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Schwarzenegger, Legislators reach small budget deal

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Responding to a demand by Gov. Arnold Schwarzenegger, state lawmakers Monday sent him bills establishing another homebuyer tax credit and a sales tax exemption for environmental technology firms, satisfying him enough to win his signature on a transportation funding bill.

Schwarzenegger last week threatened to veto a Democratic gas-tax maneuver that would save the state \$1.1 billion as it tries to close a nearly \$20 billion deficit. The proposal was similar to a gas-tax swap Schwarzenegger first proposed in January, but the Democratic version provided ongoing funding for transit programs.

The Republican governor, in a letter, vowed to veto the gas-tax proposal in part because he said lawmakers had not sent him the job creation bills he wanted.

Lawmakers agreed to send him two of the three bills he demanded. They sent him a tax credit of up to \$10,000 for first-time homebuyers to purchase existing homes and other homebuyers to purchase new homes. They also sent him a sales tax exemption on the purchase of manufacturing equipment by environmental technology firms, which lawmakers and Schwarzenegger hope will attract more companies to California.

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