

# \$39-Billion State Budget Proposed

## Deukmejian's Virtually No-Growth Plan Calls for Health, Education Cuts

By DOUGLAS SHUIT, Times Staff Writer

SACRAMENTO—In his most ideological budget yet, Republican Gov. George Deukmejian embraced the state's constitutionally required spending limit Thursday by proposing a virtually no-growth \$39-billion fiscal plan that calls for slashing or eliminating Democratic-supported health and education programs.

The governor, saying that he was keeping faith with voters who placed a spending ceiling in the state Constitution in 1979, called for cuts in the \$5-billion Medi-Cal program, in special school programs for minority, handicapped and gifted children, and in state-mandated county health programs.

The new budget plan presented to the Democrat-led Legislature also would impose a six-month delay on scheduled increases in financial aid to public schools, in state employee pay raises and in income supplements for welfare recipients and those receiving support under a special program for the aged, blind and disabled.

### Shift in Obligations

As part of the effort to further streamline spending, Deukmejian will ask the Legislature to shift the responsibility for \$477 million in state-required programs from Sacramento to cities and counties throughout the state. The governor also would end state support for the California Occupational Safety and Health Administration, an industrial safety program.

The governor's budget proposal is sure to ignite several fights in the Legislature, where Democrats feel that the political pendulum may start to swing back their way, nationally and in California. Several Democratic leaders were outspokenly critical of Deukmejian's spending plan.

Overall, the fifth budget of Deukmejian's tenure as governor

would boost state spending by only 1.8%, the lowest year-to-year increase since he took office in 1983.

In dollar terms, it means that all state departments would have to divide \$682 million in new money, an amount less than what educators have been saying public schools alone will need to keep pace with rising costs and pupil enrollments.

At the same time that Deukmejian is proposing cuts in many of the Legislature's most politically sensitive programs, he wants to completely rebuild the state's \$1-billion budget reserve, a trade-off certain to encounter stiff legislative opposition.

"We are going to have to look at all sacred cows and the most sacred cow is the surplus," asserted As-

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### Related stories, Page 18

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sembly Speaker Willie Brown (D-San Francisco). He described the plan to shift state programs back to the local level as "ludicrous" and "awful."

Senate President Pro Tem David A. Roberti (D-Los Angeles) said flatly: "I don't agree with this budget. The governor is trying to maintain a \$1-billion reserve, but at the same time cut back basic programs such as worker safety, Medi-Cal and education."

Roberti, referring to Deukmejian's proposal to begin reducing school class sizes and pay for it by eliminating what he considers "less essential" education programs, charged that "under the governor's budget there would be smaller classes, but kids would be learning less."

This is the first budget strongly influenced by the spending ceiling put into the California Constitution by voters in 1979. The limit is

Please see BUDGET, Page 22

### Continued from Page 1

determined by a formula based on inflation and population growth. Deukmejian's budget would bring state expenditures within \$80 million of the limit, but only if the Legislature agrees to Deukmejian's budget-cutting package. If the Legislature balks, the state could go over the limit.

"Another check on spending is lower-than-expected tax revenues.

But, even though the spending ceiling and a leveling off of tax revenues helped shape the budget, the fiscal plan clearly reflects Deukmejian's conservative political philosophy.

"It is a balanced budget. It is a responsible budget. It includes a substantial measure of reforms. And it's going to result in helping to save taxpayers many millions of dollars," Deukmejian said, reading a prepared statement into television cameras.

The governor, in listing his priorities, said education programs would still get 55% of the overall budget. Along with the proposed cuts, Deukmejian noted that he put money in the budget for increased spending on highways, foreign trade development, toxic cleanup, prisons and a new "children's initiative."

Deukmejian, who began his second four-year term Monday as the result of a landslide reelection victory last November over Los Angeles Mayor Tom Bradley, said the new fiscal plan "keeps faith with the people when they voted in 1979 to limit the growth of government."

The Republican chief executive said he has been "insisting" on a \$1-billion reserve so the state could pay for unforeseen emergencies such as fires or floods, or to provide a cushion for the kind of problems that developed last month when unexpected expenditures and a drop-off in tax revenues created a \$900-million budget shortage.

"If this recent [budget] shortfall that we have experienced proves anything, it proves that this reserve is absolutely essential," Deukmejian said.

Deukmejian even managed a joke, playing off his nickname, Duke. Noting that Democrats had criticized some of his budget proposals, Deukmejian said, "They don't think that this is a budget that's fit for a king. Well, this budget satisfies a Duke and I'm very pleased with it. And, more important, it satisfies the taxpayers of California because they will not

have to pay a king's ransom in order to pay for this budget."

#### Fiscal Assumption

Newly revised budget documents released by the Department of Finance show that spending during the current year will be \$38.4 billion, up from previous estimates of \$37 billion. Finance officials said the big jump was due to cost overruns in prison and Medi-Cal programs and substantial increases in spending on bonds during recent months.

The new budget is built on an assumption that midyear spending cuts and budget readjustments will leave the state with a \$553-million budget reserve when the current fiscal year ends June 30.

The budget proposes staying under the spending lid, in part, by delaying increases in aid to public schools, state employee pay raises, and inflation adjustments for welfare recipients for six months.

Under current law, increases tied to the rate of inflation are scheduled to go into effect at the start of the new fiscal year July 1. Deukmejian's proposal would delay the increases until Jan. 1, 1988, or halfway through the fiscal year.

Postponing increases in school aid would save the state \$185 million, the Department of Finance estimated. Delaying welfare benefit increases by six months would save \$120 million, and another \$80 million in savings would be generated by putting off state employee pay raises.

The Coalition of California Welfare Rights Organizations criticized Deukmejian for delaying the 3.6% increase for welfare recipients just weeks after his own salary jumped sharply. Deukmejian's annual salary went from \$49,100 to \$85,000 this week when he was sworn in for his second term. Other constitutional officers received comparable raises.

Deukmejian said he was setting aside enough money to pay for pay raises of up to 3% for state government workers.

State support for public schools, grades kindergarten through 12, would increase by 2.4%, the smallest hike ever proposed by Deukmejian. But Administration officials said school financing actually would go up 4% when lottery funds and other revenue sources are included.

"This is the worst budget for schools since Jerry Brown," asserted state Supt. of Public Instruction Bill Honig, referring to former Gov. Edmund G. Brown, Jr.

Deukmejian recommended tuition increases at both the University of California and the California State University and Colleges system. Yearly fees for UC undergraduates would go up 9.1%, or \$130 a year, to \$1,373 for the 1987-88 academic year. Fees for undergraduates at state colleges would go up 10%, to \$630 a year for full-time students.

The budget adds an additional \$250 million from the state highway fund for additional construction. Included in the budget proposal was an increase of 400 jobs in the Department of Transportation, most of them to speed up highway construction and repairs.

"We need more projects moving," Finance Director Jesse R. Huff said, acknowledging criticism about the slowness of highway construction and repairs.

Deukmejian added relatively little new spending for AIDS (acquired immune deficiency syndrome), the epidemic disease that attacks the body's ability to ward off fatal diseases. Huff said current state financing of \$31.5 million for AIDS programs is the highest in the nation.

The state prison system and its swelling inmate population continues to require big infusions of money. Deukmejian asked for a 10% budget increase—or \$132 million—for the Department of Corrections next year, which would bring total spending up to \$1.4 billion.

The spending plan anticipates 8,000 new prisoners by the end of the next fiscal year, bringing the total inmate population to 72,010 by June, 1988, just about double what it was when Deukmejian first took office four years ago.

The budget proposal now goes to the Legislature for five months of hearings and revisions before it is returned to Deukmejian by the Assembly and Senate, meaning that the toughest political decisions lie ahead.

#### Three Measures

Huff said the Administration most immediately will ask the Legislature to pass three bills designed to save the state \$190 million during the current fiscal year.

One of the bills would save \$90 million by using bond money to finance school maintenance projects.

Another is a proposal to save \$70 million in unemployment insurance costs for public workers by financing their contributions from the unemployment insurance fund, in effect, passing the costs on to private employers who contribute to the fund.

The third would cut \$20 million in revenues to special districts by changing revenue-sharing formulas enacted previously by the Legislature.

Later, the Administration will ask for \$150 million in cuts in the Medi-Cal program. Huff said the governor has a task force studying Medi-Cal reform and a formal proposal ultimately will be sent to the Legislature.

The proposed cuts in special reading and education programs for minority, gifted and handicapped children would be spread over two years. They are part of a Deukmejian plan to cut some programs in order to add \$60 million this year to the public schools budget to relieve overcrowded classrooms.

Among the programs that would be cut is one that provides special financial aid to urban school districts. Also hit would be the Miller-Unruh Reading, the Gifted and Talented Education (GATE), and the Native American Indian Education programs.

Honig said, "What good is reducing class size when you are ripping the money for it out of reading improvement and programs for disadvantaged and gifted students?"

The governor's budget proposes ending state involvement in dozens of costly programs and turning authority for them over to cities and counties.

Under the so-called "disengagement" plan, the state would give counties \$477 million during the upcoming budget year. Then, during the following year, counties would be guaranteed a one-quarter share of the state sales tax to cover future costs of running the programs.

Another proposal calls for the outright elimination of \$86.5 million in spending on 29 programs mandated on local governments by the state. Among the programs is a state requirement that county clerks inform each voter whether his or her polling place is equipped for the handicapped.

