

THURSDAY, AUGUST 2, 2007

National Report

The New York Times

California Struggles to End Budget Deadlock

By JENNIFER STEINHAUER

LOS ANGELES, Aug. 1 — California lawmakers scrambled Wednesday to end a deadlock over the state's overdue budget, as \$1 billion in payments to hospitals, nursing homes, colleges and dozens of state suppliers ground to a halt.

"This budget is long overdue, and it's now causing a disruption to some state services," said Adam Mendelsohn, the communications director for Gov. Arnold Schwarzenegger. "It's time to get this done."

A \$145 billion budget, due on June 15, was approved by the State Assembly on July 20, but it has languished in the Senate, where Republican lawmakers are holding out for cuts that would render the document without deficits. The Senate was meeting again Wednesday night in an effort to break the impasse.

Democrats, who control both houses, have been unwilling to make cuts to some programs that serve the poor, like Medi-Cal, the state's Medicaid program. They have also opposed a proposed \$300 million trim to an entitlement program for children that Republicans would like to see tightened for families that do not comply with certain requirements.

Republicans, led by their most conservative members in the Senate, argue that the state cannot afford ex-

Lawmakers debate what a state can afford.

tensive programs at a time of deficits, and have asked for over \$800 million in additional cuts.

"Their mantra has been blind, elderly and disabled," said David Oroco, a spokesman for the Senate Republican Caucus, referring to the people that Democrats have said would be hurt by further trims. "We are looking for a reduction in spending."

The Senate president pro tem, Don Perata, a Democrat, sent a letter to Senator Dick Ackerman, the minority leader, saying Democrats wanted his caucus "to produce a budget your caucus can support unanimously — not simply a list of cuts to the budget conference report."

Mr. Schwarzenegger, a Republican, is able to trim the budget with line-item vetoes. But the Republican caucus, irked with the governor's proclaimed era of "post-partisan-ship," is loath to give him a commendable victory by passing the budget; Republican senators did huddle with the governor earlier in the week, but

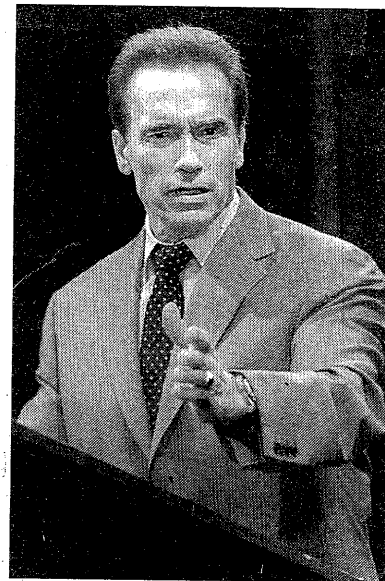
with no immediate result.

California is one of the few states that requires a two-thirds majority vote in the legislature to pass a budget; that means a budget measure could pass the 40-member Senate with just 2 of 15 Republican senators signing off, but so far the Republican caucus has remained united.

The state's constitutional deadline for passing a budget is June 15, although the Legislature generally views July 1, the start of the state's fiscal year, as its deadline. The state's controller, John Chiang, said Tuesday that the state would be unable to make payments to hospitals, nursing homes, community colleges and multiple vendors that provide services to the state. While Mr. Chiang is authorized to pay doctors and nurses from the state's general fund until a budget is passed, his office cut off \$227 million beginning this week to hospitals and nursing homes in Medi-Cal payments.

"We are going to keep plowing ahead as much as we can," said Jarrod McNaughton, a spokesman for the San Joaquin Community Hospital in Bakersfield, where 25 percent of revenues come from Medi-Cal. "But it definitely makes us dip into our reserves."

The hospital did not receive \$300,000 in payments due from the state this week.



Randall Benton/Sacramento Bee, via Associated Press

Gov. Arnold Schwarzenegger speaking about the budget in July.

Businesses with state contracts are also finding their mailboxes empty. Feltz Food Sales, a company based in Livermore that provides food to the state's prisons, is owed nearly half a million dollars, said its owner, Cathy Feltz. "The last time we were paid was a month ago," Ms. Feltz said.

The controller has also stopped paying 590 state elected officials and their appointed staff members, and legislators will not get their \$162 per diem until the budget is settled.