

# Will We Work Together to End the Budget Crisis?

by Russell Hancock and Sean Randolph

**H**ow do Americans solve problems? Typically, they work together. In fact, a rich tradition of collaboration runs through America's history and culture, from raising barns on a neighbor's farm, to building homes for low-income families, to hauling sandbags to threatened levees.

Coping with the September 11 catastrophe, New Yorkers and others showed the world how people can accomplish extraordinary things by team work. Democracy itself is a majestic form of working together.

With California in crisis from the state's huge budget deficit, will our governor and state legislators in Sacramento follow this collaborative tradition? Will they work together, creating the structural reforms that will resolve this financial disaster and avoid future ones?

We believe that they will, because crises almost always bring out the best in our elected officials. Governor Schwarzenegger and the state's legislators have pledged to cooperate to solve the state's financial problem.

To support this effort, a broad coalition of business, labor, education and local government leaders, led by Joint Venture: Silicon Valley Network and the Bay Area Economic Forum, has developed a set of fundamental principles to guide reform of the state's budget process. They address key issues, including revenue and expenditures.

Our three highest priorities are: (1) reducing the volatility of state tax revenues and controlling government spending; (2) improving government performance and accountability; and (3) ensuring revenue flows for the efficient operation of state and local government.

California's economic crisis stemmed from collapse of the dot com economy and the resulting sharp decline in tax receipts; and rapid growth in government spending. When revenues fell, this wasn't matched by commensurate spending restraint. This double whammy has exposed severe structural problems in the budget process. Three examples are budget volatility, mandated spending that accounts for nearly two-thirds of the budget, and misalignment of taxing authority and spending responsibility between state and local governments.

Fortunately, the legislature has an effective group of pragmatic, bi-partisan legislators who are

seizing the opportunity to create consensus for needed reform legislation. With leadership from Assembly Members Joe Canciamilla and Keith Richman and others in the Assembly and the Senate, there is a significant effort to overcome political divisions and legislative gridlock with our financial issues.

We believe many, if not all, of our local legislators in the nine Bay Area counties—including Senators Figueroa and Vasconcellos, who are Joint Venture directors—will address these challenges as constructive reformers.

A major revamping of the state's budget process, including control of state spending, will make the state friendly to business, reduce the volatility of state revenues, strengthen local-government finances, and ensure adequate investment in infrastructure. If done right, this will restore a climate of confidence in California and its economic future.

Our coalition's effort, called the California Budget and Tax Reform Initiative, provides a platform on which our citizens and government officials can debate tough political choices and from which solid reforms can be adopted.

Our coalition will review and critique legislative proposals and ballot measures, undertake new initiatives where necessary, and help facilitate a public consensus for a better tax and budget system. It also will work to generate agreement around these principles and their implementation with state legislators, the Schwarzenegger Administration, and economic organizations throughout the state.

Underlying all these efforts to fix the budget must be the public's will to get it done. This determination will ultimately move the state government to make the hard choices. Residents, business, labor, education, and community leaders in the Bay Area, including Silicon Valley, and all of California must take an active role in this effort.

Working together can bring about real budgetary reform in Sacramento.

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Joint Venture is a regional, non-partisan voice and civic catalyst for solutions to economic, educational, and quality-of-life challenges. It involves leaders from business, labor, education, and community organizations in Silicon Valley. The Bay Area Economic Forum, a public-private partnership of senior business, government, university, labor and community leaders, develops and implements projects that support the regional economy and enhance the region's quality of life.

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