



OFFICE OF THE GOVERNOR

TO: Senate President Pro Tempore Don Perata
Senate Republican Leader Dave Cogdill

Speaker Karen Bass
Assembly Republican Leader Mike Villines

FROM: Governor Arnold Schwarzenegger

DATE: September 15, 2008

I have been very clear this entire year that I would be unable to sign a budget without meaningful budget reform. For me to be able to sign a budget, the following 3 changes must be made to the current budget reform proposal:

- 1) Transfers out of the Budget Stabilization Fund (BSF) can only occur when, and to the extent that, revenues fall below projected spending (prior year spending with Gann Factor adjustments);
- 2) The 3% deposit into the BSF can only be suspended when money is being transferred out, and when the Cap of the BSF has been reached.
- 3) The CAP on the BSF is 12.5%.

Without these changes, I can not sign this budget.