



May 5, 2009

“Suspension of Proposition 1A Real Option” says Governor’s Office

Today, CSAC was invited to join the League of California Cities and other local government stakeholders in a conference call with the Governor’s Office during which the Governor’s staff discussed options they are considering for the 2009-10 May Revision to address an \$8 to \$14 billion budget hole. Under consideration is a proposal to borrow an estimated \$2 billion from local government under Proposition 1A (2004).

CSAC immediately reminded the Governor’s staff that this plan is completely irresponsible and does nothing to solve the state’s long-term budget issues. It is a short-term maneuver that will have long-lasting consequences. Suspension of Proposition 1A undermines any effort to restore the state to fiscal stability and will devastate counties and the people we serve.

Irrespective of what happens in the May 19 special election, it appears that all options will be on the table as the state grapples with its growing deficit. Today’s call is just the start of the budget debate and what will likely be another long summer at the Capitol.

Other key points about the suspension proposal:

- Counties are struggling with day-to-day operations, while dealing with an unprecedented demand for human services due to the economic downturn. Services will be significantly disrupted under this borrowing plan and many counties simply will not be able to provide the levels of services our constituents depend on. Counties have made drastic cuts to health and human services programs, public safety, and other vital services due to declines in local revenues and funding cuts by the state. Those cuts and disruption of services will only become more severe under this plan.
- The state has a constitutional obligation to repay this “loan” within three years with interest. That deadline will hit at the same time taxes and fees approved under the state budget in February will expire, if the May ballot measures fail - making it even more difficult for the state to meet its obligation to repay local governments.
- Local governments will have difficulty borrowing against the state’s obligated repayment due to the poor condition of the credit markets. In these

unprecedented economic times, counties do not have the ability to simply borrow our way out of this problem.

CSAC has and will continue to adamantly oppose the borrowing of local government funds under Proposition 1A (2004) or Proposition 42. We will, of course, keep you apprised of any developments that materialize. In considering this particular series of events, though, one must take into account the timing of these discussions, the May 19 Special Election and the May Revision, expected to be released on May 28.

This issue, and more, will be discussed in detail during the Legislative Conference here in Sacramento, May 27 and 28. We look forward to seeing you there and hearing your concerns and input as we develop our strategic approach for this installment of budget discussions. If you have not yet registered, you may do so through this [link](#).

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