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PR08:006

FOR IMMEDIATE RELEASE:
JANUARY 10, 2008

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Chiang Issues Statement on Governor's Budget

SACRAMENTO – State Controller John Chiang today issued the following statement in response to the Governor's Budget:

“The horrific fiscal hit this budget proposes on our schools and our most vulnerable residents, including low-income families, foster children, seniors and the disabled, is a prime, but painful, example of why we need long-term budget reform.

“California's budget relies heavily on the personal income taxes paid by our wealthiest residents, specifically the capital gains and dividends earned by the top five percent of tax payers. Those revenues rise and fall with the stock market, resulting in California's boom-and-bust budgeting.

“While the Governor's budget stability proposal is on the right track, I believe we should target the core cause of the volatility and tap and store only excess capital gains revenue during good years for use in the next economic downturn. Programs may not get as big a bump during the flush years as they would like, but they would less likely face the huge cuts the governor is now proposing.

“Although my plan would address California's future budget problems, we must immediately face the current crisis. Everything should be on the table. But if we talk about raising taxes, we must ensure the State's spending plan is accountable to those footing the bill, and that Californians are confident they are getting at least a dollar's worth of service for every tax dollar they pay.

“We also should look at both sides of the ledger. Five years ago, the Department of Finance reported California provided \$24 billion in tax breaks. This year, tax breaks total \$50 billion. While some of these breaks may be fiscally sound, we must be able to empirically measure the impact of all future tax credits and exemptions.

“I propose we require periodic review of all new tax breaks to determine whether they are producing the intended benefits and should be cut, continued or expanded.

“Making government accountable to the public it serves will go a long way in inspiring taxpayers' confidence and their support during these tough fiscal times.”

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