



## AIG rescued amid fear of global crisis

\$85 billion bailout puts taxpayer money at risk

By Edmund L. Andrews  
NEW YORK TIMES NEWS SERVICE

WASHINGTON — Fearing a financial crisis worldwide, the Federal Reserve reversed course yesterday and agreed to an \$85 billion bailout that would give the government control of the troubled insurance giant American International Group.

The decision, only two weeks after the Treasury took over quasi-government mortgage finance companies Fannie Mae and Freddie Mac, is the most radical intervention in private

**Fallout for the average American:** Experts answer questions bubbling up about AIG, Lehman and Merrill Lynch. **C3**

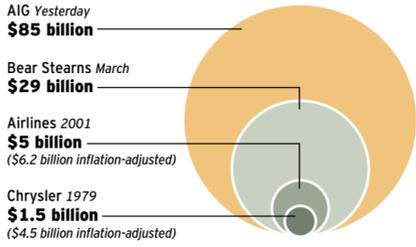
business in the central bank's history.

With time running out after AIG failed to get a bank loan to avoid bankruptcy, Treasury Secretary Henry Paulson and Fed Chairman Ben Bernanke convened a meeting with House and Senate leaders on Capitol Hill to explain the government loan plan late yesterday.

Top lawmakers generally expressed support, but the bailout is

SEE AIG bailout, A14

### SIGNIFICANT GOVERNMENT BAILOUTS IN THE U.S.



In 1989, the government authorized spending \$166 billion over 10 years to close and merge insolvent savings and loan institutions; estimates of the total cost vary, so it is not charted above.

SOURCES: Associated Press; Bureau of Labor Statistics

UNION-TRIBUNE

## NEW 'DISPOSAL' AGENCY SEEN AS AID TO WALL ST.

By Stephen Labaton  
NEW YORK TIMES NEWS SERVICE

WASHINGTON — As the Bush administration has lurched from pillar to post in the financial crisis, some lawmakers and experts are considering a longer-term legislative solution that would create a new agency to dispose of the mortgage-related assets at the core of Wall Street's woes.

Proponents of a more systematic government role to help relieve financial institutions of their toxic securities range from Lawrence Summers, a former Treasury secretary in the Clinton administration, to former Federal Reserve Chairman Paul Volcker and Alan Greenspan.

In Congress, the idea gaining traction centers on the creation of a new agency that

SEE Wall St., A14

## House votes to allow some offshore drilling

By Zachary Coile  
SAN FRANCISCO CHRONICLE

WASHINGTON — The House voted late yesterday to ease a ban that has blocked drilling along most of the U.S. coastline for three decades and give states a greater role in choosing whether to have oil rigs off their shores.

The energy bill, passed with the support of most Democrats, would let states decide whether to drill between 50 and 100 miles off their coasts while allowing the federal government to open areas beyond 100 miles, no matter a state's position. Under the legislation, oil companies would lose some tax benefits, utilities would be required to produce more electricity from renewable sources and a ban on devel-

oping fuel from Rocky Mountain shale would be lifted.

Republicans opposed the bill, calling it a sham because it would not give the states any financial rewards for drilling and would ban exploration within 50 miles of shore, where most of the estimated 18 billion barrels of oil are believed to lie.

The bill "is nothing more than a hoax on the American people, and they will not buy it," said House Minority Leader John Boehner, R-Ohio.

The measure passed in a largely party-line vote of 236-189. It now goes to the Senate, where energy will be the topic later in the week. Thirteen Democrats bucked their leadership and voted

SEE Oil drilling, A15



The Discoverer Deep Seas drill ship, operated by Chevron, is positioned off Louisiana. The drill ship is nearly three football fields long and has a crew of 200. AP file photo

## Hold the phone: Judge changes area-code ruling

By Jonathan Sidener  
STAFF WRITER

Maybe you can fight city hall.

After public outcry that began with an Internet letter-writing campaign, an administrative law judge for the state Public Utilities Commission has reversed her recommendation to geographically split the 760 area code.

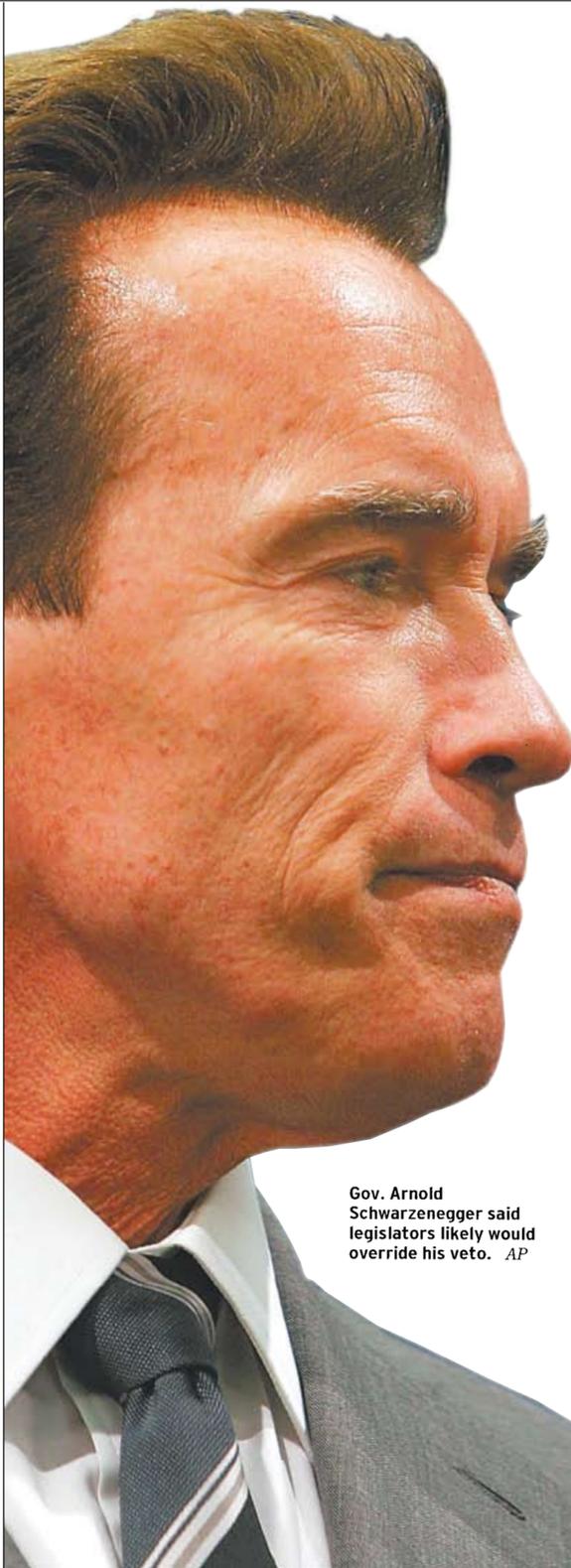
In April, the PUC had adopted those recommendations in what appeared to be the final word on the issue. It would have required all North San Diego County phone customers in the 760 area to change their phone numbers to the 442 area code.

Then Leucadia music producer Scott Chatfield began what appeared to be a futile protest by starting the Web site keep760.org. It generated nearly 6,000 e-mail messages and attracted support from elected officials, chambers of commerce and the Camp Pendleton base commander.

Yesterday, Judge Maribeth Bushey officially changed her mind, recommending instead an overlay plan that provides two area codes throughout what is now 760 territory.

"We have considered the volume and substance of these comments and have determined that we should

SEE Area code, A2



"I will not sign a get-out-of-town budget that punishes taxpayers, pushes the problem into next year and includes fake budget reform."

GOV. ARNOLD SCHWARZENEGGER

# BUDGET REJECTED

Governor vows historic veto of spending plan despite record deadlock

By Ed Mendel  
U-T SACRAMENTO BUREAU

SACRAMENTO — Gov. Arnold Schwarzenegger said he will veto a \$146 billion state budget passed by the Legislature early yesterday, a historic move that would continue a record 79-day deadlock.

But the embattled governor, at odds with both Democrats and Republicans, predicted his veto would be overridden by the Legislature, which would finally give the state a budget for the fiscal year that began July 1.

The Assembly has scheduled an override vote tomorrow, though it is unclear if the governor will act by then.

"I will not sign a get-out-of-town budget that punishes taxpayers, pushes the problem into the next year and includes fake budget reform," the governor said at an afternoon news conference.

"If the Legislature overrides my veto, which I expect them to do, I will guarantee that we will have to make huge cuts in education next year or we will have huge tax increases next

SEE Budget, A14



### OVERVIEW

**Background:** The state has been without a budget since the fiscal year started July 1, a record delay that has limited health and social services because the state cannot pay many of its bills. The deadlock resulted from Democrats pushing tax hikes and Republicans opposing them.

**What's changing:** The Legislature early yesterday approved a budget that relies on cuts, accelerated tax collections and other maneuvers.

**What's next:** Gov. Arnold Schwarzenegger vowed to veto the budget, saying it doesn't address the state's chronic deficit. Legislative leaders say they have the votes to override the veto.

**\$146 billion**

Size of the budget passed by the Legislature yesterday.

**\$15.2 billion**

The budget gap said to be closed by the spending plan.

**\$9.3 billion**

Expected revenue from early tax collections and other maneuvers.

**79 days**

Days the state has been without a budget, a record.



Bridge	F3	Crossword	F2	Horoscope	F4	Obituaries	B4
Classifieds	F1	Dear Abby	E6	Lottery	A2	Television	E4
Comics	E5	Editorials	B6	Movies	E2	Weather	C6



### U-T VOICE | TIM SULLIVAN

NFL referee Ed Hochuli gives disgruntled Chargers fans a lesson in how to gracefully admit fault. **Sports, D1**

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