



# Agency Advocacy Management Matters

NAIFA-California's political update designed especially for Field "Agency Management"

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## **TAXES – Schwarzenegger 2009-2010 Budget Plan?**

Governor Schwarzenegger and Democratic leaders had hoped to coalesce around a plan that would have addressed \$18 billion of the \$40 billion deficit California faces over the next 18 months; however, no progress has been made thus far. According to some Administration officials, Democratic leaders may be wavering on their opposition to deeper spending cuts and an economic stimulus package. It is also being reported that Republicans may be considering supporting tax increases should they see a number of their priorities addressed, including scaling back a number of regulatory burdens on business in the State as well as a hard cap on state spending in tough budget years.

Despite the inability to find an agreeable solution, the Schwarzenegger Administration released the Constitutionally-mandated FY 2009-2010 budget proposal 10 days early – on December 31<sup>st</sup>. The plan attempts to address the \$40 billion budget deficit with the assumption that the Legislature will adopt all of the proposals the Governor proposed in the Special Session by February 1, 2009. The most controversial component of the proposed budget plans from the Governor and Legislature pertain to tax increases. Some of the changes proposed in the Governor's FY 2009-2010 plan include:

- Shifts and decreases for education funding under the Proposition 98 guarantee
- Tax Proposal Changes
  - 1.5-cent sales tax increase
- Elimination of the First Five Commission to fund other services, health care in particular
- Emergency Response Initiative Proposal – increase of \$17.1 million funded through a 2.8% surcharge on all residential and commercial property insurance statewide
- \$12 Vehicle License Fee increase
- 9.9% Oil Severance Tax (Generating \$358 million in 08-09, \$855 million in 09-10)
- State Employee Furloughs – 2 days per month and elimination of 2 state holidays and premium pay for holiday hours
- State employee health care coverage to be pursued/contracted directly from an insurer rather than CalPERS.

The result of the tax negotiations may have broad implications for NAIFA-California members' businesses, employees, services, and products and the association's Government Relations team is closely monitoring any and all tax proposals that could affect our members in any way.

## **California Department of Insurance – Lowering Fees**

Well, not all the news coming out of the Department is bad news. At a recent meeting of insurance industry representatives, including NAIFA-California, the Commissioner, and his staff reported that the DOI has permanently reduced their operating budget by 10% and a number of the fees charged to the industry by the Department will decrease.

Here is a quick breakdown:

- Licensing fees for agents and brokers will decrease by 6%
- The Fraud general fee will be reduced by 60% (from \$5100 to \$2100)
- AB 1183 fraud charge per vehicle will be reduced from \$.30 to \$.20 per vehicle (which will require legislation)