GOVERNOR BROWN CANCELS SALE OF STATE PROPERTIES

SACRAMENTO – In a move that will save taxpayers $6 billion dollars over the next 35 years, Governor Jerry Brown today called off the previous administration's "short-sighted" proposal to sell and leaseback 11 state properties.

"The sale and leaseback proposal was short-sighted and would have cost taxpayers billions of dollars in the long-run," said Brown, "Selling and leasing back the state's buildings for one-time gains is not prudent."

The 2009-10 budget authorized the sale and leaseback of 11 state properties, and the 2010-11 budget assumes $1.2 billion in revenues from this deal.

To replace the one-time revenue this would have generated, Brown proposes amending his budget proposal to include borrowing $830 million from special fund reserves.

His plan includes protections to ensure that these programs are not impacted:

- Loans will come from reserves—not program budgets.
- All loans will be paid back by FY 2013-14.
- If programs need additional funding before then, the Department of Finance will transfer money back.

"My proposal will not affect program funding in any way," said Brown.

The Governor's proposal will cost approximately $18 million in interest on the loans.

It will not be necessary to borrow more than $830 million to bridge the gap because of additional revenues and cost savings, including $90 million more from the Medi-Cal managed care tax and $100 million less in prison infrastructure project costs.

Under the original plan, once the properties were sold the state would pay approximately $56 million annually to lease them for state use, increasing over time. According to the Legislative Analyst's Office, overall the deal is equivalent to borrowing at a 10.2 percent interest rate—double what the state pays for its general obligation bonds. In total, over 35 years the sale and leaseback plan would cost California $6 billion more than state ownership.

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