

# *The* FISCAL REPORT *an informational update*

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## **Senate Democrats Propose to Shift Social Service and Public Safety Programs to Counties**

Democratic leaders in the State Senate released a plan to shift responsibility for several major social service and public safety programs from the state to the counties in an attempt to solve the state's \$19 billion Budget gap. The plan would be phased in over four years and reduce state expenditures by more than \$3.1 billion commencing in 2010-11, increasing to \$4.3 billion by 2013-14.

The Senate Democrats' plan would transfer responsibility for several social service and public safety programs to the 58 counties, along with new revenues to cover the costs of these programs. The programs proposed for transfer include California Work Opportunity and Responsibility to Kids (CalWORKs) child care, supervision and incarceration of certain "low-level offenders," adult protective services, and juvenile parole services. In addition, the plan would increase the share of costs covered by the counties for CalWORKs grants and administration from 2.5% to 25.0%. In total, the plan calls for transferring almost \$690 million in public safety programs and \$2.4 billion in social service programs to the counties in 2010-11.

To pay for these added responsibilities, the Senate plan calls for the imposition of an oil severance tax that is expected to generate \$1.2 billion in 2010-11. In addition, the plan would delay by two years the implementation of several corporate tax breaks that are scheduled to take effect in 2010-11, resulting in additional revenues of \$1.75 billion in the budget year. Added revenues would also come from the transfer of existing Vehicle License Fee (VLF) revenues from the state's Department of Motor Vehicles to the counties (\$200 million), along with an increase in the VLF rate, which would otherwise drop, raising \$1.5 billion annually.

In order for this plan to produce savings for the state, these tax increases are necessary. Otherwise, the transfer of service delivery and funding would not produce any savings.

The plan is generating significant attention among many Democratic legislators, but will likely require a two-thirds vote in both houses due to the proposed tax increases, a barrier that has stalled other revenue proposals in past years. Moreover, even if adopted as proposed, the remaining Budget gap would still require that very painful choices be made.

*-Robert Miyashiro*

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