



COUNTY WELFARE DIRECTORS ASSOCIATION OF CALIFORNIA
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CWDA

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To: All County Social Service Directors and Fiscal Officers

From: CWDA Staff

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RE: State Budget Update #8 – Budget Conference Committee Completes Action

The Budget Conference Committee has completed its work reconciling the differences between the Senate and Assembly versions of the budget. The final Budget Conference Committee report includes \$9.7 billion in new revenue, including reinstating the 10 and 11 percent tax brackets to generate \$5.6 billion, suspending the Net Operating Loss deductions against company earnings for three years for \$1.1 billion, suspending the indexing tax adjustment for \$815 million, eliminating the dependent care credit for individuals with incomes exceeding \$150,000 for \$215 million, restoring the corporation tax to the 1996 level (9.3 percent) for \$470 million, and implementing a tax amnesty program to generate \$1.5 billion in one-time revenue. The increased revenues were used to replace the rejected lottery securitization proposal, increase K-12 education \$2.3 billion over the May Revise level, and restore \$1.5 billion in health and human services cuts.

The Budget Conference Committee report was approved on a party-line vote, with Democrats voting for and Republicans against. At the moment, we are a long way from a final budget with both parties mile apart on the appropriate balance of revenue solutions versus cut solutions and the Governor somewhere in between.

Below is the current context of the budget. A comprehensive list of the status of human services issues is attached.

- The Senate and Assembly have rejected the cuts to CWS and APS. This is good news so far but more cuts are likely to be made so these are not safe.
- The Budget Conference Committee has rejected most of the proposed cuts to county human services. Restoration of these cuts is good news but county funding remains at great risk.
- The current budget includes \$9.7 billion in new revenues and Republicans have reiterated that they will not support tax increases. There is a long way to go to reach a final budget deal.
- All of our priorities are vulnerable. Nothing will be safe in this budget until it has been enacted.