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Plan to Close California's Budget Deficit

By JENNIFER STEINHAUER

LOS ANGELES — Gov. Arnold Schwarzenegger took his first shot at closing California's impending $20 billion budget gap on Friday, proposing large-scale pay cuts for state workers, the elimination of several social service programs and a plan to press the federal government for more money.

The suggested cuts — which were met with resistance from lawmakers, with whom he must negotiate a final budget — come on the heels of tens of billions of dollars in cuts and tax increases over the last budget cycle.

"I know many of these cuts are painful," Mr. Schwarzenegger said at a news conference in Sacramento. "Believe me, these are the hardest decisions a governor has to make. Yet there is simply no conceivable way to avoid more cuts and more pain."

Much of the state's money must be spent on mandates required by Washington and state ballot initiatives, and the economy continues to be sluggish. As a result, the governor, short on solutions, took aim at entire programs and wholesale spending areas, rather than seizing on across-the-board trims, the usual method of cutting.

For instance, Mr. Schwarzenegger chose not to cut financing for public universities, but has proposed eliminating the state's $1 billion welfare program for families with children, ending a $126 million health insurance program for children, reducing the state's Medicaid eligibility to the minimum to save over $500 million, and ending the state's network of subsidized home health care providers for the poor.

The state might avert the worst of such a scenario, the governor suggested, if the federal government comes up with $6.9 billion that he claims it is owed, either through fixing accounting errors and shortchanging, or through the rejiggering of federal formulas to benefit the state.

"We are not looking for a bailout," Mr. Schwarzenegger said. "Just federal fairness."

Leaders in states that generate large amounts for the federal coffers, like California and New York, often complain bitterly about what they get back, generally to little avail.

Mr. Schwarzenegger also proposed ending the furloughs for state workers, which were begun last year by the administration and were overturned in part in court battles waged by some unions. In their place, the governor said that he would like to see 5 percent pay reductions across the board, and that he wanted state employees to contribute an additional 5 percent toward their retirement costs.

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The plan did not call for tax increases on residents, but did call for a 4.8 percent surcharge on residential and commercial property insurance to pay for fire protection. And a proposal to pay for state parks, which narrowly avoid sweeping closings this year, would reintroduce a plan for oil drilling off Santa Barbara.

Lawmakers reacted skeptically to some of the ideas.

"Essentially threatening the federal government — I don't think that is the appropriate way to go about things," Karen Bass, the Assembly speaker, said in an interview. "We certainly concur with the depth of the problem. What we would rather do instead is tell an agency to figure out how to achieve the savings."

The governor on Friday declared a fiscal emergency and called the Legislature into a special session to deal with the roughly $6.6 billion in shortfalls in the current fiscal year.

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