

Official says Calif. could be broke in 2 months

SACRAMENTO— A California official is warning that the state will run out of money in about two months unless a budget deal is struck.



State Controller John Chiang said Monday that his office could be forced to defer billions of dollars in payments or issue IOUs. He says the instability of the banking industry has made borrowing money to bridge the gap an uncertain possibility.

Gov. Arnold Schwarzenegger is raising hopes of a budget deal this week. He says he wants to work with Democratic leaders to close a \$42 billion shortfall projected through mid-2010. Schwarzenegger says he and lawmakers are making progress on an \$18 billion proposal that was passed without Republican support. (AP)

Winter visits with a vengeance from East to West

by POLLY ANDERSON
AP Writer

THE weather outside was frightful from Portland, Maine, to Portland, Ore., on December 22, with last-minute holiday shoppers shivering and stranded travelers hoping for the best as Christmas rapidly approached.

The little town of Eustis, Maine, got nearly 3 1/2 feet of snow. In Marysville, Wash., north of Seattle, heavy snow collapsed part of the roof December 22 at the Whitley Evergreen factory, which makes modular buildings. No one was injured, but inspectors were dispatched to make sure other buildings in the business park were safe.

The 14.5-inch snowfall December 21 in Portland, Maine, surpassed the old record for Dec. 21 of 12.4 inches, set in 1933. On the other side of the country, a total of 11 to 13 inches in Portland, Ore., was the biggest snowfall since January 1980. Depending on how much more fell Monday as the snow trailed off, the storm could rank as one of the city's 10 worst on record.

"It is amazing," said Dave Thompson, spokesman for the Oregon Department of Transportation. "You say to yourself: 'That's Portland?' The roads are snowpacked, covered with ice and it's freezing rain."

Kim Osgood, who owns Paloma Clothing in the Hillsdale Shopping Center in southwest Portland, served hot cocoa on December 21 and gave away \$24 crampons — foot gear for ice and snow climbs — to anyone spending \$50 in her store.

"This is the worst Christmas I have ever seen in 33 years," Osgood said. "The good news here is for shoppers. If they can get out, they'll get amazing bargains."

Temperatures in Chicago — hard hit over the weekend with sub-zero readings as winter officially began — were up to the single digits December 22.

Snowfall was relatively scant in the Midwest and East, but high winds whipped up snow along roadways and, along with ice, made driving hazardous for holiday travelers.

In western New York, a 134-mile stretch of the state Thruway between Rochester and Pennsylvania was closed for six hours overnight because of blowing snow. In Pittsburgh, schools were initially to open two hours late but were closed for the day instead because of below-zero wind chills.

For the mid-Atlantic states, the storm took the form of weekend snow and rain — followed by a cold snap early December 22. High winds overnight cut off power to 13,000 homes and businesses in Maryland. Baltimore Gas & Electric said on its Web site that all but 1,200 had service restored by midafternoon.

Kelly Dagostino of Texarkana, Ark., was visiting New York for the first time and bundled up December 22 so the cold wouldn't keep her from her plans.

The big snowfall in Maine was the result of a nor'easter. Before the storm even arrived, the National Weather Service issued a rare blizzard warning for eastern and northern Maine. Brooklin, on the coast, recorded a gust of 59 mph.

The town of Eustis in western Maine received a whopping 41.8 inches of snow by the morning of December 22. Eric Schwibs from the National Weather Service called it "the sweet spot of the storm."

For residents, however, it wasn't so sweet.

"It's beautiful, but it's a little crazy," said Linda Shane, who had to call for help when the snow jammed her car doors shut as she tried to get out of her driveway. Finally at her job at Camden National Bank, she looked out the window and said: "You can't see the gas station across the street."

In New Hampshire, the deep snow added to the misery for nearly 11,000 customers still in the dark from an ice storm more than a week earlier.

Nearly 40,000 customers remain without power across northern Indiana because of an ice storm last week. There were also more than 7,000 customers still out in Illinois on December 22 and about 5,000 in northwest Ohio.

In the Seattle area, the city remained largely snowbound December 22. Limited service resumed at Sea-Tac Airport, but thousands of people were stranded because of all the flight cancellations over the weekend.

There were long, snaking lines at virtually every ticket counter at the airport December 22 morning. Some travelers said they had spent 12 hours waiting for a ticket agent, taking turns sleeping while others held their places in line. The baggage claim area was littered with mounds of unclaimed luggage 6 and 7 feet high.

Hundreds of travelers were marooned even in Los Angeles, where the line to rebook Alaska Airlines flights to the Pacific Northwest stretched out the door.

But some people were able to take advantage of the storm. Toting a snow shovel as he stopped for coffee early December 22 in Seattle, Ralph Goldman, said he and two fellow handymen were going from business to business offering to shovel snow and finding no end of takers.

"It's good. I can't complain," Goldman said. "I wanted the snow so much. It keeps me happy." ■

Shoppers haggle for deals from desperate retailers

by LAUREN SHEPHERD
AP Business Writer

NEW YORK —If you're looking for an extra bargain before the holidays, you may only have to ask. With holiday sales shaping up to be the lowest in years, possibly the worst since the industry began annual comparisons in 1969, retailers say they're taking consumers' demands for good deals seriously. Some are extending return policies, while others are matching competitors' prices. Many are volunteering on-the-spot discounts and even letting customers haggle prices well down from what's marked in a desperate bid to make the cash register ring.

"You'd have to be a moron not to ask for a discount," said Stephen Hoch, a retailing expert at the Wharton School at the University of Pennsylvania.

More and more consumers are doing just that, treating a trip to the mall like a visit to the used car lot.

Allen Chen, a part-time cashier at a J. Crew store in White Plains, NY, said shoppers with two-month-old receipts are asking for partial refunds for items now on sale. Normally, the store's policy is to refund the difference between an item's purchase price and a later sale price only if it goes on sale within seven days of the purchase.

"When I tell them it is past the seven-day policy, they tell me that they will just return it and re-buy it" at the sale price, he said, adding that his store managers are now allowing customers to do so most of the time.

Shoppers are also being far more savvy about asking retailers to match a competitor's lower price.

While shopping for Blu-ray discs at a Los Angeles Best Buy, Luis Levy used his cell phone to check the price at nearby competitors. Each disc was \$10 cheaper at Circuit City or Wal-Mart. Best Buy matched the lower prices.

Diana Thang, manager of Grace Jewelers near San Francisco's Union Square, said she and her staff are bargaining more than she ever has in two-plus decades in the business. But it's not working wonders.

"They have a budget," Thang said of most customers this season. "We give a low, low price and



Shoppers converge at the Hillsdale Shopping Center in San Mateo, Calif., Sunday, Dec. 21, 2008.

AP Photo by Marcio Jose Sanchez

they still can't accept it. They're looking at more than \$1,000 stuff, and they want to spend \$200 or \$300."

With sales slow at virtually all retailers, experts say customers now have the upper hand. And even some who don't explicitly ask for a discount or price-match are pressing for better deals.

Jill duPont the owner of a small women's clothing and accessories boutique called Out of the Box in Greenwich, Conn., said she's felt some pressure to mark her prices down to be competitive with others.

"Customers aren't shy about telling us 'what a good price' they found somewhere else," she said.

For some retailers, desperation is setting in. The new year brings new inventory, so retailers typically try to clear out the old stock by year's end. Stores are increasingly willing to do whatever they can to get rid of merchandise — even offering discounts on the spot.

Erica Pearson, a 31-year-old Brooklyn, N.Y., resident, was debating which pair of Camper shoes to buy at a Saga Shoes store in Manhattan when a salesman offered her a deal if she bought both.

"The manager asked me what I wanted to pay for both of them," Pearson said. She wound up getting about \$40 off the total and paying no sales tax.

At cosmetics counters, the situ-

ation varies, said Ehtisham Khan, who asked that the major retailer where he works in San Francisco not be named. The biggest-name vendors aren't bargaining; some aren't even offering specials for big spenders. But smaller makeup and perfume companies are piling on the freebies, he said, and it's driving sales.

"You give them an extra travel size or a couple fragrance samples, and they'll buy an extra item rather than wait until later," he said.

Of course, not every retailer is willing to haggle.

Adam Lippes, the owner of a two-store high-end contemporary clothing chain called ADAM, said he's offering bigger sales this year at his location in Manhattan's trendy Meatpacking district to cater to more budget-conscious shoppers. But he has had to retrain his sales staff to explain to shoppers why a garment shouldn't be sold for still less.

"The sales staff has to understand the clothes," he said. "It's more work."

He recently talked a customer out of demanding \$200 off a \$450 dress that was already discounted 25 percent by explaining that it was made with high-quality Italian fabric and manufactured in New York.

Other retailers are giving consumers more wiggle room for returns instead of haggling over prices.

Even Circuit City Inc., which has filed for Chapter 11 bankruptcy protection, has extended its holiday return deadline to Jan. 31, said spokesman Jim Babb. The chain previously required items like cameras and computers to be returned by Jan. 8 and others by Jan. 25.

If the International Council of Shopping Centers' prediction for this season's sales comes true, it would be the weakest season since the index of same-store sales started in 1969. The group expects same-store sales, or sales at stores open at least a year, to be down 1 percent in November and December—maybe more—compared with last year.

Even massive discounts on Black Friday—the day after Thanksgiving, historically the point when retailers began to turn a profit — didn't do much to help boost sales.

"Retailers have pulled every single trick out of their quiver of arrows that has worked in the past and what they're seeing this year is that it's just not working," said Hoch, the Wharton expert.

DuPont said her normal return policy "became history" about a month ago after her customers begged to be able to return their normally nonreturnable sale purchases after Christmas.

"We caved in, reluctant to turn away business," she said. "We're not looking forward to what Dec. 26 brings." ■

No to utility rate increase

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"One out of five houses in California cannot pay their utilities on time," said Kang during the hearing. "We are expecting these numbers to be exponentially higher next year. We are in a great depression, especially in the underserved communities."

Faith Bautista, Executive Director of Mabuhay Alliance, Inc., a San Diego-based Filipino non-profit organization said, "Many small businesses are closing down because they cannot get credit. It's sad, but it's out there. The commission should listen to the people you are serving. Be sympathetic, do the right thing."

Jose Pecho, Region 8 Chair for the National Federation of Filipino American Associations (NaFFAA) expressed his sentiments to the commission. "These are unprecedented times that need unprecedented actions. We are all here to say, 'no rate increase.'"

Representatives from the Hispanic, African American and other Asian communities also testified, as well as the Fil-

ipino veterans, represented by Rudy Ascercion. But probably the most interesting testimony of all came from NaFFAA Chair Greg Macabenta, when he used Filipino boxing champ Manny Pacquiao as an analogy to what ratepayers are facing.

"Pacquiao stopped the fight at the eighth round because he saw that Dela Hoya has been beaten down," he said and added, "You do not beat a man who is down. It's cruel and inhuman to allow a rate increase."

Being heard loud and clear
After the hearing, the group rallied in front of the CPUC building. Orson Aguilar, Executive Director of Greenlining

believes the morning has gotten their message across the commission.

"I think they got the message loud and clear—and more," he said and added, "But we should go to public utility companies to show the issue." Aguilar explained that every household will be affected in the rate increase, and has to take action. "Every time you pay for your utility bill, you can write on the back of the check, 'Don't raise my rate, cut your salaries first,'" referring to the millions of dollars a year in compensation utility CEOs receive.

Bautista also believes that ratepayers should take action.

"Bombard the CPUC and your utility companies with calls, e-mails or fax. They will get the message."

Greenlining believes that the simplest solution to the issue is to institute a temporary moratorium on rate increases until the economy reaches full recovery. Another solution is to only allow rate increases that are directed at ensuring energy efficiency for very small businesses and low/moderate-income families. This, they say, could save average families a thousand dollars or more a year. (With interviews by Joseph Peralta)

Cory to Erap: Sorry, EDSA II a mistake

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"Today, I give JDV my full and absolute pardon. This is my exercise of executive privilege," he said, urging the former Speaker to write maybe a second or third book. "I hope you will not hold back so that you can be called a man of conviction."

Among the other VIPs who dropped by were former Vice President Teofisto Guingona and former Senate Presidents Ernestina Maceda and Franklin Drilon.

No offer made

Estrada denied recently that he had asked Sen. Loren Legarda to

be his running mate in the 2010 presidential elections.

Estrada was reacting to a statement of Legarda that she is rejecting an Erap-Loren tandem for 2010.

"I have not even declared that I will run for president, how can I say that I will run with Loren as my running mate?" Estrada said.

Another paper had quoted Estrada as saying during the Christmas party hosted by his son, Sen. Jose Jinggo Estrada, that he would pick Legarda as his running mate should he de-

cide to run for president.

Estrada clarified that he only said that Legarda would make a good vice president, but he did not say that she would be his running mate.

"There is no doubt that Sen. Legarda has the qualifications to be not only a good vice president but even a good president. Who knows, if she tops the surveys and if she maintains her performance as a top senator, I might even endorse her for president in 2010. But I never said she would be my running mate," Estrada said. ■

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