

Calif. figuring out how to save money

By Niraj Chokshi, Washington Post

The recession was hard on California's rainy-day fund.

By the end of the 2006 fiscal year, California's reserves ranked 25th among states -- enough saved up to keep the state running for 43 days. Today, it's ranked 48th, with enough to fund just over three days, according to the Pew Charitable Trusts.

But in November, voters will have the opportunity to upgrade the Golden State's system for saving—a move that could light the path for other states looking to develop similar cushions.

Under the measure, any taxes collected above and beyond the 20-year trend would be funneled to the reserve fund. But, in January, Gov. Jerry Brown came up with an alternative plan, one which leaders of both state houses back. If two thirds of lawmakers go along, it would supplant the ballot measure.

Brown's plan draws from the excess revenue collected from just one tax—the highly volatile capital gains tax—and that could also help reduce some of the perverse incentives in budgeting. Capital gains fluctuate a lot with the stock market and when that revenue spikes, it's hard to tell whether it's a lasting rise or just a blip. So sometimes budgeters see the bump and assume it's there to stay, according to Pew.

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