

# Analysis: Door open for budget compromise

**Perata's remarks encourage the governor's finance chief.**

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Even as the public war of words escalates between Gov. Arnold Schwarzenegger and education officials, others are sending signals that there's room for compromise over the governor's controversial education and spending control initiatives.

The Senate's top Democrat, President Pro Tem Don Perata, has caused a stir by publicly departing from fellow Democrats and agreeing with Schwarzenegger that Proposition 98's school spending formulas should be fixed.

Perata, one of the Democrats' key negotiators in budget talks, has told the Los Angeles Daily News and CNN that Proposition 98 ties up a large portion of the state budget and pits education against other programs such as health care for children.

"It is an escalator without pause," Perata told the Daily News. "Some people say you need more revenues, but I'm operating in the world of reality."

Schwarzenegger's finance director, Tom Campbell, on Thursday called Perata's position encouraging.

"What I've got so far is an indication that there may very well be a counteroffer, and I'm open to it," Campbell said.

Schwarzenegger is proposing in his 2005-06 budget to spend some \$2.2 billion less on education than he promised a year ago.

He also is calling for a remake of Proposition 98, the series of formulas dictating that about 40 percent of the state general fund must be spent on K-14 education. Schwarzenegger wants a sweeping spending control program that would enact across-the-board cuts - including to schools - if spending floats above revenues and lawmakers cannot agree on cuts or tax increases to bring them back into balance.

Campbell acknowledged that the administration is not yet backing - or ruling out - any of the existing proposed ballot measures that would enact stringent caps on state spending. But he said officials hope that their existence will serve as a catalyst for compromise on the budget and on the Republican governor's "reform" agenda.

"I've had private meetings with legislative leaders on the Democratic and on the Republican side, and I am looking for that possible middle ground there might be," Campbell said.

Last year, when Schwarzenegger was negotiating with lawmakers over what eventually became Propositions 57 and 58, his backers already had begun the process of putting a strict spending cap on the fall ballot. The measure was scrapped after lawmakers and the governor agreed to ask voters for the bond measure and a less stringent balanced budget amendment that now are law.

"That could be a similar situation this year that the signature-gathering for the outside initiative starts and (becomes) a stimulus to the compromise within the Capitol walls," Campbell said.

But Campbell and other key players agree time is running out. Signatures must be turned in to the state by late April to qualify an initiative for a fall ballot this year.

So far, the governor's education agenda has emerged as the most contentious. Education officials unleashed scathing radio ads this week accusing Schwarzenegger of shortchanging schools and breaking promises. Schwarzenegger, meanwhile, took to talk radio to accuse "special interests" of trying to smear his character.

On Thursday, some Democrats said they were infuriated with Perata's public comments, and Perata declined to comment to The Bee.

Democrats and education officials have decried the thought of tampering with the voter-approved law that largely protects schools from the budget ax.

"The Assembly will continue to protect the integrity of Proposition 98," said Steve Maviglio, a spokesman for Assembly Speaker Fabian Núñez. "We think there's enough flexibility in Proposition 98 when state revenues are declining that it can adjust and adapt. In this instance, we want the governor to stick by his pledge."

But other Democrats on Thursday said Perata has a point.

"If the effort you are undertaking is to fix the budget problem in California, then you have to be willing to look at Proposition 98," said Assemblyman Joe Canciamilla, D-Pittsburg. "You can't really fix the budget without looking at Proposition 98 and all the other provisions that lock either spending or program increases into the budget."