NEWS RELEASE

CALIFORNIA STATE TREASURER BILL LOCKYER

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Treasurer Lockyer Comments on Fiscal Projections by Legislative Analyst's Office

SACRAMENTO – State Treasurer Bill Lockyer issued the following statement on the budget and economic projections released today by the Legislative Analyst's Office (LAO):

"These numbers are bad news, but the story they tell is not new. California's fiscal house is in disrepair, and the question is when policymakers will get serious about fixing it. That work has got to start now. The crisis we face also provides us a great opportunity, starting this year, to solve the long-term problem. The solution will require revenue and spending changes that are fair, equally apportion sacrifice and permanently improve the way the state delivers services."

In the 2007 Debt Affordability Report for the State, issued on October 1 by the Treasurer's Office, Lockyer urged policymakers to immediately start working to fix the state's structural budget deficit. The reported estimated the shortfall, if the State's fiscal problems remain unaddressed, could reach $14.6 billion by fiscal 2027-28. Unless the Governor and Legislature shore up the State's finances, the report concluded, California will not be able to maintain crucial government services, and at the same time afford the investments needed to repair the state's decayed infrastructure and strengthen it for the growth that's coming.

Using LAO revenue and expenditure projections as a starting point, the report estimated the State's total general fund revenues will increase from $107.1 billion in 2008-09 to $253.8 billion in 2027-28. Over the same period, the general fund budget for operating expenditures (excluding debt service payments) will grow from $106.8 billion to $252.6 billion, the report projected.

On the capital outlay side, the report estimated the State through 2027-28 will issue $224 billion of new debt to finance infrastructure development. The annual cost to the general fund to pay debt service on that investment will grow to $15.8 billion in 2027-28, according to the report. But after subtracting operating expenditures, general fund revenues available to pay debt service in 2027-28 will total only $1.2 billion, the report projects. That leaves a gap of $14.6 billion.

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