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# Senator Dianne Feinstein

of California

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Statement of Senator Dianne Feinstein  
- In Support of Propositions 57 and 58 -  
February 10, 2004

“Unless the State can address the huge cash-flow deficit by June, there could be substantial and deep ramifications all across the California economy. That is why I strongly support Propositions 57 and 58. These propositions will help the State avert the looming crisis and prevent a similar crisis from developing in the future.

Both of these propositions must be approved for either to go into effect. If they fail, I believe the State will be pushed into a period of uncertainty making California’s economic recovery very difficult, if not impossible. Companies will not invest in a State that is a cauldron of financial chaos. The problem must be addressed.

I’ve spoken with members of the State Department of Finance and outside financial experts. Based on what I’ve learned, Propositions 57 and 58 represent the best answer at this time. Here is how they work:

- Proposition 57, *the Economic Recovery Act*, would authorize a one-time \$15 billion Economic Recovery Bond to pay off the accumulated General Fund deficit. (This bond would replace a \$10.7 billion bond previously authorized by the State legislature, whose legality has been challenged in court.)
- Proposition 58, *the California Balanced Budget Act*, would require enactment -- not just submission -- of a balanced budget and establish a ‘rainy day’ reserve fund to prevent future crisis from occurring. Furthermore, it would prohibit any similar bond measures from being enacted to pay off State operating deficits.

California currently has the lowest bond rating of any state in the nation. As Moody’s – a Wall Street bond rating agency – notes, the State could ‘tumble into a liquidity crisis’ that could cause substantial harm to California’s economy. This cannot be permitted to occur. That is why I am urging California voters to approve both Proposition 57 and Proposition 58.”

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