

Economy  
1990-2000

# Bad times gnaw at government's purse

## Decline in sales tax slows recovery for cities

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**SANTA CRUZ — Ouch!**  
If you think things are tight around your house because of the recession, take a look at what's happening in the halls of local government.

As residents cut back on shopping, as those who have lost jobs put off paying their property tax bills, and as out-of-towners delay vacations to Santa Cruz, local governments feel the pinch through fewer-than-expected tax dollars.

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Midway through the budget year, the cities of Scotts Valley, Watsonville and Capitola and the county government report sales-tax revenues are under budget.

The county government, for example, had received about 50 percent of its expected \$5.53 million in sales tax as of Dec. 31. But last year by mid-year, it had received 59 percent.

This is bad news for earthquake recovery as well, noted County Administrative Officer Susan Mauriello. Voters in 1990 passed a half-cent increase in the sales tax for earthquake rebuilding. As sales-tax revenues decline, so do the funds for the recovery.

The only municipality that has received what it expected in sales taxes is the city of Santa Cruz,

where at mid-year they were down only \$46,000 from what was predicted. But this could translate into good budget planning, not increased shopping.

Transient occupancy taxes, collected by local jurisdictions from visitors who stay at local hotels and motels, also are lower than expected in some areas. The county, for example, expects a \$300,000 shortfall by the end of the year.

Only Capitola City Manager Steve Burrell predicted transient occupancy tax may be an expanding source of revenue during the recession as people visit this area rather than take more expensive vacations.

Construction generally is down during a recession, but in Capitola and Scotts Valley, building permit fees are up.

Scotts Valley has received more than anticipated in construction fees because Borland, a software manufacturer, is building a new headquarters there.

Capitola's fees are up because the Brown Ranch Marketplace is being built on Clares Street across from Capitola Mall.

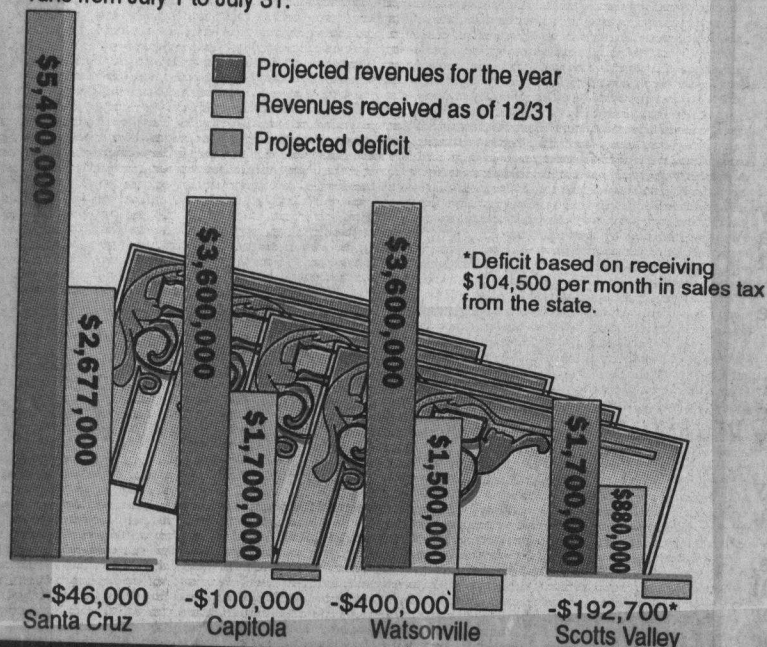
Local governments, like anyone with money in the bank, are experiencing lower-than-expected interest earnings as well. The county, for example, predicted it would receive \$1.8 million in interest this year, but has only earned \$205,000 so far.

All local jurisdictions are being hit by lower-than-

*Please see RECESSON — A4*

### The sales tax pinch

Sales tax is the main sources of revenue for local cities and is a prime indicator of how the economy is fairing. The fiscal year for local jurisdictions runs from July 1 to July 31.



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anticipated vehicle code fines, but not because drivers are getting fewer tickets.

After the cities and county passed their budgets back in July, the state decided to take a bigger chunk of these fees for itself — 50 percent more of the city

fees and 75 percent more of county fees.

But the county is still getting something from the state, according to Municipal Court Administrator Paul Ahern. The state this year raised the part it pays for local trial court costs to 50 percent.



REFERENCE

SANTA CRUZ SENTINEL  
February 5, 1992