

May 15, 2006

To: The Honorable Rudy Bermudez
Chairman, Assembly Budget Subcommittee No. 4

Honorable Members, Budget Subcommittee No. 4

From: Frank J. Mecca, Executive Director

**Re: Item 0860: State Board of Equalization: Sales and Use
Tax Administration Cost Allocation – REJECT
LEGISLATIVE ANALYST'S RECOMMENDATION**

The County Welfare Directors Association (CWDA) urges you to reject the proposed change to the State Board of Equalization cost allocation methodology proposed by the Legislative Analyst's Office. The LAO's proposal would authorize the State Board of Equalization to assess administration costs on the Local Revenue Fund (Realignment).

Realignment was enacted to shift responsibility and funding from the state to counties as part of the solution for a significant budget deficit in the 1991-92 fiscal year. Under Realignment the county share of the cost of most of the realigned programs was increased and funded by sales tax or Vehicle License Fee revenue. Doing so created a significant fiscal benefit to the State, as responsibility for programs was shifted to counties.

Counties also received some assurance of a dedicated revenue source that would grow over time. However, there have been several years where there has not been sufficient funding to cover program costs. Social Services programs are currently due more than \$167 million to cover caseload growth for the past few years.

In addition, assessing administrative costs on Realignment would directly translate to a reduction in funding for county social services programs such as Child Welfare Services, Foster Care, In-Home Supportive Services and Adoptions.

Therefore, we urge you to reject the LAO proposal.

Thank you for your consideration of this request.

cc: Dan Rabovsky, Consultant, Assembly Budget Committee
Gail Gronert, Office of The Honorable Fabian Nunez
Julianne Huerta, Consultant, Assembly Republican Fiscal Office
Scott Carney, Health and Human Services Agency
Ana Matosantos, Health and Human Services Agency
Cliff Allenby, Director, Department of Social Services
Sue Bost, Department of Finance
Mark Ibele, Legislative Analyst's Office
Jean Kinney Hurst, CSAC
County Caucus