

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
ACTION AGENDA SUMMARY

DEPT: Chief Executive Office

BOARD AGENDA # IX.B.

Urgent

Routine

AGENDA DATE June 9, 2009

CEO Concurs with Recommendation YES NO

4/5 Vote Required YES NO

(Information Attached)

SUBJECT:

Approval to Adopt a Resolution Urging the California Legislature and Governor to Reject Proposals that would Shift Billions of Dollars of Local Revenue from Counties

STAFF RECOMMENDATIONS:

Approve a resolution urging the California Legislature and Governor to reject proposals that would shift billions of dollars of local revenue from Counties.

FISCAL IMPACT:

If Proposition 1A is suspended Stanislaus County could be subject to a shift of local property taxes to the State of California in an amount estimated to be as much as \$7.9 million. If transportation funding received pursuant to Proposition 42 is suspended, millions of dollars identified for local transportation projects would be redirected to the State. If funding for State mandated local programs is suspended or programs that have traditionally been State responsibilities are shifted to local agencies, the resultant impact on local programs is not currently identifiable but will be measured in millions of dollars of lost funding and/or new unfunded program responsibilities.

BOARD ACTION AS FOLLOWS:

No. 2009-394

On motion of Supervisor Chiesa, Seconded by Supervisor Grover

and approved by the following vote,

Ayes: Supervisors: O'Brien, Chiesa, Grover, Monteith, and Chairman DeMartini

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1) X Approved as recommended

2) Denied

3) Approved as amended

4) Other:

MOTION:

Christine Ferraro

ATTEST: CHRISTINE FERRARO TALLMAN, Clerk

File No.

DISCUSSION:

The Resolution proposed by the California State Association of Counties for adoption by the Board of Supervisors establishes Stanislaus County's formal opposition to the shifting of local resources for the benefit of the State of California. Language in the resolution states that CSAC, "representing every county in the state, unequivocally opposes any proposal to shift local revenue to the state, whether property tax, gas tax, a deferral of payments, or any other source".

The Resolution speaks to the shifting of local revenue, as would happen with a suspension of Proposition 1A - resulting in the borrowing of local property taxes by the State, or Proposition 42 – resulting in the suspension of gas tax payments for transportation. It also speaks to the deferral of payments, or any other source", a statement that principally refers to the suspension of payments for state mandated local programs, and to the potential shifting of programs without the necessary funding that have traditionally been the responsibility of the State.

Because it is a relatively new concept that hasn't been previously exercised, the greatest uncertainty exists in the potential suspension of Proposition 1A. Section 25.5 of Article XIII of the California Constitution outlines the property tax protection provisions of Proposition 1A. This section includes suspension provisions under the following circumstances:

- The Governor must issue a proclamation that declares that, due to a severe state fiscal hardship, the property tax protection provisions of Prop 1A must be suspended.
- The Legislature must enact an urgency statute, requiring a two-thirds vote of each house, which suspends the property tax protection provisions of Prop 1A. This measure may not contain any other provision. The Constitution limits the amount of property taxes that may be shifted to 8 percent of the prior year's total property tax allocation to local agencies (counties, cities, and special districts only) within a county. It is fair to interpret this language to mean that the allocation of such a reduction may be negotiable.
- A second statute must then be enacted that outlines the provisions of full repayment for the loss of local property taxes as a result of the suspension. The repayment must include interest (at an unspecified rate) and must be fully repaid within three years.
- Proposition 1A may not be suspended more than twice in ten years and may not be suspended until prior losses are repaid. (Recall that the suspension could not occur if the VLF Gap Loan had not been repaid. This loan was repaid to local governments in the 2005-06 state budget.)

Since Proposition 1A has never been suspended, there are many questions about the details of the suspension provisions that have yet to be worked out. For

example, what is considered “property taxes allocated to local agencies,” what interest rate is charged for the loan, and how repayment is achieved. Based on preliminary figures, the impact on Stanislaus County’s General Fund could be as much as \$7.9 million.

POLICY ISSUES:

This action is consistent with the Board's priority of efficient delivery of public services.

STAFFING IMPACT:

There is no immediate staffing impact associated with this item

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
STATE OF CALIFORNIA

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and approved by the following vote,

Ayes: Supervisors: O'Brien, Chiesa, Grover, Monteith, and Chairman DeMartini

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

THE FOLLOWING RESOLUTION WAS ADOPTED:

Item # IX.B.

Resolution Urging the California Legislature and Governor to Reject Proposals that would Shift Billions of Dollars of Local Revenue from Counties

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

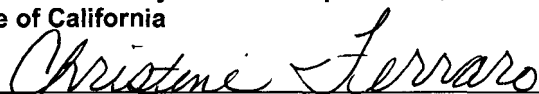
WHEREAS county tax revenues including property taxes, sales and use taxes, and vehicle license fees have recently declined dramatically due to the global economic recession; and

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

ATTEST: CHRISTINE FERRARO TALLMAN, Clerk
Stanislaus County Board of Supervisors,
State of California



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

RESOLVED that the California State Association of Counties, representing every county in the state, unequivocally opposes any proposal to shift local revenue to the state, whether property tax, gas tax, a deferral of payments, or any other source.

RESOLVED that Stanislaus County Board of Supervisors supports the efforts of the California State Association of Counties and unequivocally opposes any proposal to shift local revenue to the state, whether property tax, gas tax, a deferral of payments, or any other source.