



May 25, 2010

Two Days, Two New Budget Proposals

A brief update on 2010-11 budget discussions in Sacramento. In the last 24 hours, the Democratic Caucuses in both the Senate and Assembly have released separate proposals that offer alternative approaches to the Governor's May Revision. Presumably, these proposals represent what each house will take in to Budget Conference Committee for further discussion and reconciliation. While specific language is not yet available for either package, we provide you with a brief update below. More details to follow in the coming days.

Senate Democrats' Plan – \$4.9 billion in revenue

The Senate Democrats unveiled a plan yesterday that represents a combination of tax break suspensions, extensions of temporary tax increases, and other revenue options. The package was discussed yesterday afternoon in a Senate budget subcommittee; the subcommittee's summary and analysis of the proposed changes in tax policy may be found [here](#), starting on page 11. The revenue options offered in the Senate Democrats' plan include the following (with an indication of the 2010-11 value):

- Suspending corporate tax breaks scheduled to begin January 1, 2011 (\$2.05 billion)
- Extending a 0.25 percent income tax surcharge scheduled to end December 31, 2010 (\$1 billion)
- Extending a \$217 per dependent reduction in the state's dependent income tax credit, also scheduled to end Dec. 31, 2010 (\$430 million)
- Raising the Vehicle License Fee (VLF) from 1.15 percent to 1.50 percent of estimated value starting July 1 of this year and extending temporary VLF increase (.5 percent) for an additional two years (\$1.2 billion)
- Increasing the state's alcohol tax by an inflation-adjusted amount to reflect inflation since rates last were raised in 1991 (\$210 million)

Assembly Democrats' Plan – The California Jobs Budget

The Assembly Democrats [plan](#), released today, centers on the preservation and expansion of private and public sector jobs. It offers a complete alternative to the Governor's May Revision and, among other provisions, rejects the outright elimination of human services programs (e.g., CalWORKs, child care). The plan creates a \$10.1 billion jobs and economic security fund, with proceeds apportioned to a variety of programs and services. The fund is financed by a multi-step financing mechanism, which includes a partial reversal of the triple flip. Among the highlights for local government, this proposal would repay \$931 million in unreimbursed mandate claims.

In the meantime, the budget subcommittees in both houses continue to slog through the Governor's May Revision proposals. We anticipate that the new budget architecture offered by each house will set the stage for a dynamic budget conference committee process. We will provide you with additional information and analysis as more details become available.

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