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Schwarzenegger signs record-late state budget

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Gov. Arnold Schwarzenegger signed a \$103.4 billion general-fund spending plan Tuesday in his office with little fanfare, officially ending the state's longest-ever budget delay at 85 days.

The Republican governor vetoed \$510 million in line-item expenditures. Schwarzenegger's signature ensures the state will begin paying nursing homes, community colleges and state vendors for services. It remains unclear when the state will begin rehiring the 10,000 temporary and part-time workers Schwarzenegger terminated July 31.

"While California is certain to face a difficult budget situation again next year, this budget does not take money out of people's paychecks or borrow from voter-approved local government or transportation funds, and it includes real budget reform with teeth," Schwarzenegger said in a statement.

The Legislature resolved a \$15.2 billion shortfall last week with a mix of spending cuts, internal borrowing and accounting maneuvers. Low-income elderly, blind and disabled, as well as welfare recipients, will receive no state cost-of-living increases. The state will demand that wealthy residents and quarterly income tax filers, such as self-employed individuals, pay more taxes in the first half of the next year and less in the second half.

Unless the economy dramatically improves, California stands to face another multibillion-dollar budget gap next year, fiscal analysts believe. Lawmakers will ask voters to expand the California Lottery in a special election next year, hoping to obtain a \$5 billion advance from Wall Street investors in exchange for future lottery revenues to reduce next year's debt.

Schwarzenegger won concessions last week from lawmakers to strengthen the state's rainy-day fund starting in 2010 when he threatened to veto the first budget package lawmakers sent him.

Democratic and Republican lawmakers sparred for months in the longest standoff in state history. Majority-party Democrats and Schwarzenegger sought tax increases in addition to spending cuts to close the gap, but Republican lawmakers, whose votes were necessary to meet the state's two-thirds budget vote requirement, blocked those proposals.

Unlike previous years, Schwarzenegger signed the budget without legislative leaders and without a ceremony in the Capitol rotunda.

The state's \$103.4 billion general fund budget represents a slight increase of \$68 million over last year's \$103.3 billion spending.

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