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Budget plan goes to Schwarzenegger after Legislature's OK

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The deal is done.

The California Legislature voted early today to approve a massive budget package of tax increases, spending cuts and borrowing to close a \$40 billion deficit after granting major concessions to one holdout Republican senator.

Lawmakers had been at a five-day impasse until Gov. Arnold Schwarzenegger and legislative leaders today agreed to give Sen. Abel Maldonado, R-Santa Maria, major changes he demanded in exchange for providing a crucial 27th vote for the state budget.

The votes came after what Senate President Pro Tem Darrell Steinberg said was, at 45 1/2 hours, the single longest Senate floor session in California history.

Schwarzenegger applauded legislators as having the "courage to stand up and put the needs of Californians first."

"This is a very difficult budget, but we have turned this crisis into an opportunity to make real, lasting reforms for Californians," he said in a written statement. "Some special interests may not like this budget -- but like I always say, what's good for the people is not always good for special interests."

Sen. Dennis Hollingsworth, who ascended to the role of Senate Republican leader after Dave Cogdill was ousted early Wednesday, continued to warn Democrats this morning that the budget deal was bad for the state.

"I'm sure that after this is over, there will be lots of hugging, backslapping and congratulatory wishes that this budget is finally done," he said. "You may count this as a win

because you got a few Republicans to vote for it. The vast majority of Republicans are standing here saying raising taxes is the wrong thing to do. The taxpayers of California are going to view this as a loss."

The deal comes at a time when California was headed for fiscal calamity, already unable to pay all its bills and on the precipice today of suspending 374 construction projects that were valued at \$5.58 billion and could have affected more than 90,000 jobs statewide.

As part of Maldonado's agreement, lawmakers approved measures asking voters to approve constitutional amendments to establish an open primary system and ban legislative pay increases during deficit years. But legislative leaders refused to grant him his proposal to eliminate legislative pay altogether when the budget is late.

Leaders also agreed to Maldonado's demand to eliminate the 12-cent additional gas tax, which was estimated to bring in \$2.1 billion through June 2010, and up to a 5 percent surcharge on income tax liability. The money will be replaced with a 0.25 percent increase in the state income tax rate, federal stimulus dollars and more than \$600 million in line-item vetoes.

With the changes made Thursday, the deal totals \$15 billion in state spending reductions, \$12.8 billion in temporary tax increases, \$11.4 billion in borrowing and a \$1 billion reserve.

Steinberg said he felt a "great sense of relief" from Thursday's final vote, which ended a two-night Senate lockdown that he had warned would continue until agreement were reached.

"It's not a celebration," Steinberg said afterward. "The decisions we were called upon to make over these past couple of months were very difficult and very painful. But we stepped up, and we did it."

Schwarzenegger and legislative leaders spent most of the night trying to corral enough votes for the Maldonado plan, pushing back floor session multiple times until they believed they had sufficient support.

The Senate resumed session around 3:40 a.m. and initially hit a snag as four Democrats refused to vote for Maldonado's proposal to have an open primary system in California elections. Intended to reduce party influence in elections, the open primary system would have the top two candidates in a primary face off in the subsequent general election.

But the Senate ultimately passed that plan. Several members strongly objected to the open primary bill but voted for it anyway because they said it was even more important to avoid a cash crisis and avert the planned shutdown today of 374 construction projects valued at \$5.58 billion in the absence of a budget.

"This is not good government, this is not political reform, this is old-fashioned special interest," said Sen. Gloria Romero, as she reversed her initial 'no' vote to 'aye,' helping the open primary bill pass.

Passage of the budget package, consisting of several dozen bills, required a two-thirds majority in each house, meaning all Democrats and at least three Republicans in both the Senate and Assembly.

Besides Maldonado, GOP senators who voted for the package were Roy Ashburn of Bakersfield and Dave Cogdill of Modesto. In the Assembly, Republican leader Mike Villines of Clovis joined with Roger Niello of Fair Oaks and Anthony Adams of Hesperia to vote yes.

The wide-ranging budget deal now goes to Schwarzenegger, who is expected to sign it quickly.

Maldonado had opposed the budget until he leveraged a deal over lunch Wednesday with Schwarzenegger. Legislative leaders then spent the afternoon and night trying to convince their members to support his demands as a means to ending the budget deadlock.

"The choices were hard," Maldonado said. "Do I want to make my home state solvent? Do I want to protect education? Do I want to keep it from going off the cliff? Or do I want to continue to vote 'no' and run this state in the wrong direction? I'll tell you something, I'd like to have seen somebody else vote for this budget. And it would have been easy for me to cast a 'no' vote. But during difficult times, you need to step up to the plate."

He won one more request: elimination of \$1 million in funding for state Controller John Chiang to pay for new workstations. Maldonado said the expenditures were wasteful, but Chiang's office said the money, previously approved by lawmakers, is being spent to consolidate staff in one location and save future costs.

Sen. Lou Correa, a Santa Ana Democrat who ran against tax increases in 2006, voted yes Thursday after a provision was inserted days ago that will give Orange County an additional \$35 million annually in tax revenue.

"Today I could just vote no, but I also think that when I took the oath to be a senator, I was elected to make the hard decisions," he said. "And in these difficult times, I believe it is my responsibility to ensure the health and welfare and well-being of my constituents."

Ashburn, who pushed into the package a provision to give a tax credit to buyers of new homes, said he separated partisan politics from governmental responsibilities in bucking most of his Republican colleagues to vote yes.

"When you took that oath, you transcended, you moved from politics to government," Ashburn said. "For my Republican colleagues who vote no, you know this deficit cannot be solved with cuts alone."

Republican Assemblyman Niello said he supported the package only after the GOP was successful in adding numerous reforms, including provisions to streamline the permit process for transportation projects, provide school districts with more discretion in spending, and a ballot measure to restrain state spending in future years.

"In negotiation, there are gives and there are takes," Niello said in a written statement. "In order for Democrats to support or even consider reforms of this magnitude it was necessary for Republicans to agree to temporary tax increases."

Niello added that the state simply could not afford continued delay in bridging its massive budget gap.

"The consequences of not agreeing to a budget now were too severe and simply not an

option," he said.

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