

Budget Update

Governor Schwarzenegger's Tobacco Control Budget Proposal Reflects Continued Decline in Tobacco Tax Revenue

(January 13, 2005)

On Monday, January 10, 2005, Governor Schwarzenegger released his proposed budget for the next fiscal year (2005-2006). The Governor's budget proposal reflects a continued decline in tobacco tax revenue resulting in an overall reduction in Proposition 99 funding. The Governor does not propose an increase in the tobacco tax to offset this decline. The Governor's annual budget submission represents the starting point of the budget process. Highlights of the proposed budget pertaining to tobacco control and a brief outline of the budget process are provided below.

Proposition 99 Fund

The Governor's proposed budget estimates a slight increase in Proposition 99 total revenue in the current year and a decline in total revenue for the next fiscal year (2005-2006). The 2004-2005 Budget Act signed by Governor Schwarzenegger last July estimated that the total revenue generated in the Prop 99 Fund would be \$334 million. Governor Schwarzenegger's budget proposal increases the estimate for current year revenue to \$345 million due to higher than anticipated remaining balances in the previous year's accounts and to slightly higher than anticipated tax revenue. The Governor's budget proposal estimates that total revenue for the Proposition 99 fund will fall to \$331 million for the 2005-2006 Fiscal Year. However, due to account balances and interest earnings, the Governor's proposal includes either sustained funding levels or (mostly) modest increases for the following programs tracked by the Center:

Proposition 99 - Health Education Account

The Health Education Account receives 20% of Prop 99 tax revenue.

All numbers are rounded.

	2004-2005 Budget Act (Current Year)	2004-2005 Revised (Per. Governor's Proposal)	Change Amount ('04-'05 Budget Act to '04-05 Revised)	2005-2006 Governor's Proposal	Change Amount ('04-'05 Budget Act to '05-'06 Proposal)
Department of Health Services					
<i>TCS Admin*</i>	\$1.3 million	\$2.49 million	91.5%	\$2.45 million	88.5%
<i>Media Campaign</i>	\$15.7 million	\$15.7 million	0%	\$ 15.7 million	0%
<i>Competitive Grants</i>	\$15.44 million	\$15.44 million	0%	\$15.44 million	0%
<i>TEROC/Evaluation**</i>	\$3.64 million	\$3.64 million	0%	\$3.8 million	4.4%
<i>Local Lead Agencies</i>	\$16.22 million	\$16.22 million	0%	\$16.22 million	0%
Dept. of Education	\$23.02 million	\$23.28 million	1.1%	\$23.1 million	0.3%

Proposition 99 - Research Account

The Research Account receives 5% of Prop 99 tax revenue.

All numbers are rounded.

	2004-2005 Budget Act (Current Year)	2004-2005 Revised (Per. Governor's Proposal)	Change Amount (‘04-‘05 Budget Act to ‘04-05 Revised)	2005-2006 Governor’s Proposal	Change Amount (‘04-‘05 Budget Act to ‘05-‘06 Proposal)
Department of Health Services (Cancer Registry)	\$5.03 million	\$5.09 million	1.2%	\$5.21 million	3.6%
University of California (TRDRP)	\$14.25 million	\$14.25 million	0%	\$14.25 million	0%

**The increase in the TCS State Administration line item is not reflective of an actual increase, but instead, now reflects a larger portion of the total TCS appropriation for state administration coming from the Health Education Account (HEA) instead of the Unallocated Account (UA). Therefore, TCS will be reduced by \$1.19 million in UA funding to offset the increase in HEA State Administration funding. There is no net increase or decrease.*

***The increase in the TEROE/Evaluation line item reflects cost of living increases in state contracting. This increase can only occur in the TEROE/Evaluation line item because it is state operations funding, and not local assistance funding (e.g., LLAs, Competes, and Media).*

The Budget Process

The Governor’s budget proposal each January is just the start of the budget process, as the Legislature will now play a major role in re-shaping this fiscal document. The following timeline delineates where the budget goes from here:

Late January/Early February

The Legislative Analyst submits a nonpartisan analysis of the Governor’s proposed budget along with recommendations for changes to the budget.

March-May

Both the State Senate and Assembly budget subcommittees hold hearings to review each specific appropriation in the budget document.

Mid May

The Governor must submit revisions to his January budget proposal by May 14. The “May Revise” is the Governor’s budget adjusted for updated revenue projections.

Late May

The budget subcommittees will review and take action on the changes in the governor’s May Revise Budget and then report their recommendations to the full budget committee. The Senate and Assembly Budget committees then adopt a budget plan and this budget then will go to the full house.

June

June 15 is the Constitutional deadline for approval of the budget by the Legislatures. For passage, the budget bill is required to receive a two-thirds vote on the floor of each house. A Budget Conference Committee, made up of members of both houses, is established to work out any differences between the Senate and Assembly version of the bill. Once identical bills have received a two-thirds vote in each house it is passed on to the Governor for his signature.

July 1

This is the beginning of the new fiscal year.

More information on the budget and the budget process can be obtained at the Senate’s web site <http://www.sen.ca.gov/>, the Assembly’s web site <http://www.assembly.ca.gov/>, The Department of Finance web site <http://www.dof.ca.gov/> and the Legislative Analyst’s Office web site <http://www.lao.ca.gov/>.

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