

Gov plans deep cuts to programs, and fed help

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Gov. Arnold Schwarzenegger unveiled an \$82.9 billion spending plan for California on Friday that relies on deep cuts in health and human services, prison spending and wages for state workers, and on billions in additional federal dollars that the state's U.S. senators indicated are unlikely to be granted.

The governor declared a fiscal emergency to force the Legislature to start work quickly to solve the first \$6.6 billion of a \$20 billion shortfall faced by the state over the next 18 months. The remainder would be dealt with by June 30, as part of the regular budget process.

"I know many of these cuts are painful," the Republican governor said. "Believe me, these are the hardest decisions a government must make, yet there is simply no conceivable way to avoid more cuts and more pain."

Democrats quickly shot down most of the governor's plan, saying his cuts to services for poor, sick, disabled and elderly Californians were unacceptable.

"Many of our poor, elderly and most vulnerable people simply would not survive this budget," said state Sen. Leland Yee, D-San Francisco.

The governor also called for more than \$2 billion in cuts to K-12 spending, despite his pledge two days prior to spare public schools and community colleges from cuts.

Initial salvo

The plan is the first salvo in the Sacramento budgeting process that will last at least through the summer. Initial proposals typically change significantly by the time the Legislature passes a budget.

The governor warned that cuts to state services will be even worse if the federal government refuses to give California \$6.9 billion in additional funds he said the state is rightly owed.

Federal officials, including California Democratic Sens. Dianne Feinstein and Barbara Boxer, were cool to that idea. Without the extra federal dollars, the governor said he would completely eliminate the state's welfare-to-work program, the health insurance program for low-income children, and the in-home health support program that keeps disabled and sick people in their homes instead of nursing homes.

State Senate President Pro Tem Darrell Steinberg, D-Sacramento, reacted swiftly, saying he supports the push for more federal dollars. As for the rest of the plan, "You've got to be kidding," he said.

Other lawmakers called it a recycled version of cuts turned down by the Legislature last year. Assembly Speaker Karen Bass, D-Baldwin Vista (Los Angeles County), characterized the proposal as a "pile of denial."

Republicans generally praised the governor's plan. Republican Senate leader Dennis Hollingsworth of Murrieta (Riverside County) said, "We all understand these are tough choices."

End to furloughs

As part of his proposal, the governor said he will end employee furloughs, which have effectively cut state workers' paychecks by 14 percent, but require public workers to take a 5 percent pay cut and double their retirement contributions from 5 percent to 10 percent - so that the state can contribute fewer dollars to the pension fund. Additionally, all department heads will be charged with reducing their payrolls by another 5 percent, which may include laying off state workers to achieve that goal.

Without the federal help, Schwarzenegger said he would seek an additional 5 percent pay cut for workers.

Union leaders and advocates for the environment, transportation, health care and human services reacted angrily to the proposal, saying that plans to cut health care, social services and workers' pay will harm the state's fragile economy, despite Schwarzenegger's pledge this week to focus on job and economic growth.

"After a long and painful recession, California's middle class needs a state budget that will stimulate the economy and help rebuild California. The governor's budget proposal fails miserably on both counts," said Bill Lloyd, president of the Services Employees International Union California, which represents 700,000 workers.

Schwarzenegger pledged to spare the University of California and California State University systems, and his proposal actually increases those budgets.

"While this proposed funding would be very welcome, it doesn't solve all of our problems," said UC spokesman Steve Montiel, who warned that cuts and layoffs may still be necessary.

Prisons would be cut by \$1.2 billion, including reducing by \$811 million the money that goes for prison health care that is overseen by a federal receiver. The receiver would have to agree to that reduction. Schwarzenegger also proposed keeping some nonviolent offenders in county jails instead of sending them to state prisons.

On the revenue side, the governor proposed eliminating the gas tax, which provides as much as \$1 billion a year in transportation funds to counties, and replacing it with an excise tax that the state would keep. The goal is to sidestep an October court ruling that found that the state's \$3.6 billion raid on the gas tax fund in recent years was illegal.

He also proposed installing cameras at traffic lights that would automatically generate tickets for people who speed through intersections, which is projected to bring nearly \$338 million to the state.

Governor's budget proposals

Gov. Arnold Schwarzenegger included dozens of proposals in his budget plan Friday. Here's a look at some of them:

- A new speed enforcement program would use red-light cameras to fine drivers speeding through intersections to raise \$338 million in new revenue.
- The state would spend \$3.45 billion over 30 years to attract private companies and investors to become involved in construction and maintenance of state highways.
- State law would be changed to lay off or reassign teachers regardless of seniority and allow schools to reduce the number of instructional days by up to five through 2012-13.
- The state would introduce a 4.8 percent surcharge on all residential and commercial property insurance for fire and other state emergency response. The surcharge would generate \$478 million in 2010-11.
- The AIDS Drug Assistance Program was largely spared in the governor's latest proposal. The program will receive \$97 million, though the \$9.5 million for the ADAP program in county jails is being cut.
- UC Hastings College of the Law, which was threatened last year with a near elimination of state funding, is spared in this proposal.

Spending plans

On Friday, Gov. Arnold Schwarzenegger unveiled a spending plan that included two components: one to close a \$6.6 billion shortfall in the current fiscal year that ends June 30, and another to close a projected \$13.3 billion gap for the new year that begins on July 1. The following table shows the two plans plus California's current spending levels, which were signed into law by the governor in July. The bottom line, under the governor's proposals, is that after the shortfalls are eliminated, California's general fund spending would drop by \$1.6 billion from current levels.

Agency	2009-10 Current spending	2009-10 Proposed changes to current spending	2010-11 Proposed spending plan for next fiscal year	Change from 2009-10 (if revised)
Legislative, judicial, executive	\$1.9 billion	\$1.9 billion	\$2.8 billion	55%
State and consumer services	\$569 million	\$510 million	\$587 million	15
Business, transportation & housing	\$2.6 billion	\$2.7 billion	\$902 million	-66
Natural resources (includes parks, water and Cal Fire)	\$1.8 billion	\$1.9 billion	\$1.7 billion	-7
Environmental protection	\$73 million	\$69 million	\$68 million	-1

Health & human services	\$25 billion	\$25 billion	\$21 billion	-16
Prisons	\$8.2 billion	\$8.2 billion	\$8 billion	-2
K-12 schools and community colleges	\$35 billion	\$34.5 billion	\$36 billion	4
University of California and California State University systems	\$10.5 billion	\$10.5 billion	\$11.8 billion	12
Labor & workforce development	\$64 million	\$57 million	\$59 million	4
Non-agency departments	\$535 million	\$497 million	\$578 million	16
Local government tax relief	\$463 million	\$470 million	\$534 million	14
Statewide expenditures (reflects savings, largely from changes to state worker pay and benefits)	-\$2.2 billion	-\$202 million	-\$1.2 billion	498
Total	\$84.5 billion	\$86.1 billion	\$82.9 billion	-4%

Source: California Department of Finance

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