

STATE CAPITOL
P.O. BOX 942849
SACRAMENTO, CA 94249-0073
(916) 319-2073
FAX (916) 319-2173

WEBSITE
WWW.ASSEMBLY.CA.GOV/HARKEY

Assembly California Legislature



DIANE L. HARKEY
ASSEMBLYWOMAN, SEVENTY-THIRD DISTRICT

COMMITTEES
VICE CHAIR, HOUSING AND
COMMUNITY DEVELOPMENT
APPROPRIATIONS
BUDGET
REVENUE AND TAXATION

June 12, 2009

Honorable Diane Jacob
Chairwoman, Board of Supervisors
County of San Diego
1600 Pacific Highway
San Diego, CA 92101

Dear Supervisor Jacob,

Thank you for your letter dated June 3, 2009 regarding certain proposals that would borrow from local governments to balance the budget and pay down the General Fund deficit.

The decision whether or not to raid local funds will lie with the Majority Party, and what other "expense reductions" they are willing to consider. Since the house is split 51 Democrat and 29 Republican, I can oppose an action, but I cannot dictate the agenda or how bills will be presented on the floor. We need to cut roughly 15% of our General Fund Expenses to convince the credit markets to make "gap financing" available to California. Political games are being played, but numbers do not lie, and we will be out of cash as of July, 2009.

Personally, I am opposed to raiding local government funds to solve the state's undeclared bankruptcy. When I was Mayor, I set aside reserves; unfortunately the State has spent recklessly. There is significant waste in the state budget and we should reduce expenses, consider cutting programs, begin to consider renegotiating contracts that are not sustainable, and implement modern business practices such as establishing a borrowing limit. The state should not acquire debt to pay for programs lacking a dedicated revenue source which has the potential to erode increasing amounts of General Fund Revenues.

Some are suggesting a plan that would encourage counties to purchase State Revenue Anticipation Warrants (RAWs) in exchange for extending the life of redevelopment projects. The secret about RAWs are that they may be issued without a balanced budget. Needless to say this financing proposal will not solve the structural problems we face in our state budget.

I am firmly committed to supporting the necessary reductions and advocating for real fiscal reforms as mentioned above to ensure the state manages taxpayer dollars more responsibly in the future. I suppose counties should not have supported Proposition 1A which created the process allowing the state to borrow from local municipalities, but I do not think the intention of the quid-pro-quo was to allow the state to continue spending at record levels.

Sincerely,

DIANE L. HARKEY
Assemblywoman, 73rd District