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CWDA

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To: All County Social Service Directors and Fiscal Officers

From: CWDA Staff

Pages: 2

RE: State Budget Update #4 – Legislative Democrats Unveil Budget Plans

Today and yesterday, Assembly and Senate Democrats announced plans for covering some or all of the \$19.1 billion budget shortfall in 2010-11 (which includes a \$1.2 billion reserve). Although the plans differ from each other, each proposes additional revenues and offers a more balanced approach than the all-cuts proposal put forth by the Governor.

Assembly Democrat Plan

Today Assembly Democrats proposed “The California Jobs Budget,” which is intended to close the \$17.9 billion GF budget shortfall plus provide a \$1 billion reserve. The centerpiece of the proposal is the creation of a \$10.1 billion Jobs and Economic Security Fund that will be funded with revenues from the following sources:

- Closing a loophole in the oil severance tax to generate \$900 million in 2010-11 and each year thereafter.
- Borrowing \$8.7 billion from the California Beverage Recycling Fund. Funds will be available due to the acceleration of Beverage Recycling Fees. The loan will be repaid in future fiscal years from the Jobs Fund.
- Borrowing \$500 million from the Disability Insurance Fund (similar to the Governor’s proposal). This loan will also be repaid in future fiscal years from the Jobs Fund.

The highlights of the package for social services and health programs include the following:

- Restores the \$375 million cut to the CalWORKs Single Allocation for employment services and child care and rejects elimination of the program and the proposed grant cut.
- Fully funds child care programs.
- Restores funding for IHSS and establishes a provider fee mechanism intended to generate approximately \$150 million in GF savings.
- Rejects the proposed cut to the SSI/SSP grant for individuals.
- Rejects the proposed shift of mental health realignment funds and other county savings to increase the county share of cost in CWS, Food Stamps administration, Foster Care, and AAP.
- Rejects the proposed Medi-Cal program cuts. (We still do not know whether the Assembly plan restores funding for Medi-Cal administration that the Governor proposed to cut in the May Revision.)

- Rejects the elimination of Adult Day Health Care.
- Fully funds the Healthy Families Program.
- Restores \$6.4 million for core aging nutrition and support programs that the Governor vetoed in 2009-10.

Other components of note in the package include:

- Provides \$931 million to repay local mandate funds owed to local governments. A list of the mandates to be repaid has not yet been provided.
- Suspends corporate tax breaks scheduled to begin January 1, 2011.

The Assembly Budget subcommittees have already formally taken some of these actions and will be taking formal actions on the remainder in hearings tomorrow, May 26, and Thursday, May 27. Also, attached for your information is the full summary of the Assembly Democrat budget package.

Senate Democrat Plan

Yesterday, Senate Democrats proposed a \$4.9 billion package of new revenues including the following:

- Suspending corporate tax breaks scheduled to begin January 1, 2011 (worth \$2.05 billion).
- Extending a 0.25 percent income tax surcharge that is scheduled to end December 31, 2010. (worth \$1 billion).
- Extending a \$217 per dependent reduction in the state's dependent income tax credit, also scheduled to end December 31, 2010 (worth \$430 million).
- Raising the vehicle-license fee from 1.15 percent to 1.50 percent of estimated value starting July 1, 2010 (worth \$1.2 billion).
- Increasing the state's alcohol tax by an inflation-adjusted amount (worth \$210 million). These rates currently remain at 1991 levels.

Senate Democrats also will propose extending some tax increases beyond this budget year. These include retaining the 2009-approved temporary tax increase on vehicles for two more years (through June 30, 2013), retaining the temporary tax increases on income through the end of the 2012 tax year, and suspending the corporate tax breaks through 2012.

We do not know yet which of the Governor's proposed program cuts and eliminations the Senate will restore. As of the writing of this budget memo, the full Senate Budget Committee was meeting to discuss the major proposals, including those in CalWORKs (including Child Care), IHSS, elimination of CFAP, the SSI/SSP grant reduction, and the redirection of county savings and mental health realignment funds to CWS, Food Stamps administration, Foster Care and AAP. The full Senate Budget Committee will also be meeting tomorrow, May 26, to discuss and take action on Medi-Cal administration and program budget proposals. We will keep you posted on the budget actions taken by the Senate.

This budget update is not intended to be a full description of the actions of each house. We will provide you a full recap of the actions taken and what issues will be before the Budget Conference Committee early next week after the budget subcommittees close out.