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Dems want to borrow from lottery to help close budget deficit

By Judy Lin - jlin@sacbee.com

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Democratic lawmakers made an opening pitch Thursday for closing the state's \$15.2 billion deficit, using lottery borrowing as well as unspecified proposals to close tax loopholes.

Assembly Speaker Karen Bass, D-Los Angeles, said during an appearance Thursday at the Sacramento Press Club that she wants \$6.4 billion in new revenue because her party intends to protect education and maintain the state's safety net for the poor.

"At the end of the day, from our point of view, we need to balance the budget with revenue," Bass said. "We said from the beginning we were not going to agree to balance the budget with cuts only."

She set a goal to complete the budget by the start of the new fiscal year – July 1, though she admitted it was unlikely.

With no plans to meet the June 15 constitutional deadline for passing a balanced budget, lawmakers will begin next week reconciling similar spending plans crafted by Democrats in each house before starting serious negotiations with Republicans.

Bass said she wanted to suspend tax breaks approved when the state's revenue was rosier. But GOP members immediately criticized the proposal, saying Californians should not pay for the Legislature's overspending.

"At a time when the price of gas and food is up and home values are down, it is pretty clear that people cannot afford to pay higher taxes," said Assembly Republican leader Mike Villines of Clovis.

Gov. Arnold Schwarzenegger has proposed a \$144.4 billion budget for the new fiscal year that would cover the state's deficit by using a combination of cuts and a plan to sell bonds against the lottery's future profits. He wanted to use \$5.1 billion from lottery proceeds next year to help close the gap in the \$101.8 billion general fund.

Assembly Democrats have supported the governor's plan to borrow from the lottery but rejected his proposal to put the money into a so-called "rainy day" account. Instead, they would like to use the money to pay down debt.

Democratic leaders in both houses proposed giving schools more than the governor recommended. They include cost-of-living increases for teachers.

"Everybody is very pleased the ante keeps getting raised by factions in the Capitol," said Kevin Gordon, a school funding expert and consultant.

Democrats have rejected what they considered to be the worst of the governor's proposed cuts on health care and social services.

"This is what the debate is going to be about: Are we going to deny thousands of people coverage or raise revenues to prevent those cuts?" said Anthony Wright, executive director of Health Access California, a consumer advocacy coalition.

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