



County of El Dorado

OFFICE OF AUDITOR-CONTROLLER

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Date: August 18, 2009
To: County, Cities, and Special Districts
From: Sally Zutter, Accounting Division Manager
RE: **Your Local Agency's Mandatory Loan to the State**

On November 2, 2004, the voters of California changed the State Constitution by passing Proposition 1A. One of the goals of Prop 1A was to prevent the State from initiating new "raids" on local property taxes. In exchange for shielding local property taxes, Prop 1A had a trigger suspending Prop 1A to allow for loans of local property taxes to the State.

Prop 1A suspension has several requirements:

- The Governor must issue a proclamation of severe state fiscal hardship.
- The suspension can occur no more than twice in any 10-year period.
- The loan resulting from a suspension must be paid back before another suspension can occur.
- The loan must be repaid with interest within 3 years following the year of the loan.

As part of the State's budget, Prop 1A was suspended through ABX4-14 and ABX4-15. **Your local agency's participation in this loan to the State is mandatory.**

Please read ABX4-15 to determine the effects/options regarding your local agency. The State Senate's website at www.sen.ca.gov has the text of the legislation. The California Special Districts Association website at www.csda.net has a FAQ and other pertinent information (including information on the district's option to securitize the loan). The California League of Cities website at www.cacities.org also has information.

Statewide implementation guidelines are currently being drafted and your local agency's loan amount will be communicated as soon as available. In the meantime, the basic timeframes are as follows:

- **Prior to 10/15/09** – County Auditor's Property Tax Division will communicate with your local agency regarding your local agency's calculated loan amount. Please be aware that this calculated loan amount may not be "final" due to any "extreme hardship" filings with the State.
- **10/15/09** – Your local agency's deadline to file an "extreme hardship" with the State Director of Finance. Please see the requirements of the law to determine if your local agency may qualify.
- **11/15/09** – Your local agency's deadline to reallocate all or part of your loan with another local agency and to notify the County Auditor's Property Tax Division of the agreement in writing (via resolutions/ordinances).
- **11/15/09** – State Director of Finance's deadline to certify to the County Auditor's Property Tax Division any partially/fully approved "extreme hardship" filings (including the amount of reduction).
- **Prior to 1/15/10** – County Auditor's Property Tax Division will communicate with your local agency regarding the "final" calculated loan amount after reallocating any reductions approved from the "extreme hardship" filings to the remaining local agencies on a pro-rata basis.
- **By 1/15/10** – County Auditor (Property Tax Division) to transfer first ½ of the "final" calculated loan amount from your local agency.
- **By 5/1/10** – County Auditor (Property Tax Division) to transfer remaining ½ of the "final" calculated loan amount from your local agency.
- **By 6/30/2013** – Full repayment of loan by the State.