



NEWS RELEASE

FOR IMMEDIATE RELEASE

July 16, 2009

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Treasurer Lockyer Warns Continued Failure of Governor, Legislature to Resolve Budget Impasse Pushes Infrastructure Program to Brink of Total Collapse

SACRAMENTO – State Treasurer Bill Lockyer today issued the following statement on the political stalemate that continues to deny Californians a budget-deficit solution – and threatens to lower the State’s bond credit rating to junk status:

“With every passing day, the State’s credit rating moves closer and closer to the junk pile. If the Governor and Legislature dump us on that pile, they will end indefinitely the State’s financial ability to build schools, highways, levees – all the critical public works we need to rebuild California. If our credit rating sinks to junk status, the State will find the door to the infrastructure bond market locked shut.

“If we’re denied the ability to sell bonds, financing for infrastructure projects will cease. It won’t slow. It will stop. Many thousands of California workers will lose their jobs. Thousands of businesses will lose billions of dollars in revenue. At the precise moment our best economic recovery effort is most needed, we will fail.

“The ripple effects will be felt by the State’s entire public finance program – not just infrastructure bonds, but commercial paper, variable rate bonds and other securities. And the fallout will hit local governments. When the State drops to junk status, it undermines the creditworthiness of all government issuers in California.

“The ultimate victims will be taxpayers and families up and down the state. They’re the ones paying for the ratings downgrades we’ve already suffered. They’re the ones paying the interest on IOUs issued by the government of world’s eighth-largest economy. They didn’t cause this mess. But they’re paying for it. How much is enough?

“I call on the Governor and Legislature to focus exclusively on what it takes to bring this year’s budget back in balance, honestly and immediately. I urge them to narrow, not expand, the list of their disputes, to quit adding or resurrecting endless ideological debating points, and to stop using budget negotiations to score points with political allies or against partisan opponents.

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“I ask them to stop devoting energy to any issue that does not directly relate to closing this year’s budget gap without adding to out-year liabilities. Give Californians and the world a pleasant surprise, for once: Balance the budget now, and get back to the work of getting our state back to work.”

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