarzenegger also proposed cutting 6,000 jobs, many already vacant, from the prison budget) are known as two of the most powerful interests in state government.

Advocates said the governor's plans would hurt cash-strapped schools and jeopardize public safety.

The governor's suggestion to release 22,159 non-violent inmates from prison before their sentences end comes less than six months after he called the idea "totally unacceptable." But Schwarzenegger said the state may have no choice because a pending lawsuit in federal court could result in a cap on the prison population.

"The federal judges are breathing down our neck," he said.

A spokesman for the California Correctional Peace Officers Association said it was hard to take the "early release" plan seriously, predicting it would never emerge from the Legislature.

Schwarzenegger's proposal to cut school funding by $4 billion, or roughly 10 percent, would require the Legislature to suspend a constitutional funding guarantee for K-12
education, which comprises about two-fifths of the state general fund. Although Democrats would likely resist such a move, school officials are worried.

"The governor's budget takes a giant step backward," said State Superintendent of Public Instruction Jack O'Connell. "I fear that the 'year of education' will become the year of education evisceration."

College and university officials said the governor's budget would likely mean hefty fee increases. And the proposed cuts to community colleges would shut out 52,000 students who would otherwise be served, California Community Colleges Chancellor Diane Woodruff.

The governor's budget also calls for significant cuts to health and human service programs. Medi-Cal, the health care program for the poor, disabled and some seniors, would suffer a $1 billion hit — but the actual toll would be double that because the program generates matching federal dollars.

The cuts mean that doctors and hospitals who treat Medi-Cal patients will receive about 10 percent less for their work, even though the state's reimbursement rates are already among the lowest in the nation. And more than 3 million adults would lose dental coverage.

Health advocates said the changes would push more people to emergency rooms for treatment, where costs are much higher. "A lot of these cuts are penny wise and pound foolish," said Anthony Wright of the consumer group Health Access.

Other cuts to programs that help vulnerable populations could reverberate significantly at the local level. Child protective services would be cut by 10 percent, as would payments to keep disabled people in their homes rather than institutionalized.

The budget plan also eliminates payments for children whose families are considered at risk for homelessness.

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