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Borrowing from Local Government is Irresponsible, Short-Term Solution

California counties are deeply concerned that a proposal to borrow an estimated \$2 billion from local governments is being considered for the 2009-10 May Revision. Suspension of Proposition 1A (2004) is a completely irresponsible budget maneuver and does nothing to solve the state's long-term budget issues. It is a short-term solution that will have long-lasting consequences, including devastating California counties and the people we serve.

Counties recognize the State is dealing with unprecedented budget challenges. Counties, too, are dealing with declining revenues due to the economic downturn, and have been forced to make drastic cuts to vital services, including health and human services and public safety. These difficult cuts have been made at a time when demand for services has significantly increased. Borrowing local property taxes during this uncertain economic time will most certainly result in severe consequences at the local level.

Such a maneuver comes at a significant cost to the state. Under the provisions of Proposition 1A, the state has a constitutional obligation to repay local government within three years with interest. The three-year deadline would hit at the same time taxes and fees approved under the state budget in February may expire – making it incredibly difficult for the state to meet its obligation to repay local governments. Local governments will have difficulty borrowing against the state's constitutional obligation to repay due to the poor condition of the credit markets.

California counties adamantly oppose the borrowing of local government funds and urge the State to find real, long-term solutions to its budget problems.

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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