

## Schism widens in California budget review

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The partisan schism over how to close a \$24.3 billion state budget hole widened Monday, as Republican and Democratic lawmakers found almost nothing to agree on – except to reject a plan by Gov. Arnold Schwarzenegger to borrow \$2 billion from cash-strapped cities and counties.

While a two-house conference committee began its final expedition through the governor's budget-balancing plan, Assembly Democrats were putting together a revenue-raising package that includes a tax on oil production, a plan to collect taxes from Internet sales and rescinding tax breaks given to businesses last February.

The 10-member committee agreed on a party-line vote (with majority Democrats prevailing) to a proposal by Schwarzenegger to slice general fund support of the state's park system, which could result in 80 percent of the parks closing.

But unlike the governor's plan, the Democrats proposed replacing the money with a \$15-per-vehicle license fee. Under the Democrats' plan, vehicles with California licenses would gain free admission to the state's parks.

Schwarzenegger spokesman Aaron McLear said that if individual parks proposed increasing fees to stay open, "I think we'd be for that. But involuntarily charging Californians for parks would be a tax."

The governor has said he will not support any tax increases as part of a budget-balancing plan.

The committee's partisan divide bodes ill for a speedy resolution to the budget mess, since at least parts of the package would require a two-thirds vote of both houses.

State Controller John Chiang has warned that every day past Monday that the state goes without a balanced budget will make it harder for California to borrow money from private investors, which it needs to resolve a cash flow problem it faces in the first month of the new fiscal year, which begins July 1.

"The Legislature has had the governor's proposal for over a month," said Schwarzenegger spokesman McLear, "but is nowhere near solving our \$24.3 billion deficit."

The committee did show unanimity by rejecting the governor's proposal to forcibly borrow \$2 billion from local governments. The loan, which is allowable under a 2004 ballot measure, would have to be repaid in three years.

Schwarzenegger indicated last week that he would be willing to give up the idea if legislators could find the money elsewhere, possibly by cutting foster care programs or increasing the portion of health insurance paid by state workers.

It also voted 10-0 to grab \$336.3 million earmarked for mass transit and an additional \$315.5 million in money for school bus programs to use in the general fund.

But almost none of the day's other actions showed strains of bipartisan harmony.

"If we're not prepared to make the tough decisions that are out there, we are going to be left with a lot of tough decisions down the road," warned committee member Sen. Bob Dutton, R-Rancho Cucamonga. Dutton's reference was to committee Democrats' approach to Schwarzenegger's proposal to balance the budget by making \$16 billion in cuts and \$8 billion in loans from local governments, speeding up collection of estimated income taxes, and other maneuvers.

If some of the governor's proposed cuts could be likened to using a meat cleaver, GOP lawmakers complained, the Democrats' approach was akin to cutting with a butter knife.

Where the governor proposed eliminating some state AIDS programs, saving \$80.1 million, committee Democrats, who outnumber their GOP counterparts by a 6-4 margin, voted to reduce the cuts to \$33.5 million.

The governor proposed eliminating health care for 900,000 low-income children; Democrats voted to keep the program, while cutting its \$386.8 million funding by \$70 million.

"To leave these amounts of money on the table, without an adequate substitution is just something I cannot support," said Assemblyman Roger Niello, R-Fair Oaks.

But Democrats countered that wholesale elimination of some programs was asking too high a price.

"I think it is our responsibility to prioritize," said Sen. Alan Lowenthal, D-Long Beach. "If we do not provide some resources, people will die."

Further complicating the budget dance was a package of revenue-raisers outlined Monday by the committee's chairwoman, Assemblywoman Noreen Evans, D-Santa Rosa.

It includes a 9.9 percent severance tax on oil produced in California, the only oil-producing state without such a tax.

Republicans oppose the idea, contending the state already imposes several other taxes on oil production.

"I don't think raising taxes is going to help us get out of this problem," said Assembly GOP leader Sam Blakeslee of San Luis Obispo.

Other elements in the revenue package include reversing tax breaks that were extended as part of another budget-balancing effort engineered in February. In addition, there are proposals that would seek to extend taxes to sales made via the Internet by companies outside California.

An earlier pitch to raise state taxes on tobacco has apparently been dropped.

“I can say that the budget that we will be voting for on the floor will be a balanced approach, it will be a combination of cuts and revenues,” said Assembly Speaker Karen Bass, D-Los Angeles.

As if that weren't enough, a split has developed over the size of the reserve in the almost-certain event that the economy continues to stumble or emergencies such as wildfires arise.

Schwarzenegger has proposed to set aside \$4.5 billion. Democratic legislative leaders would like to see that reduced to \$1 billion or \$2 billion.

That would decrease the deficit that needed to be erased to perhaps \$21 billion.

“Any solution that does not add up to \$24 billion,” said McLear, “is not solving the problem.”