



The Performance Institute



Reason



The Honorable Gloria Romero
Senate Majority Leader
State Capitol, Room 313
Sacramento, CA 95814

April 12, 2006

Dear Leader Romero:

In the ongoing efforts to improve government, leaders must look for common sense, bi-partisan solutions. In that spirit, Senator Abel Maldonado (R-15) has introduced legislation that deserves your full consideration. The Biennial Budget Act of 2006 (SB 1606) would move California from an annual budget process to a two-year budget cycle. **We the undersigned urge you to support a move to a Biennial Budget to help bring the many advantages of two-year budgets to the Golden State.**

Given the tremendous complexity of California's budget, careful deliberation is crucial to ensure that taxpayer's money is best spent. Unfortunately, the current process forces legislators to cram budgeting considerations into only a few short months so they can move on to the vast array of other pressing issues. Annual budgets inevitably lead to a rushed final product. By extending the process to a biennial cycle, budgeters would have an entire year to focus on their work before moving on the other issues in the next year. Surely a budget due to exceed \$110 billion deserves the careful and full attention a two-year budget cycle would provide.

A two year budget cycle would also enhance government transparency. California has an unfortunate track record of using gimmicks and accounting maneuvers to cover up waste, debt and financial problems. For example, in 2003, legislators shifted Medi-Cal from accrual accounting to cash based accounting, a deceptive move that hid red ink from taxpayers. Two-year budgeting would make tricks like this far more visible to the public and, hence, much less likely to be used. At the same time, legislators and fiscal watchdogs would use the second year of the budget cycle for oversight and shine a bright light on incidents of waste, fraud and abuse.

Finally, a two-year budget would aid policy innovators and reformers in their efforts to improve government performance. Budgeters are currently inclined to only look at program savings in a single year, rather than taking a long-term outlook. Adopting a biennial budget would allow savings from reform to be achieved in the same budget cycle.

Simply put, moving to a biennial budget system is firmly in the best interest of the California taxpayer. Implementing this common sense reform is a clear and straightforward way to increase transparency and oversight while opening the channels of policy innovation. We again urge you to support a move to biennial budgets for California.

Sincerely,

A handwritten signature in black ink that reads "Carl DeMaio". The signature is written in a cursive style with a large initial "C".

Carl DeMaio
President, The Performance Institute

A handwritten signature in black ink that reads "Adrian Moore". The signature is written in a cursive style with a large initial "A".

Dr. Adrian Moore
Vice President, Reason Foundation

A handwritten signature in black ink that reads "Lewis K. Uhler". The signature is written in a cursive style with a large initial "L".

Lewis K. Uhler
President, National Tax Limitation Committee