

# **Governor's Remarks at the Release of his 2005-2006 State Budget**

## **Monday, 01/10/2005 01:00 pm**

Today, I am presenting to the Legislature my budget proposal for 2005-2006. It is an honest budget and a budget the state needs.

I first want to thank my Finance Director, Tom Campbell, for his fantastic leadership.

Also thank you to Tom's chief deputy, Mike Genest. Now there isn't enough time to name all the dedicated people at Finance, but let me thank 2 people who led the effort for today's presentation, Steve Kessler and Randy Baker.

As I said in my State of the State last year, we stopped the bleeding. This year we must heal the patient.

This budget is not everything that I want, but the fact is, it's a budget forced on us by a broken system, and I will talk more about that in a moment.

\*\* The budget I'm proposing is balanced.

\*\* It does not raise taxes.

The great news is our economy is coming back with more opportunity, more jobs and more revenues.

As a matter of fact, revenues for our state have increased by over \$5 billion.

We have a 6.8 percent increase in revenues, and by holding the spending increase to 4.2 percent, we are taking fair and responsible action to close an \$8.1 billion deficit.

This spending increase is not equal to the amount set by the budget formulas because if we would spend the amount of money that the formulas suggest, we would be adding billions of dollars to the debt.

Now those who want to keep on spending more money than we actually have will try to make you believe that this is a spending "cut."

It's not; we are increasing our spending by 4.2 percent.

So before you listen to anyone else, take a look at this budget and you see that:

\*\* K-14 Education funding will increase by \$2.9 billion.

\*\* Out of that is \$2.4 billion in State funding for Prop. 98.

\*\* K-12 spending will grow per pupil by \$362.

\*\* Higher education spending will increase by more than \$380 million.

\*\* And funding for Health and Social Services will increase by \$1.2 billion.

So you can see, in every area, we are increasing spending.

Of course we would like to spend more on these important services, but that's all the revenue we have and we must be fiscally responsible.

Because it's the right thing to do and it's what I promised the people last year - that we would not spend more money than the state takes in.

There is great virtue in providing services to the people. But it is also virtuous to be wise and responsible with the hard-earned tax money the people pay to their government.

Now this slide demonstrates the lunacy of our current budget system. Even though revenues are up by \$5 billion, the various budget formulas push our spending up by more than \$10 billion.

It's very clear. If we don't get control of the autopilot spending, there will be deficits as far as the eye can see and we will risk every program for years to come.

There are no two ways about it. Cruise-control spending is Out-of-control spending. The way the budget formulas now work, we will never catch up.

And as I said, increasing taxes is out of the question because we don't have a revenue problem. We have a spending problem.

And the worst is, we also have a formula problem.

Therefore, I am proposing a budget reform that will eliminate our structural deficit for years to come.

Because the measure will cut expenditures across the board when they grow above revenues.

We need to take back responsibility for the budget.

I propose we fight fire with fire. Instead of a formula that forces us to spend more money, we should have a formula that forces us to live within our means.

Here we can see the problem is not going to go away unless we take action.

As a matter of fact, the problem only gets worse. You can see the line between revenue and spending grows further and further apart every year.

And here is where we take action. My reform will close the gap and keep spending on track with revenues.

As I have said, this is how we will heal the patient.

In fact, if this budget reform would have been in place a few years ago:

\*\* We would've never had \$22 billion in inherited debt and would have never had to borrow \$15 billion to refinance the debt and we would not have billions of dollars in structural deficit this year or any year in the future.

The bottom line is I am going to work hard with the Legislature to pass this reform because the people of California expect big ideas, big reforms and big solutions.

We can choose to take action and rekindle the bright promise of California Or we can shrink from the fight and become servants of the old habits...

I choose to take action.

Now, before I introduce my Director of Finance, Tom Campbell, so he can give you more details on the budget. I'll be happy to answer your questions.