

CEO 48

## BOARD AGENDA ITEM

**TO: BOARD OF SUPERVISORS**  
**FROM: MICHAEL G. NELSON, DISTRICT THREE**

**SUBJECT: RESOLUTION OPPOSING PROPOSITION 1A BORROWING**

**SUMMARY:** As part of the proposed solution to the California State budget crisis, Governor Arnold Schwarzenegger is seeking approval in the legislature to borrow approximately \$2 billion from California counties, as permitted under Proposition 1A.

The plan to take local property taxes would cripple our ability to provide vital services to our residents. In addition to this devastating borrowing plan, the Governor's proposal may place additional burdens on counties, including deferred or delayed payments, program and services cuts, significant cost shifts from the state, unmanageable strains on an already overcrowded jail system, and decimating the frayed safety net that protects vulnerable Californians.

CSAC has asked all County Boards to consider and pass a resolution opposing Proposition 1A borrowing as part of the budget solution. In Merced County, it is estimated that this borrowing of Proposition 1A funding alone would total approximately \$5 million for FY 09/10.

**STAFFING IMPACT: None by this action.**

**FISCAL IMPACT: None by this action.**

**CONTRACT / RESOLUTION / ABSTRACT/OTHER SUBMITTED: Yes**

**REVIEW:**

CEO

CEO-Budget

Counsel

**Department Contact:** Katie Albertson, ext. 7636

**REQUEST/RECOMMENDATION/ACTION NEEDED:**

1. Pass a resolution opposing Proposition 1A borrowing as part of the budget solution.

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*For Board Staff Only*

*Target Date: June 16, 2009*

**BOARD ACTION: 6/16/2009**

**PEDROZO / O'BANION - APPROVED RECCOMENDATION**

**RESOLUTION NO. 2009-109**

**TO: CEO**

**BEFORE THE BOARD OF SUPERVISORS  
COUNTY OF MERCED, STATE OF CALIFORNIA**

In the Matter of

RESOLUTION URGING THE CALIFORNIA )  
LEGISLATURE AND GOVERNOR TO )  
REJECT PROPOSALS THAT WOULD )  
SHIFT BILLIONS OF DOLLARS OF LOCAL ) RESOLUTION NO. **2009-109**  
REVENUE FROM COUNTIES )  
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WHEREAS, the Governor of California proposes to forcibly borrow billions of property tax dollars from counties and other local agencies as part of his state budget plan; and,

WHEREAS, California's adopted 2009-10 budget will delay through the entire first quarter of the fiscal year over one billion dollars in funds counties need to administer mandated health and human service programs and make federally required payments; and,

WHEREAS, the state's General Fund already benefits from over \$6 billion annually of property tax revenues from counties that have traditionally funded county services; and,

WHEREAS, the state made no effort to end this taking of local revenue even as the General Fund was flush with multi-billion dollar surpluses; and,

WHEREAS, property tax dollars comprise over twenty percent of counties' general revenue and are the primary general fund source for every county in the state; and,

WHEREAS, county tax revenues including property taxes, sales and use taxes, and vehicle license fees have recently declined dramatically due to the global economic recession; and,

WHEREAS, little authority is given to counties to raise revenues independently of the state; and,

WHEREAS, counties throughout the state are therefore dealing with the extraordinary economic downturn and balancing their budgets honestly by cutting critical services, laying off valuable employees, and living within their means; and,

WHEREAS, counties and other local agencies provide the services most immediate to the lives of Californians; and,

WHEREAS, applications for health and human service programs that counties provide on the state's behalf—such as food stamps, homeless assistance, CalWORKs, Medi-Cal, and general assistance—are rising rapidly; and,

WHEREAS, the state has not increased funding for providing human service programs in nearly a decade despite large increases in counties' costs to administer them; and,

WHEREAS, the state has made little effort to repay the approximately one billion dollars owed to counties and other local agencies for state-mandated programs performed before 2004; and,

WHEREAS, the state's process for determining which mandates are reimbursable is so understaffed, inefficient, and structurally biased against local agencies that counties provide mandated services for as long as a decade without any reimbursement; and,

WHEREAS, recent significant changes in credit markets will make it difficult for counties to borrow money to make up for the revenue they would lose under this proposal, even though no county in the state has ever defaulted on its debt obligations; and,

WHEREAS, the proposal to forcibly borrow county funds would have far-reaching, long-term consequences for counties and the services they provide to every Californian while doing nothing to resolve the real and continuing problems with the state budget; and,

WHEREAS, the proposal would cut real services on which millions of Californians rely in a manner that would not save but in fact cost the state money in the medium-term since the forced loan must be repaid with interest; and,

WHEREAS, the California Constitution would require the state to repay this forced loan just as the recently enacted tax increases expire; and,

WHEREAS, to solve its structural deficit the state—like counties, cities, and special districts—must either cut programs, raise revenue, or find willing creditors to borrow money from on mutually agreeable terms; and,

WHEREAS, the State Legislature and the Governor have failed to resolve the State's structural budget deficit through an entire business cycle; and,

WHEREAS, economists expect a continued decline in state revenues beyond the beginning of an economic recovery and therefore by enacting this proposal the state would merely be shifting their problem into future fiscal years that will be bad enough without it; and,

WHEREAS, eighty-four percent of voters in a high-turnout general election expressed their desire that local property tax dollars remain in their communities to provide local services by voting for Proposition 1A (2004).

NOW THEREFORE BE IT RESOLVED that the California State Association of Counties will make extraordinary outreach efforts to educate the Governor, members of the Legislature, and all Californians—especially voters—about the exceptional consequences adopting this proposal would cause them; and,

BE IT FURTHER RESOLVED, the Merced County Board of Supervisors certifies the availability of the required local match funds for the United States Department of Agriculture Community Facilities Grant if approved; and,

I, DEMITRIOS O. TATUM, Clerk of the Board of Supervisors of the County of Merced, do hereby certify that the foregoing resolution was regularly introduced, passed, and adopted by said Board at a regular meeting thereof held on the 16th day of June, 2009 by the following vote:

**SUPERVISORS:**

**AYES:** Deidre F. Kelsey, John Pedrozo, Hub Walsh, Mike Nelson, Jerry O'Banioin

**NOES:** None

**ABSENT:** None

**WITNESS** my hand and the Seal of this Board this 16<sup>th</sup> day of June.



DEMITRIOS O. TATUM, Clerk

By: Con Pellet  
Deputy