



CALIFORNIA COUNTIES OPPOSE SUSPENSION OF PROPOSITIONS 1A AND 42

The California State Association of Counties (CSAC) recognizes that the state’s dramatic budget crisis will require difficult choices. We know that there are no easy answers. However, we also believe that it is in the best interests of all Californians to resolve the budget dilemma in a responsible and straightforward manner.

The Conference Committee Report resolves the budget deficit without suspension of Proposition 1A (local government property taxes) or Proposition 42 (sales tax on gasoline for transportation purposes).

Suspension of Proposition 1A and/or Proposition 42 does nothing to resolve the state’s structural budget problem and undermines any effort to restore the state to fiscal stability in the future, or even next year. It is an untenable solution that only pushes the state’s fiscal problem into future years and further exacerbates the chronic structural deficit.

Some have discussed the possibility of securitizing future lottery revenues under a new, expanded lottery operation as the mechanism for repayment of loans from Proposition 1A and 42. We view this proposal as particularly problematic as such a plan would require voter approval – presumably on the November ballot – to change lottery operations and to use lottery revenues for purposes other than education. We know that there are well-funded organizations that oppose such a scheme and would likely fund an opposition campaign. Even if such a proposal did meet voter approval, the state would likely be sued by such organizations. Clearly, these are substantial obstacles to the state making full and timely repayment to local governments receiving as the Constitution requires.

Proposition 1A	Proposition 42
<p>Proposition 1A authorizes the state to borrow property tax revenues from cities, counties, and special districts twice in ten years in the case of a declared emergency. The state must repay this “loan” with interest within three years. Clearly, such a mechanism will not assist with the state’s ongoing structural deficit. In fact, Proposition 1A’s repayment requirement will compound the state’s already gloomy outlook for the future.</p> <p>Furthermore, if the state borrows local revenues, Californians will certainly see service and program reductions at the local level. While it has been suggested that local governments will simply “securitize” the repayment, we know that many local entities will not be able to borrow due to the current state of the financial markets and concern on Wall Street about the state’s ability to repay the “loan.”</p>	<p>Proposition 42 has the same protections that Proposition 1A provides county property tax revenues.</p> <p>For most counties, Proposition 42 represents the only funding available for local projects. The only other direct revenue stream available to all counties for transportation purposes is local gas tax subventions, which are not even sufficient to cover operations and maintenance of the existing system.</p> <p>The county road system not only has significant safety issues, resulting in a fatality rate twice that of the state highway system, but also has significant backlogs. Further, as road conditions continue to deteriorate past a certain level, it costs taxpayers six times as much to repair a road back to a good condition. Without adequate investments now, taxpayers will bear a much larger price tag to maintain and preserve the local roadway system.</p>

We appreciate those in the Legislature who have spoken out against such borrowing, recognizing that suspension of Proposition 1A and 42 exacerbates difficult financial conditions of local governments and avoids real solutions to the state’s ongoing budget problems.