

## Resolution on State Budget Reform

The severity of California's current budget crisis points to the longstanding need for reform of the state's budget process. The last state budget crisis was a product of major deficiencies in our fiscal system. Yet five years later, the state faces another major budget gap, and for many of the same reasons. These recurring crises seriously impact California's economy and the quality and availability of state services. The failure of our state government to seriously address this issue, despite flaws in our fiscal processes that have long been evident, is unacceptable and must be rectified on an urgent basis.

The Bay Area Council Economic Institute, a partnership of business, government, university, labor and other civic leaders in the San Francisco Bay Area, urges that the Governor and the Legislature engage in a sustained and focused process aimed at achieving the systemic reform of California's fiscal processes. The Governor's proposed Budget Stabilization Act provides a good starting point for that discussion. The budget reform principles developed by California Forward ([www.caforward.org](http://www.caforward.org)) also provide a sound framework for achieving bipartisan consensus on comprehensive reform measures.

Those principles include the systematic control of escalating costs; pay-as-you-go funding; budgets that don't build short-term revenue spikes into the long-term funding base; use of major revenue spikes for one time purposes or to build reserves; identification of agreed ways to quickly respond when revenues decline below what was anticipated in any fiscal year; review of transaction taxes in a revenue-neutral manner, to increase stability, broaden the tax base, and align it better with the realities of a 21<sup>st</sup> century service economy; increase the focus on strategic priorities by adopting a multi-year budget process; and adopt performance-based budgeting, to require state programs to demonstrate value based on both cost and performance criteria.

California cannot afford another crisis on the scale of what we are now experiencing, or experienced in 2002-2003. The need for timely action supersedes partisan interests, and the leadership of the Bay Area and other communities looks to the Governor and the Legislature for leadership on this issue. We look forward to meaningful progress in this direction and will be prepared to support initiatives that achieve these results.