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## ***Budget signed, Schwarzenegger sets sights on redistricting, other changes***

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Gov. Arnold Schwarzenegger preferred to sign the state's \$103.4 billion budget Tuesday in his office with officials from Placerville and other cities – and not one legislator.

The Republican governor then moved quickly to turn the state's record 85-day budget delay into a political asset, holding a news conference to blame lawmakers for failing to compromise and then campaigning to change how California draws the boundaries for their political districts.

After threatening a historic budget veto last week, Schwarzenegger has grown comfortable with the idea of the entire Legislature as his foil. If Tuesday is any indication, he will use the state's historic budget dispute as a launch pad to ask voters for some of the systemic changes he failed to win in 2005.

Schwarzenegger wants voters to approve a redistricting initiative this fall, and he will seek another special election next year to change California's budget process. He wants to create real consequences for lawmakers if they do not approve future budgets on time, possibly putting that on next year's ballot as well.

Each step of the way, he is sure to remind Californians of this year's record-setting budget dispute.

"It certainly wasn't something that he planned intentionally, but the impact of the budget stalemate is that voters are going to be more receptive," said Dan Schnur, director of the Jesse M. Unruh Institute of Politics at the University of Southern California. "Not much that happens in the state Capitol gets the attention of most voters, but this budget crisis cut through, and it made people mad."

Schwarzenegger previously had few good ways of selling redistricting, the abstract concept of changing how California draws its political boundaries every decade.

Three years ago, he lay a piece of oversized tape between two houses in Elk Grove to show that current districts drawn by legislators made no sense because they broke up neighborhoods. Such over-the-top events never resonated, and 60 percent of voters opposed the initiative as labor unions attacked his proposals.

The governor on Tuesday saw a new opportunity to make redistricting tangible. He essentially told voters that if they hated how long legislators took to pass the budget, they ought to vote for Proposition 11 to change redistricting in California.

"It's three months late because both of the parties stayed in their ideological corners and refused to come out," he said, later adding, "Let me tell you something, last time they drew the district lines, they drew it themselves, and they created safe Democratic districts and safe Republican districts."

Schwarzenegger insisted the record delay came because Republicans and Democrats refused to compromise on how to solve the \$15.2 billion shortfall. Republicans demanded no new taxes, while Democrats sought tax increases on the wealthy in addition to spending cuts. The governor argued that Proposition 11 would lead to voters electing more moderate legislators because contests would be more competitive.

In a rare move, Schwarzenegger opted for a small budget ceremony in his office, inviting cameras but not a single state lawmaker. The governor then walked outdoors to the east steps of the Capitol, where he deemed it inexcusable that the Legislature was three months late on the budget.

"There are very important things that need to be addressed and taken care of, and they can't get it done," he said. "That is why the Legislature's approval rating is right now at an all-time low."

Only 15 percent of voters said they approve of the Legislature, while 73 percent disapprove, according to a Field Poll released this month. That marks a record low in the 25 years Field has asked voters to rate the Legislature.

In 2005, when Schwarzenegger last pursued a redistricting proposal and an initiative to change the budget process, lawmakers received between 24 percent and 34 percent approval.

"What we didn't have in 2005 was a problem that was readily apparent," said Rob Stutzman, a GOP political consultant and former Schwarzenegger aide. "Now that voters see the deficit piling up again and the dysfunction in Sacramento, there's a much better chance they're ready for reform in 2009."

Still, the challenges of 2005 could trip up the governor again. Unions spent \$121 million against his proposals that year and were enraged by his efforts to make it more difficult for public employee unions to raise money and for teachers to obtain tenure.

Those two proposals are not on the table this time around, so it is unclear whether unions will have similar motivation to defeat his initiatives. But Democrats, led by outgoing Senate President Pro Tem Don Perata, are already fighting the redistricting plan, with support from the California Correctional Peace Officers Association.

"What we've seen here today is the governor, the most powerful politician in California, advancing his own political agenda, which is to get more power for himself

and the politicians who agree with him," said Paul Hefner, spokesman for opponents to Proposition 11 and a Perata campaign aide.

Labor unions also remain opposed to Schwarzenegger's "rainy-day fund" proposal, which lawmakers approved last week as part of the budget deal. Gale Kaufman, a Democratic political consultant, said unions are discussing whether they will counter it when it appears on a special election ballot.

And while voters may be disgusted with lawmakers, budget politics and redistricting still don't get the heart racing.

"I'm not sure if voters are in the mood to burn up the whole constitution and start over," said Andrew Acosta, a Democratic consultant. "Yes, they're grumpy. But they don't want to turn every ballot into the class in high school that they hated."

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## **Here are some of the highlights of the overdue state budget Gov. Arnold Schwarzenegger signed Tuesday:**

### **K-12 EDUCATION**

- Provides \$58.1 billion (state and local funds) for schools, \$1.5 billion higher than in 2007-08. Provides 0.6 percent cost-of-living increase. Schools were due 5.5 percent adjustment.

Savings: \$2.9 billion

### **HIGHER EDUCATION**

- Maintains funding for University of California and California State University at 2007-08 levels, \$446 million less than the systems were due to receive based on enrollment growth and a 2004 funding compact the governor signed. To help make up the difference, UC regents previously raised fees 7.4 percent to more than \$8,000 a year, while CSU officials increased fees by 10 percent to nearly \$3,800 a year.

Savings: \$446 million

### **WELFARE**

- Eliminates cost-of-living increase this year for recipients of California Work Opportunity and Responsibility to Kids (CalWORKs). The state was due to increase monthly payments to a family of three from \$723 to \$754, but the payments will remain at \$723.

Savings: \$131 million

### **SSI/SSP**

- Maintains average monthly benefits for low-income elderly, blind and disabled residents at \$870 for individuals and \$1,524 for couples until January. The state then will pass along monthly federal cost-of-living increases of \$15 for individuals and \$23 for couples. Recipients will not receive an additional \$50 for individuals and \$93 for couples in state cost-of-living increases that they would have been paid.

Savings: \$302 million

## **MEDI-CAL**

- Cuts Medi-Cal provider rates by 10 percent but restores them in March.

Savings: \$307 million

Requires that children verify Medi-Cal eligibility every six months instead of each year. This is expected to reduce the number of children who receive Medi-Cal benefits because it poses an extra paperwork challenge for parents and ensures more accurate compliance.

Savings: \$25 million

## **PRISONS**

- Provides no money for pay increases for correctional officers. Savings: \$490 million

## **STATE EMPLOYEES**

- Maintains executive order terminating about 10,000 temporary and part-time state employees and eliminating overtime until at least next July 1.

Savings: \$340 million (including savings from late enactment of budget).

- Includes a 10 percent cut from last year's spending to most state departments. Savings: \$4 billion, including money spent on state operations and local assistance. Impact varies by department.

## **TAX POLICY**

- Accelerates tax collection from quarterly filers and those who make over \$1 million a year.

Savings: \$2.3 billion

- Suspends net operating loss deductions for businesses in tax years 2008 and 2009; makes other changes for businesses to recoup the money - and more - in future years.

Savings: \$1.3 billion

- Limits business tax credits for research and other items for two years; allows expanded write-off thereafter.

Savings: \$600 million

- Doubles penalties on companies who have not paid past tax bills of \$1 million or more.

Savings: \$1.5 billion

- Accrues income tax payments from the next fiscal year.

Savings: \$1.9 billion

## **SHIFTS AND TRANSFERS**

- Shifts public transit money from special fund to pay for transportation programs in general fund.

Savings: \$1 billion

- Borrows and transfers to general fund from special state funds.

Savings: \$855 million

- Shifts 5 percent of local redevelopment funds to schools and community colleges.

Savings: \$350 million

## **LONG-TERM BUDGET CHANGES**

- Creates rainy-day fund, initially fed by borrowing against future lottery earnings, that is designed to save money in good economic years for use in bad years.
- Allows governor limited authority to make midyear budget cuts to state operations in bad years. The vast majority of state spending, including payments to education, health and welfare programs, would be off limits.

## **LINE-ITEM VETOES**

- 73 items trimmed with the blue pencil

Savings: \$510 million Including reductions to these programs:

- Senior Citizens Renters' Tax Assistance program, which provides cash rebates to low-income elderly of up to \$347.50 each year.

Savings: \$150 million

- Tax assistance rebate program for low-income seniors who own their homes

Savings: \$41 million

- Local transit grants

Savings: \$100 million

- County administration of welfare

Savings: \$70 million

- Parole services, by encouraging alternatives to incarceration for technical violators

Savings: \$22 million

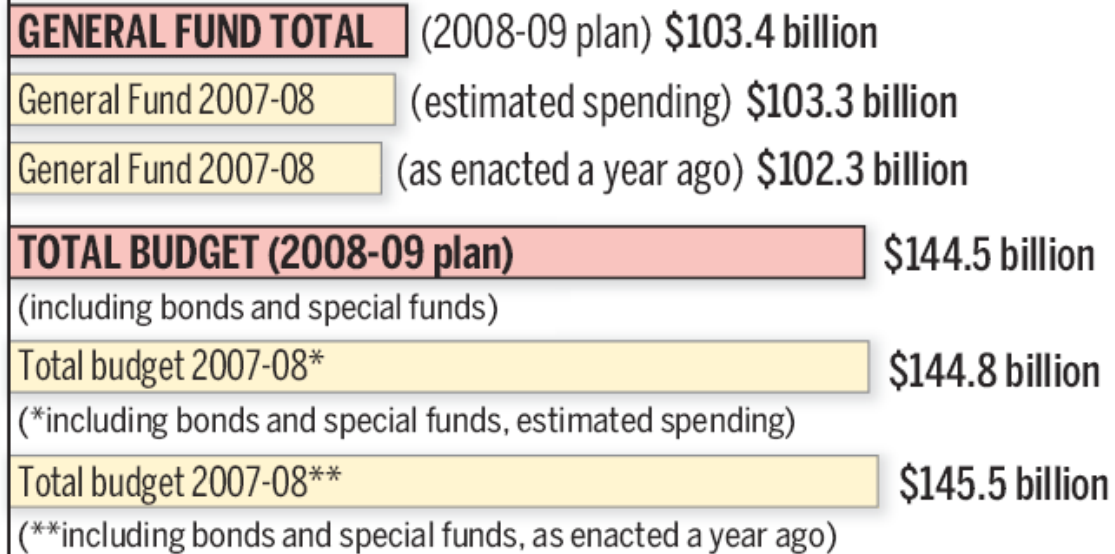
## THE NEW STATE BUDGET

How the new budget compares with the one from fiscal year 2007-08:

**BUDGET FIGURES**  
(by fiscal year)

2008-09  
2007-08

◀ CHART BASE LINE STARTS AT \$70 BILLION



Source: Bee staff research

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