Facts About Prop. 1A

What Prop. 1A is

Proposition 1A was passed by voters Nov. 2, 2004, to preserve local government revenues for local programs and services.

What Prop. 1A does

It grants local governments long-term fiscal protection and stability. Prop 1A prevents the state from using local tax revenues — property taxes, Vehicle License Fees, sales taxes — for state General Fund purposes except in cases of true fiscal emergency.

It includes flexibility for times of state crises. The measure allows the state to borrow local property taxes in cases of "significant state fiscal hardship." Borrowing can only take place twice in a 10-year period, and then only after any prior loan has been repaid.

It constitutionally prevents future property tax shifts by the state. However, local governments are still responsible for paying for property tax shifts that took place prior to Prop. 1A, including an ongoing annual shift now totaling nearly $6 billion in local property tax revenues to schools via the Educational Revenue Augmentation Fund (ERAF).

It requires payments for deferred state mandates. Mandated programs are services that local governments must perform on behalf of the state. Prop. 1A generally requires the state to provide reimbursement to local governments for these services or forego the service requirement. The state currently owes local governments approximately $1.5 billion in deferred mandate reimbursements, with an estimated 70 percent of this unfunded amount owed to counties. The state has 15 years to repay this debt.

It protects counties from cost shifts on programs for which state and local agencies have shared responsibilities.

What Prop 1A doesn't do

It doesn't give local governments more money. The measure simply protects existing revenue streams.

It doesn't reduce counties' responsibilities to maintain California's property tax system. Counties still are charged with the primary responsibility of administering and funding this vital system.

It doesn't mean that local governments haven't helped the state when help is needed. The 2004 state budget included the permanent elimination of the Vehicle License Fee (VLF) "backfill" of approximately $4.4 billion, replacing it with a similar amount of property tax revenue to local governments. This budget agreement also included a pledge by local governments to help the state through then-tough fiscal times with contributions of $1.3 billion per year for two years. And local governments continue to contribute almost $6 billion to the state every year through the ERAF shift.

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