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Counties Shoulder \$4.3 billion in Cuts, IOUs **\$776 million in IOUs Coming in July Alone**

SACRAMENTO – California counties face \$4.3 billion in cuts, deferrals, and IOUs under current budget proposals due to the Legislature’s failure to enact corrective measures by the June 30 deadline – a combination that will push some counties to the fiscal brink and will hinder their ability to provide vital services to residents.

“We are putting the Governor, Legislature and residents we serve on notice that we cannot uniformly ensure the delivery of critical health, public safety and other vital services in the current fiscal environment,” said Gary Wyatt, Imperial County Supervisor and President of the California State Association of Counties. “Let’s be clear, services will be disrupted at the local level, and the state’s inability to resolve its budget issues is severely impeding counties’ ability to meet the needs of the people we serve.”

State Controller John Chiang is scheduled to start issuing IOUs Thursday for CalWORKs grants, administration of social services, mental health services and alcohol and drug treatment programs. Counties are mandated by state and federal law to provide social services and cannot issue IOUs to recipients of those programs. Essentially, the state has pushed its cash crisis down to counties. In all likelihood, counties will be forced to conserve cash by paring down services, such as libraries, parks, or road maintenance, or by issuing their own registered warrants to vendors and contractors in order to meet federal and state requirements for the provision of social services programs. Of additional concern is the potential lack of willing banks and lenders to cash IOUs.

In addition to the pending IOUs, counties are extremely worried about current budget proposals that shift a large part of the state’s fiscal crisis to counties. The proposed raid of \$1.7 billion in local gas tax funds and cost shifts in county-administered state health and human services programs will put many counties in dire fiscal straits.

Counties are also aware that a suspension of Proposition 1A of 2004, which protects local government revenue, is under serious consideration by the Legislature and Governor. Counties are not confident that the state will be able to repay the property tax “loan” in a timely manner, as the Constitution requires.

“The Legislature and Governor insist they do not want to push the budget problems into the future,” Wyatt said. “But that is exactly what taking local gas tax funds and borrowing local government revenue does. Much-needed road projects and improvements will be pushed into the future at a higher cost and in three short years the state will face paying back local governments for the Proposition 1A borrow, with interest. Our residents will see the difference when roads aren’t repaired and aren’t safe, as well as when county offices cut back hours and aren’t available to immediately assist our constituents.”

Counties urge the Legislature and Administration to quickly work on a balanced budget solution and consider solutions that would mitigate the disproportionate impact of the state's budget problems to California counties. As an alternative to the proposed taking of the local share of the gas tax, also known as the Highway Users Tax Account (HUTA), for example, the Legislature could instead consider a 5-cent increase to the gas tax dedicated to debt service or could securitize the state's share of the gas tax and use those revenues for debt service.

The California State Association of Counties, headquartered in Sacramento, is the voice of California's 58 counties at the state and federal level.

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