NEWS RELEASE

CALIFORNIA STATE TREASURER BILL LOCKYER

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State Treasurer Lockyer Calls for Reforms in Comments on Final State Budget for Fiscal 2007-08

Plan Finished in Time to Avoid Negative Effect on Bond Credit Ratings

SACRAMENTO – State Treasurer Bill Lockyer today called for comprehensive reforms of California's budget process after the Governor finalized a fiscal 2007-08 spending plan 55 days after the constitutional deadline.

"I'm pleased the Legislature and Governor finished their work before the delay took a toll on our bond credit ratings and increased taxpayers' borrowing costs. And with a final budget, we can now start the process of selling bonds the remainder of this year to finance infrastructure projects, stem cell research and other crucial programs.

"We have been able to show the rating agencies the state has made progress in getting its fiscal house in order. But clearly, this year's lengthy impasse will not increase the agencies' confidence. The time has come to get serious about reforming the budget process so it works better for taxpayers, and all the families and employers who depend on the state to manage its fiscal affairs smartly and efficiently."

Embracing Sen. Don Perata's call for a bipartisan panel to study and recommend ways to improve the budget process, Lockyer proposed specific reforms:

- Develop more reliable, responsible methods for projecting revenues.

- Adopt a system that enables the Legislature and Governor to work together to make mid-year adjustments if projections don't pan out. "The bond rating agencies all say that, when it comes to fiscal management, the lack of a mid-year correction system ranks as our most serious defect," said Lockyer.

- Prioritize spending. "That's sound fiscal practice and would help guide mid-year adjustments, if needed," said Lockyer.

- Implement a multi-year budgeting process. "Multi-year budgeting makes for better planning and could strengthen the Legislature's ability to provide oversight of expenditures," said Lockyer. "That's been the experience in other states that have the system."

- Change from a two-thirds legislative majority requirement to pass a budget to a simple majority rule. "It's untenable that a state as large and diverse as California stands with Rhode Island and Arkansas among the only three states with a super-majority requirement to pass the most important legislation of every year," said Lockyer. "A majority vote makes sense for taxpayers. The two-thirds requirement fosters irresponsible budgets, because it reduces accountability. The harder it is to hold people accountable, the more likely it is they will adopt an irresponsible budget."

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