



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

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**FOR IMMEDIATE RELEASE**

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Contact: Sarah Jimenez, CSAC Communications Coordinator  
(916) 327-7500 ext. 516

**Legislature Ties Hands of Counties, Again**  
**Failure to Pass Important Measures Leads**  
**to Fiscal Uncertainty and Potential Halt of Transportation Projects**

SACRAMENTO – California counties may face severe financial shortages and may have to halt local transportation projects due to the inability of the Legislature to approve two technical measures intended to help local governments deal with a series of state budget decisions.

The State Senate adjourned its regular legislative session early September 12, without approving two bills that are of critical importance to local governments:

**SB 65** – The cash management bill that includes clean-up language to accelerate payback of deferred payments of HUTA (Highway Users Tax Account) or gas tax funds to counties and cities. The \$250 million in deferred gas taxes has already been paid by the public and is owed to counties and cities.

**SB 67** – The much-needed clean-up measure to ensure timely and cost-effective securitization of the Proposition 1A “loan” – a \$2 billion “loan” from counties and cities approved by the Legislature in the 2009-10 state budget agreement.

Since the July budget deal, when the Legislature approved the suspension of Proposition 1A (2004) and an indefinite deferral of local gas tax funds, local government advocates have worked closely with the Administration and the Legislature to craft SB 65 and SB 67 to assist local government agencies in borrowing against the state’s taking of 8% of local property tax revenues and ensure a scheduled flow of local gas tax funds.

Many counties are already tackling difficult financial decisions due to a decline in revenues, the ongoing recession, and other cuts and cost shifts from the state. It is clear that counties cannot withstand an unmitigated 8% cut to their property tax revenues, according to county officials. The ability to borrow – or securitize – was always a component of the July budget deal to suspend Proposition 1A.

“Local governments received assurances from every corner of the Capitol that legislators and the Administration were committed to clean-up measures that would ensure counties could borrow to cover the Proposition 1A ‘loan,’” said Paul McIntosh, executive director of the California State Association of Counties. “To be clear: without the ability to borrow, the Proposition 1A suspension becomes an outright cut to counties, on top of the other state cuts the counties are experiencing.”

By not acting now, the Senate is preventing the state from saving an estimated \$200 million to

\$300 million in interest costs for the securitization of Proposition 1A. Counties must line up financing of the “loan” by November to achieve the cost savings and avoid cash flow problems – many important deadlines for doing so are just days away.

“Time is of the essence, and we need the Legislature to return to Sacramento and follow through on this promise to local governments,” McIntosh said. “We find ourselves in a situation we did not create, and at the end of it all, we must have the ability to pursue securitization and avoid significant cash flow shortages for counties.”

In addition, counties are taking yet another hit with the Senate’s failure to muster a two-thirds vote to pass SB 65, which means an estimated \$250 million in gas tax payments, or HUTA funds, will not get paid to counties and cities across the state.

“A delay of these funds means a further delay in economic recovery for the state and local communities, and only prolongs the recession,” McIntosh said. “This is another missed opportunity by the Legislature to jumpstart the economy and provide work to the construction industry.”

County leaders are urging Senators to return to Sacramento and quickly approve these important measures.

“We want the Senate to keep in mind that actions, or lack thereof, come on the heels of the \$3 billion in a combination of cuts, cost shifts, delays, deferrals, and borrowing counties took in the state’s revised 2009-10 budget package,” McIntosh said. “We are supposed to be the state’s partners. Instead, our hands are tied by unrelated political disputes that threaten to jeopardize our financial plans.”

The California State Association of Counties (CSAC) is the voice of California’s 58 counties at the state and federal level. The Association’s long-term objective is to significantly improve the fiscal health of all California counties – from Alpine County with a little more than 1,200 people to Los Angeles County with more than 10 million – so they can adequately meet the demand for vital public programs and services. CSAC also places a strong emphasis on educating the public about the value and need for county programs and services.

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