



**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

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

Issue	Description	Difference (dollars in thousands)	Conference Action
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0860-001-0001 State Board of Equalization

006	<b>Agricultural Inspection Tax Leads</b>	Assembly \$0	
	<p><b>Governor</b> 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.

0860	State Board of Equalization	Section V	
Issue	Description	Difference (dollars in thousands)	Conference Action
031	<b>Sales Tax Collection—Out-of-State Internet Retailers</b>	Assembly \$0	
TBL	<b>Governor</b> had no proposal.	Senate \$0	
	<b>Assembly</b> took no action.	(expenditures)	
	<b>Senate</b> 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	<b>Use Tax Collection—Voluntary Disclosure Program</b>	Assembly \$0	
TBL	<b>Governor</b> had no proposal.		
	<b>Assembly</b> took no action.	Senate \$0 (expenditures)	
	<b>Senate</b> 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.

1730	Franchise Tax Board	Section V	
Issue	Description	Difference (dollars in thousands)	Conference Action
042	<b>Professional License Suspensions</b>	Assembly \$0	
TBL	<b>Governor</b> had no proposal.		
	<b>Assembly</b> took no action.	Senate \$0 (expenditures)	
	<b>Senate</b> 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
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**Revenues**

044	<b>Corporation Tax Treatment—NOLs, Credit Sharing and Income Apportionment</b>	Assembly \$2,100,000 (revenues)	
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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	<b>Extend Targeted Income Tax Provisions</b>	Assembly \$0	
TBL	<b>Governor</b> 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)	
	<b>Assembly</b> took no action.	Difference \$1,430,000 (revenues)	
	<b>Senate</b> 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	<b>Vehicle License Fee</b>	Assembly \$0	
	<b>Governor</b> had no proposal.		
	<b>Assembly</b> took no action.	Senate \$0 (expenditures)	
	<b>Senate</b> 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	<b>Alcoholic Beverage Tax—Increase for Inflation</b>	Assembly \$0	
TBL	<b>Governor</b> had no proposal.		
	<b>Assembly</b> took no action.	Senate \$0 (expenditures)	
	<b>Senate</b> 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**

<b>Issue</b>	<b>Description</b>	<b>Difference</b> <small>(dollars in thousands)</small>	<b>Conference Action</b>
014	<b>Oil Severance Tax</b>	Assembly \$1,000	
TBL	<b>Governor</b> had no proposal.	(expenditures)	
	<b>Assembly</b> adopted placeholder TBL establishing an oil severance tax on oil from California wells to be administered by BOE.	\$900,000 (revenues)	
	<b>Senate</b> took no action.	Senate \$0 (expenditures)	
		\$0 (revenues)	
		Difference \$1,000 (expenditures)	
		\$900,000 (revenues)	

Issue	Description	Difference (dollars in thousands)	Conference Action
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**8885-295-0001 Commission on State Mandates**

001	<b>Open Meetings / Brown Act Mandate.</b>	Assembly	
		\$362	
	<b>Governor</b> 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.	Senate	
		\$0	
		TBL	
	<b>Assembly</b> rejected the Governor's proposal and kept the mandate in effect.	Difference	
		\$362	
		TBL	
	<b>Senate</b> 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.		

Issue	Description	Difference (dollars in thousands)	Conference Action
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001	<b>AB 3632 / Special Education Mental Health Services Mandate.</b>	Assembly \$131,762	
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	<b>Governor</b> proposed to suspend the mandate for 2010-11 General Fund savings of \$132 million.	Senate \$79,401	
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	<b>Assembly</b> 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	
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**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).

Conforms to overall AB 3632 package to be heard in the Education Section of the Conference Agenda.

Issue	Description	Difference (dollars in thousands)	Conference Action
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931	<b>Accelerated Mandate Reimbursement.</b>	Assembly \$931,000	
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**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.

<b>Issue</b>	<b>Description</b>	<b>Difference</b> <small>(dollars in thousands)</small>	<b>Conference Action</b>
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**9210-101-8063 Local Government Financing**

001	<b>Oil Production / Oil Severance Tax Mitigation Subvention.</b>		Assembly \$100,000
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	Governor did not have a proposal.		Senate \$0
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	<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
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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	<p><b>Payment of Interest on Budgetary Loans.</b></p> <p><b>Governor</b> 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.</p> <p><b>Assembly</b> adopted the Governor’s proposal.</p> <p><b>Senate</b> 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.</p>	<p>Assembly -\$32,000</p> <p>Senate -\$38,600 (-\$30,000 additionally on revenue side)</p> <p>Difference \$6,600 (\$30,000 revenue side)</p>
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