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CALIFORNIA BUDGET RECEIVES STRONG GRADES ON FORECASTING AND RESERVES PRACTICES, BUT THE STATE FALLS SHORT ON PENSIONS

Today the Volcker Alliance released its second annual report comparing state budgeting practices across all 50 U.S. states. The report, Truth and Integrity in State Budgeting Preventing the Next Fiscal Crisis, grades states on a scale of A to D- across five categories that measure their ability to maintain balanced and sustainable budgets. As partners of the alliance, researchers at the Berkeley Institute for the Future of Young Americans (BIFYA) tracked California budgeting practices and found that the state is a strong performer in four of five budgeting categories, but continues to be weak in budgeting for legacy costs, specifically, pensions and retiree health care.

The Volcker Alliance is a nonpartisan partnership between academic, business, governmental, and public interest groups. The Truth and Integrity in Government Finance project began in 2016, and it now includes four years of data (2015-18). The project evaluates budgeting practices in the following five categories: Budget forecasting, for both revenues and expenditures; one-time budget maneuvers to offset recurring expenditures; legacy costs, such as how states fund pensions and retiree health care; general fund and rainy day reserve funding; and overall transparency in disclosing budget information.

For three straight years, California earned A grades and was a top performer among U.S. states for its strong budget reserves, budget maneuvers and transparency practices. Yet the state continues to struggle when it comes to its funding of public employee pensions and retiree healthcare. In fact, while the trend across all 50 states was an overall improvement in the funding of these kinds of legacy costs, California's grades have continued to decline since 2016. The state earned a C in 2016, a D in 2017, and now a D- in 2018.

The Berkeley Institute for the Future of Young Americans (BIFYA) is a research center affiliated with the Goldman School of Public Policy at the University of California, Berkeley that seeks to secure fair and sustainable safety net programs for future generations (for more information, visit https://gspp.berkeley.edu/centers/bifya). BIFYA has been a partner in the Volcker Alliance’s Truth and Integrity in Government Finance project since 2016.

Access the report online here: https://www.volckeralliance.org/truth-and-integrity-state-budgeting-preventing-next-fiscal-crisis
Watch the live webinar at 8am PST on Wednesday, December 12: https://www.volckeralliance.org/news/truth-and-integrity-state-budgeting-2018-webinar

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