

October 1, 2009



## 15 Days to Keep a Commitment

Reasons Why the California State Senate Must Pass SB 67 by October 15

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*The League of California Cities, the California State Association of Counties, and the California Special Districts Association have requested that the Senate leadership call Senators back into session to approve Senate Bill 67, a measure of critical importance to every local agency in our state. We ask local officials to urge their Senators to return to Sacramento and vote "aye" on SB 67 by no later than Oct. 15 to avoid a deeper fiscal crisis for the state and local governments. Here's why:*

**State Leaders Made A Commitment.** When the California Legislature approved the revision to the 2009-10 Budget, they borrowed nearly \$2 billion of local property taxes to help address the state's budget shortfall. At the same time, legislators and the Governor promised to allow local agencies to sell their eventual repayment from the state to investors to cover those losses and to pay the full cost of the sale, or securitization. This action resulted in the Proposition 1A Securitization Program offered by the [California Statewide Communities Development Authority \(CSCDA\)](#), available to every California city, county, and special district that wishes to securitize. The statutory provisions approved in July to implement this commitment were deficient, however, and they require significant clean-up language that is now contained in SB 67.

**Passage of SB 67 by October 15 and a November Bond Sale Are Both Necessary.** There are three reasons for this necessity:

- **No Delay in Payments to Local Agencies.** The Proposition 1A securitization bonds are backed by a repayment commitment of the State of California, and no state-backed bonds can be issued between December 1 and February 15 due to the state's inability to comply with disclosure requirements in federal law during the state's budget preparation process. Delaying issuance until March 2010 would create serious cash flow problems and service reductions for local agencies.
- **State Saves \$200 Million.** Bond counsel has opined that SB 67 will allow the bonds issued in November 2009 to be tax-exempt, which would provide state savings of an estimated \$200 million. Bond counsel could not issue such an opinion without the structure and timing provided by SB 67.
- **Hundreds of Local Agencies Need to Act Soon.** In order to meet the public notice requirements of the Brown Act and the required deadlines for a mid-November bond issue, the Senate needs to act by no later than October 15.

**Local Agencies' 2009-10 Budgets Built on State's Promise of Securitization.** As of September 28, 2009, more than **600** local agencies have already signed up for the Proposition 1A Securitization Program. (Check out the list of enrollees [here](#).) Cities, counties, and special districts throughout the state are beginning to adopt documents in public meetings that allow them to sell their repayments. Delay in adopting SB 67 means that local agencies will have no choice other than to adopt dramatic mid-year service reductions, layoffs, and other measures to manage the significant cash-flow shortfalls that will occur.

*The League, CSAC, and CSDA urge you to contact your Senator immediately to ask for their support for convening the Senate in Sacramento and in casting their "aye" vote for SB 67 no later than October 15.*