

Schwarzenegger pushes for November budget solution

By Kevin Yamamura

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State lawmakers will have failed if they can't agree on how to bridge an \$11.2 billion budget gap by the end of November, Gov. Arnold Schwarzenegger said Monday.

After issuing a plan last week with spending cuts and higher taxes that Democrats and Republicans rebuked for different reasons, the governor told The Bee's editorial board he believes October's stock market crash and credit crisis and the state's desperate need for cash will force lawmakers to reach agreement.

But he did not offer a clear strategy for obtaining the required two-thirds majority vote in the Legislature, instead emphasizing his hope that the severity of the situation will force lawmakers to respond.

Schwarzenegger also met privately with legislative leaders Monday, and Assembly Speaker Karen Bass said afterward that her house plans to hold a hearing Friday to review the governor's proposal. Bass did not characterize Monday's discussion, however, and three other leaders left the meeting without addressing reporters. They plan to meet again Tuesday.

The Republican governor signed a record-late budget in September, 85 days into the fiscal year. He proposed a temporary sales tax hike this summer but was unable to obtain Republican support and has struggled for two years to find GOP backing for his budget proposals.

"It's kind of the perfect storm for people to really come together and say, you know, this is what needs to be done," Schwarzenegger said. "It's one of those special moments. And I see the special moment, but is everyone seeing the special moment? It's now up to them."

He said he sees two potential motivating factors for 34 lame-duck legislators who are termed out Nov. 30 to approve a budget plan they might not otherwise. First, he believes legislators have an inherent desire to solve "such a big problem" to show they accomplished something in their final year. But Schwarzenegger also suggested, carefully, that they may believe he will look more favorably on them once they leave office.

"There could be others that say, 'Look, I want to look for a job, and when the governor looks at my name down the line, maybe he will look at it in a more favorable way,'" Schwarzenegger said. "Not that we're doing trades or anything like that. But I mean, also that comes into play. So there's different things like that where maybe you can get a vote here or a vote there."

Senate President Pro Tem Don Perata, D-Oakland, said Friday that given Republicans' long-standing opposition to any new taxes, the best-case scenario may be that lawmakers agree to have voters decide whether to increase taxes.

Schwarzenegger rejected that idea and further said that not solving the problem by month's end would amount to failure. Perata, Assembly Republican Leader Mike Villines and other legislators have expressed doubt they will solve the entire problem this month.

"If the legislators and I cannot resolve the issue this November, then they have failed," Schwarzenegger said.

The governor said he proposed eliminating two state holidays and requiring state workers to take a monthly unpaid day of leave through June 2010 "under the auspices of everyone gets a little haircut."

"I mean, you've got to go and look at the whole inventory of different things that are available, and I thought by closing some of those holidays and by having some of those people take off one day a month, I think it could save the state some money," he said.

Schwarzenegger already has the power to unilaterally require his own aides to take the equivalent of furloughs, though he has not done so. He said he "probably" will force his own staff to take them. Communications Director Matt David said the governor plans to require aides to take a furlough or will reduce his staff.

Villines and Senate Republican Leader Dave Cogdill said last week that new taxes would cause even more harm to the struggling economy. Villines gave other leaders at Monday's meeting copies of a book by three authors, including economist Arthur Laffer, whose subtitle proclaims "higher taxes will doom the economy."