

## SACRAMENTO

### Lawmakers work into night on budget -- vote imminent

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A breakthrough in the three-week impasse over the state budget appeared imminent late Thursday night as leaders of the state Assembly prepared to take up a compromise \$140 billion spending plan.

The proposal was expected to go to the floor of the Assembly before midnight Thursday or very early this morning. A vote in the state Senate was also expected sometime today. The plan would leave more than \$3 billion in reserve, and pay off early about \$2.5 billion in state bond debt while still protecting most state services from deep cuts.

"We may burn the midnight oil but I plan to bring this budget to a vote tonight," said Assembly Speaker Fabian Núñez, D-Los Angeles. "Everyone in my caucus is prepared to vote for it, but there are still some last-minute details."

Expectations are that Gov. Arnold Schwarzenegger supports the proposal as currently drafted, but there were negotiations that delayed the vote Thursday night.

"I'm always an optimist and I'm hopeful that we are going to get something done," said Senate Republican Leader Dick Ackerman, R-Irvine.

The budget plan would provide more than \$50 billion for K-12 education, which includes an increase from last year of about \$2.2 billion -- or close to 4 percent.

The proposal would also spend about \$2.5 billion to pay off early bonds borrowed in 2004 to refinance the state budget deficit -- a move that will help the state's ongoing fiscal standing in the future.

Most public health programs and welfare services would be provided sufficient money to keep up with growing caseloads. There is also close to \$9 billion set aside for the escalating cost of running the state's 33 prisons that now house more than 171,000 inmates.

Because the state continues to spend more than it takes in -- and larger deficits loom on the horizon as the California economy slows -- lawmakers agreed to leave a record \$3.4 billion in reserve.

There has also been agreement on a number of spending cuts, including money for public transportation.

The agreement included diverting \$1.3 billion of gas tax money to the general fund that otherwise would go to public transportation programs. That plan has drawn sharp criticism from leaders of cities, counties and transit districts that rely on such funds for road and transit improvements, such as the retrofit of BART's Transbay Tube under San Francisco Bay.

Although both Democratic and Republican leaders in the Assembly expressed optimism that a deal could be reached soon, Senate President Pro Tem Don Perata, D-Oakland, said that he was still not sure he had an agreement from the GOP members of his house.

Perata expressed frustration after a long day of negotiating with his Republican counterparts.

"We thought we were getting pretty close but now they are throwing hostages into the room," Perata said. "We have tried to accommodate them, but these are not even rational or reasoned requests."

Ackerman said his caucus only wanted to cut spending and improve the state's fiscal outlook in the coming years.

Perata, however, accused the Republicans of trying to get new tax breaks included in the budget.

One tax credit proposal would help keep movie and television production operations in California. Some economists believe that full-time employment in the motion picture and TV businesses in the Los Angeles area stood at 132,000 during 2006, down 10 percent from the peak year of 1999.

Republicans were also looking for changes in environmental rules about housing construction.

"We've struggled to meet their demands without decimating services," Perata said. "We are not going any further."

If the budget battle deepens and California begins next week without an approved spending plan, the politics of the Capitol are likely to get much more complicated.

Schwarzenegger, who has largely allowed legislative leaders to work out their differences on the budget alone, was hoping to use momentum created by an agreement on spending to help him with a far bigger task he wants to take up -- health care reform.