

County faces \$1 million budget shortfall

By BUD O'BRIEN

Those Prop. 13 chickens that some people were concerned about before the passage of that controversial tax-limiting measure are beginning to come home to roost.

At least, they seem to be settling in Santa Cruz County, which has suddenly been confronted with the news that its income for the 1979-80 fiscal year is going to fall more than \$1 million short of the amount the supervisors allocated at their June budget sessions.

At the time they were drawing up their budget, the supervisors were forced to do a lot of guesswork as to the

amount of Prop. 13 "bailout" money they were going to receive from the state. Basing their estimates on last year's bailout program, the offices of the county auditor-controller and the county administrative officer provided the board with an estimate of the amount of state money that could be expected.

At the time this estimate was made, the Legislature was struggling with a number of alternative bail-out bills. The one that was finally adopted, Auditor-Controller Arthur Merrill said this morning, was so complicated that its full implications were

not fully extracted by his office until this week.

In essence, the bail-out bill (AB8) is written so that the county will not be able to spend \$1 million-plus on programs for which it had been budgeted. It isn't, Merrill noted, so much that the county is getting less money in total from the state this year as the way the money is allocated under AB8.

"It is a very complex bill," Merrill said, but its effect is to earmark most of the bailout money specifically, whereas last year the county was given nearly \$1 million to allocate where it saw fit. Taking into

account the increase in assessed valuation and inflation, the county had counted on getting somewhat more than \$1 million in the same way this year.

Because of some one-time "windfalls," Merrill said, the county can overcome some of the problems posed by the loss of the \$1 million-plus. The county has, for example, won a \$400,000 settlement from PG&E and a \$100,000 judgment from a magazine company in a consumer fraud case. This money goes into the general fund and can be used to make up part of the revenue loss.

But this will still leave the county with some \$750,000 of cuts to make. Merrill said he and County Administrative Officer George Newell were making recommendations as to where that money should be cut. Most of it, \$500,000, will be cut from the library fund, if the recommendations are followed.

But . . . the complicated bail-out bill will allow \$300,000 of that cut to be made up from "special district" funds. Under AB9, library funds are considered part of "special district" funds, but under a formula that, in this case, would limit the amount

available to that \$300,000 figure.

Other cuts would have to come from various capital improvement programs.

Merrill pointed out that little if any can be cut from the "big" budget items — welfare, health care, etc. — since spending policy on these programs is practically preempted by state law.

Although the bill is so complicated as to defy lay understanding ("I consider it an accountants' employment act," Merrill sighed) the auditor-controller points to it as a sort of advance notice that Prop. 13 is beginning to

take a heavy toll of local government programs and that the legislature is preparing to end the state's "sugar daddy" role.

Counties and other local governments, Merrill warned, simply have to face the fact that from now on they're going to have to raise most of their own money. He said the Board of Supervisors is going to be asked Tuesday to authorize CAO Newell to prepare a long-range financing plan for the county.

Merrill left no doubt that such a plan will be, to put it mildly, austere.

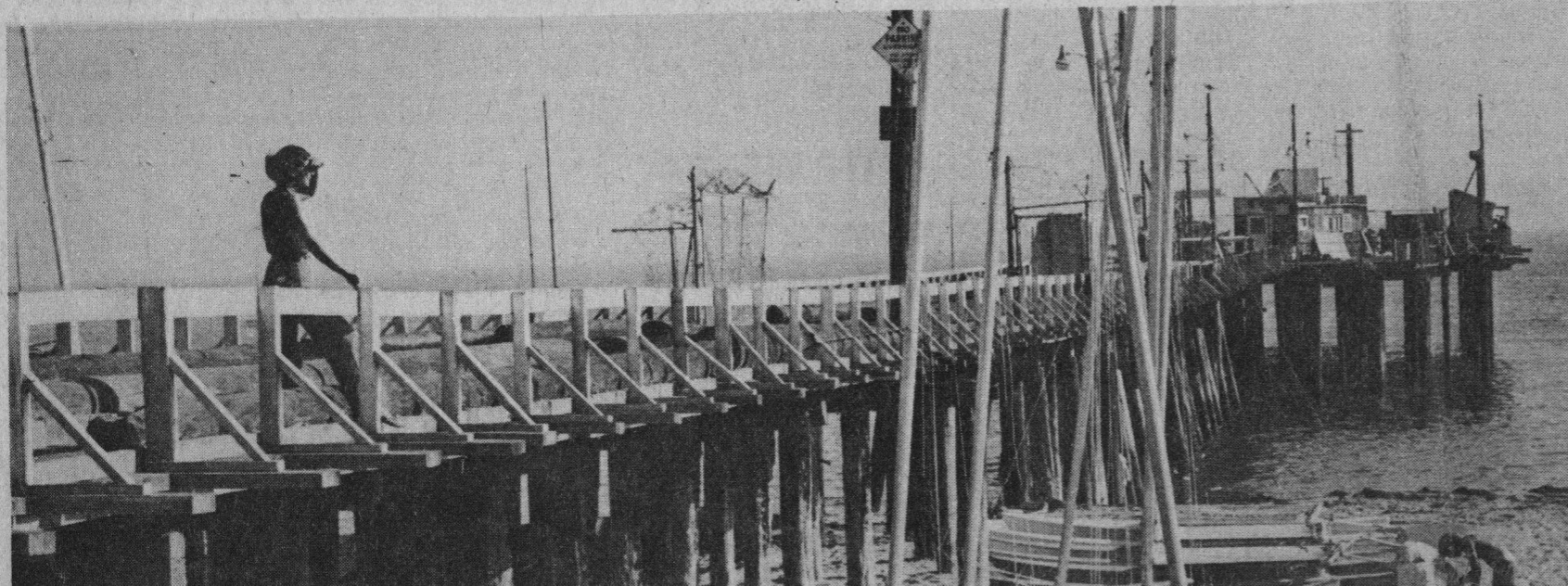
"We're going to have to cut

programs and eliminate positions," he said. "Hopefully, because we're starting now, we can do that (eliminate jobs) by attrition."

Merrill also said that county residents can look forward to having to pay more and higher "user fees", such as paying for street lights and any number of other amenities.

On top of all that, Merrill said, the situation is almost certain to be made worse by the imminence of recession, if indeed such a condition is not already here.

"I can see a mushrooming effect on the gloom-and-doom side," he said.



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