



September 25, 2009

To: Cities, Counties, and Special Districts

Suspension of Proposition 1A—Establishment of an Interest Rate

As part of the 2009 Budget package, the Governor signed Chapter 14, Statutes of 2009, Fourth Extraordinary Session (ABx4 15). The budget includes \$1.9 billion in property tax monies borrowed from cities, counties, and special districts pursuant to Proposition 1A (2004). The borrowed sums will be shifted to county-level Supplemental Revenue Augmentation Funds where they will be used to fund K-12 schools, courts, prisons, Medi-Cal, hospital and K-12 school bond expenses that would otherwise be funded from the state General Fund.

The Chapter requires the borrowed sums to be repaid with interest by June 30, 2013. The Department of Finance is required to establish an interest rate at which the state will repay local governments that do not assign their Proposition 1A receivables to a local government joint powers authority. The rate is required to be higher than the rate of interest earned by the Pooled Money Investment Account (0.99 percent as of July 30, 2009), up to a maximum level of 6.0 percent.

Pursuant to Section 100.06(e)(1)(B)(ii) of the Revenue and Taxation code, the Department of Finance hereby establishes an interest rate of 2.00 percent for the repayment of Proposition 1A borrowables to local governments that do not assign their Proposition 1A receivables to the joint powers agency.

Sincerely,

MICHAEL C. GENEST
Director

icc: M. Hill, Lloyd, C. Hill, Finn, Rogers, file

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