

Budget Update

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

(January 24, 2006)

On Tuesday, January 10, 2006, Governor Schwarzenegger released his proposed budget for the next fiscal year (2006-2007). The Governor's budget proposal projected an increase in tobacco tax revenue resulting in an overall increase in Proposition 99 funding. 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 an increase in total tobacco tax revenue for the next fiscal year (2006-2007). Proposition 99 revenues have historically declined due to declining smoking rates. For the next fiscal year, however, revenues are expected to increase by around \$10.4 million. The Administration credits this projected increase to a Board of Equalization proposal to better recover tax revenue from Internet and mail order tobacco sales. The 2005-2006 Budget Act signed by Governor Schwarzenegger last July estimated that the total revenue generated in the Prop 99 Fund would be \$325 million. Governor Schwarzenegger's 2006-2007 budget proposal increases the estimate for next year's projected revenue to \$335 million.

Proposition 99 - Health Education Account

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

All numbers are rounded.

	2005-2006 Budget (Includes mid-year adjustments)	2006-2007 Governor's Budget Proposal	Change Amount ('05-'06 Budget to '06-'07 Proposal)	Percent Change ('05-'06 Budget to '06-'07 Proposal)
Department of Health Services				
<i>TCS Administration (includes funding from Unallocated Account)</i>	\$4.1 million	\$3.8 million	-\$300,000	-7.3%
<i>Media Campaign</i>	\$15.7 million	\$20 million	\$4.3 million	27.4%
<i>Competitive Grants</i>	\$18.04 million	\$16.74 million	- \$1.3 million	-7.2%
<i>TEROC/Evaluation</i>	\$3.8 million	\$5.7 million	\$1.9 million	50%
<i>Local Lead Agencies</i>	\$16.2 million	\$16.2 million	\$0	0.0%
Dept. of Education	\$24.3 million	\$23 million	- \$1.3 million	-5.3%

Proposition 99 - Research Account

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

All numbers are rounded.

	2005-2006 Budget (Includes mid-year adjustments)	2006-2007 Governor's Budget Proposal	Change Amount ('05-'06 Budget to '06-'07 Proposal)	Percent Change ('05-'06 Budget to '06-'07 Proposal)
Department of Health Services (Cancer Registry)	\$5.2 million	\$5.4 million	\$200,000	3.8%
University of California (TRDRP)	\$14.3 million	\$14.3 million	\$0	0.0%

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

The Constitutional deadline for approval of the budget by the Legislature is June 15.

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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