

# Massive budget deficit keeps growing, California's Senate chief says

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California faces a massive \$11.2 billion deficit this fiscal year, even higher than projected in recent weeks, Senate President Pro Tem Don Perata said Wednesday.

Without immediate intervention, the nightmare could lead to an additional \$13 billion hole in the 2009-10 fiscal year, according to Perata, citing numbers he said came from the Governor's Office.

The Oakland Democrat said the gap is so severe that it cannot be bridged by spending cuts alone. He suggested Wednesday that the state increase its vehicle license fee and tax oil extraction in California.

Perata's comments came a day before Gov. Arnold Schwarzenegger is scheduled to declare a special legislative session to address the state's budget and economy. The Republican governor is expected to propose a mix of cuts and temporary revenue increases, such as a higher sales tax.

Perata said Schwarzenegger should be responsible for convincing members of his own party to support new taxes.

"So the question will come down to, can the governor motivate his members in the Legislature to do the kinds of things we believe are going to have to get done?" Perata said.

Schwarzenegger spokesman Aaron McLearn said he could not comment until the governor releases his plan today.

But GOP lawmakers, whose support is required due to the state's two-thirds vote requirement, continue to reject new tax increases.

Senate Republican Leader Dave Cogdill called Perata's proposals "non-starters." He said that they would have a reverse effect by depressing economic activity and subsequent tax revenues. Assemblyman Roger Niello, R-Fair Oaks, vice chairman of the Assembly Budget Committee, said Republicans oppose taxes but remain open to other revenue sources, such as selling state assets.

Together, Perata's two tax proposals would generate about \$7 billion per year – though considerably less in the roughly seven months left in the current fiscal year.

Schwarzenegger reduced the state's vehicle license fee by executive order in one of his first acts after taking office in 2003. The reduction became state law in 2004, so any increase now requires a two-thirds vote of the Legislature.

Perata suggested it's not implausible that the governor would switch gears on the license fee issue.

"That was then, this is now," Perata said of the governor's decision five years ago. "Then is a lot different than now."

Schwarzenegger issued a plan Wednesday for the special session dealing with the state's foreclosure problem. He suggested a 90-day stay on foreclosure proceedings for homes involving lenders that do not offer an "aggressive" loan modification program. Other ideas include mandating that borrowers who seek "non-traditional" mortgages undergo pre-counseling interviews.

