

latimes.com/news/local/la-me-0617-state-budget-20110617,0,3173253.story

latimes.com

Gov. Jerry Brown vetoes 'unbalanced' state budget

The governor says the spending plan approved by Democratic lawmakers 'contains legally questionable maneuvers, costly borrowing and unrealistic savings.' He blames Republicans for the Legislature's failure to forge an acceptable plan.

By Shane Goldmacher and Anthony York, Los Angeles Times

June 17, 2011

Reporting from Sacramento and Los Angeles -- Gov. Jerry Brown issued a historic veto of the budget approved by Democratic lawmakers hours after they passed it, opening wide a rift within his own party and throwing the state's financial future into limbo.

The Democrats had pushed through the spending plan Wednesday, relying heavily on crafty accounting to patch over the state's deficit, after the governor's talks with Republicans on a tax package faltered. On Thursday morning, Brown called the budget "unbalanced."

"It continues big deficits for years to come and adds billions of dollars of new debt," the governor wrote in his veto message.

He blamed Republicans for the Legislature's failure to forge a plan acceptable to him. Nevertheless, he said, he would not sign the Democrats' package because it "contains legally questionable maneuvers, costly borrowing and unrealistic savings."

Democratic lawmakers had knowingly flirted with the possibility of a veto by stuffing their plan

Advertisement

The advertisement is for JCPenney's Father's Day promotion. It features the JCPenney logo at the top left. Below it, the text "[FATHER'S DAY IS JUNE 19TH]" is displayed. The word "DAD" is written in large, bold, white letters with a tie graphic integrated into the letter 'A'. To the right of this, the words "night & day doorbusters" are written in a stylized font. Below this, the schedule "3pm-close friday" and "9am-1pm saturday" is listed. At the bottom, three "jcpCASH" offers are shown: "\$20 off \$100 or more", "\$15 off \$75 or more", and "\$10 off \$50 or more". A button at the bottom center says "view today's ad".

with the very things that Brown promised he would never sign, such as higher taxes without voter approval and accounting sleight-of-hand.

For example, they would have raised local sales taxes, the legality of which Brown questioned. "I don't think we can do that," he said.

The package also would have revived the sale of state buildings that Brown abandoned months ago as too costly. "We're not going to sell buildings," the governor said.

And he dismissed the proposed delay in paying some school bills, saying such a move would only add "to our wall of debt."

But legislative leaders, who responded swiftly and angrily to Brown's move, said the budget they passed was the best option, given the governor's failure to persuade Republicans to support his tax plan.

"The fact is the governor didn't deliver on the votes," said Assembly Speaker John A. Pérez (D-Los Angeles).

No California governor has vetoed a spending plan since 1901, as far back as records go, according to the Assembly's chief clerk, Dotson Wilson. Past governors, including Arnold Schwarzenegger in 2008, have nixed legislation to amend budgets already enacted.

"We are deeply dismayed," said Senate President Pro Tem Darrell Steinberg (D-Sacramento). "The governor, I think, is ... a little bit confused between total victory ... and progress."

It is not clear what's next for California, where prolonged and bitter budget wars have made headlines around the world and plunged the state's credit rating to the lowest in the nation.

The governor called on Republicans to return to the negotiating table, where he has been trying to gain their support for a referendum on taxes this fall. Brown wants GOP lawmakers to extend expiring vehicle and sales taxes until an election can be held — a key sticking point on which neither side has compromised.

The new fiscal year begins July 1.

"Every day between now and the end of the month, I will do everything I can to give the people a chance to vote," Brown said in an interview, shortly after touching down on a flight from Sacramento to Los Angeles.

He offered a grim picture of "more destructive cuts to schools and public safety" if talks — which have been frozen for a week — fail. That would be, his veto message said, "a tragedy for which Republicans will bear full responsibility."

California still faces a roughly \$10-billion hole in its nearly \$90-billion general fund budget.

Brown commended Democratic lawmakers for cutbacks they made in March, such as the difficult reductions they made in the state's universities and in programs for the poor. Those cuts helped shrink what began as more than a \$25-billion shortfall in January.

A group of four Republicans who have been negotiating with Brown — Sens. Tom Berryhill of Modesto, Anthony Cannella of Ceres, Bill Emmerson of Hemet and Tom Harman of Huntington Beach — praised the governor for doing "the right thing by vetoing the Democrats' sham budget."

But the Republicans blamed Democrats for the lack of a viable budget. They said the majority party has refused to make the changes to state pension, regulatory and spending policies that the GOP is demanding in exchange for supporting a tax election.

"Let the people vote on the reforms that would end our state's chronic budget deficits and put Californians back to work," the Republicans said. "... Let's get this done."

The Democratic leaders were skeptical that such a deal could be struck in the next two weeks.

It is unclear whether the vetoed budget will preserve lawmakers' paychecks under a new law requiring them to pass a spending plan by June 15. Democratic State Controller John Chiang, who issues legislators' checks, said he is studying the matter.

A spokesman for Democratic state Treasurer Bill Lockyer said the Democrats' plan would not have been likely to satisfy Wall Street, which regularly provides the billions of dollars in short-term loans necessary for California to pay all its bills within the fiscal year.

The spending plan also could have faced legal challenges.

Although Republican support is typically needed for taxes, Democrats found ways to raise fees and levies without the GOP. A provision to force online retailers to collect state sales tax, for instance, is already on the books but is unenforced. The Democrats would have changed that. Car registration fees would have risen by \$12.

"How is this stuff legal?" Jon Coupal, president of the Howard Jarvis Taxpayers Assn., wrote on Twitter as the voting commenced this week. "Hi Ho, Hi Ho, it's off to court we go."

Because the budget package is split into multiple pieces of legislation, some portions, such as the online sales tax enforcement or an effort to dissolve the state's redevelopment program, could be signed into law separately.

Brown announced Thursday only that he vetoed the two main budget bills and suggested he was open to enforcing online sales taxes, calling that "a common-sense idea."

Thad Kousser, a professor of political science at UC San Diego, suggested that Brown's veto was essential to maintaining his authority in future talks.

"Once you show that you cave in one negotiation," he said, "you may have to cave in all future negotiations."

shane.goldmacher@latimes.com

anthony.york@latimes.com

Times staff writers Jack Dolan and Michael J. Mishak contributed to this report.

Copyright © 2011, [Los Angeles Times](#)