



Proposition 1A

Protect Local Government Revenues

Current State Budget deliberations include discussions about suspending local government Proposition 1A revenues. The County of San Diego opposes suspension of Proposition 1A as a partial solution to balancing the state's 2009-10 budget.

Background:

In 2004, eighty-four percent of California voters passed Proposition 1A expressing their desire to protect revenues collected by local governments from being transferred to California state government for statewide use. Proposition 1A protects local funding for public safety, health, libraries, parks, and other locally delivered services. The measure prohibits the state from reducing local governments' property tax proceeds and requires local sales tax revenues to remain with local government to be spent for local purposes. If the state reduces the Vehicle License fee (VLF) rate, Proposition 1A requires the state to provide local governments with equal replacement revenues. Any funds "borrowed" by the state in a fiscal emergency must be completely repaid within three years, with interest, and restricts loans to no more than twice in any consecutive 10-year period. In 2006, seventy-seven percent of California voters passed another Proposition 1A measure directing state sales tax on gas to fund only transportation and transit improvements and provided the same safeguards as the 2004 Proposition 1A measure in times of fiscal emergency when the state "borrows" these transportation related funds.

The suspension of the 2004 Prop 1A would create a significant strain at a time when counties are grappling with the challenge of sustaining core programs and services in a prolonged economic downturn that has resulted in decreased property tax, sales tax, Proposition 172 and Realignment revenues with no expectations of a rapid recovery.

Impact of Suspension:

The County of San Diego's exposure under Prop 1A, assuming an eight percent "borrowing" of property tax revenues, is approximately \$70 million. A reduction to the County's budget of this magnitude would be felt by residents across the County and have far reaching consequences for the local and state economy in terms of lost wages in the public sector and lost purchases of goods and services from the private sector. Because the County views this borrowing as a one time event, we would first explore the use of reserves to backfill the loss. The risk to the County, however, is that these reserves would not be available to the County at a time when local revenues could continue to deteriorate while the demand for services increases.

Potential Service Impacts:

The Proposition 1A suspension could therefore require a reassessment of the County's priorities and long range financial plan, and could result in a significant loss or reduction of programs and services for County residents in the areas of public safety, health care, parks, and libraries. Impacts would likely include:

- A further scaling down of staffing levels and hours of operation at public counters, parks, recreation centers, animal shelters and libraries.
- An increase in wait times and response times to customers.
- Delays in processing elections, audits, property tax assessments, recordings, and marriage licenses.
- A reduction in code enforcement and the ability to respond to complaints received by the public.
- Local jails and the County's ability to house the current average population of 5,400 local offenders in detention facilities; law enforcement and patrol services for county residents; the prosecution of crime; the supervision of juvenile offenders on probation; and further reductions to the supervision of adult offenders and to programs that work with at risk juveniles.
- Less local flexibility to provide programs that address local needs such as veterans' services, 2-1-1, domestic violence prevention, emergency shelter for abused and neglected children, emergency homeless shelters, juvenile diversion services for youth at-risk of delinquent behavior, mental health assessment and treatment of children, behavioral health and older adult services including public administrator/public guardian.
- Decrease maintenance of open space preserves and potentially jeopardize ability to meet operating agreements with state and federal agencies.
- Delays in major maintenance projects that protect the life and functionality of facilities.
- Inability to fully comply with the stormwater permit which may result in additional fines and penalties.
- Cuts to pesticide regulation program which protects public health by reducing violations in the industry.