Assembly Joint Resolution No. 23

Introduced by Assembly Member De Leon

July 24, 2009

Assembly Joint Resolution No. 23—Relative to the economy.

legislative counsel's digest

AJR 23, as introduced, De Leon. Economic crisis.

This measure would urge the Congress of the United States and the federal administration to work with the Governor and the Legislature of the State of California to, among other things, provide federal loan guarantees, flexibility with respect to certain programs, and certain funding levels for vital programs, as specified.

Fiscal committee: no.

WHEREAS, California is suffering a historic financial crisis triggered by a global financial market meltdown largely created by America's banking industry; and

WHEREAS, As a result of this global financial meltdown, California is suffering from its highest unemployment rates in history, rates higher than the rest of the nation, and has some of the nation's highest foreclosure rates with an unprecedented collapse in property values; and

WHEREAS, Skyrocketing unemployment, falling property values, and quickly eroding personal income levels have triggered state revenues in California to drop nearly 30 percent over the past two years; and

WHEREAS, California is the largest state in the nation, making up one-eighth of the nation's population and one-seventh of the nation's economy; and

WHEREAS, California has historically been a so-called donor state that contributes more in the way of federal tax dollars than it receives in federal support; and

WHEREAS, California generally receives less than 80 cents back on every dollar it sends to support the federal government while other states such as Mississippi, Alabama, West Virginia, and several other states receive more than twice that amount in federal aid; and

WHEREAS, As a result of this fiscal crisis, California has been forced to make billions of dollars of cuts to critical education, health care, and local government programs that have significantly undercut the impact of the recent federal stimulus initiative by the President and Congress; and

WHEREAS, California has repeatedly and unsuccessfully requested greater federal flexibility with various state programs receiving federal funding that would help blunt the crushing affects of this global financial crisis at little to no cost to the federal government; and

WHEREAS, While California has made many difficult budget choices, the federal government has been reluctant to take action to assist the state despite the fact that this global fiscal crisis was largely triggered by Washington's collective failure to properly oversee and regulate the financial markets that ran amok while amassing incredible personal fortunes for company executives and ultimately wiping out decades of hard earned savings by working people and pensions funds throughout the world; and

WHEREAS, Washington quickly came to the rescue of the banking industry, investing $700 billion in the nation's banks as well as providing loan guarantees and approving huge bonuses with taxpayer funds to banking executives who had just ran these companies into insolvency believing it was necessary to keep those institutions working; and

WHEREAS, Washington rescued floundering auto manufacturers spending billions of taxpayers dollars to prop up those private sector companies and preserve the jobs of the workers employed by those companies; and

WHEREAS, Despite having just taken ownership interest stakes in several large corporations in order to prevent the acceleration of this financial meltdown, and that several of those corporations are now reporting record profits, are planning on providing enormous employee bonuses, and are paying back their government loans, the administration and Congress have largely turned a blind eye to the financial meltdown of its biggest revenue contributor, California; and

WHEREAS, One such company that benefited from federal loan guarantees and recently paid off its government assistance and repurchased its stock owned by the federal government, Goldman Sachs, has announced that it is on pace to pay its employees an average of $773,000 this year, more than double what it paid last year; and

WHEREAS, California by itself is one of the world's largest economies, with the nation's greatest public higher education system that serves as the intellectual, agricultural, technological, and creative engine for the rest of the nation, but is suffering from an unprecedented economic recession creating a significant drag on the national economy that is threatening to stall the national economic recovery; and

WHEREAS, California's parents are deeply concerned about their children's education, health, and safety, which is why they cannot understand why, in the midst of this unprecedented crisis, Washington is resisting providing assistance to California, but is spending their tax dollars on enormous bonuses to banking executives who helped trigger this financial crisis; and

WHEREAS, California's parents also have the same dreams and aspirations for their children as parents in West Virginia, Alabama, and Mississippi, which is why they cannot understand why in the midst of this crisis the federal government is sending their tax dollars to benefit kids in those other states, while funding for their own schools is being slashed, triggering massive teacher layoffs, larger class sizes, delays in purchasing new textbooks, and significantly higher tuition costs at California public universities; and

WHEREAS, While California taxpayers subsidize other states, the federal government could substantially assist this state by updating funding formulas for key state programs, such as

Medi-Cal, which are currently based on outdated data that do not reflect current economic circumstances; and

WHEREAS, The federal government could take many additional actions that would not add to its deficit, such as allowing the state greater flexibility to draw down federal funds, allowing more flexibility for meeting maintenance of effort requirements, and providing credit enhancements on state debt just as they have done for major banks; and

WHEREAS, California is not asking for a bailout, but a fair shake. California has been the federal government's biggest financial supporter for decades, but in this historic financial crisis triggered by events in Washington and on Wall Street, California needs to retain more of its tax dollars to assist it own residents, or at a minimum obtain some financial flexibility from the federal government that it helps underwrite and support; now, therefore, be it

Resolved by the Assembly and the Senate of the State of California, jointly, That the Legislature of the State of California strongly urges the Congress of the United States, its congressional delegation, and the administration to work with the Governor and the Legislature of the State of California to provide federal loan guarantees to help make necessary short-term borrowing more affordable to California taxpayers, provide the state with more flexibility to accelerate the drawdown of federal benefits and matching grants, provide more flexibility for the state in meeting its maintenance of effort requirements, and provide funding levels for vital programs that fully recognize the unique and devastating circumstances facing this state during the economic crisis; and be it further

Resolved, That the Chief Clerk of the Assembly transmit copies of this resolution to the President and the Vice President of the United States, to the Speaker of the House of Representatives, and to each Senator and Representative from California in the Congress of the United States.

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