

A bleak financial outlook for the county

One of the bleakest financial situations in years is confronting Santa Cruz County government.

County supervisors will be told Tuesday that the combined impacts of Prop. 13, economic stagnation and inflation will compel the county to institute an era of fiscal austerity.

County Administrative Officer George Newell's interim report on the financial state of the county reveals that the predicted negative impacts of Prop. 13 — postponed for two years by state "bail-out funds" — will hit full force in the 1981-82 fiscal year.

His message, in effect: No more

bail-out money unless the totally unexpected occurs in the State Legislature. Newell said county officials have been informed by state financial experts that if the state maintained all its current funding commitments throughout 1981-82 the result would be a deficit of \$1.9 billion. That would be proportionately larger than the federal budget deficit, but in any case the state cannot by law operate with a deficit budget.

In addition, Newell said, the county's share of federal revenue sharing funds will fall by \$327,982.

Newell called this a particularly ironic and bitter pill because the decrease is mostly attributable to the effects of Prop. 13, which in turn means more tax revenue for the federal government. Federal revenue sharing, he explained, is based on a formula that, among other things, considers the "tax effort" of the community to receive the funds.

Since Prop. 13 constitutionally limits strictly the taxing capacity of local governments, their revenue-sharing portion is commensurately reduced. The irony, Newell noted, is that because Prop. 13 also sharply

reduced the property tax reductions of California residents, it has meant a windfall of some \$2 billion for the federal government.

Newell will tell the supervisors that until Gov. Brown's just-proposed budget is disposed of one way or the other by the Legislature, it won't be known exactly how much in-state money will be available.

But it won't be nearly enough, he will assure them.

"I believe this will be a very difficult year for all local governments," Newell said. "It is the

first year since the passage of Prop. 13 that the state has encountered substantial financial problems. The magnitude of the state's problems will largely determine the level of service the county and other local governments can provide..."

Newell said he was not suggesting that the board now curtail budgeted programs and operations; that will almost certainly come later, however. The CAO will be recommending Tuesday that the board take some interim actions, however, including not hiring at this time 10 of the 16 new sheriff's deputies authorized last

December by the (old) board. He will also have a number of other recommendations for action, including the possible increase in "user fees."

Supervisors will also be hearing a recommendation Tuesday that they expand the ban on drilling new wells to take in the entire "Purissima aquifer." Over the protests of well drillers and others, the board has already imposed a well-drilling moratorium on that part of the aquifer within the boundaries of the Soquel Creek County Water District.