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HEADLINE: State Senate Leaders Agree On Budget Plan Roberti, Maddy combine \$ 13 billion in revenues, \$ 17 billion in cuts

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DATELINE: Sacramento

BODY:

The Republican and Democratic leaders of the Senate agreed to a compromise yesterday that would solve the state's \$ 3.6 billion revenue shortage by slashing spending more than \$ 1.7 billion and increasing revenues \$ 1.3 billion.

Although the plan falls short of erasing the entire revenue gap and gives the state only \$ 700 million in emergency reserves, it allows Governor Deukmejian the freedom to cut an additional \$ 600 million from the budget to bring the reserve up to the \$ 1.3 billion that he demands.

The package could be voted on by the full Senate today, depending on how Deukmejian reacts to it at a private meeting slated for this morning with legislative leaders. So far, Deukmejian has said publicly that he would support no tax increases.

The Assembly passed its budget bill on June 18, and lawmakers from both houses would have to approve a final version.

Senators were not entirely pleased with the plan when it was presented informally late yesterday afternoon by Senate Republican leader Ken Maddy of Fresno and Senate President Pro Tem David Roberti, D-Los Angeles.

"There are several members of my caucus who will never vote for a revenue increase," said Maddy. "And if you satisfy the ones who don't like the cuts, the only way you can do that is raise revenue, which makes it harder (to convince) the other ones."

But, he added, "Senator Roberti and I have made as much progress as we can make."

Roberti said his fellow Democrats reacted with "depression . . . outrage and a certain degree of resignation."

REACTION FEARED

Neither Maddy nor Roberti released details of the plan, fearing outrage by groups affected by the cuts or tax increases. "Every time you introduce a cut or spending increase, that special interest rallies," Maddy said.

But a copy of the plan obtained by The Chronicle showed that nearly half the proposed revenue increases -- \$ 623 million -- come from changing state tax law to conform with changes made in federal law in 1987 and 1989. Most of the loopholes closed would affect businesses.

University of California and California State University students can also expect substantial increases in tuition and fees. Students who live in California would see their fees jump \$ 148 at UC and \$ 72 at CSU. A \$ 500 increase is slated for out-of-state students.

An additional \$ 207 million is raised by eliminating sales tax exemptions for newspapers, magazines, movie leases and candy. Fees at state parks would also rise.

Many of the cost savings in the plan would be won at the expense of counties, people on welfare and the aged, blind and disabled. Nearly 3 million people who receive either welfare or supplemental money from the state would see no increase in their checks, for savings to the state of \$ 259 million.

The state's workfare program would be frozen at its current level -- a savings of at least \$ 95 million. There would be no increase in state payments to counties to help pay for health care services and money to cover the costs of treating people who cannot pay for care would drop by \$ 25 million.

Counties would also have to wait to be paid back from the state until the next fiscal year for a variety of programs the state orders them to provide. That saves the state \$ 99 million.

TRIAL COURT COSTS

State support for county trial court costs would be cut by \$ 60.7 million. Payments to counties, originally intended to increase by \$ 21 million to \$ 455 million, instead would be cut by \$ 40 million.

Throughout the rest of state government, a smorgasbord of programs face either extinction or cuts. The California Postsecondary Education Commission would be eliminated. The Maritime Academy would be paid for by fees from the maritime industry only. About \$ 26 million in grants to local governments by the Office of Criminal Justice Planning would end. Money for the California Arts Council would be whacked by \$ 15 million.

"Cuts are necessary," said Roberti. "It's not as if I'm coming up with these because I love them."

The budget compromise came as the state finished its ninth day of the new fiscal year without a budget. Without a spending plan, many state programs can operate only another week.

Counties must mail out welfare checks on July 15, the same date that some 4,500 state workers are also supposed to receive their paychecks.

Yesterday, Deukmejian acted to pay off about \$ 95 million in debts from the past fiscal year in overdue Medi-Cal payments to nursing homes, pharmacies, hospitals and doctors who have not received state money since the end of May.

The governor signed emergency legislation that authorized the state to send about 70,000 checks totaling \$ 115 million, according to state Controller Gray Davis. Davis said his staff worked during the weekend to prepare the checks after being alerted that Deukmejian would sign the measure.

Medi-Cal, the state's health program for the poor, ran out of money in June, forcing the state to cancel payments to health care providers. Several centers for the disabled threatened last week to close their doors unless the checks come before July 15.

CHART:

KEY TAX AND FEE INCREASES IN THE SENATE PLAN

FEES

| | |
|--|----------------|
| Employers' workers compensation payments | \$20 million |
| Taxes on pesticide sales | \$25 million |
| State park fees | \$16 million |
| UC & CSU resident student fees | \$21.7 million |

TAXES

| | |
|---|---------------|
| Implement 1987 and 1989 federal tax law changes | \$623 million |
| Withhold taxes from independent contractors | \$220 million |
| Out-of-state vehicle fee (\$300 per vehicle) | \$100 million |
| Repeal of sales tax exemptions | \$207 million |

FREEZES

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|---------------------------------------|----------------|
| Welfare payment | \$114 million |
| Payments to the aged, blind, disabled | \$145 million |
| General county health programs | \$21.4 million |

CUTS

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|--|----------------|
| State money for trial courts | \$60.7 million |
| State workfare program | \$95 million |
| Legal defense of poor people | \$13 million |
| Criminal justice grants to local governments | \$26 million |
| California Arts Council | \$15 million |
| Prisons | \$62 million |
| Reductions in all state programs | \$143 million |