



**California State Association of Counties**  
**1100 K Street, Suite 101**  
**Sacramento, CA 95814**  
**(916) 327-7500**

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Contact: Sarah Jimenez, CSAC Communications Coordinator

(916) 327-7500 ext. 516

(916) 200-9213

## **Proposed Budget Deal Betrays Californians**

Most Devastating Fiscal Impacts to Local Governments in State History

SACRAMENTO – California counties are utterly disappointed in the Big Five’s budget deal reached Monday that only betrays and devastates Californians, their communities and the vital services they depend upon – and triggers the most significant fiscal impacts to local governments in state history.

“This budget is nothing to be proud of – just when counties are making tough choices to balance their recession-ravaged budgets locally and struggling to continue providing vital services to all of the state’s most vulnerable residents, the Governor and legislative leaders decide to pass a significant portion of its severe fiscal problems onto local governments,” said Gary Wyatt, president of the California State Association of Counties and an Imperial County supervisor. “No one should be congratulating one another for a budget that will undoubtedly fall apart in a matter of weeks or months, and inflicts additional pain and suffering on vulnerable children and seniors, public safety programs, and local communities and economies.”

“This budget is anything but a ‘great, great accomplishment.’ It pushes the state’s fiscal problems into the future and sets the next generation of Californians up for severe failure,” Wyatt said. “Counties recognize the extremely tough choices the Administration and Legislature face, but Californians deserve better than a budget filled with gimmicks and one-time fixes, especially in the face of one of the worst recessions we have ever experienced.”

It is widely reported that the budget includes the following impacts to California counties:

- **Suspension of Proposition 1A of 2004.** This is a “borrowing” of \$2 billion in local property tax revenues with a requirement the state pays it back within three years. Approving this component of the budget is like signing a mortgage that you know you can’t afford. Without an ironclad guarantee that the state will repay counties, cities, and special districts in 2013, local agencies will not be able to borrow against the state’s promised repayment. If that occurs, this gimmick is nothing but a devastating cut to community governments.
- **Two-year Raid of Local Transportation Funds, known as Highway Users Tax Account (HUTA).** This two-year swipe of local gas tax subventions, totaling \$1.7 billion, essentially eliminates all public works maintenance and operation efforts at the local level for two years. Counties believe 4,000 county public works employees could lose their jobs and roads will likely deteriorate even further, posing a safety hazard to the traveling public and negatively affecting local economies.
- **Voluntary Extensions of Redevelopment Agencies.** This proposal has been batted around the Capitol for years, but is so fraught with negative policy implications and deep fiscal impacts to future state revenues that no one – until now – has dared endorse it publicly. It will cost

counties and the state hundreds of billions of dollars for more than 40 years, leveraging public resources for an entire generation.

- **Health and Human Services Program Cuts and Restrictions.** The Big Five agreed to significant cuts and scored dubious savings in major program areas, including CalWORKs (\$528 million reduction), the Healthy Families Program (\$226 million reduction), and the In-Home Support Services Program (\$211 million reduction). Some of the proposed savings are supposed to be achieved through increased fraud prevention efforts, including mandatory fingerprinting and background checks for both IHSS providers and recipients and a new complicated sanction scheme for CalWORKs recipients. These new restrictions will only serve to add to the overall costs of the programs and will severely impair counties' ability to effectively administer them.
- **A Range of Public Safety Impacts, Many Unknown.** To date, counties remain largely unaware of the state's plans to achieve more than \$1 billion in cuts to the state's corrections agency. There are sure to be local impacts, if the state intends to carry out parole and sentencing reforms, early inmate releases, and significant reductions to inmate and parole rehabilitative programs. These impacts would be on top of other cost shifts affecting public safety.

"Make no mistake, under this budget scenario counties cannot uniformly ensure the delivery of critical health, public safety and other vital local services to the citizens of California," said Paul McIntosh, executive director of the California State Association of Counties. "The people we serve need to know that their state leaders have tied our hands. They should also understand that we will fight back — in the courts, if necessary — to make certain that these kinds of budget gimmicks are off-limits for the future.

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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