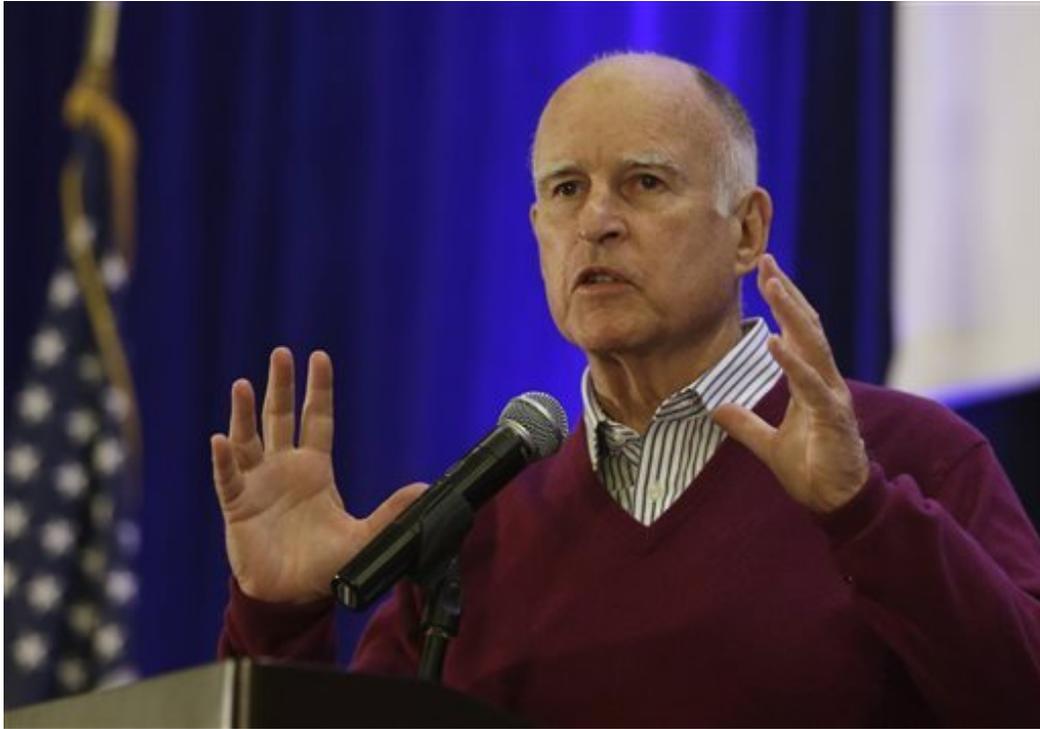


California governor proposes record \$115.3 billion budget

By JUDY
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FILE - In this May 6, 2015 file photo, Gov. Jerry Brown speaks at the Association of California Water Agencies conference in Sacramento, Calif. Brown is expected to maintain a slow-growth approach for California when he updates his spending plan Thursday, May 14, 2015, while responding to pressure from fellow Democrats seeking to close the income gap by offering a \$380 million-a-year proposal to create tax credit for the working poor.

RICH PEDRONCELLI, FILE — AP Photo

SACRAMENTO, Calif. — Gov. Jerry Brown on Thursday proposed a record \$115.3 billion California spending plan that would send billions more to public schools, freeze in-state undergraduate tuition and establish a new state tax credit for the working poor.

The spending plan reflects surging revenues that have climbed by \$6.7 billion since Brown offered his preliminary budget proposal in January.

Adding in special funds and bond money, the proposed state budget tops \$169 billion for the new fiscal year starting July 1.

Lawmakers have until midnight on June 15 to enact a balanced budget and send it to Brown for his signature.

While maintaining a cautious approach to spending, the Democratic governor responded to criticism that he hasn't done enough to help California's poor by proposing a \$380 million earned income tax credit that his administration said would help as many as 825,000 families and up to 2 million Californians.

"It's just a straight deliverance of funding to people who are working very hard and are earning very little money, so in that sense I think it does a lot of good things," Brown said of the tax credit.

The average tax credit would be \$460 a year with a maximum credit of \$2,653 for families with three or more children, to complement the federal tax credit program. It would be available to individuals with incomes of less than \$6,580, or up to \$13,870 for families with three or more dependents.

The governor's new plan reflects higher-than-expected tax revenues, most of which by law must go to public schools and filling California's rainy day account.

The budget includes \$68.4 billion in 2015-16 to meet the state's school funding guarantee, up from \$65.7 billion in January. Brown's office said that amounts to an additional \$3,000 per K-12 student compared with 2011-12.

Brown also reached agreement with University of California President Janet Napolitano on an in-state undergraduate tuition freeze for at least two years in exchange for an extra \$436 million in state funding for the university system to offset pension costs. The 10-campus system could still raise tuition for non-residents and students earning professional degrees.

Brown's updated budget maintains his initial plan to increase the university's \$3 billion base budget by \$120 million, or 4 percent, and does not include any new money to expand in-state enrollment.

The budget sets aside \$3.8 billion in 2015-16 to help California weather the next financial downturn, to be evenly split between deposits into the voter-approved rainy day fund and paying down debts, including the UC pension liability.

"I don't want to get caught in the jaws of the persistent fiscal instability of the state government of California," he said. "We know a recession is on the way. ... Is it next year? Is it four years from now?"

The restrained approach won praise from Republicans in the state Legislature.

"It takes responsibility to hold the line on growth during years like this," said Senate Minority Leader Bob Huff, R-Diamond Bar.

Fellow Democrats and social welfare advocates are expected to continue pressing the governor to expand child care, health care and social programs that they say will help close the gap between rich and poor.

"Childcare and higher education are important investments to fortify the future of California's economy," Senate President Pro Tem Kevin de Leon, D-Los Angeles, said in a statement. "We can and will do more to ensure our budget reflects these priorities."

The budget also includes:

— \$2.2 billion for programs to conserve water, respond to emergency conditions and expand local water supplies in the drought.

— \$1.2 billion increase in revenue from the state's landmark effort to curb greenhouse gas emissions for a total of \$2.2 billion. California's cap-and-trade program was expanded this year to include fees on gasoline, natural gas, propane and heating oil.

—\$62 million to begin enrolling low-income immigrants in Medi-Cal, California's version of Medicaid, on the assumption that President Barack Obama will prevail in a court battle over his executive order.

— \$38 million in ongoing funding for the California State University system and an additional \$600 million above January projections for community colleges.

Associated Press writers Fenit Nirappil and Juliet Williams in Sacramento, and Lisa Leff in San Francisco contributed to this report.

