



**2010-11
Budget Conference Committee
on AB 190**

Upon Call of the Chair – Room 4203

**Section V
LOCAL GOVERNMENT & REVENUES**

**Senator Denise Moreno Ducheny, Chair
Assemblymember Bob Blumenfield, Vice Chair
Members: Senator Bob Dutton, Senator Bob Huff, Senator Mark Leno, Senator Alan Lowenthal,
Assemblymember Connie Conway, Assemblymember Felipe Fuentes, Assemblymember Jim Nielsen, and Assemblymember Nancy Skinner**

Table of Contents

<u>Item #</u>	<u>Title</u>	<u>Page</u>
0860	State Board of Equalization	1
1730	Franchise Tax Board	4
Revenues	Various Revenue Proposals.....	6
8885	Commission on State Mandates.....	11
9210	Local Government Financing	14
9620	Cash Management and Budgetary Loans	15

Issue	Description	Difference (dollars in thousands)	Conference Action
-------	-------------	--------------------------------------	-------------------

0860-001-0001 State Board of Equalization

006	Agricultural Inspection Tax Leads	Assembly	\$0
	<p>Governor proposed 42.5 new positions to expand the pilot program at the Needles border inspection station to three additional border inspection stations. The BOE works with the California Department of Food and Agriculture to make copies of the bills of lading at these stations to determine if goods being shipped through these stations are paying applicable taxes.</p>	Senate	\$0
		Difference	\$0

Assembly approved this proposal, but made the new positions two-year limited term.

Senate approved the proposal as budgeted.

Issue	Description	Difference (dollars in thousands)	Conference Action
031	Sales Tax Collection—Out-of-State Internet Retailers	Assembly \$0	
TBL	Governor had no proposal.	Senate \$0	
	Assembly took no action.	(expenditures)	
	Senate adopted TBL that would require internet retailers who are not required to collect the use tax in California to report to BOE certain information regarding sales to California residents. The TBL would also require internet retailers to post a notice on their website informing consumers of their obligation to remit the use tax to the state.	\$10,000 (revenues)	
		Difference \$0 (expenditures)	
		\$10,000 (revenues)	

0860	State Board of Equalization	Section V	
Issue	Description	Difference (dollars in thousands)	Conference Action
032	Use Tax Collection—Voluntary Disclosure Program	Assembly \$0	
TBL	Governor had no proposal.		
	Assembly took no action.	Senate \$0 (expenditures)	
	Senate Adopted trailer bill language to: (1) extend the existing voluntary line for the sales and use tax on the income tax form, (2) direct BOE to develop a “look-up” table to assist taxpayers in compliance with current law, and (3) make this a mandatory reporting requirement.	\$9,200 (revenues)	
		Difference \$0 (expenditures)	
		\$9,200 (revenues)	

1730-001-0001 Franchise Tax Board

014 **Restoration of Furlough Revenue** Assembly
\$0

Governor's budget called for additional resources for revenue-generating work that was not completed as a result of the furlough program in place during the current year. The work meets reasonable benefit/cost thresholds. The proposal relies on overtime and temporary employees at a cost of \$14.7 million and would generate \$50 million in additional revenues in the budget year.

Senate
\$0

Difference
\$0

Assembly approved the funding and the positions but not the use of overtime. Also approved provisional language related to additional funding.

Senate approved the proposal.

Issue	Description	Difference (dollars in thousands)	Conference Action
-------	-------------	--------------------------------------	-------------------

042	Professional License Suspensions	Assembly \$0	
-----	---	-----------------	--

TBL	Governor had no proposal.	Senate \$0	
	Assembly took no action.	(expenditures)	

	Senate adopted TBL that would allow for the suspension of professional licenses of delinquent taxpayers after FTB has exhausted all due process requirements and the failure of the taxpayer to enter into an installment agreement.	\$19,000 (revenues)	
--	---	------------------------	--

		Difference \$0 (expenditures)	
--	--	-------------------------------------	--

		\$19,000 (revenues)	
--	--	------------------------	--

Revenues**Section V**

Issue	Description	Difference (dollars in thousands)	Conference Action
-------	-------------	--------------------------------------	-------------------

Revenues

044	Corporation Tax Treatment—NOLs, Credit Sharing and Income Apportionment	Assembly \$2,100,000 (revenues)	
-----	--	---------------------------------------	--

TBL

Governor proposed in January suspending the use of net operating losses (NOLs) for one year and delaying new corporation tax treatment for NOL carrybacks, tax credits and income apportionment for one year if federal funds did not materialize. The Governor rescinded this proposal in the May Revision.

Senate
\$2,100,000
(revenues)

Difference
\$0

Assembly approved TBL to suspend use of NOLs for an additional three years and delay new corporation tax treatment for NOL carrybacks, tax credits, and income apportionment

Senate approved TBL to suspend use of NOLs for an additional two years, eliminate carryback provision, and delay new corporation tax treatment for tax credits, and income apportionment.

Revenues**Section V**

Issue	Description	Difference (dollars in thousands)	Conference Action
045	Extend Targeted Income Tax Provisions	Assembly \$0	
TBL	Governor proposed in January extending for one year the decrease in the dependent exemption credit from \$309 to \$99 if federal funds did not materialize. The Governor rescinded this proposal in the May Revision.	Senate \$1,430,000 (revenues)	
	Assembly took no action.	Difference \$1,430,000 (revenues)	
	Senate approved placeholder TBL to extend the existing 0.25 percent personal income surcharge and the decrease in the dependent exemption credit for an additional two years.		

Revenues**Section V**

Issue	Description	Difference (dollars in thousands)	Conference Action
000	Vehicle License Fee	Assembly \$0	
	Governor had no proposal.		
	Assembly took no action.	Senate \$0 (expenditures)	
	Senate adopted TBL to extend the 0.5 increase in the VLF enacted in February 2009 for an additional two years and continue to dedicate 0.15 to local law enforcement. The TBL would also increase the VLF by an additional 0.35 effective July 1, 2010. This action would result in a VLF rate of 1.5, which is 25 percent below the historical VLF rate.	\$1,200,000 (revenues)	
		Difference \$1,200,000 (revenues)	

Revenues

Section V

Issue	Description	Difference (dollars in thousands)	Conference Action
040	Alcoholic Beverage Tax—Increase for Inflation	Assembly \$0	
TBL	Governor had no proposal.		
	Assembly took no action.	Senate \$0 (expenditures)	
	Senate adopted placeholder TBL to increase the alcoholic beverage tax rates to reflect inflation since the last time the rates were raised in 1991.	\$214,000 (revenues)	
		Difference \$0 (expenditures)	
		\$214,000 (revenues)	

Revenues**Section V**

Issue	Description	Difference (dollars in thousands)	Conference Action
-------	-------------	--------------------------------------	-------------------

014	Oil Severance Tax	Assembly \$1,000	
-----	--------------------------	---------------------	--

TBL	Governor had no proposal.	(expenditures)	
-----	----------------------------------	----------------	--

	Assembly adopted placeholder TBL establishing an oil severance tax on oil from California wells to be administered by BOE.	\$900,000 (revenues)	
--	---	-------------------------	--

	Senate took no action.	Senate \$0 (expenditures)	
--	-------------------------------	---------------------------------	--

		\$0 (revenues)	
--	--	-------------------	--

		Difference \$1,000 (expenditures)	
--	--	---	--

		\$900,000 (revenues)	
--	--	-------------------------	--

Issue	Description	Difference <small>(dollars in thousands)</small>	Conference Action
--------------	--------------------	--	--------------------------

8885-295-0001 Commission on State Mandates

001	<p>Open Meetings / Brown Act Mandate.</p> <p>Governor requested to suspend the Open Meetings / Brown Act mandate for budget savings of \$362,000 in 2010-11 and cost avoidance of approximately \$16.5 million in 2012-13.</p> <p>Assembly rejected the Governor’s proposal and kept the mandate in effect.</p> <p>Senate adopted trailer bill language to make the statutory mandate requirements best practices for the open meeting requirements in the State Constitution as added by Proposition 59. This would result in the same savings as the Governor’s proposal.</p>	<p>Assembly \$362</p> <p>Senate \$0 TBL</p> <p>Difference \$362 TBL</p>	
-----	---	---	--

8885	Commission on State Mandates	Section V	
Issue	Description	Difference (dollars in thousands)	Conference Action
001	AB 3632 / Special Education Mental Health Services Mandate.	Assembly \$131,762	
	Governor proposed to suspend the mandate for 2010-11 General Fund savings of \$132 million.	Senate \$79,401	
	Assembly rejected Governor's request and funded \$52 million in Department of Mental Health item and \$131 million in the Commission on State Mandates Item.	Difference \$52,361	
	Senate rejected Governor's request and funded \$52 million in Department of Mental Health item and \$79 million in the Commission on State Mandates Item (for a total of \$132 million).		
	<u>Conforms to overall AB 3632 package to be heard in the Education Section of the Conference Agenda.</u>		

Issue	Description	Difference (dollars in thousands)	Conference Action
-------	-------------	--------------------------------------	-------------------

931	Accelerated Mandate Reimbursement.	Assembly \$931,000	
-----	---	-----------------------	--

Governor did not propose any accelerated mandate reimbursement for per-2004 mandate claims.

Senate
\$0

Assembly adopted accelerated repayment of \$931 million in pre-2004 mandate claims. Funding would come from the Jobs Fund, which is newly created in the Assembly budget.

Difference
\$931,000

Senate did not adopt any accelerated mandate reimbursement for per-2004 mandate claims.

Conforms to overall Assembly Jobs Budget package to be heard in another section of the Conference Agenda.

Issue	Description	Difference <small>(dollars in thousands)</small>	Conference Action
--------------	--------------------	--	--------------------------

9210-101-8063 Local Government Financing

001	Oil Production / Oil Severance Tax Mitigation Subvention.		Assembly \$100,000
-----	--	--	-----------------------

	Governor did not have a proposal.		Senate \$0
--	-----------------------------------	--	---------------

	<p>Assembly adopted a new local subvention that would provide \$100 million annually to local governments in oil producing regions to mitigate for oil production and the proposed oil severance tax. Funding would come from the Jobs Fund, which is newly created in the Assembly proposal to securitize Bottle Bill revenue and impose an oil severance tax.</p>		Difference \$100,000
--	---	--	-------------------------

Senate took no action.

Conforms to overall Assembly Jobs Budget package to be heard in another section of the Conference Agenda.

9620-002-0001 Cash Management and Budgetary Loans

001	Payment of Interest on Budgetary Loans.	Assembly -\$32,000	
	Governor proposed to reduce interest costs in 2010-11 by deferring the repayment of various special fund loans. This May Revision proposal reduced General Fund costs by \$32 million.	Senate -\$38,600 (-\$30,000 additionally on revenue side)	
	Assembly adopted the Governor's proposal.		
	Senate adopted the Governor's proposal, but also reduced the repayment of the Bottle Bill loan by \$30 million in principal and \$6.6 million in interest. Only the interested is scored in this budget item – the repayment of principal is a non-budget-act adjustment.	Difference \$6,600 (\$30,000 revenue side)	