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FOR IMMEDIATE RELEASE

**California Cities Begin Declaring State of Severe
Fiscal Hardship
Dozens Expected to Follow Suit in Coming Days**

SACRAMENTO — Last night, the first of many cities across California declared a state of severe fiscal hardship and opposed a proposal to take local property tax funds to finance the state budget. These actions reflect the impacts that the stagnating economy has had on California's cities due to serious declines in local tax revenues. Across the state, many cities are enacting drastic cuts to their budgets including public safety reductions, employee layoffs, hiring freezes, project delays, program reductions and more.

More than 40 cities have passed or are scheduled to pass a resolution declaring a state of severe fiscal hardship by Tuesday, June 2. Many additional cities will be following suit in the coming weeks as they prepare their fiscal year 2009-2010 budget. Cities that have declared or are scheduled to declare a state of severe fiscal hardship include:

Monday, May 11: Morro Bay, Bellflower, Palo Alto, Fort Bragg
Tuesday, May 12: Arroyo Grande, Dinuba, El Cajon, Hermosa Beach, La Mesa, San Marcos, Salinas
Wednesday, May 13: Encinitas, Santee, Solana Beach
Thursday, May 14: Citrus Heights
Monday, May 18: Atascadero, Del Mar, Grover Beach, Lomita, Merced, Oakdale, Orland, Petaluma, Santa Maria, Sonora, Tehachapi
Tuesday, May 19: Coronado, El Monte, Eureka, Lemon Grove, Loyalton, Poway, Redding, San Luis Obispo, Taft, Tulare
Wednesday, May 20: Atherton, Bakersfield, Imperial Beach, Lodi, Los Banos, Red Bluff, Sebastopol
Tuesday, May 26: Millbrae, San Carlos, Wheatland
Wednesday, May 27: Cloverdale, San Anselmo, South San Francisco,
Monday, June 1: Selma
Tuesday, June 2: South Gate, West Covina

"These resolutions are a sign of the serious financial strain many cities face as a result of the economic downturn. We can't allow the state to compound the existing crisis facing many cities by taking local property taxes or other revenues," said League President and Rolling Hills Estates Mayor Judy Mitchell.

Gov. Arnold Schwarzenegger met with city officials Monday in Culver City and Tuesday in San Jose to discuss Propositions 1A-F on the May 19 special election ballot. The Governor outlined the potential dire consequences facing California if the measures are defeated. The League of California Cities endorsed Propositions 1A-F on April 6 to help prevent a deeper state fiscal crisis and to enact some long-term state budget reforms.

City officials asked the Governor about the Department of Finance budget option put forth last week which would have the state borrow \$2 billion (8 percent) of local property tax revenues to help close the state's budget, telling him of the damaging effects on city services if a state "loan" of local funds occurs.

(more)

“A number of city officials told the Governor they understood the state’s fiscal plight because they are already making deep budget cuts to core services and any loss of property tax funds to finance the state budget would be crippling,” said Chris McKenzie, League executive director who attended both meetings.

In recent years, the Governor has opposed borrowing from local government as fiscally irresponsible, establishing a legacy of avoiding incurring debt for the annual budget. An overwhelming majority (91 percent according an October 2008 Public Policy Institute of California poll) has also expressed opposition to borrowing as a way to close the budget gap.

Established in 1898, the League of California Cities is a nonprofit statewide association that advocates for cities with the state and federal governments and provides education and training services to elected and appointed city officials.

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