



California Counties: 38 Million Served—Billion\$ at Risk

Counties Face Looming Cash Crisis

As the Legislature and Governor negotiate to address the state’s budget deficit, it is important to understand the financial situation California’s counties find themselves in and the dire consequences that would result from the cascade of budget solutions that are under discussion.

A quick summary in round numbers of the hits to counties in the form of program reductions, deferrals, and borrowings:

Transportation	
Take Local Portion of HUTA for Two Years	\$868 million
Defer Q1 & Q2 Prop. 42 payments until May 2010.....	<u>\$144 million</u>
	\$1.01 billion
General Revenue	
Issue IOUs to Counties for All Payments Due—July Only	\$776 million
Borrow County Property Tax Revenue by Suspending Prop 1A	\$900 million [†]
Defer August HHS Payments to Counties and to Aid Recipients (Covered by Counties).....	\$650 million
Suspend Williamson Act Subventions	\$34.7 million
Defer Payment for Pre-2004 State Mandates	\$91 million
Suspend Payments for Mandates Performed in FY 2007-08	\$81 million
Cost associated with May 19 Special Election	<u>\$68 million</u>
	\$2.6 billion
Health and Human Services	
All Budget Reductions/Cost Shifts	\$518.3 million
Justice	
Make Certain Wobblers Subject Only to Jail Sentence.....	\$99.9 million
Charge for Forensic Lab Services	<u>\$20 million[†]</u>
	\$120 million
Total Effect on Counties of All Pending Cuts and Deferrals	\$4.3 billion

Please Note: This total does not include previous significant actions, such as delays to regular February and March 2009 payments (\$500 million). It also does not account for state actions with significant — and as yet undetermined — impacts to counties, such as state implementation of sentencing and parole changes, the elimination of state prison inmate rehabilitative services, reduction of Bureau of Narcotics Enforcement (BNE) funding, and changes to court security funding.

The payment deferrals and borrowing options listed above, while devastating even in a “normal” budget year, will have particularly catastrophic effects this budget year given the extraordinary difficulty counties are having with accessing credit markets.

Let’s be clear. Counties will be devastated by the cumulative effects of these budget actions. Solutions to avoid these consequences:

- **Pass the three-bill package today to avoid the issuance of IOUs;**
- **In lieu of taking the local share of HUTA, either (1) pass a 5¢ increase to gas tax for debt service OR (2) securitize the state share and dedicate to debt service;**
- **If a Proposition 1A suspension is considered, provide counties guaranteed, iron-clad repayment provisions.**

[‡]Estimated county portion. [†]Only a portion of this cut applies to counties.