

California faces its day of fiscal reckoning

by NANCY BENAC & TREVOR TOMPSON
AP Writers

SACRAMENTO—The day of reckoning that California has been warned about for years has arrived. The longest recession in generations and the defeat this week of a package of budget-balancing ballot measures are expected to lead to state spending cuts so deep and so painful that they could rewrite the social contract between California and its citizens. They

could also force a fundamental rethinking of the proper role of government in the Golden State. "The voters are getting what they asked for, but I'm not sure at the end of the day they're going to like what they asked for," said Jim Earp, executive director of the California Alliance for Jobs, which represents the hard-hit construction industry. "I think we've crossed a threshold in

many ways." California is looking at a budget deficit projected at more than \$24 billion when the new fiscal year starts in July. That is more than one-quarter of the state's general fund. This week, voters said they no longer want the Legislature to balance budgets with higher taxes, complicated transfer schemes or borrowing that pushes Califor-

nia's financial problems off into the distant future. In light of that, Republican Gov. Arnold Schwarzenegger has made it clear he intends to close the gap almost entirely through drastic spending cuts. The governor's cutbacks could include ending the state's main welfare program for the poor, eliminating health coverage for about 1.5 million poor

children, halting cash grants for about 77,000 college students, shortening the school year by seven days, laying off thousands of state workers and teachers, slashing money for state parks and releasing thousands of prisoners before their sentences are finished. He also has advocated selling state assets to raise cash, including the Los Angeles Memorial

Coliseum and San Quentin State Prison. The Democrats who control the Legislature do not want major spending cuts, but so far they don't have a plan for closing the deficit. And if their solution is higher taxes and more borrowing, they will probably not have enough Republican votes to get the two-thirds approval needed for passage. ■



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