

# Democrats plan to pass California budget plan next week

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Democratic legislative leaders vowed Wednesday that the Legislature will pass a "share the pain" plan early next week that will close the state's deficit without completely shredding California's social service safety net.

Whether it will contain a tax hike on cigarettes and a new tax on oil production, however, is problematic.

Only an hour or so before Senate President Pro Tem Darrell Steinberg, D-Sacramento, and Assembly Speaker Karen Bass, D-Los Angeles, made their early-next-week predictions, Gov. Arnold Schwarzenegger said he wouldn't sign a plan that was balanced with tax increases.

"I am very, very much against any tax increase whatsoever," the governor said. "And I'm also talking about fee increases. None of that will fly with me."

The rhetorical staking out of ground by the key figures in the current version of the state's ongoing fiscal melodrama came a day after the Legislature's joint budget conference committee adopted a plan to balance the budget for the fiscal year that starts July 1.

The plan includes about \$2 billion in new oil production and cigarette taxes to help bridge the \$24 billion budget gap, and a \$15-per-vehicle registration fee to finance the state park system.

Steinberg and Bass said the conference committee's plan was a "reasonable response" to the package of deep cuts and revenue shifts that the governor had proposed last month.

And they offered a fusillade of figures to back up their contention: About 45 percent of Schwarzenegger's proposals were completely accepted by the committee, according to Bass, and 93 percent were accepted to some degree.

The key differences are that the governor's plan cuts more deeply into education, and health and social services programs for the poor, elderly and disabled, while the Democratic plan would replace some of the cuts with revenue from the tax increases.

"The people of California and the Legislature have to ask a question," said Steinberg.

"Is it more important to not look at increasing the tax on tobacco products, vs. eliminating 900,000 kids from the health care rolls? We're not willing to do that."

But the tax idea is apparently anathema to Schwarzenegger, who met privately with Bass and Steinberg earlier in the day.

The governor reminded reporters at a gathering outside his office that the state budget adopted in February for the fiscal year that starts July 1 included more than \$12 billion in tax increases, which he supported.

"To now, four months later, come out with another tax increase is irresponsible," the Republican governor said.

GOP legislators have also consistently railed against tax hikes. Since a tax increase would take the consent of two-thirds of both legislative houses, Republican lawmakers can block passage of the tax element of any budget-balancing plan.

"I think we're moving backwards," said Assembly Republican leader Sam Blakeslee of San Luis Obispo. "We're not making progress; we're going in the wrong direction."

Bass and Steinberg seemed to be reconciled to the likelihood that the tax hike proposals would fail next week. Steinberg said that if they did, the package they sent the governor would have a reserve \$2 billion smaller than he had sought.

If the governor sticks to his insistence that the plan contain a \$4.5 billion reserve, the money lost from a failure to pass the tax increases could be made up by borrowing \$2 billion from cities and counties.

The borrowing idea, which was ratified by voters in 2004, is bitterly opposed by local governments. It was part of the governor's original proposal but was unanimously rejected by the conference committee.

Schwarzenegger has also objected to Democrats' refusal to tack an additional 5 percent salary cut onto the two days of unpaid furlough currently imposed upon state workers during the fiscal emergency.

Steinberg countered that "the governor ignores the fact, quite frankly, that there is a 10 percent pay cut already in place for state workers," a reference to the two payless furlough days Schwarzenegger ordered earlier this year.

The two leaders said they would seek GOP support for the package (although almost certainly without the tax increases) because a two-thirds approval would put the plan into effect immediately.

Simple majority votes would put the plan into place 90 days after it was signed.

They also predicted that after several more days of talks with the governor, a Legislature-approved plan would be on his desk by the middle of next week.

"We're going to surprise you all," Steinberg said.