



June 17, 2009

Board of Directors Unanimously Votes to Oppose HUTA Shift

During a special meeting of the CSAC Board of Directors this morning, the Board unanimously voted to oppose the proposal to shift the local share of the Highway Users Tax Account (HUTA) to the General Fund to pay for state debt service costs. The Budget Conference Committee (BCC) acted on Thursday, June 11, to take two years of nearly the entire local portion of the gas tax or HUTA funding. This is equivalent to about \$1.7 billion in lost revenue, with this loss shared equally between cities and counties.

The CSAC Budget Task Force discussed this issue during their conference call on Monday, June 15, and recommended that the Board of Directors take strong action. While the Board unanimously moved to oppose the taking, there was some discussion regarding an alternative.

The Task Force supported a 5-cent increase in the gas tax, to be used for debt service, as an alternative to the HUTA shift. There was some concern expressed by the Board about supporting a tax increase and some Board members did not have the proxy of their Boards to vote on the issue. After some discussion, a motion was made to support the 5-cent increase as an alternative, and, if the state determined to make it a permanent increase, that the revenue should be shared with local governments equally. That motion passed with a strong majority of those members casting votes voting "aye," although a larger number of members abstained and did not vote.

Finally, the Board of Directors determined that existing CSAC policy would provide sufficient guidance to staff in pressing for any increases in the gas tax above what was necessary for debt service be split with local government along traditional formula. During the February budget negotiations, there was agreement between the Governor and all caucuses to increase the gas tax or HUTA by 12 cents with a significant amount initially directed towards debt service on the transportation bonds. The remaining amount was dedicated to the State system only. This was a major and alarming departure from past increases in the gas tax where a portion has always been dedicated towards the local system, which represents 82 percent of the state's maintained miles. This proposal was eliminated from the budget package at the very last moment in order to secure the last remaining Senate vote.

As widely reported, the Budget Conference Committee wrapped up their work yesterday and released a report of their actions. CSAC is preparing a *Budget Action Bulletin* that will be released this afternoon outlining the impacts of the Conference Committee's actions on California's counties.

Both sides of the aisle now appear to be posturing around the Conference Committee's work product. Democrats are adamant that they have cut the social service network as much as they can without catastrophic failure and Republicans are adamant that they will not support any new tax increases.

Stay tuned ...

Paul McIntosh
Executive Director
California State Association of Counties
1100 K Street, Suite 101
Sacramento, CA 95814
(916) 327-7500 x506
(916) 441-5507 - Fax
pmcintosh@counties.org
www.csac.counties.org