

\$146b state budget drafted

Updated version helps Valley in some respects but not in others.

By E.J. Schultz / Bee Capitol Bureau
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Hamstrung by a dimming economic forecast, Gov. Schwarzenegger released an updated 2007-08 budget plan Monday that calls for selling a state agency, making cuts to welfare programs and eliminating a program designed to preserve agricultural land.

But stronger-than-expected revenues this year allowed the governor to avoid across-the-board cuts, and he even increased spending in some cases -- such as giving more aid to Valley food banks hurt by the recent freeze. He didn't find much more money, however, for another project dear to the Valley -- high-speed rail.

"We have a budget that is fiscally responsible, fully funds education, continues to pay down our debt and leaves California with a prudent reserve of \$2.2 billion -- and for a fourth year in a row, we are not raising taxes," Schwarzenegger said at a news conference.

His plan calls for \$103.7 billion in general fund spending, up slightly from what he called for in January and more than \$1 billion above this year's budget.

Revenue projections for 2007-08 fell by \$24 million from January's prediction, in part because of the housing slump, officials said. At the same time, expenditures jumped by \$624 million, mostly because of new spending mandated by the state's complicated school funding formula.

As a result, the state's net operating deficit -- basically the difference between what's coming in and what's going out -- is budgeted at \$1.4 billion. That's up from the near-zero deficit the governor predicted in January but still well below the deficit that plagued the state when Schwarzenegger took office in 2003.

Overall, the total budget, which includes special funds and bond spending, would grow from from \$131.4 billion to \$145.9 billion, under the plan.

To make up for lost tax revenue and to allow the state to pay down more debt, Schwarzenegger proposed selling a state agency that provides student loan guarantees. The sale of the agency -- known as EdFund, a private nonprofit owned by the state -- would bring in \$1 billion in one-time revenue and would not hurt access to loans, Schwarzenegger said.

The governor also proposed freezing cost-of-living increases for the aged, blind and disabled. Also, he held firm on a proposal to stop welfare payments to children whose parents aren't working enough hours to satisfy federal welfare guidelines.

Democrats immediately criticized those ideas, saying the governor was shorting the poor in favor of making early payments on the state's debt.

"The administration wants to pay off Wall Street early even if it means that kids on Main Street do without," said Assembly Speaker Fabián Núñez, D-Los Angeles.

Republicans seemed more pleased, but still criticized the plan for spending too much and not eliminating the state's operating deficit.

"We have got to get rid of that [the deficit] this year, and we can't have growth in government," said Assembly Republican Leader Mike Villines of Clovis.

All signs point to a tougher budget fight this year than last year, when a tax windfall smoothed negotiations.

The new budget year starts July 1, and the deadline to approve a budget is June 15, but lawmakers routinely miss the date. The revised spending plan released Monday will likely change substantially as it winds through the legislative process.

For the Valley, one of the most closely watched items will be how the Legislature responds to the governor's proposal to eliminate subsidies to preserve farmland. Known as the Williamson

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Budget changes

Among changes from January's budget proposal:

Eliminates program that encourages agricultural land preservation.

Accelerates Highway 99 spending to \$302 million over three years.

Gives \$4.45 million to food banks affected by the freeze.

Spends more money on anti-gang programs, including \$7 million in grants to local governments statewide.

Spends \$1.3 million more on Healthy Families children's health insurance program.

Freezes cost-of-living increases on program for aged, blind and disabled.

Increases K-12 spending by \$297.5 million, for a total \$66.6 billion.

Adds \$20 million in one-time funding for English-learner supplemental instructional materials.

Dedicates \$3.6 million more for nursing education programs on California State University campuses.

Act, the \$40 million program provides revenue to local governments that agree to give property tax breaks to landowners who agree not to develop land.

Tulare County alone gets about \$3.5 million a year from the program and would be on the hook for the money if the state steps aside, said Supervisor Connie Conway.

Some contracts with land owners have an escape clause -- allowing the county to back out if the state stops the subsidies -- but most don't, she said.

"Local government would be stuck with that until the contract expires," she said.

Valley leaders also were discouraged by the governor's high-speed rail spending plan. As proposed, trains would make stops in the Central Valley, including Fresno, as they speed up and down the state.

The governor recently championed the the project in an opinion piece he wrote for The Bee. But his budget proposes slashing funding for the High Speed Rail Authority from \$14 million to \$5.19 million. That's up from January's \$1.2 million proposal. But most of the new money -- about \$3.5 million -- would come from the Orange County Transportation Authority for planning work in Southern California.

The administration -- as the governor said in his editorial -- wants to use a public-private partnership to finance the project, instead of using only state money. Administration officials said the authority needs a viable financing plan before it gets more money. But rail supporters said the authority deserved more money now.

"It looks like the governor's budget folks don't read his op-eds, because his comments in the paper were so positive," said Sen. Dean Florez, D-Shafter.

Budget bright spots for the Valley include \$4.45 million in additional funding for food banks whose resources were depleted during the recent freeze.

The budget also seeks to accelerate spending on Highway 99 upgrades. In January, the governor proposed spending \$171 million of the \$1 billion in voter approved bond money in the next three years. Now he's looking to spend \$427 million through 2009-10.

The governor also wants to spend \$111 million on air quality projects next year from the \$1 billion made available through Proposition 1B. Spending guidelines will be left up to the Legislature and state agencies, but Valley officials hope the region -- one of the most polluted areas in the nation -- snares its fair share.

"If objective criteria are used to allocate the funds then we should do well," said Pete Weber, a civic leader who has been lobbying for the money.

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