

# Schwarzenegger's budget proposal: Spending on the rise

## But governor's plan would cut state programs serving the needy

**By Clea Benson -- Bee Capitol Bureau**

***Published 2:15 am PST Wednesday, January 11, 2006***

Gov. Arnold Schwarzenegger on Tuesday proposed a \$125.6 billion state budget that would shower a windfall of new revenue on schools, public works projects, debt repayment, prisons, and children's health care while cutting programs that serve the poor.

The governor's spending plan for the fiscal year that begins July 1 marks a departure from his first two budgets, which aimed to reduce multibillion-dollar operating deficits with cuts and austerity programs in most departments.

Because the economy is growing, the Department of Finance projects state revenues will go up about \$4 billion in the next fiscal year.

The governor's proposed general fund spending for the 2006-2007 fiscal year is about 8 percent higher than this year, leaving the state with an operating shortfall of about \$4.7 billion.

"Even though we haven't eliminated the structural deficit, we have made tremendous progress," Schwarzenegger said at a news conference where he unveiled his budget proposal Tuesday.

"And at the same time, we're protecting local government, we're protecting the education and health care of our children, and we do not raise taxes."

Schwarzenegger also asked lawmakers to reinstate the governor's power to make midyear budget cuts in state programs - except for schools. The Legislature took away that authority in 1983.

Schwarzenegger last year backed a similar proposal that did not contain the exemption for schools funding, but it was defeated in the November special election.

Democratic lawmakers, who fought with the governor over proposed cuts in his past two budgets, said they found a lot more to like this year. But they criticized Schwarzenegger's plan to cut programs that serve the needy.

And they said they were unlikely to give the governor more authority to make budget reductions.

"I've got to say that under this budget there's no question that the rich get richer and the poor get poorer," said Assembly Speaker Fabian Núñez. "This budget provides lip service to poor people."

Schwarzenegger is recommending that the state withhold federal funds earmarked for raises in cash assistance to needy elderly and disabled Californians.

He is proposing about \$200 million in cuts to CalWORKS, the state's welfare program.

The governor also wants to take back about \$40 million that the state allocated for child-care services to welfare recipients this year.

Senate President Pro Tem Don Perata criticized those proposals.

"Is it responsible in a year when we have a lot more money than we expected to hijack federal funds intended for little old ladies?" Perata said in a statement.

Democrats said they know where to find some additional money: the \$428 million in new funds Schwarzenegger included in his budget for after-school programs authorized under Proposition 49, the initiative he backed before becoming governor.

The Legislature's nonpartisan budget adviser has recommended repealing Proposition 49 because it mandates an automatic spending increase.

Democrats have said they will look into placing a measure on the June ballot that would modify the proposition to defer the after-school funding to later years.

Meanwhile, Schwarzenegger's fellow Republicans said the governor's budget did not include enough spending cuts.

"We always like to see less expenditures," said Senate Minority Leader Dick Ackerman.

"We'll be looking at the budget in detail and we'll probably be making a list like we did last year, and we've done in prior years for both Republican and Democratic governors, of areas where we think additional cuts can be made."

About 70 percent of the proposed budget increase for next year covers unavoidable inflation and raises in existing programs, Finance Department officials said Tuesday. Discretionary policy choices, such as increases to the judiciary and children's health care, account for about 4 percent of the raise. Four percent will go to pay back debt ahead of schedule.

And a payback to schools accounts for another 22 percent of the growth in spending.

Overall, Schwarzenegger recommended a \$4.3 billion hike in education funding, including \$1.67 billion to pay back money borrowed to help balance the budget in 2004.

That brings the total state spending on education from kindergarten through community college to about \$54.3 billion.

The proposal is likely to be the focus of legislative debate. Education advocates believe the state owes schools \$4 billion more than the governor is offering next year under the terms of Proposition 98, the state law setting funding guarantees for education.

The budget blueprint for next fiscal year reflects little of Schwarzenegger's biggest spending proposal: \$68 billion in borrowing over the next 10 years to build roads, schools and water systems.

If the Legislature and voters approve the plan, the full cost of paying back the bonds would stretch over time, beginning by the end of next year.

The budget proposal includes about \$70 million to pay the debt service on the first \$25 billion of bonds if they are issued.

The budget proposal includes a \$1.2 billion hike in funds for health and human services, a 4 percent increase over last year's \$27 billion allocation. But that increase is less than the \$2.2 billion raise health and human services programs got last year.

Most of the growth in spending reflects rapid inflation in existing health care services, not new programs.

The proposal did include \$72.2 million in new funds to help eligible low-income children sign up for public health insurance.

The amount falls short of the roughly \$300 million that children's advocates and Democrats are seeking to cover insurance for all California children.

The Western Center on Law and Poverty, a Los-Angeles based nonprofit that advocates for the poor, issued a release deriding the spending plan as an "election year budget."

Meanwhile, the Democratic state officials who are vying to run against Schwarzenegger in this year's gubernatorial election weighed in with their own critiques.

"This is the governor who said he'd balance the budget, and he keeps doing head fakes," said state Treasurer Phil Angelides, one of the two Democratic contenders in the June primary.

The other Democratic primary candidate, state Controller Steve Westly, also called for a reduction of the deficit.

"I have a genuine concern that (Schwarzenegger) is taking one-time monies and spending them on long-term, ongoing programs," Westly said.

Schwarzenegger said it would have been possible to eliminate the deficit this year but only by harming local governments and schools.

"Yes, we can do it, but then you're cheating the people," he said.

"You're taking money away from transportation, you're taking money away from local government, you're taking money away from education, which they need."

The governor's other spending recommendations included a \$129.4 million raise for public universities to avert a planned increase in student fees; \$3.5 million for prostate cancer treatment for uninsured poor men - a program previously targeted for elimination; and \$75 million for monitoring nursing homes and other care facilities.

The governor's budget also included \$15 million to repair defective windows at the Board of Equalization's Sacramento headquarters on N Street.

Several windows at the office building failed due to thermal stress last fall and fell out, prompting state officials to erect protective scaffolding around several entrances.

Schwarzenegger said the budget process was more difficult than he had anticipated when he first ran for office.

"It's very difficult because you're not sitting over there alone in the Capitol," he said.

"You're making decisions together. And now we're going to sit down, Senator Perata, Speaker Núñez, and we're all going to debate over it."

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## **Budget highlights**

### **SOCIAL SERVICES**

A \$240 million cut from welfare programs; no raises for welfare recipients or for elderly and disabled people who receive Supplemental Security Income.

### **SCHOOLS**

A \$4.3 billion raise, but advocates for schools say the state owes another \$4 billion under Proposition 98.

## **DEFICIT**

The state would have an operating shortfall of about \$4.7 billion, covered by leftover revenue from prior years. Plan would not use the remaining \$3.7 billion in Economic Recovery Bonds that voters authorized in 2004.

## **POWER**

Gov. Arnold Schwarzenegger wants authority to make midyear budget cuts without Legislature's approval.

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## **Sacramento area budget projects**

Area projects included in the budget proposed by Gov. Arnold Schwarzenegger on Tuesday:

### **Flood Control**

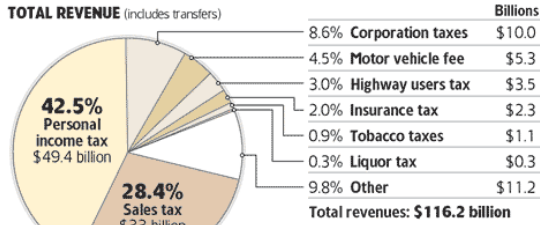
- \$4.9 million for Sacramento River bank protection
- \$9.2 million for American River flood control project
- \$484,000 for upper Sacramento River levee reconstruction
- \$496,000 for American River project in Natomas
- \$26.2 million for Folsom Dam modifications

### **General**

- \$2.7 million for renovation of library and court building in downtown Sacramento
- \$141 million renovation of central heating plant in downtown Sacramento Los Rios Community College District
- \$177,000 for American River College fine arts expansion
- \$1.9 million for Cosumnes River College police, print and office building modernization
- \$219,000 for Cosumnes River College science laboratory expansion
- \$2.9 million for Sacramento City College north gym modernization
- \$11.2 million for Folsom Lake College fine arts building construction
- \$6 million for Folsom Lake College physical education space construction University of California, Davis
- \$1.2 million for expansion of physical sciences building
- \$21.8 million for renovation and expansion of King Hall

## Proposed 2006-07 state budget

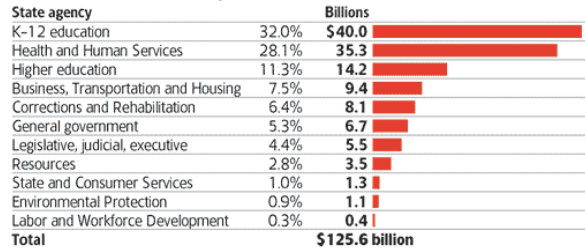
Personal income tax makes up more than two-fifths of total state revenues, while school spending amounts to about a third of total expenditures.



Source: Governor's Office

Note: Finance officials expect an additional \$10.9 billion in general and special funds will carry over from the current year's budget.  
Numbers may not add up due to rounding.

## TOTAL EXPENDITURES



Sacramento Bee/Nathaniel Levine