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July 24, 2009

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FOR IMMEDIATE RELEASE

League of California Cities Expresses Continued Concern about Final State Budget Package

The Legislature eventually recognized the concerns of economists, legal experts and concerned taxpayers by mitigating unconstitutional provisions, but serious concerns remain about the budgets' impact on local communities.

SACRAMENTO — Today the League of California Cities expressed seriously mixed feelings about the budget that was just adopted by the Legislature. It is a budget that calls for devastating losses of local revenues to finance the state's expenses, but it is less harmful than when the voting began 24 hours ago.

"We were pleased that the Legislature finally heard arguments from economists and legal experts that stealing local gas taxes not only violated the state constitution, but it would have devastated the maintenance of local streets and created true local public safety problems. We continue, however, to be concerned that the budget contains a clearly unconstitutional diversion of local redevelopment funds, and we believe the state should not count on that revenue materializing," said League President and Rolling Hills Estates Mayor Judy Mitchell.

In its early morning session, the California State Senate revised the legislation that provided for the unconstitutional seizure of local gas tax funds into a loan to the state general fund, which is allowed under the constitution. The California State Assembly, however, killed the gas tax loan legislation and removed the threat to public safety posed by the legislation.

The final budget also included the so-called Proposition 1A property tax loan, including legislation authorizing the "securitization" of the loan so local governments could borrow against the state's repayment commitment.

Chris McKenzie, League executive director, remarked on why borrowing is dangerous. "Let there be no doubt, this is more borrowing by the state and it is no better for the state than it is for local governments. The success or failure of this legislation depends on how clearly this legislation commits the state to repayment and how well Wall Street reacts to this budget. It is essential that local police and fire services not be sacrificed to ensure more borrowing by the state. We have not seen the final version of this legislation, and we remain very concerned about the ability to securitize this loan repayment in the current credit environment. We look forward to working on any necessary amendments to the legislation when the legislature returns. Like the rest of the fiscal challenges facing the state, there is much left to be done."

Established in 1898, the League of California Cities is a nonprofit statewide association that advocates for cities with the state and federal governments and provides education and training services to elected and appointed city officials.

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