Governor says budget ball is in lawmakers' court

He defends budget plan as Democrats criticize its cuts and Republicans say an option to raise sales tax is 'dead on arrival.'

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Gov. Arnold Schwarzenegger brushed aside criticism of his latest budget plan Thursday and said lawmakers now bear responsibility for resolving the state's $15.2 billion budget deficit.

The Republican governor, speaking with The Bee's editorial board, lamented he had "negotiated with myself" for the last five months because legislative leaders did not meet with him to discuss the budget.

"The reality of it is that the ball is in their court," Schwarzenegger said. "The more they scream, the deeper they bury themselves. Because in the end, they have to meet somewhere in the middle to get this budget done."

The Republican governor's budget plan proposes cuts in social service programs and borrowing against future California Lottery revenue to bridge the $15.2 billion gap in the state's $101.8 billion general fund budget for the next fiscal year. If voters do not approve borrowing against the lottery, the state would impose a temporary one-cent sales tax to raise money.

Lawmakers in both parties rebuked Schwarzenegger's plan for different reasons.

Democrats oppose the governor's spending cuts and said that his plan banks on unreasonable assumptions about the lottery. They also attacked the governor's plan to establish a new reserve fund and establish executive powers to cut spending automatically in bad years.

Republicans said Schwarzenegger's sales-tax proposal, even as a contingency, is dead on arrival.

The governor, now in his fifth budget negotiation, chalked up those critical remarks to the "Kabuki" that takes place every year in the Capitol.

"This is our budget, I'm proud of our budget under the circumstances," Schwarzenegger said. "This was not something that was written up overnight, trust
me. So I hope the legislators will go beyond the rhetoric and beyond the politics and just realize the situation that we are in."

The governor said he wishes the budget schedule was less compressed. Traditionally, the governor's May proposal launches serious negotiations on the budget because it includes new data from income tax returns and projections for state program needs.

"I think I've negotiated with myself now for – January, February, March, April, May – I mean, for the last five months with no one in my office to negotiate with," Schwarzenegger said.

Schwarzenegger said he wants to work with new Assembly Speaker Karen Bass to study whether certain services that escape taxation should be taxed in future years. He said Republicans are adamantly opposed to extending taxes to new services and Democrats are afraid to review the matter for fear that they get hit with a "spend-and-tax" label.

"I said, 'Look, if you guys are so worried about it, I'll say it,'" Schwarzenegger said about the need to consider taxing more services. "And of course I'll get beaten up and Republicans will say this is a signal, this is a code word that means you want to raise taxes. What do I care? Let them say that. They're always going to complain anyway that I want to raise taxes."

Senate Republican Leader Dave Cogdill of Modesto said Thursday that Republican concerns about Schwarzenegger's potential sales-tax increase in the state budget are legitimate.

"We continue to believe in our caucus that there is a way to reach a responsible balanced budget without raising taxes or threatening to do that," Cogdill said.

Sen. Denise Ducheny, D-San Diego, chairwoman of the Senate Budget and Fiscal Review Committee, said lawmakers had worked throughout the spring to review the budget in public hearings. She said Democrats are fiercely opposed to the governor's long-term budget plan because they fear it would give the executive branch too much power to unilaterally cut spending.

"We've been saying all year that what he's touting as a budget fix won't really fix the budget," said Ducheny. "To see it one more time wrapped in a different ribbon is just frustrating."

The governor met criticism outside the Capitol as well.

Hundreds of flip-flop-wearing high school students turned the south side of the Capitol into an MTV-like special Thursday as they protested Schwarzenegger's proposed education budget.

The governor restored $1.8 billion to schools on Wednesday, but advocates said it wasn't enough because the state remains 46th in per-pupil funding in the nation. Earlier in the day, Superintendent of Public Instruction Jack O'Connell said the governor's education budget provides just $200 million more than what schools received overall last year, not enough to cover growing expenses and salaries.