



August 3, 2010

Senate, Assembly Democrats Release New Jobs Budget

Assembly Speaker John Perez and Senate President pro Tempore Darrell Steinberg announced their revised "California Jobs Budget" this afternoon. The plan reflects the Assembly Speaker's focus on saving jobs and the Pro Tem's interest in restructuring the provision and funding of state services. The package includes a mix of cuts, new revenues, restructuring, tax reductions, and reforms that is expected to be adopted by the Budget Conference Committee in meetings in the next few days.

Counties interested in the details of the proposal can visit Senator Steinberg's website for the [press release and accompanying materials](#) here.

A few highlights of interest to counties:

Tax Reform Package: The proposed tax reform alternative would raise federally deductible taxes (Personal Income Tax and Vehicle License Fees) and reduce the state sales tax rate. Personal Income Tax rates for each bracket would be increased by 1%, and the current 0.25% surcharge would also be extended, raising about \$8.7 billion in PIT revenues. The Vehicle License Fee would be increased from 1.15% to 1.65%, with a portion dedicated to restructuring public safety programs in 2011-12 (a smaller share of the VLF would be available to phase-in the restructuring). The state sales tax rate would be reduced by 1.75% in the budget year and an additional 0.75% in 2011-12, for a total reduction of 2.5% in 2011-12.

Public Safety: The Jobs Budget continues to include the public safety "restructuring" proposal (as revised by Senate Democrats in mid-July) that shifts responsibility for housing and supervising "wobbler" offenders and provides revenue from the Vehicle License Fee to fund the services. This proposal takes the place of the Governor's May Revision proposal to require counties to house non-violent, non-serious offenders in local jails for terms of up to 36 months. The proposal would also maintain funding for local public safety programs, convert funding for the 2007 juvenile justice population to a VLF funding base, and create a four-county parole realignment pilot program.

Health and Human Services: The Jobs Budget includes a number of reductions in health and human services, but rejects the Governor's proposals to eliminate CalWORKs, community mental health programs, Adult Day Healthcare, and severe reductions to IHSS.

Mandate Reimbursements: The Jobs Budget includes authorization for school districts and local governments to securitize future state payments for mandate reimbursements (pre-2004 mandate payments owed to non-school local agencies are nearly \$1 billion). Using the VLF Gap Loan and Proposition 1A Securitization as a model, a joint powers authority would be authorized to pool local agency reimbursements and sell a bond with proceeds going to local agencies. CSAC has done some initial research into this option with positive results. We will be working with legislative staff, bond counsel, and others to flesh out the details, but are hopeful we can develop a construct that will assist counties in this difficult fiscal environment.

More info to come as we know it, including new information from the State Controller's Office on the status of state cash expected later this week. Look for the **CSAC E-Bulletin** on Friday for more details.

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